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GROWTH

FUND

Ten years of enabling
entrepreneurship in
frontier markets

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Ministry of Foreign Affairs

The Dutch Good Growth Fund (DGGF) - Financing Local SMEs is an initiative of the Dutch government to stimulate entrepreneurship and create jobs in frontier markets. Since its inception in 2014, DGGF Financing Local SMEs is managed by a consortium consisting of Triple Jump B.V. and PricewaterhouseCoopers Advisory N.V. (PwC).

THE IMPACT OF 10 YEARS DGGF

CHALLENGES AND ACHIEVEMENTS

As DGGF celebrates its 10th anniversary, it's an opportune moment to reflect on the past decade of facilitating SME finance in emerging markets and to explore the latest developments since the [last DGGF impact report](#). Established in 2014, **DGGF - Financing Local SMEs** is an initiative of the Dutch Ministry of Foreign Affairs to deliver investment and technical support to various investment funds and financial institutions in emerging and frontier markets. In doing so, DGGF aims to improve access to finance for the 'missing middle' in target countries. These 'missing middle' SMEs lack a convincing proposition to mainstream investors, often due to a combination of their small size and high risk. Greater access to finance enables these local enterprises to grow, thereby contributing to sustainable development, the financial ecosystem and better markets worldwide. DGGF is especially eager to support those that are most underserved: young and female entrepreneurs, and businesses in fragile states.

Since its inception, DGGF has taken on more risk than traditional development finance institutions and other investors in emerging markets. This approach is designed to show that investments in the missing middle can bring both financial returns and positive social impacts. DGGF was among the first investors to explicitly incorporate and quantitatively measure financial additionality and demonstration effects as part of its theory of change and investment process. DGGF also prioritizes investments that can support first-time fund managers, contribute to scaling access to finance and to strengthening investment ecosystems in its target countries. At the end of 2023, the DGGF amounted to almost €400m in committed capital across 75+ investees. In turn, these investees have

financed almost 12,000 SMEs, supporting over 150,000 jobs.

The 10-year journey of DGGF has seen many achievements and also challenges. Difficult business environments tested the resilience of our financial intermediaries in many ways, with the difficult global environment extending to the underlying SMEs. The markets where DGGF is exposed have witnessed political instability, war outbreaks, global recession, currency depreciation, inflation hikes, and the coronavirus pandemic. Although this affected financial performance, impact results showed the resilience of the portfolio and the underlying local SMEs despite the crises. As the latest impact data show, the vast majority of SMEs in the DGGF portfolio have grown their revenues and employee base since the time of DGGF's investment.

Furthermore, climate change presented both risks and opportunities for DGGF. Entrepreneurs and fund managers have been adapting to develop innovative climate solutions, receiving DGGF's support as we rolled out our Green Growth strategy. There has also been greater outreach to young entrepreneurs, along with stronger additionality and catalytic effects. These aspects were highlighted in the 2023 report [Demonstration effect and other catalytic effects](#). With its maturing portfolio, DGGF continues to demonstrate its relevance in a rapidly evolving world. While diversification and technical support will continue to play an important part in generating impact results, we can also expect that the more difficult financial environment will still affect the growth of SMEs in the coming years. This makes collaboration with like-minded current and aspiring co-investors essential for supporting local SMEs in frontier

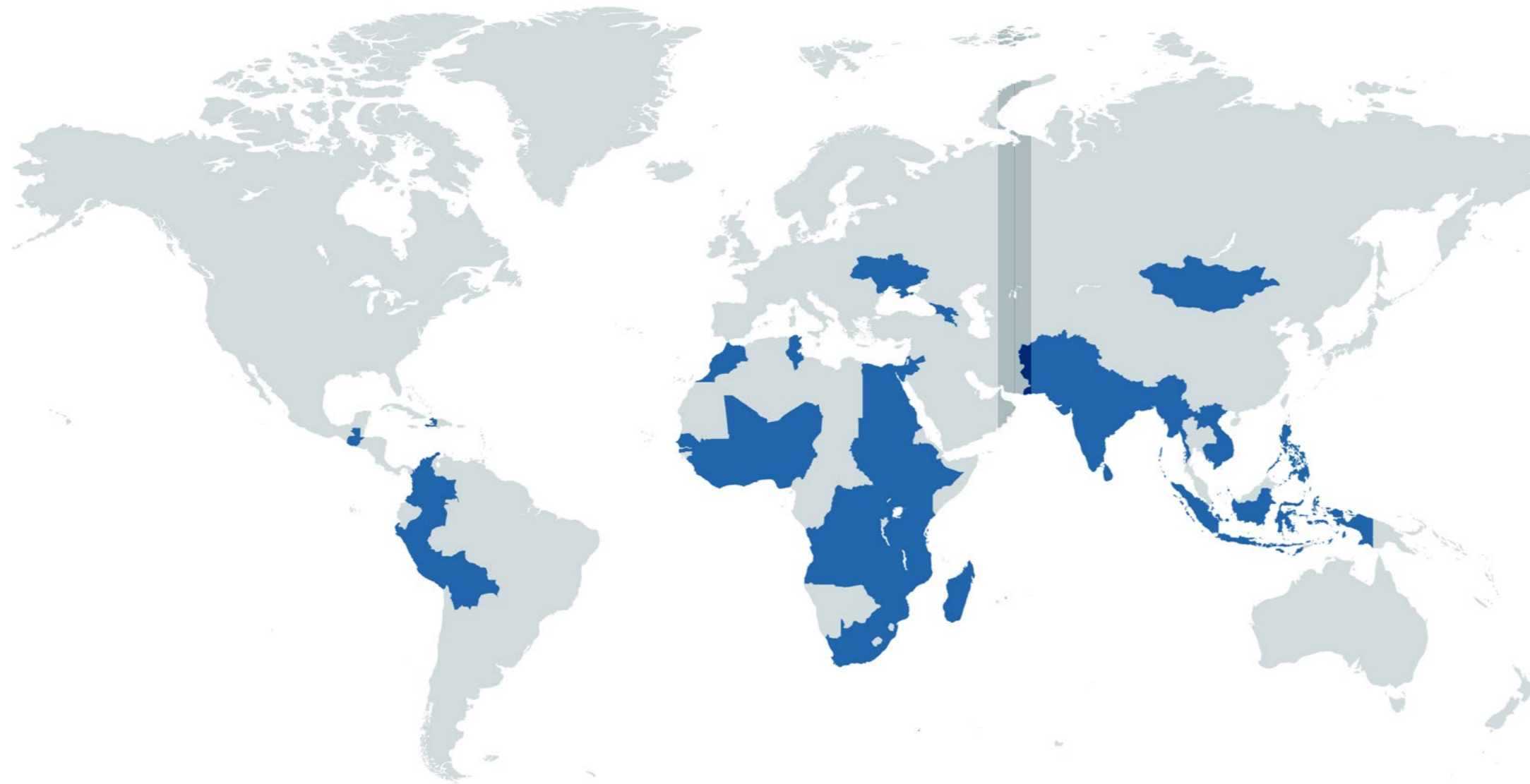
markets, such as through the [Market Creation Program](#) (MCP) which DGGF launched together with FMO. In this way, these markets can reach their full potential and contribute to more sustainable economic and social development.

Finally, together with its partners DGGF contributes to establishing the Netherlands as a place of innovation and expertise on missing middle financing, investment know-how, and professional services. The networks we built expanded beyond the remit of our own work. For example, DGGF helped Dutch fund manager [XSML](#) to target the missing middle in several African frontier markets, such as Uganda and the Democratic Republic of Congo. Through two funds supported by DGGF, XSML is able to provide innovative financial support, technical assistance, and management expertise in the most challenging markets. Additionally, DGGF has been engaged in developing knowledge products that assist entrepreneurs, finance providers, and investors from the Netherlands and partner countries. These knowledge products, such as the [Deep Dive on Inclusive Growth conducted by Steward Redqueen \(2023\)](#), focus on the design and deployment of more relevant financial products and services for the benefit of entrepreneurs across the globe.



AT A GLANCE

DGGF FINANCING LOCAL SMES



Countries where DGGF has supported SMEs

- | | | | |
|------------------------------|----------------------------------|-------------------------|----------|
| Afghanistan | Guinea | Nepal | Togo |
| Angola | Haiti | Niger | Tunisia |
| Armenia | India | Nigeria | Uganda |
| Bangladesh | Indonesia | Pakistan | Ukraine |
| Benin | Jordan | Palestinian Territories | Vietnam |
| Bolivia | Kenya | Peru | Zambia |
| Burkina Faso | Lao People's Democratic Republic | Philippines | Zimbabwe |
| Cambodia | Liberia | Republic of Congo | |
| Colombia | Madagascar | Rwanda | |
| Côte d'Ivoire | Malawi | Senegal | |
| Democratic Republic of Congo | Mali | Sierra Leone | |
| Egypt | Moldova | South Africa | |
| Ethiopia | Mongolia | South Sudan | |
| Georgia | Morocco | Sri Lanka | |
| Ghana | Mozambique | Sudan | |
| Guatemala | Myanmar | Tanzania | |

Fund size as of
December 2023

€400M

Seed Capital &
Business Development
facility (SC&BD)

€62M

DGGF country
outreach

55

Financial intermediaries
financed

78

Number of SMEs
financed

11.794

Number of women-owned
or led SMEs reached

4.833

Number of youth-owned
or led SMEs reached

4.884

Number of SMEs
reached in fragile states

4.825

Figure 1. Number of financial intermediaries supported by DGGF

Cumulative, including SC&BD portfolio since 2018

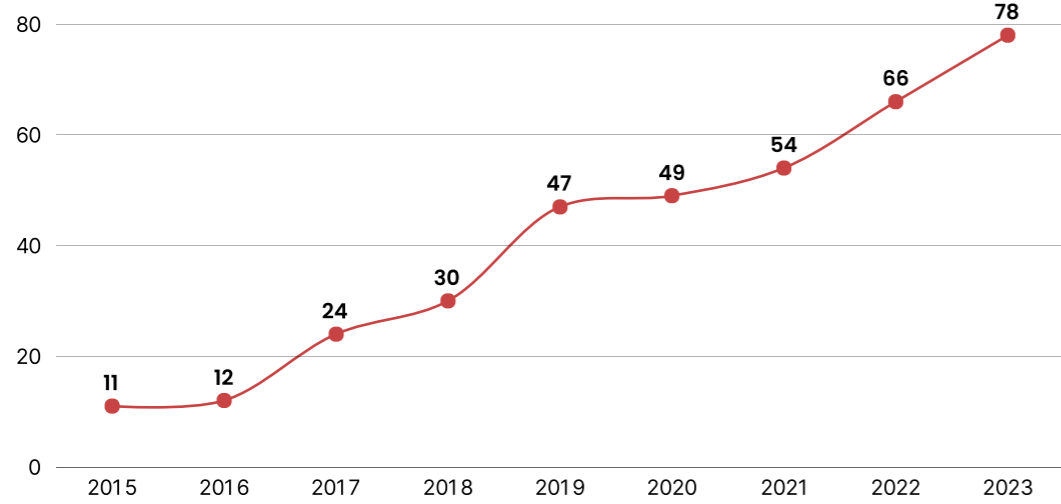


Figure 2. Number of SMEs financed by DGGF's investment portfolio

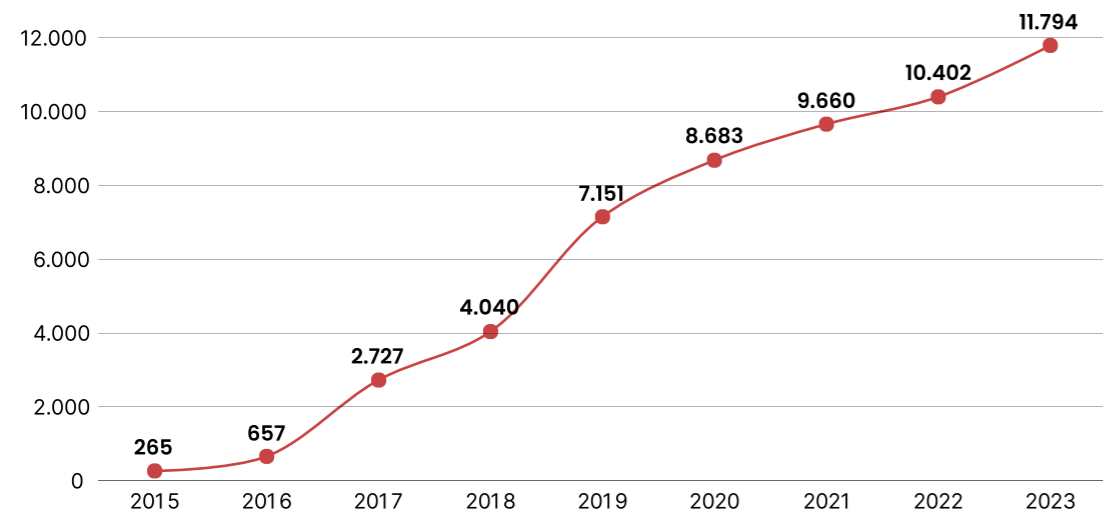
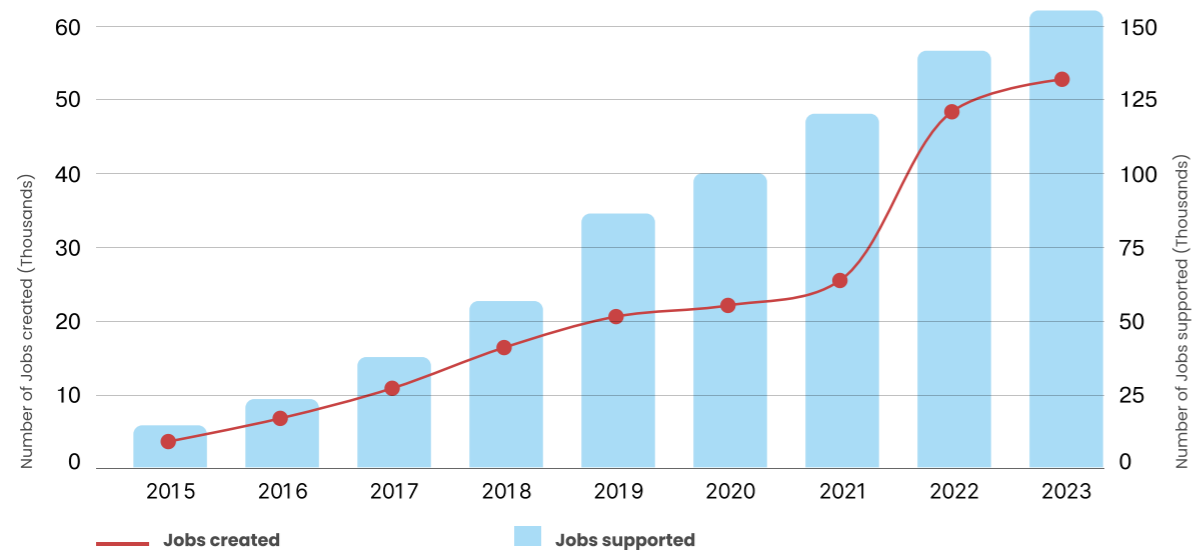


Figure 3. Number of jobs supported and created by SMEs in the DGGF portfolio



*Since 2022, jobs created are calculated with an improved methodology



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FEMALE ENTREPRENEURSHIP

EMPOWERING FEMALE ENTREPRENEURS

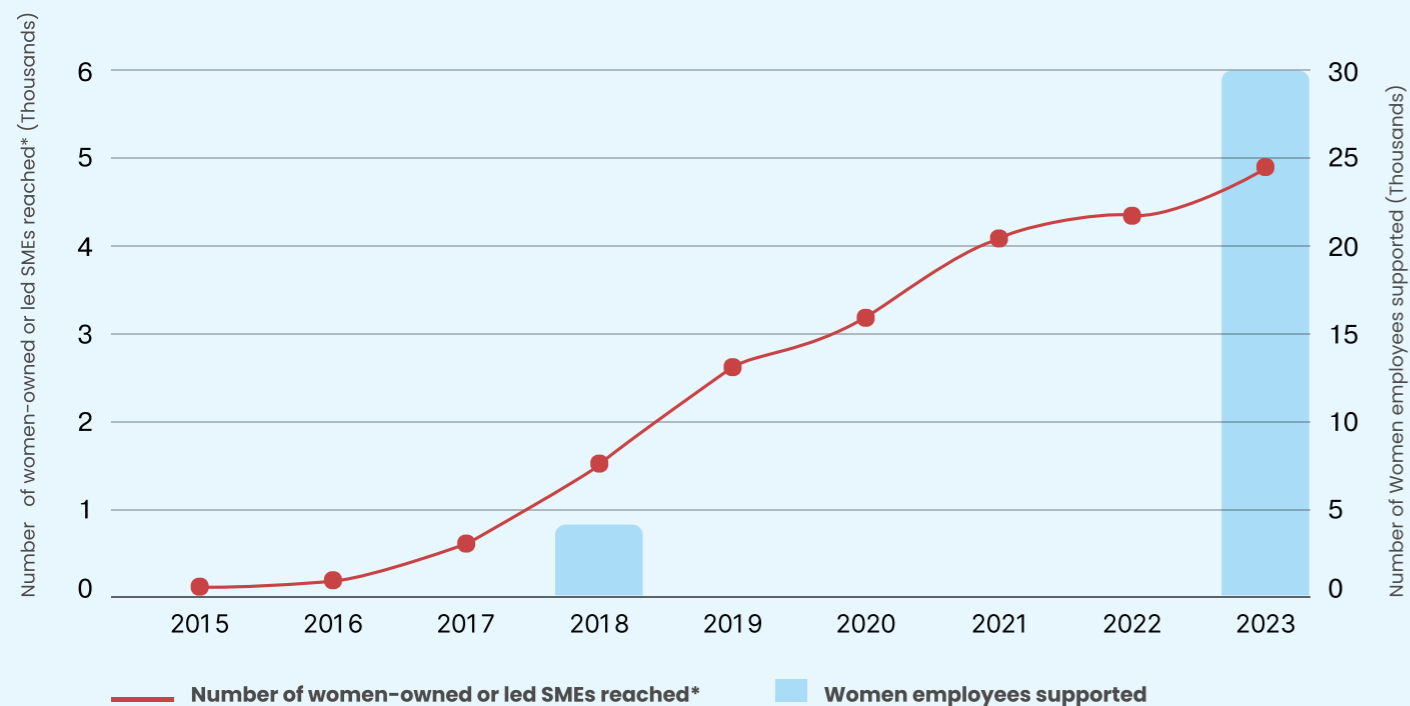
DGGF'S COMMITMENT TO GENDER EQUALITY

Gender inequality remains a significant barrier to economic development, particularly in emerging markets where women entrepreneurs face numerous challenges. Recognizing this, DGGF has committed to enhancing gender equality and women's empowerment as an integral part of sustainable development. DGGF has made gender lens investing (GLI) a key pillar in its activities, aiming to bridge the financial gap faced by women entrepreneurs and support their growth and success. Over the past ten years, valuable lessons have been learned, which we incorporated in our work to diminish gender inequality. As a committed gender equality

investor, DGGF's gender lens is embedded in its investment strategy and operational processes. A significant portion of its funds have been allocated to investments in financial intermediaries that prioritize gender equality. [Capital 4 Development Partners \(C4D\)](#) operating in Asia, [Acumen Latam Impact Ventures \(ALIVE\)](#) operating in Latin America, and [Alitheia IDF](#) operating in Sub-Saharan Africa are relevant illustrations. These organizations have not only received financial backing from DGGF but have also become examples of implementing gender equity in the financial sector, thereby encouraging other institutions to adopt similar approaches.



Figure 4. DGGF's contribution to female entrepreneurship



*Including SC&BD portfolio since 2018

Impact results as of December 31, 2023

% of capital to women-owned or led SMEs: **19%**

Women-owned or led SMEs supported (as % of total SMEs)*: **36%**

*Including SC&BD portfolio since 2018

ALIVE actively engages in gender inclusion projects together with their portfolio companies. With the support of DGGF, C4D developed their own gender lens analysis toolkit and applied a system where part of the income of the fund manager depends on outreach to women-owned/led businesses. This structure has helped to bring the percentage of these female businesses to more than 40%, far above the market average for similar funds.

In 2021, DGGF further developed its gender-lens strategy by identifying key challenges faced by investees in adopting a more gender-equal approach to funding SMEs. As a result, we created a GLI technical assistance (TA) program in 2022, managed by [Value for Women](#) and [Tetra Tech](#). It has already enabled several DGGF investees to make significant progress in their GLI journey. Achievements to date include:

- Increased awareness around GLI investing and enhanced buy-in;
- Enhanced investees' capacity with regards to GLI investing and gender inclusion;
- Encouraged more investment into women-led and women-inclusive organizations;
- Provided a platform for DGGF investees to connect around GLI investing.

Fostering gender-focused and gender-led initiatives is at the core of the DGGF mandate. Capturing lessons learned and insights to help local entrepreneurship support organizations replicate good practices is critical, as illustrated by two knowledge pieces published in 2023. The knowledge piece [SHE Cambodia: lessons from a gender-focused entrepreneurship incubator](#) describes the expansion of its reach outside of Phnom Penh and how SHE adapted its programs and content to suit each locale. Another knowledge piece from Pakistan mentions how the founder has pro-actively handled gender bias.

DGGF is dedicated to continuing its efforts, further solidifying its role in promoting equal opportunities for women in business. DGGF will do so by continuing to (i) collect data from DGGF clients to map how they are evolving in their Gender Investment path; (ii) use Gender Lens when selecting new investments, requesting industry-standard 2X criteria to be fulfilled by new funds; and (iii) the implementation of a GLI TA program and supporting new managers to develop GLI strategies.



EMPOWERING WOMEN THROUGH FINANCIAL INCLUSION

THE SIGNIFICANT ROLE OF ORAAN IN PAKISTAN



Pakistani SME Oraan is an example of how DGGF support can empower women. In Pakistan, the financial sector exhibits a clear gender disparity, with only 1.14% of women accessing credit facilities. This issue extends beyond access only; it includes a lack of financial literacy and products tailored to women's needs. Traditional banks often overlook women, not viewing them as viable customers.

Founded in 2018, Oraan has become a pivotal player in addressing these challenges by digitizing traditional group savings systems known as "committees." Utilized by 41% of Pakistanis, these committees are more frequently engaged by women. Oraan leverages technology to make these practices safer and more beneficial, particularly for women. Oraan's platform is designed with women in mind. It automates savings management and uses digital ledgers to enhance transparency and trust. The platform includes rigorous e-KYC and credit assessments, essential for providing women access to capital and helping them build credit histories.

The impact of Oraan is significant. It transitions women from informal savings to formal financial services, enabling them to secure loans for essential needs like education and healthcare. This transition not only boosts their economic stability but also benefits their families and communities. Oraan goes beyond financial transactions to foster a community where women can enhance their financial knowledge, share experiences, and improve their financial literacy. This community is crucial for empowering women to manage their financial futures confidently. Through its innovative services, Oraan is not just a financial platform but a catalyst for gender equality in financial access across Pakistan.

Oraan is an investment of [i2i Ventures](#). i2i Ventures is supported by DGGF's SC&BD facility since 2019.



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YOUTH ENTREPRENEURSHIP



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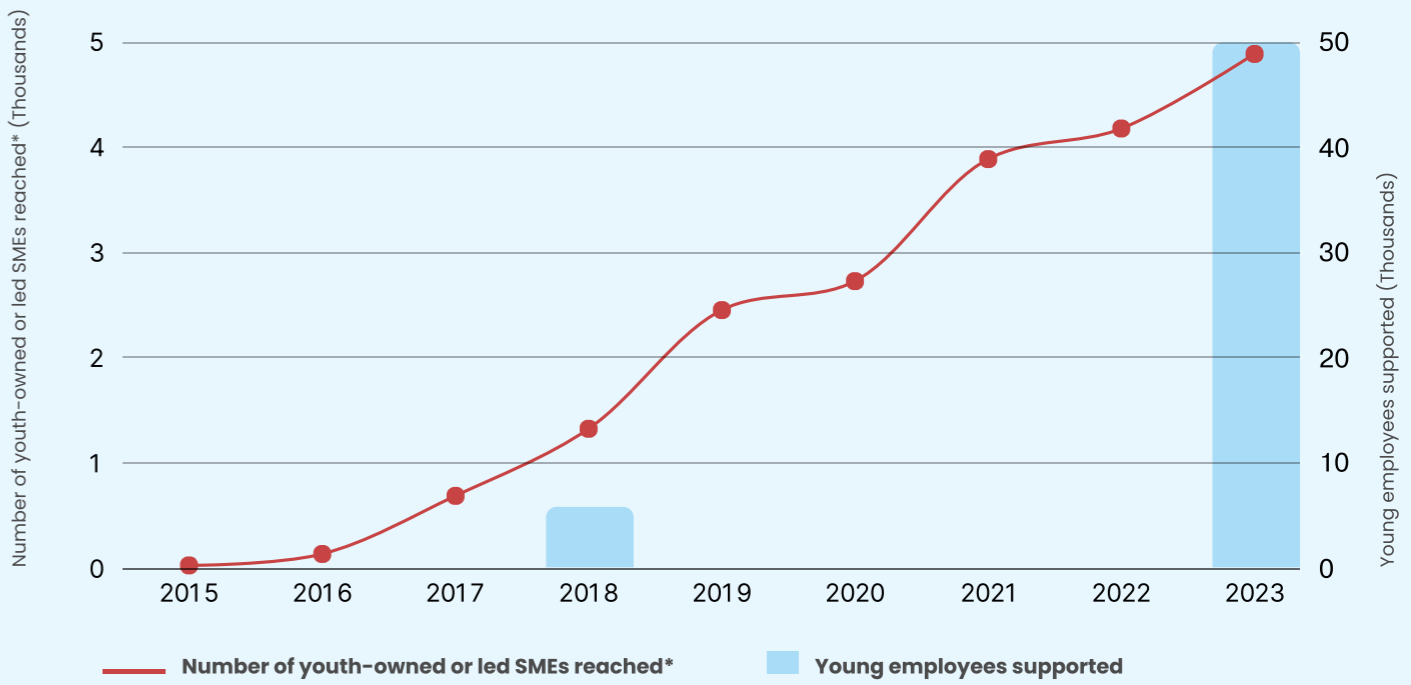
STIMULATING THE NEXT GENERATION DGGF'S SUPPORT FOR YOUTH ENTREPRENEURSHIP

Early-stage, high-growth ventures are led by young entrepreneurs in 90% of case led by young entrepreneurs, contributing directly to economic and social development and opportunities for this target group. Supporting youth-led enterprises fosters a more inclusive economy as it tackles several angles of the economy and society, often through the use of technology such as digitalization. Since its inception, DGGF has been driving change through strategic investments in financial intermediaries that serve youth-owned/led SMEs. By deliberately focusing on upscaling digital lenders, digitized microfinance institutions (MFIs), and venture capital funds to serve youth-led high-growth businesses, DGGF has been able to triple its support to young entrepreneurs over the past decade. As DGGF aims to help these

entrepreneurs sustain and scale their diverse operations, the capital provided by DGGF investees can take various forms. Kobo Hub is an example of a business accelerator fostering SME growth in a difficult context. In 2021, Kobo Hub became part of DGGF's Incubation Ecosystem Support Programme and received support to build an efficient acceleration programme with a portfolio of emocratic Republic of Congo-based early-stage businesses.

Another initiative supported by DGGF is the MENA Ecosystem Builders program with Village Capital. This program aims to work specifically with accelerators focused on youth-led entrepreneurship. The study, that serves as a foundation to the program, discovered that experienced funds in the MENA region are now increasingly investing in portfolio support for young, talent, which can help founders build and strengthen their teams. The report Unlocking the Pipeline 2023 also discussed which incubation/acceleration approaches effectively support young, high-growth entrepreneurs and facilitate access to early-stage financing. The report also discussed which incubation/acceleration approaches effectively support young high-growth entrepreneurs and

Figure 5. DGGF's contribution to youth entrepreneurship



— Number of youth-owned or led SMEs reached* ■ Young employees supported

*Including SC&BD portfolio since 2018

Impact results as of December 31, 2023

% of capital to youth-owned or led SMEs:
31%

Youth-owned or led SMEs supported (as % of total SMEs)*:
36%

*Including SC&BD portfolio since 2018

facilitate access to early-stage financing. Besides, a key focus of DGGF is to create opportunities for young employees, who are often the most disadvantaged. An example of this is Josh Talks, an investment of Ankur Capital. Founded in 2015, Josh Talks is a media and language skills development platform, that inspires, informs, and upskills young people in vernacular languages.

The app helped more than 260.000 learners become confident English speakers.

As DGGF continues to improve its strategies, it aims to further support young entrepreneurs, guarantee ongoing economic opportunities, promote a more inclusive business environment, and harvest the benefits for communities.

CONNECTING YOUNG PROFESSIONALS TO OPPORTUNITY

TALENTLY'S IMPACT IN BRIDGING THE TECH TALENT GAP



Peruvian SME Talently is leading the change in creating youth employment opportunities in Latin America. By addressing the global shortage of skilled tech professionals, Talently is making a significant impact by connecting young Latin American developers with employers worldwide. Operating as a tech talent marketplace with over 100,000 technically-vetted professionals, the company optimizes the hiring process for tech firms while maintaining a strong commitment to the professional development of its talent.

Since its inception, Talently has successfully placed over 4,000 developers in tech roles across more than 400 global companies. This achievement highlights Talently's role in bridging the tech talent gap and providing exceptional value to its clients, boasting a 93% hiring rate for vacancies filled through its platform and a recruitment timeline of just 21-36 days, compared to the industry average of 60 days. Moreover, Talently enables tech professionals to boost their salaries by approximately 50%, enhancing their quality of life and driving local economic growth in Latin America.

Talently is an investment of [Salkantay Exponential Fund](#), which has been part of the DGGF portfolio since 2022.





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FRAGILE STATES

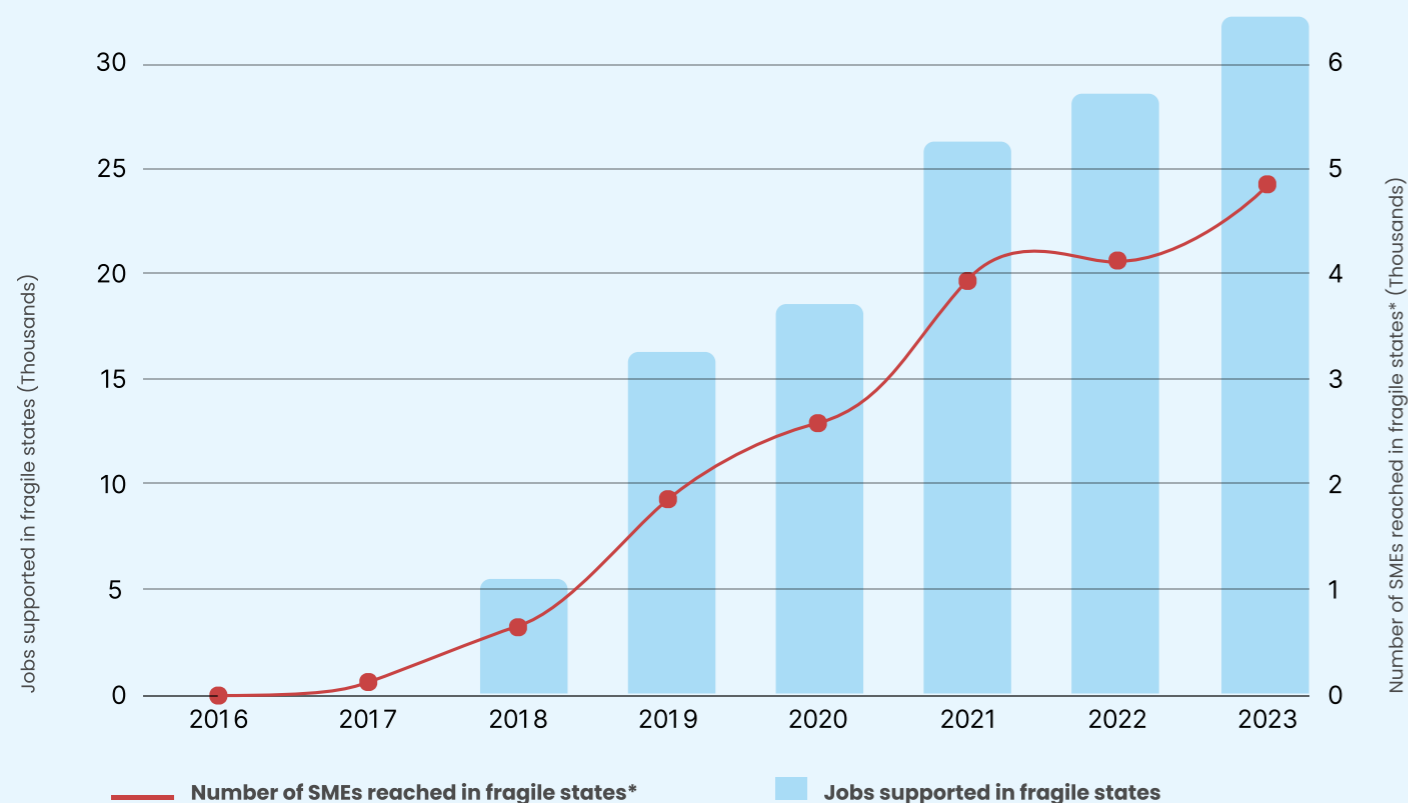
SERVING THE UNDERSERVED

DGGF'S INVESTMENTS IN FRAGILE STATES

Over the last decade, DGGF has actively deployed capital in various fragile contexts worldwide, including countries such as Afghanistan, Liberia, Mali, Myanmar, the Palestinian Territories, and Ukraine. These fragile markets typically suffer from a lack of trade and investment infrastructure, which presents significant

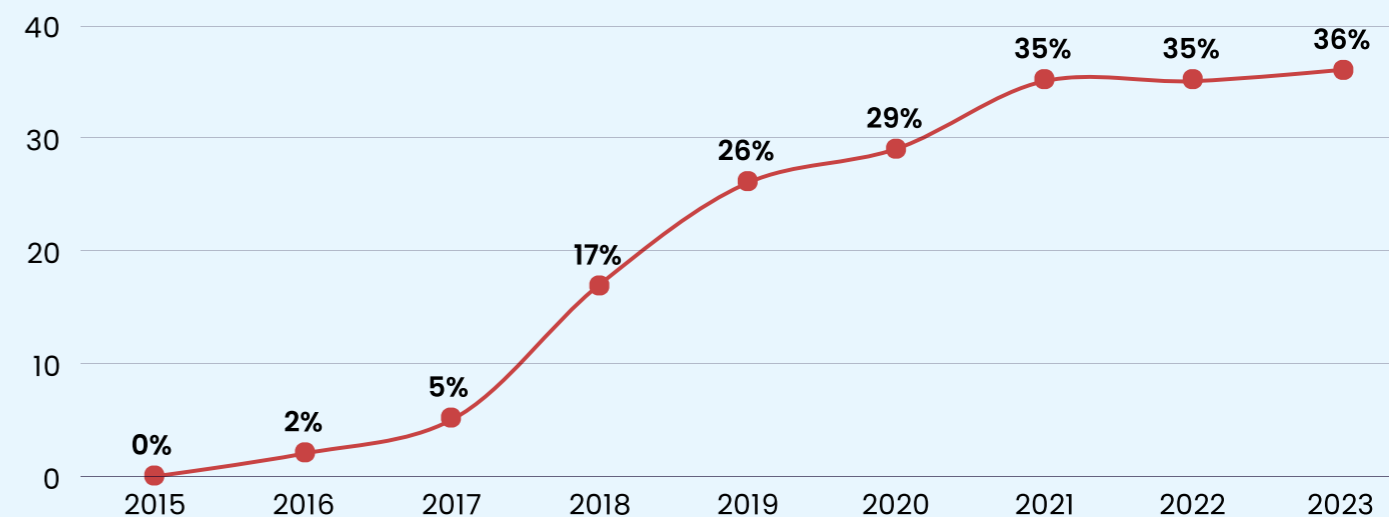
challenges for local finance providers and the SMEs they support. Despite having well-thought-out business models, entrepreneurs in these countries often struggle to raise funds from abroad as the prevailing uncertainty deters most international investors. DGGF aims to address these challenges and further focus on engaging

Figure 6. DGGF's contribution to entrepreneurship in fragile states



*Including SC&BD portfolio since 2018

Figure 7. SMEs supported in fragile states (as % of total SMEs)



Impact results as of December 31, 2023

% of capital to SMEs in states classified as fragile and conflict affected by the World Bank*:

26%

*<https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/classification-of-fragile-and-conflict-affected-situations>

in venture building and supporting new value chains, crucial for promoting economic stability and breaking the cycle of poverty.

DGGF has an explicit impact goal of investing in fragile economies. Over the past decade, 20% of DGGF capital has been invested in fragile states and as a result, 4,825 SMEs have been supported. Our strategy foresees (1) anchoring the funds of pioneering managers who aim to establish a foothold in these markets at a time when more mainstream investors consider the country still off-limits and (2) especially in conflict-affected countries work via (Micro) financial institutions that have proven that they can successfully operate in the most difficult environments. By providing patient and risk-tolerant capital, DGGF highlights the potential of markets while consciously accepting the financial challenges that operating in these markets brings.

from 2019-2022, and a significantly depreciating currency in recent years, ACTB has steadily grown its customer portfolio. ACTB is therefore a great example of a resilient and scalable financing model in a fragile context. DGGF has recently made an equity investment in Bank Lviv, a financial institution in Western Ukraine that focuses on the agricultural, micro, and SME sectors. With over 43,000 clients, Bank Lviv is a key player in the local economy. This investment is particularly timely as it addresses the expanding financing gap for SMEs in Ukraine. The decision by DGGF to invest equity during a conflict period is particularly significant, demonstrating a strong message of endorsement of the nation's prospects, and encouraging other investors by setting a practical precedent.

The case study of ACTB Sierra Leone (2022) is an example of the insights and best practices derived from DGGF's direct experiences in challenging settings. Despite the Ebola epidemic of 2014-2015, the COVID-19 pandemic



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TRANSFORMING LIVES IN MALI

THE SHEA BUTTER SUCCESS STORY OF MALI SHI



Amid Mali's ongoing instability, Mali Shi emerges as a transformative force in the shea butter industry. Established in 2019, this pioneering company produces high-quality shea butter, offering a sustainable alternative to cocoa butter for the international market. By empowering women, alleviating poverty, and stimulating economic growth, Mali Shi is not just creating a sustainable business model but is also reinforcing the stability and resilience of Malian communities. Shea butter is a vital livelihood for about 3 million Malian women, predominantly in rural areas. Mali Shi enhances their economic status by providing a

reliable local market, buying shea kernels at premium prices from women-run cooperatives, and reducing the export of raw materials. This strategy increases local value, ensuring that profits return to the community, particularly to the women who are central to the shea butter supply chain. In 2023 alone, Mali Shi successfully engaged over 12,600 women collectors through direct collaboration with 39 cooperatives, sourcing more than 1,100 tons of shea (+€250,000) and an additional 10,800 tons (circa €3.3 million) indirectly through a network of traders that are better positioned to reach conflict-affected areas.

The focus on local production helps curb the export of raw materials, fostering economic empowerment and promoting social equity. This approach not only stabilizes and strengthens community resilience across Mali but also encourages the inflow of foreign currency, bolstering the national economy. Mali Shi is committed to ethical practices, ensuring safe and fair working conditions for both its suppliers and factory workers, which aligns with its goals for sustainable economic growth.

The company's commitment to strong Environmental, Social, and Governance (ESG) practices, notably those initiated by the IFC in 2020, has led to the implementation of high standards in working conditions and the achievement of multiple quality certifications, including ISO 22000.

Mali Shi is an investment of [I&P Afrique Entrepreneurs II LP](#) which has been part of the DGGF portfolio since 2019.



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GREEN GROWTH

ADVANCING CLIMATE ACTION

DGGF'S COMMITMENT TO GREEN GROWTH

Climate change is one of the most pressing challenges of our time, threatening a healthy, safe, and stable living environment for many across the globe, and disproportionately affecting those in emerging markets. By signing the Paris Agreement in 2015 and the Glasgow Climate Pact in 2021, the Dutch Government affirmed its commitment to counter climate change. DGGF has incorporated Green Growth as a key pillar in its activities to fight climate change. While promoting entrepreneurship in emerging markets, DGGF actively seeks to mitigate and adapt to the effects of climate change and protect vulnerable communities from negative impacts. Indeed, entrepreneurial ecosystems cannot exist without healthy natural ecosystems, and as such DGGF considers Green Growth a fundamental part of good growth.

Since 2022, DGGF has been taking conscious and concrete steps towards climate goals. An in-depth climate portfolio assessment explored the level of climate change awareness and capacity among our investees, as well as the specific needs of DGGF's underlying SME investees in becoming more climate resilient. This assessment showed that there were relatively high levels of awareness, but difficulties in addressing climate-related challenges. It indicated a clear need for support across a range of different topic areas, such as greenhouse gas measurement and reporting, and integrating climate change into the risk management process. This led to a tailored design of a technical assistance program, which will be implemented in the years to come.

Furthermore, DGGF integrated its climate ambition within its investment strategy and operational processes. More than EUR 40m of our investment capital has been allocated towards specific Green Growth investments. DGGF developed selection criteria targeting financial

intermediaries that invest in SMEs offering low-carbon and climate-resilient products and services. Moreover, DGGF developed a scoring tool with OECD climate markers to assess potential investment opportunities. The first of these dedicated Green Growth investments have been made, such as [Wavemaker Impact Fund](#) in Asia and [Wangara Green Ventures](#) in Africa. Furthermore, existing DGGF investees like [Omni-vore Fund II](#) and [III](#), and [Novastar Ventures Africa Fund II](#) have a strong focus on investing in green SMEs, enabling local entrepreneurs to realize sustainable growth.

Having advanced its commitment to climate action by embedding climate change mitigation and adaptation into its operations, DGGF promotes sustainable development in emerging markets, fostering a resilient and sustainable future for vulnerable communities.





REDUCING EMISSIONS THROUGH THE NEW URBAN ENERGY SOLUTIONS OF KOFA TECHNOLOGIES



One exemplary case of DGGF's commitment to climate goals is Ghanaian SME Kofa Technologies. Kofa was founded in 2021 with the ambitious goal of transforming the green energy landscape. The company aims to develop an affordable, sustainable, and customer-centric electricity network that spans across Africa and beyond. In early 2023, Kofa introduced the Kore2 battery alongside its innovative Swap & Go network, a significant advancement in climate-smart, sustainable energy solutions for urban areas across Africa. This advanced network of battery-swapping stations enables Kofa to provide accessible electricity without the extensive costs associated with traditional infrastructure.

Over the past year, the effectiveness of the Kore2 battery and the Swap & Go network has been demonstrated, delivering cost-effective, high-performance power across various applications. For example, the Kore2 battery can power a small urban store for up to 15 hours and operate high-wattage tools for 2 to 4 hours, serving as a reliable alternative to conventional energy sources. Products powered by Kofa batteries not only perform better than their petrol equivalents but also significantly reduce CO2 emissions and improve local air quality. With nine battery swap stations already operational in Accra and plans for nationwide expansion in 2024, Kofa's initiatives have already reduced about 43,000 kg of carbon emissions. The network's ability to handle over 100,000 battery swaps per month underscores Kofa's dedication to making a significant environmental impact and promoting sustainable urban mobility. A particularly notable aspect of Kofa's

sustainability efforts is its solar-powered swap station, which produces about 2,000 kWh annually. This initiative exemplifies Kofa's commitment to integrating renewable energy into its operations.

Kofa Technologies is an investment of [Wangara Green Ventures](#). Wangara is a climate-focused impact fund and a SC&BD investment of DGGF since 2022.

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