



Dutch Good Growth Fund - Financing local SMEs

Seed Capital and Business Development Programme
Seed Capital

A programme by the Dutch Ministry of Foreign Affairs

Dutch Good Growth Fund (DGGF)

The Dutch Good Growth Fund/Financing Local SMEs is a “fund of fund” investment initiative from the Dutch Ministry of Foreign Affairs that aims to improve financing for the missing middle.

Many small and medium-sized enterprises (SMEs) in developing countries have difficulty securing the financial backing they need to grow. This group of businesses is often referred to as the ‘missing middle’: they have outgrown micro financing but do not yet have access to regular financial services.

Seed Capital and Business Development (SC&BD)

In order to spur innovations in SME finance and move the finance frontier to underserved SME markets, the DGGF has a [Seed Capital and Business Development \(SC&BD\) facility](#). One of the goals of the facility is to support early-stage SME finance initiatives that are of strategic interest for the DGGF, but too young, small, or risky to be part of the DGGF funds and financial intermediaries’ investment portfolio. The SC&BD facility offers a variety of instruments and services to kick-start these finance initiatives: Seed Capital, Technical Assistance, Business Development Support.

Seed Capital for early-stage initiatives

The SC&BD facility supports promising seed capital finance actions with up to 1.5 million Euros per initiative and is interested in supporting initiatives that address one or more of the following – interrelated – fundamental challenges of SME finance:

- **High information asymmetry** – the difficulty to get access to reliable performance data and track records of entrepreneurs;
- **Lack of collateral** – limited possibility to secured lending due to absence of registered collateral;
- **Transaction costs** – high transaction costs due to small investment tickets and related costs to overcome information asymmetry;
- **Limited deal flow/growth potential** – limited deal flow and growth potential of entrepreneurs due to the lack of access to markets and talents.

Innovative proposals

The SC&BD facility is especially interested in innovative, sustainable, and scalable proposals that make SME finance work for female entrepreneurs, young entrepreneurs, and entrepreneurs in fragile states.



The innovation may build on – but is not limited to – integrated service models, automated valuation approaches, post-seed finance initiatives, P2P/crowd-funding communities, non-traditional sources of long-term capital, smart partnerships, psychometrics, supply chain models, big/lean data initiatives.

If you are initiating a first-time debt and/or (quasi-) equity vehicle for example: if you have the ambition to run a follow-on/spin-off fund or a crowd funding initiative or a nascent network, partnership or platform dedicated to facilitating co and aggregated investments for instance, the SCBD facility may be able to help you kick start your activities!

Application process

Interested parties are invited to send their pitchbook to dggf@pwc.com with the subject line 'Early-Stage Initiative'.

The pitch-book should provide insight on:

- The business opportunity;
- Proposed business solution or investment strategy;
- The sustainable competitive advantage;
- The specific target group & location;
- Investment & support proposition;
- Team & track record.

The most compelling ideas and proposals will be selected, and their applicants will receive further instructions to elaborate on their pilot proposals for funding support.

Selection process

An independent expert committee will conduct the selection based on strategic fit and feasibility of the proposals.

Strategic fit

- Initiative is based in one or more [DGGF countries](#);
- Innovative solution that confronts typical SME finance challenges;
- Good complement to the DGGF investment portfolio;
- Target group (missing middle; target groups, underserved market);
- Early Stage.

Feasibility

- The team has relevant experience;
- Track record in (adjacent) or comparable markets;
- The proposed solution is scalable;
- Other sponsors are willing to support.