



# DUTCH GOOD GROWTH FUND

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Financing  
Local SMEs

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Five years of enabling  
entrepreneurship  
in frontier markets



## DGGF FINANCING LOCAL SMEs

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Since 2014, DGGF Financing Local SMEs has been a driver of improved access to finance for the missing middle in frontier markets. With a combination of capital, capacity building and ecosystem development, DGGF aims to bridge the financing gap for small and medium-sized enterprises (SMEs). By working with local partners that take calculated risks and offer innovative services in the most underserved places and to the most overlooked entrepreneurs, DGGF aims to create a vibrant private sector and ultimately contribute to sustainable and inclusive economic growth.

During the five years that DGGF has been active in the market, it has come across so many inspiring entrepreneurs. You are invited to read this report to gain a deeper understanding of DGGF's unique approach to private sector development by supporting SMEs. The case studies in this report illustrate the joint efforts of the Dutch Ministry of Foreign Affairs, the Triple Jump and PwC consortium, our investees and the SMEs they finance. Last, but not least, DGGF is an ongoing initiative and aims for even more significant impact in the next five years and beyond.



Ministry of Foreign Affairs

The Dutch Good Growth Fund (DGGF) Financing Local SMEs in an initiative of the Dutch government to stimulate entrepreneurship and create jobs in frontier markets. It is part of a larger initiative commissioned by the Dutch Ministry of Foreign Affairs as part of its Aid and Trade agenda. DGGF Financing Local SMEs is managed by a consortium consisting of Triple Jump B.V. and PricewaterhouseCoopers Advisory N.V. (PwC). The other two tracks are focused on supporting direct investments and relevant export to frontier markets by Dutch SMEs and are managed by RVO and Atradius Dutch State Business N.V.

# TABLE OF CONTENTS

---

- 7 **Foreword**
- 8 **At a glance**
- 10 **How we work**
- 11 **How we create impact**
- 12 **DGGF Financing Local SMEs**  
Our impact
- 14 **Perspective of the Fund Manager**
- 17 **A unique blended approach**

## 19 **Young Entrepreneurs**

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- 20 **Degusto**  
A Gazelle in Georgia
- 22 **Reform Studio**  
Young and female entrepreneurs in Egypt
- 24 **Interview with Faouz Ibrahim**  
Embassy of The Netherlands in Jordan
- 26 **Mirakle Couriers**  
Creating opportunities for deaf youth in India
- 28 **lungo capital**  
Send in the angels – helping start-ups in Uganda

## 31 **Female Entrepreneurs**

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- 32 **Innov'Up**  
Accelerating women-owned businesses in Togo
- 32 **DGGF Financing Local SMEs**  
Past, Present and Future
- 36 **Habibi Plantitas**  
Making nature the trend in Colombia
- 38 **Bolowie Enterprise**  
From microbusiness to SME in Sierra Leone

## 41 **Fragile States**

---

- 42 **RedCrow**  
A young start-up expanding across borders
- 44 **Interview with Raïssa Marteaux**  
Embassy of The Netherlands in Ivory Coast
- 46 **ZimAvian**  
Creating employment for farmers in Zimbabwe
- 48 **InFrontier**  
Stimulating private sector recovery in Afghanistan

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50 **List of investments**

54 **Colofon**



## FOREWORD

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**Saskia Jongma**  
Deputy Director Sustainable  
Economic Development Department,  
Ministry of Foreign Affairs

**Stimulating entrepreneurship and creating jobs in frontier markets is what the Dutch Good Growth Fund is all about. Business opportunities created by local entrepreneurs provide untapped potential for inclusive economic development and are key to transforming these countries into more prosperous societies.**

Through the DGGF the Dutch Ministry of Foreign Affairs is committed to supporting initiatives that add value to the impact investing community. Millions of entrepreneurs worldwide lack the financial means to expand their business, and the financial sectors in many frontier markets are unable to meet their real needs. DGGF aims to show that investing in the so-called 'missing middle' segment of small and medium enterprises (SMEs) can be done in a sustainable way.

In the five years since its launch, DGGF has already reached thousands of SMEs through its financing activities, with a local footprint in more than 50 countries across the world. DGGF's impact on young people and women, as entrepreneurs or employees, and on businesses in fragile countries, ties in with the Ministry's policy agenda *Investing in Global Prospects*. The SMEs presented in this report, in Afghanistan, Egypt, the Palestinian Territories, Sierra Leone and other places, are great examples of DGGF's impact on the ground.

By supporting early-stage and frontier investments, DGGF aims to set an example for the broader investment community, to create scale where capital is most needed and can have its biggest impact. Only through joint efforts will the public and private sector succeed in mobilising the financial means needed to deliver on the Sustainable Development Goals by 2030.

In this report, the financing and capacity building activities of DGGF, as well as impact on the ground through the eyes of the SMEs reached by investees, are presented. The SMEs represent a wide range of sectors, from agriculture to IT, and through the case studies, the impact of DGGF on their businesses is shown.

“Business opportunities created by local entrepreneurs provide untapped potential for inclusive economic development.”

# AT A GLANCE DGGF FINANCING LOCAL SMEs

Fund size  
**€327.5m**

Seed Capital & Business  
Development facility  
**€40m**

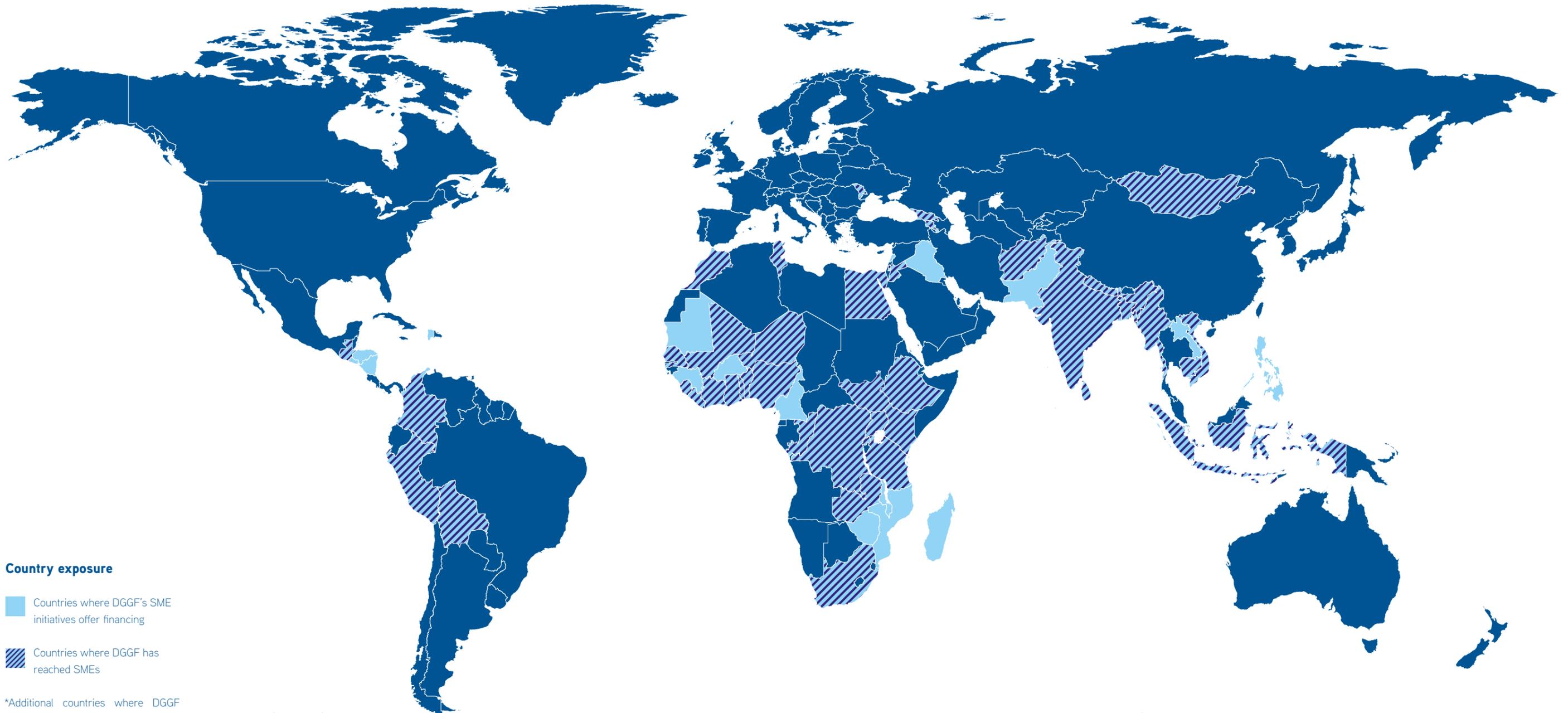
## DGGF impact during 2014-2019

Country exposure\*  
**60**

SME financing  
initiatives supported  
**60**

SMEs financed  
by financial  
intermediaries  
**4,509**

Jobs supported  
**33,316**  
Jobs created  
**6,502**



### Country exposure

Countries where DGGF's SME initiatives offer financing

Countries where DGGF has reached SMEs

\*Additional countries where DGGF aims to have exposure in the future include Angola, Algeria, Bhutan, Cape Verde, Chad, Djibouti, Eritrea, Gambia, Kosovo, Libya, Sao Tome and Principe, Somalia, Suriname, Sudan and Yemen.

#### Latin America and the Caribbean

SMEs financed **591**  
Jobs supported **1,923**  
Jobs created **681**

#### Sub-Saharan Africa

SMEs financed **765**  
Jobs supported **9,662**  
Jobs created **1,597**

#### Eastern Europe & Central Asia

SMEs financed **1,634**  
Jobs supported **6,548**  
Jobs created **1,550**

#### Middle-East and North Africa

SMEs financed **311**  
Jobs supported **3,429**  
Jobs created **1,391**

#### Asia

SMEs financed **453**  
Jobs supported **3,506**  
Jobs created **752**

# HOW WE WORK

## 'The Missing Middle'

SMEs are crucial drivers of economic growth and job creation around the globe. In the Netherlands, more than 60% of GDP and 67% of jobs are provided by such companies. SMEs are also often a source of innovation and technological progress. Unfortunately, the economic structure in many frontier markets is very different. Frontier markets typically have large numbers of micro-enterprises and a few large firms, but lack a substantial SME segment in between.

One of the main reasons is that SMEs struggle to access tailored financial products and services to help them grow. Microfinance institutions provide small and short-term loans that are not a fit for long-term investments, while commercial banks often consider SMEs too risky and only serve larger businesses. There is said to be a 'missing middle' between the many micro-enterprises on the one hand, and the few large corporates on the other. This means missed opportunities for job creation, innovation and inclusive economic growth across large segments of the population. In 2018, the World Bank estimated the global SME funding gap to be near USD 5.2 trillion.

## Our approach

By bringing additional financing into frontier markets, we help SMEs grow and create jobs and additional production capacity. At the same time, we demonstrate to other market players that SME financing is viable in such contexts. In the medium to long term, by de-risking this segment of the market, we hope to stimulate commercial capital to invest in these types of businesses.

For DGGF to succeed, cooperation is key. We therefore work together with a wide range of established development financial institutions (DFIs), non-governmental institutions (NGOs) and other ecosystem players.

## Our tools

DGGF Financing Local SMEs applies an ecosystem approach to overcome the obstacles to SME financing. We work with a varied toolkit, covering the specific needs of the missing middle, from first-time entrepreneurs to established businesses. Across our activities we pay specific attention to creating opportunities for young and female entrepreneurs in fragile states. Our activities include:

### Contributing to new and existing investment initiatives for SMEs

- We partner with local fund managers and financial institutions to help set up new initiatives that provide tailored financing and support to SMEs.
- We provide seed capital to high-risk, early-stage SME initiatives that pilot a new financial instrument or test a new product-market combination.

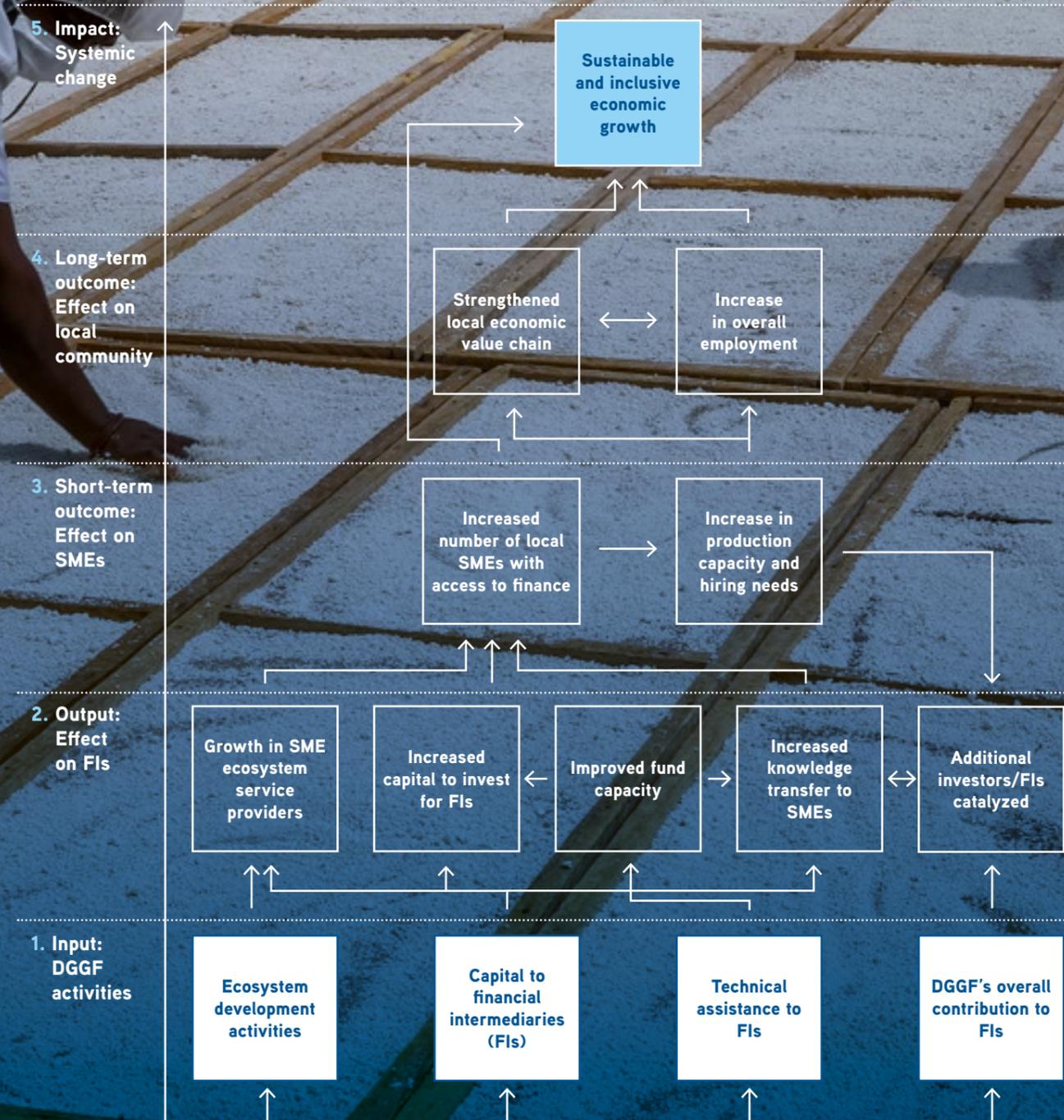
### Creating capacity of financial intermediaries and SMEs

- We finance business support to SMEs to acquire specialised operational and financial know-how.
- We support DGGF's financial intermediaries to strengthen their operations and to bring their tax, Environmental, Social and Governance (ESG) standards and impact measurement practices in line with international best practice.
- We act as mentors and sparring partners, help them raise more capital, establish best practice standards and actively engage in governance. We also bring new managers in contact with their peers in other geographies.

### Stimulating an improved ecosystem for the missing middle

- We build knowledge through studies, workshops and conferences.
- We support local incubation and acceleration initiatives, which helps new entrepreneurs develop sound business plans and entrepreneurial skills.

# HOW WE CREATE IMPACT



# DGGF FINANCING LOCAL SMEs

## OUR IMPACT during 2014-2019

### Impact on financial intermediaries

### Impact on SMEs

### Impact on local communities



**60**

Countries where DGGF financing is offered



**11**

Incubators/Accelerators supported



**46**

Financial intermediaries (FI) financed



**14**

Early stage SME financing initiatives supported



**4,509**

SMEs reached



**2,087**

SMEs receiving business development support



**682**

SMEs in fragile states receiving financing



**1,367**

Youth-led SMEs reached



**18**

FI receiving technical assistance



**60%**

of FIs are newly-launched or entering new markets



**65%**

of funds would not exist without DGGF



**3.4x**

Follow-on investment catalyzed



**1,687**

Women-led SMEs reached



**17%**

Revenue growth (CAGR)



**15**

Market studies



**6,502**

Jobs created



**33,316**

Jobs supported



**32%**

in low income countries



**38%**

in migration countries

# PERSPECTIVE OF THE FUND MANAGER



**Steven Evers**  
Managing Director  
& CEO, Triple Jump



**Anton Koonstra**  
Partner Consulting  
Public Sector, PwC

The Dutch Good Growth Fund Financing Local SMEs is managed by a consortium consisting of Triple Jump and PricewaterhouseCoopers Advisory (PwC) on behalf of the Dutch Ministry of Foreign Affairs. Steven Evers, Managing Director and CEO of Triple Jump, and Anton Koonstra, Partner Consulting Public Sector at PwC, reflect on the achievements of DGGF to date.

#### What factors have been important for the success of DGGF Financing Local SMEs?

DGGF is an innovative initiative to translate foreign policy into an investment instrument. Combining high developmental impact with financial targets was considered by many as a great challenge. *“Thanks to the close collaboration with the Ministry, we were able to incorporate the policy guidelines in our investment strategy in a manner that combined impact with a professional fund structure and financial sustainability. This cooperation and the balance of interests have been critical for DGGF’s success from the start”*, mentions Steven. The fund has brought together two parties that complement each other well. Triple Jump has years of experience in impact investing in frontier markets and PwC has a global network and is an expert in programme management, tax and incorporating ESG standards into business and investment operations. *“By combining our respective strengths and focusing our work, we were able to kick-start the fund quickly and continue to successfully co-manage DGGF”*, says Anton.

#### What makes DGGF unique compared to similar funds in the market?

By deploying investment capital, seed capital, technical assistance and knowledge products, DGGF takes a holistic approach to serve the missing middle. *“This breadth of tools enables us to venture outside pure investment initiatives and to nurture comprehensive entrepreneurial ecosystems. By supporting players like accelerators and incubators, we accompany SMEs along their growth path from ideation to expansion and address the hurdles they face along the way”*, explains Steven.

DGGF is also unique in its high-risk appetite, its presence in fragile countries like Afghanistan and South Sudan, and its hands-on support to the managers DGGF works with. Additionally, DGGF supports financial initiatives at a much earlier stage compared to other investors by using seed capital and technical assistance instruments. This support enables new, local teams to test their investment strategy, gain on-the-ground experience and ‘graduate’ to the DGGF investment portfolio or other investors. *“Sempli, a digital lender in Colombia, is a good example of an investee that has graduated from the Seed Capital portfolio in mid-2017 to attracting DGGF investment capital in late 2018”*, Steven notes.

#### How does DGGF make a real impact on the ground?

We have already witnessed significant job growth across the SMEs supported by DGGF. Many of those SMEs are owned by young and female entrepreneurs who are especially disadvantaged when it comes to accessing finance. We support fund managers not only to invest into SMEs, but also to build their capacity, as is demonstrated in the stories throughout this report. *“DGGF also contributes to the diversity and professionalisation of financial services available to SMEs”*, says Anton. *“To serve the diverse needs of the missing middle, DGGF actively invests in parties that offer finance that is supplementary to the existing local market offer, be it debt, equity, leasing or other instruments.”*, adds Steven.

“To serve the diverse needs of the missing middle, DGGF actively invests in parties that offer finance that is supplementary to the existing local market offer, be it debt, equity, leasing or other instruments.”

We also believe that we have brought new impetus to a group of market players aiming to combine developmental and financial targets. NGOs, private investors and other governments are increasingly expressing interest in impact funds and in becoming co-investors alongside DGGF.



## A UNIQUE BLENDED APPROACH

DGGF's unique approach is designed to further the finance frontier. It was developed with the understanding that there are multiple missing middles, all with their own specific growth path, challenges and financial needs. Since there is no one silver bullet to closing the finance gap, DGGF aims to contribute to growing a diverse and inclusive financial ecosystem for the full variety of SMEs.

The investment portfolio is designed to invest in a broad array of instruments and vehicles, ranging from mezzanine providers and financial institutions, to venture capital and private equity funds. The Seed Capital and Business Development (SC&BD) facility is designed to further the impact of the investment portfolio by deploying early-stage investments with technical assistance, knowledge development and broad ecosystem support.

Through a mix of tools, DGGF supports the development and scaling of financial ecosystems to reach the most underserved markets. These include:



Seed investments and mentoring for early-stage SME finance investments that are innovative and/or serve underserved markets.



Capacity building support for DGGF investees and their clients to deepen their impact.



Derive insights from the DGGF portfolio to shorten the learning curve and attract other investors.



Provide support to incubators and accelerators and contribute to strengthening the broader ecosystem.

Specific activities that underpin our approach:

- DGGF tests innovations across the financial ecosystem. Fintech solutions help to reduce information asymmetry and transaction costs. DGGF invests in pioneers using fintech to serve SMEs, such as Sempli in Colombia (page 36). Alternative business models, such as lungo (page 28), are better suited to cope with the particularities of the local ecosystem and the scarcity of resources.
- DGGF contributes to building the knowledge base and promoting collaboration. Our knowledge work aims to support cross-sector coordination, like our ecosystem studies, our work on SME segmentation, early-stage finance and small cap mezzanine finance.
- DGGF helps building the financial ecosystem by cultivating a next generation of fund managers like Ibtikar (page 42) and by supporting established financial institutions like ACTB Savings and Loans in Sierra Leone to reach underserved markets (page 38), particularly in fragile states.
- DGGF4youth is our comprehensive approach to support young entrepreneurs. We support incubators, accelerators and angel networks and mentor venture capital funds like Sawari (page 22).
- Using technical assistance, we support clients in the DGGF portfolio to enhance their gender strategy and provide better services for female entrepreneurs.



## YOUNG ENTREPRENEURS

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The countries in which DGGF is active have some of the world's youngest and fastest growing populations. High youth unemployment poses massive challenges to these societies and young entrepreneurs face serious barriers in accessing the required finance to take their business to the next level. Yet creating opportunities for young people is key to inclusive and long-term economic development.

DGGF stimulates the growth of youth-owned enterprises and increases capital flowing into countries with a young workforce or sectors that employ young people, such as technology. Four entrepreneurs supported by DGGF, in Georgia, Egypt, Uganda and India, illustrate how DGGF aims to boost opportunities for young entrepreneurs.

Sempli investee 'Placement', a small enterprise dedicated to home linen and furniture design

# DEGUSTO A GAZELLE IN GEORGIA

### About the SME

Company: **Degusto**  
Sector: **Casual dining with local produce**  
Region: **Caucasus**  
Country: **Georgia**

### DGGF impact

Financial Intermediary: **Gazelle Fund**  
Investment size: **€6.96 million**  
SMEs financed (expected): **53**  
Jobs created (expected): **3,480**



When former classmates Giorgi Mushkudiani and Alexander Norakidze opened their first fast-food restaurant 'Degusto' in Tbilisi in 2016, it was hard to imagine that within three years they would have grown to 250 employees..

Giorgi and Alexander had previously worked on several projects together. In their mid-twenties, they managed to save a supermarket chain from financial collapse. This time around, the young entrepreneurs started a business themselves with a new concept and with their own money. Their restaurant chain offers a nutritious and healthy lunch, at an affordable price and of consistent quality.

In 2016 they managed to convince a local Georgian investor to provide them enough capital to open four additional outlets. Without a track record or substantial collateral, it was hard for them to find other creditors or investors for the next phase of their expansion. "We approached three or four banks, but were turned down every time", explains Alexander.

In 2017 Gazelle Fund stepped in. "They believed in our concept and took the risk", Giorgi remembers. With the loan from Gazelle they opened five additional outlets, improved their kitchen and obtained an ISO certification. "We are a real gazelle", says Giorgi. "We lack collateral but we doubled our sales every year, from one million dollars in 2016 to four million dollars in 2018."

In the meantime, Gazelle has taken over the shares in Degusto from the Georgian investor. "Gazelle is flexible, everything can be negotiated with them", says Giorgi. "We put the entrepreneur first, align interests and form a strong partnership that rewards both parties for their efforts", says Gazelle's CEO Jeffrey Liebert. "Young entrepreneurs like Giorgi and Alexander are the key drivers for job creation, innovation and economic growth in Georgia." Gazelle Fund provides financing to small SMEs in Georgia and Armenia and expects to create more than 3,000 jobs.

DGGF is one of the anchor investors in Gazelle Fund and provides additional support through its SC&BD programme, delivering value-added technical services to its portfolio companies. For Degusto, SC&BD co-financed the development of a system that helps to predict demand and reduce food waste. "This type of cost management efficiency is a big deal for a small food retailer operating in a low margin business, a real difference maker", says Jeffrey.

"DGGF is one of the most innovative investors in our area, and recognised early on that a first-time fund manager like Gazelle Finance needs a combination of both investment capital and technical capacity to serve SMEs like Degusto."

**Jeffrey Liebert, CEO Gazelle Finance**



# REFORM STUDIO

## YOUNG AND FEMALE ENTREPRENEURS IN EGYPT



### About the SME

Company: **Reform Studio**  
 Sector: **Furniture and material design**  
 Region: **North Africa**  
 Country: **Egypt**

### DGGF impact

Financial Intermediary: **Sawari Ventures North Africa Fund I**  
 DGGF investment: **€6.99 million**  
 SMEs financed (expected): **111 (80% youth)**

Behind the success of Hend Riad and Mariam Hazem is the story of two young, passionate designers struggling to set up a business in a challenging environment. *“Having to deal with stereotyping and prejudices, it can be hard to be a young and female entrepreneur in Egypt”*, Hend explains. Based in Cairo, their company ‘Reform Studio’ transforms plastic bags into durable, high-end design products.

Hend and Mariam were only in their early twenties, and still at university, when they developed ‘Plastex’, a newly designed material made from used plastic bags. Their idea was to prolong the lifecycle of plastic bags before they are labelled as trash, thus contributing to solving one of Egypt’s major problems: waste. By looking at plastic bags as a raw material rather than waste, the designers have been able to transform the used plastic bags into a new durable eco-friendly handmade fabric.

Hend and Mariam developed Plastex just after the 2011 revolution. *“We were excited to be part of the great change, eager to make a difference with our Plastex”*, says Mariam. In their Reform Studio, thousands of used plastic bags find a new life in design products.

In the first few years, Reform Studio (currently 9 employees) won many awards, enabling them to invest in production machines, staff and stocks. Yet the two designers felt they were lacking much-needed skills to grow their business further. Luckily, they managed to get accepted by Flat6Labs, which is the dedicated start-up accelerator for seed stage investments of Sawari Ventures, an Egyptian venture capital firm. As part of the programme, they were assigned a mentor who trained them in business skills, invited them to networking events and introduced them to an angel investor. *“All very, very beneficial for us”*, says Hend. Hend and Mariam managed to further profession-

alise their business and won a significant award in the African Entrepreneurship Award Programme in Morocco.

Their dream is to expand their business abroad, a dream they have had since October 2016, when they received an email from the famous South Africa-based creative design hub Indaba with the offer to contribute to the launch of IKEA’s first African-themed furniture collection. *“They reached out to us! We kept reading the email over and over. This was the world upside down.”* Soon, IKEA will sell their designs all over the world, including cushions, bags and rugs, all made of eco-friendly fabrics from silver-coloured food-packaging waste. Hend explains, *“The kind of silver from chocolate bars, which is very hard to recycle.”*

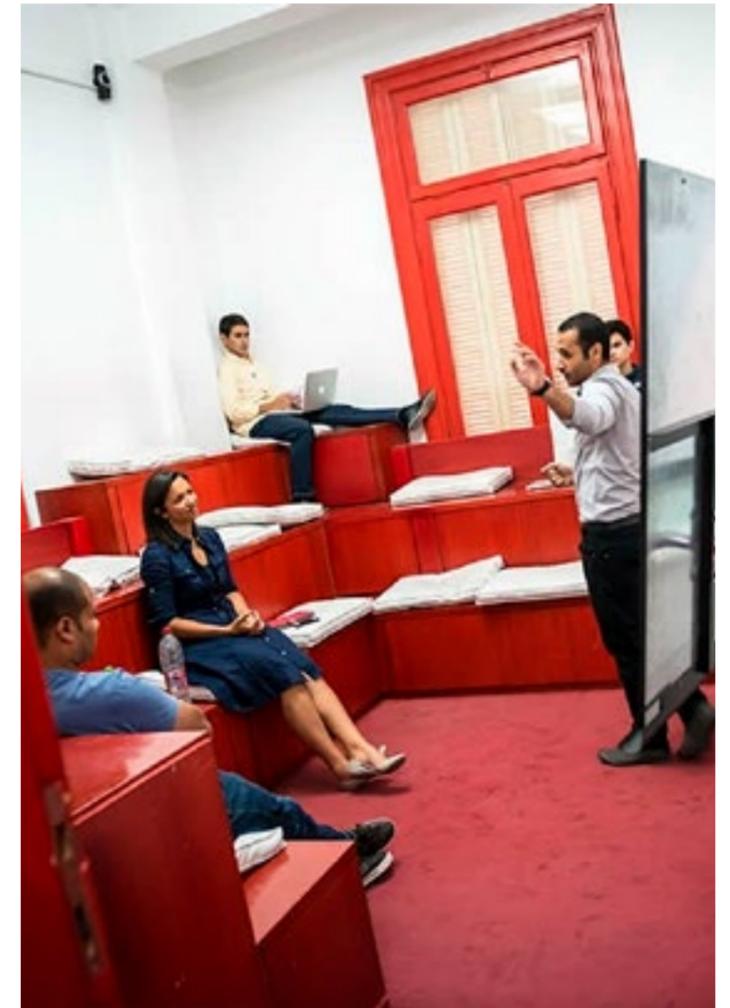
Early 2017, Sawari Ventures approached DGGF for investment into its first fund – Sawari Ventures North Africa Fund – that would target early-stage technology start-ups. The fund started late 2018, after extensive collaboration with DGGF, and focuses on nurturing home-grown North African talent via direct investments and through its accelerator, Flat6Labs. Flat6Labs provides seed-stage funding to cover early expenses as entrepreneurs refine their ideas and support to catalyse additional funding and to engage early customers. To date, Flat6Labs has invested in 54 start-ups and is currently exploring expansion in other countries in the region.

### DGGF and the EIB

The European Investment Bank (EIB) and DGGF have worked closely together on a number of investments since DGGF’s inception, and more recently as cornerstone investors funding Sawari Ventures North Africa Fund, a fund dedicated to start-ups and early stage companies in Egypt, Tunisia and Morocco. *“EIB and DGGF share the objective to improve the access to finance for SMEs and create jobs, particularly in Africa”* says Felix.

*“The contribution to Sawari Ventures’ new fund is the first operation supported by the EIB’s Economic Resilience Initiative Risk Capital Facility. Together with DGGF, we were able to guide Sawari Ventures through the challenging phase of fundraising following which the fund was able to attract local investors. There is a significant lack of venture and growth capital in Africa, particularly for young entrepreneurs, and DGGF has been a welcome hands-on investor in this field.”*

**Felix Knidlberger**  
 Senior Investment Officer at the EIB



*“We are convinced that equity investments in knowledge economy companies is a huge untapped opportunity in North Africa, and we are excited that DGGF shares that vision with us.”*

**Wael Amin, Partner at Sawari Ventures**

# JORDAN'S SMEs AS THE PRIMARY ENGINE FOR JOBS IN THE ECONOMY

Faouz Ibrahim

Policy Officer Private Sector Development

Embassy of The Kingdom of The Netherlands in Amman, Jordan

## Could you elaborate on the state of the country as an investment opportunity? What are the investment opportunities in Jordan?

Jordan is gaining increasing popularity when it comes to investment opportunities. Despite being located in a conflict region and having received several waves of refugees over the past years, Jordan is more stable today, both politically and socially. Where a few years ago, the security situation was critical, it looks much more promising today. The government's focus has shifted towards economic development, and on improving policies towards a more effective local economy. We saw many improvements this year, and with the launch of the Jordan Economic Growth Plan 2018-2022, key sectors for development have been identified, including IT, tourism, agriculture and energy. External parties have been supportive too, such as the implementation of the EU's relaxed rules of origin, an instrument that will allow Jordan to diversify its export markets, and the London Conference that took place in February 2019, which aims to attract private sector investments to Jordan.

"SMEs need support to make it from the start-up phase to the growth phase, combining both financial assistance and capacity building to help them make their businesses more solid and sustainable."

## What are key challenges for SMEs in Jordan?

Although policies and regulations that promote the development of the SME sector are still underdeveloped, overall, the business environment for small companies has significantly improved over the last couple of years, and the government has made it easier for SMEs to do business. Yet, many companies are still struggling to access finance, and tailored financial products and services for SMEs are particularly scarce. In Jordan, SMEs are the primary engine for jobs in the economy, employing up to 65% of the labour force. However, with up to three out of four enterprises facing obstacles to access finance, the 'missing middle' gap is obvious. When it comes to young people, unemployment has currently reached an all-time high of 40%. As a result, many young people have started small businesses, but many of them lack the relevant skills to develop their business and find it difficult to draft effective business plans. They need support to make it from the start-up phase to the growth phase, combining both financial assistance and capacity building to help them make their businesses more solid and sustainable. This is where DGGF can make a difference.



Al-Abdali, the central business district in Amman, Jordan

## Why is it important to invest in SMEs in Jordan and how does DGGF make a difference?

In Jordan, micro, small and medium-sized enterprises make up 97% of all enterprises. Financing these, means fuelling the Jordan economy, creating jobs and economic growth. As traditional financial institutions are often not interested in higher-risk SMEs and request high levels of collateral that SMEs can often not provide, there is a need for other types of institutions to serve that segment of the market. DGGF has been improving access to finance for SMEs by supporting different financial institutions such as Liwwa, Grofin and Sanadcom. Liwwa is Jordan's first digital lender catering particularly to small businesses and represents DGGF's third investment in Jordan. GroFin Noumou Fund is one of the pioneers in mezzanine SME finance and Sanadcom finances around 156 SMEs thanks to a DGGF loan, focusing mostly on young and female entrepreneurs.

DGGF's aims are well-aligned with the Dutch Embassy's goal to create a more resilient economy in Jordan by stimulating the private sector, focusing specifically on start-ups, and the entrepreneurial ecosystem in general.

"When it comes to young people, youth unemployment has currently reached an all-time high of 40%."

# MIRAKLE COURIERS

## CREATING OPPORTUNITIES FOR DEAF YOUTH IN INDIA



### About the SME

Company: **Mirakle Couriers**  
 Sector: **Courier services**  
 Region: **South Asia**  
 Country: **India**

### DGGF impact

Financial Intermediary: **C4D Partners, ICCO**  
 DGGF investment: **€7.42 million**  
 Job created (expected): **1,728**  
 Capital invested in young entrepreneurs: **30%**

A life-changing encounter with a deaf boy on a bus made Dhruv Lakra, a former investment banker at Merrill Lynch, start Mirakle Couriers, a widely-praised social enterprise that employs low-income deaf youth in India. "People with disabilities don't get enough attention in countries like India. They are right at the bottom of the ladder." If deaf people in India (an estimated eight million) find work, it is mostly in the informal sector where they are poorly paid, only seasonally hired and mistreated for being deaf.

For several years, Dhruv had applied in vain for bank loans to fund his company. "Indian banks can be quite conservative. Mirakle Couriers hires people with disabilities and that is considered a big risk. They don't really understand what we are doing in terms of direct employment. That was very, very difficult for us", explains Dhruv.

Early 2018, ten years after the start of Mirakle Couriers, the Capital 4 Development Partners (C4D) Asia Fund, a current partner of DGGF, invested in Mirakle Couriers. Within six months, the social enterprise doubled in size, reaching 120 employees. Soon after, they opened a second office and are now planning to scale up their courier services to five other big cities in India.

"C4D was a remarkable boost for us", says Dhruv, who compares C4D to a 'big brother'. "Whenever I have a big decision to take, I consult with Arvind Agarwal [Managing Partner of C4D Partners]. We are on the same page." He met Arvind at a conference in 2017 and within a few months they struck a deal. C4D is now a shareholder and provides hand-holding to develop the business.

With C4D on board, Dhruv expects to attract more commercial investors. "Notably", says Dhruv, "investing in social enterprises is slowly getting off the ground in India. That is what I consider my biggest achievement so far: to successfully have introduced the idea that young people with disabilities can do anything."

In 2018, DGGF invested in the C4D Asia Fund, recognizing the strong fit with its own purpose. Besides investing in innovative growth-stage SMEs in India, Indonesia and the Philippines, the fund integrates a gender lens into its investment strategy. The fund aims to invest at least 30% of its capital in SMEs owned or led by women.

"Working with the DGGF deal team has been a very valuable experience. The frequent interaction and discussions on specific deals and our investment strategy, sharpened our thinking and the quality of our processes."

**Arvind Agarwal, Managing Partner at C4D Partners**



# IUNGO CAPITAL SEND IN THE ANGELS – HELPING START-UPS IN UGANDA

## About the SME

Company: **iungo capital**  
Sector: **Early-stage finance**  
Region: **East Africa**  
Country: **Uganda**

## DGGF impact

DGGF investment: **€2.30 million**  
Jobs created (expected): **220**  
Entrepreneurs trained: **32**



Together with local angel investors, Roeland Donckers aims to be a core supporter of small SMEs in East Africa that desperately want to continue growing but just cannot find the money to back their ambitions. The type of investments he looks for, companies with financing needs of between USD 50,000 and USD 500,000, are often seen as too costly and too risky. However, Roeland came up with an innovative solution to reduce the costs and risks by investing in these companies together with local business angels.

With his business partner Steven Lee, Roeland founded iungo (Latin for 'to bridge') capital in 2016, with the objective of bridging the SME finance gap. To do so, iungo capital engages locally-based angel investors through a co-investment structure. "Local angels", says Roeland, "bring in local knowledge, experience, resources and networks that no investment team alone has." It was this investment strategy that convinced DGGF to be the first seed capital investor in iungo capital in 2016, allowing the team to start making investments.

Their co-investment with angels has been successful: "They bring in 5-20% of the investment and do 5-20% of the work." The angels do not only reduce the costs for iungo capital, but also the risks. "The companies we invest in are not only dealing with us, a foreign investor, but are also dealing with people who are respected in their local community." This makes them more eager to meet their financial obligations. This way, iungo capital invests in SMEs that otherwise would not have received the financial backing they needed.

To date, iungo capital has invested in eight companies, and expects to invest in a total of 50 companies in Uganda, Kenya and Rwanda in the coming three years. "This would not have been possible without DGGF's early support, which has helped us to start building our portfolio and track record", says Roeland. Specifically, SC&BD supported iungo capital to pilot its innovative co-investment model. The initiative graduated to a fully-fledged vehicle in mid-2018 and aims to raise USD 10 million by the end of 2019.

"The main objective of DOEN Participaties is to achieve a positive impact on society by supporting innovative entrepreneurs. Thanks to the early support of DGGF the new model of iungo was validated. This gave like-minded investors the change to step in."

**Daan Laméris, Investment Manager at DOEN Participaties**



# Liora Shop

09 56 32 / 98 89 27 13



**Vente de: cocktails de fruits  
produits agroalimentaires  
Service de restauration végétarienne**



## FEMALE ENTREPRENEURS

The inclusion of women in the private sector is essential to achieving sustainable development. There is a strong business case for supporting women's empowerment, with studies showing that engaging women as active participants of the economy contributes to more sustainable and inclusive results. However, while global gender gaps in health and education are slowly closing, many women are still largely excluded from economic activities.

DGGF pays special attention to women-owned SMEs. This builds on the widespread experience that if financial intermediaries proactively apply a gender lens, women entrepreneurs form a profitable market segment. To showcase our work on improving access to finance for female entrepreneurs, we highlight three case studies in Togo, Colombia and Sierra Leone.

Viviane Assogba, an entrepreneur supported by Innov'Up Togo, in front of her shop, offering juices and health products.

# INNOV'UP ACCELERATING WOMEN-OWNED BUSINESSES IN TOGO



### About the Organization

Company: **Innov'Up**  
 Sector: **Start-up capacity building**  
 Region: **West Africa**  
 Country: **Togo**

### DGGF Impact

DGGF investment: **€0.27 million**  
 Female entrepreneurs supported: **150**  
 (expected)

"Although female entrepreneurs have a bigger share than men in the informal economy in Togo, they are in the minority in the formal economy. Also, they are often not registered and not visible in statistics", says Candide Leguede, president of the Federation of Business Women and Entrepreneurs of Togo. Two years ago, Candide started Innov'Up, the first ever business incubator for women in Togo. "We aim to promote the emergence of women-led enterprises through active and integrated support", explains Candide, "in order to facilitate their transition from the informal to the formal economy." Women are key contributors to the Togolese economy (responsible for 46% of GDP) but represent a staggering 70% of the informal sector.

Finance remains a bottleneck for Innov'Up and its female entrepreneurs. "Women have more difficulties than men in getting access to finance", says Candide. To date, Innov'Up has helped around 50 women start up and accelerate their businesses and has trained thousands more in different aspects of entrepreneurship.

Candide enthusiastically tells us about Kossiwa Tsipoaka, a young university graduate, who walked into Innov'Up's office one day, not knowing how to build her professional life. She was mentored by Innov'Up, got business incubation support and now runs a company in water sanitation, which employs seven people, partners with companies as far as France and participates in official government procurement processes. Recently, Kossiwa represented Togo in a youth workshop on entrepreneurship in Uganda. She also kicked off the launch of the upcoming Innov'Up cohort, representing a shining example for new women entrepreneurs, who will start the incubation process soon.

Innov'Up was set up to support women entrepreneurs in formalising and growing their enterprises. Innov'Up's current service offering covers incubation, training and networking for women-owned start-ups. DGGF's SC&BD facility supports Innov'Up to receive mentoring support to build a future-proof strategy and develop a sustainable business model. The support provided by the SC&BD facility will help in developing an ecosystem that is more conducive to local women entrepreneurs.

"We aim to promote the emergence of women-led enterprises through active and integrated support."

**Candide Leguede, Innov'Up**



# DGGF FINANCING LOCAL SMEs PAST, PRESENT AND FUTURE

Clemens, Lennart and Marnix discuss lessons learned, opportunities and areas of focus for the years to come.

## Five years of DGGF

“Looking back on the past five years, we have achieved scale and impact in a relatively short period of time”, says Clemens Gerteiser, Director Fund Investments at Triple Jump. Since DGGF’s launch in 2014, DGGF has built up a portfolio in 60 out of 70 DGGF target countries, and disbursed capital to finance more than 4,500 SMEs. Today, DGGF is a frontrunner when it comes to investing in fragile markets, where there are relatively few international investors. “In these areas, we have managed to become a catalyst for investing, convincing other players to join us and thereby increasing our impact”, he adds. “DGGF is now a recognised force in the development landscape, with development banks but also private foundations seeking our collaboration. We are known as a first mover when it comes to supporting ventures that are both high risk and high impact. Today, there are pioneering initiatives in the market that without DGGF would not exist.”

Lennart Konijnenberg, director Programme Management at PwC, highlights the impact of DGGF’s trainings. “We have trained a large number of fund managers in developing their tax policies, Environmental, Social and Governance (ESG) policies and frameworks and result measurement methodologies.” He explains that when DGGF started, those topics were not widely acknowledged as standard practice in the investment market. “We have contributed to making ESG part of the investment market, especially in developing and post-conflict countries where ESG is not a self-evident priority.” Lennart states: “Thanks to our efforts and close collaboration with other international partners (such as FMO and IFC),

we have been able to spur change and make a difference in developing ESG policies for fund managers operating in DGGF countries, such as the Democratic Republic of Congo.” PwC’s ESG team provided an onsite training to the African Rivers Fund team in the Democratic Republic of Congo to help them in translating the written international ESG standards to practical guidance.

With regard to tax, DGGF has also been in the vanguard, he tells: “We took the challenge and fully integrated fiscal KPIs in our policies. We also helped funds to become more transparent. Lastly, Lennart mentions the way DGGF has been working actively to improve monitoring and reporting processes and to support DGGF’s investees in bringing impact reporting to a new level. “As impact reporting is gaining more traction and attention in the market, we think DGGF could play an important role in pushing it forward”.

## Key lessons learned

DGGF is built on the notion that there is not just one missing middle and as such not a one-size-fits-all solution to serving the missing middle. Marnix Mulder, Director Market Development at Triple Jump, explains: “There is not one missing middle, but many different missing middles with specific growth path, risk/return profiles and financial needs. Only a diverse and inclusive financial ecosystem can cater to these different needs.” It helps explain why DGGF has taken a comprehensive ecosystem approach. “We’ve also realized that some missing middles are more missing middle than others. Young start-up entrepreneurs are a good examples of a missing middle group that is hard to serve with conventional approaches. We actively use a broad range of tools (seed investment, capacity building, studies) to help finding innovative and scalable solutions.”, Marnix adds. “These missing middle challenges are bigger than DGGF. We actively work together



**Clemens Gerteiser**  
Director Fund Investments,  
Triple Jump



**Lennart Konijnenberg**  
Director Programme  
Management, PwC



**Marnix Mulder**  
Director Market Development,  
Triple Jump

with field builders like Omidyar Network, Argidius and many others and actively disseminate lesson learnt and insight to help shorten the sector’s learning curve.” An important learning is that in order to make DGGF successful, collaboration with other investors and stakeholders is key. According to Clemens, “Scale is required to serve the missing middle and this can only be achieved through forming partnerships with likeminded funds and institutions. We have taken up a role as first mover and connector and successfully facilitated linkages between parties that did not exist before DGGF was launched.” In this context, it is essential that DGGF has been set up as a long-term instrument. “DGGF’s ultimate goal is to change financial ecosystems in emerging markets and this does not happen overnight. As we demonstrate that is possible to unite development objectives with a revolving fund, many others will join us.”

## Opportunities and key focus areas for the next five years

The next years will be important to further scale DGGF’s efforts. Key to the long-term success of DGGF is supporting investees as they graduate out of the portfolio and scale to serve the next wave of the missing middle. “We see important impact opportunities in new focus regions identified by the Ministry of Foreign Affairs, for example in North Africa where we can create much needed opportunities for young entrepreneurs”, says Marnix. “In the coming years, DGGF aims to cover also those focus countries where no investments have been made to date”, he explains. The next five years will be key to find the right models for jointly investing into the missing middle, for DGGF to multiply its impact. “DGGF has a long-term vision of having the market take over our role, and we have already been approached by other parties who want to replicate DGGF or seek a partnership.”

In the next years, DGGF will continuously work on helping the funds to reach their full potential, for instance with ESG and impact management. “As DGGF maintains high ESG standards, our ambition is to further professionalise the funds and ensure a solid understanding and robust risk management practices on ESG. And on further aligning the ESG policy and Impact Measurement with the SDGs. Not only for our own funds, but also for other funds outside the DGGF portfolio.” Lennart continues that the challenge for our tax efforts lies in making sure the level of transparency keeps rising.

Clemens concludes that the coming five years will be important in terms of seeing results from the capital at work. “Today, DGGF has almost reached the point of being fully invested, and we can start harvesting the fruits of our work. We have a range of great fund managers and financial institutions, and those are starting the real work of investing and creating impact. We want to see the SMEs that they support to grow and thrive, which is the ultimate measure of success for ourselves and the new generation of missing middle financiers we support.”

# HABIBI PLANTITAS

## MAKING NATURE THE TREND IN COLOMBIA

### About the SME

Company: **Habibi Plantitas**  
 Sector: **Horticulture**  
 Region: **South America**  
 Country: **Colombia**

### DGGF Impact

Financial Intermediary: **Sempli**  
 DGGF investment: **€4.65 million**  
 SMEs financed (expected): **70**  
 Jobs created (expected): **650**



Marcela was only 25 when she realised her dream of starting her business Habibi Plantitas, together with her younger sister Carolina, which sells potted plants through Facebook. "Making nature the trend" was and still is their slogan.

With only 200 dollars in savings, the sisters started from their parental home in Medellin, Colombia. Initially, one of their biggest challenges was the cheap competition, from China in particular. On the other hand, Habibi Plantitas delivers artisanal-quality, handmade and locally-produced products, which paid off. The sisters started with two employees but now work with 28 craftspeople, mostly single mothers. Today, they export to countries as far as the USA and Australia. In addition, they design, create and manage gardens for families, companies and special events.

The next big challenge for the sisters was obtaining sufficient capital to grow. They did not dare ask for a bank loan, knowing how difficult it would be for them as a young, female-led start-up. At the end of 2016, they heard about Sempli, an innovative fintech company that assesses and processes loan applications using high-tech algorithms. Thanks to its innovative credit process methodology, Sempli can serve customers who were previously unable to get a bank loan.

"It was love at first sight", remembers Marcela. "They were not just another bank", says Carolina. "Sempli immediately felt like family. They came to us, instead of us having to go to them. They took care of everything, and everything can be done online. They are really quick." The money from Sempli was spent on inventory and new staff. The entrepreneurs' parents, who also help them out, became shareholders. The sisters have the ambition to grow their business further with the support from the Sempli team.

In 2017, Sempli started receiving support from SC&BD in the form of venture debt and in late 2018 graduated to the DGGF investment portfolio. Since going live in 2017, Sempli has grown to over 200 clients and represents the first digital lender in Colombia.



# BOLOWIE ENTERPRISE FROM MICROBUSINESS TO SME IN SIERRA LEONE



### About the SME

Company: **Bolowie Enterprise**  
Sector: **Fashion**  
Region: **West Africa**  
Country: **Sierra Leone**

### DGGF Impact

Financial Intermediary: **ACTB**  
DGGF investment: **€1.89 million**  
Young entrepreneurs supported: **220**  
Female entrepreneurs supported: **262**

Kadijatu Yomba started her business career in 2008, selling textiles and fabrics on a wholesale basis. Unfortunately, the Ebola crisis hit Sierra Leone in 2014, and Kadijatu's business suffered to the point that she ultimately had to close shop. Not to be deterred, Kadijatu decided to start all over again once the crisis in the country had passed. In 2017, with a small microfinance loan, she started her second business, but this time in buying and sewing fabrics.

However, once business picked up and expansion plans were made, Kadijatu encountered challenges. "Eight hundred dollars is all they would lend me", she explains. Borrowing money for a growing business like Kadijatu's is difficult in Sierra Leone and SMEs are virtually overlooked by commercial banks. Luckily, some financial institutions in the country are beginning to pay attention to this underserved group of entrepreneurs. This includes ACTB Savings and Loans, which provided Kadijatu with enough financing to buy a sufficient number of sewing machines to grow her operations.

Fast forward one year and Kadijatu now has a display room and employs eight staff. When talking to her, she said her plan is to take out a subsequent loan from ACTB Savings and Loans and diversify into stationery and providing photocopying services. Kadijatu has also taken the step to a formal registration of her business, under the name 'Bolowie Enterprise', in honour of her grandmother's hometown.

Sierra Leone's financial system is characterised by extremely low levels of credit penetration: credit to the private sector is merely 5% of GDP, which is significantly lower than Sub-Saharan Africa's regional average of 30%. DGGF's SC&BD facility is financing ACTB Savings and Loans, one of the first and largest upscaling micro-

finance banks in Sierra Leone. Founded in 2008, ACTB currently serves close to 16,000 borrowers across Sierra Leone, more than 70% of whom are women.

DGGF's funds enable ACTB to expand SME lending operations and develop savings products targeted at women and young entrepreneurs, scale its SME lending operations, mobilise local deposits to sustain growth and further attract additional capital.

"ACTB Savings and Loans provided me with important financing to invest in the future of my business."



Kadijatu Yomba,  
owner of Bolowie Enterprise





## FRAGILE STATES

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SMEs based in fragile countries face even greater challenges than others due to the severely limited financial systems and chronic instability endemic to these environments. Even with sound business plans, entrepreneurs face difficulties raising funds from abroad, as the uncertainty scares away most international investors.

By providing patient and risk-tolerant capital, DGGF is able to demonstrate the viability of these markets. Despite the elevated risks, we believe that the most talented entrepreneurs can succeed in the most challenging contexts, given the right support.

Market in Luanda, Angola's capital city

# REDCROW

## A YOUNG START-UP EXPANDING ACROSS BORDERS

### About the SME

Company: **RedCrow**  
Sector: **Security intelligence**  
Region: **Middle East**  
Country: **Palestinian Territories**

### DGGF Impact

Financial Intermediary: **Ibtikar Fund**  
DGGF investment: **€0.99 million**  
Youth-led companies in portfolio: **53%**



"The Palestinian Territories are one of the most challenging environments in which to start a company, for a lot of reasons other than the turmoil," says Laila Akel, who co-founded RedCrow in 2014 in Ramallah, Palestinian Territories.

The main challenge, according to Laila, is the legal framework. "It is very difficult to start a company here." Start-ups are treated like regular SMEs, which have no tax benefits and high registration costs. Another challenge of operating in Palestinian Territories is the lack of online payment opportunities, like PayPal. "Financial institutions are hesitant to invest in a fragile environment like the Palestinian Territories". Finally, a constant shortage of qualified staff is yet another obstacle. "Talent leaves the Palestinian Territories and foreign talent does not come in easily", says Laila.

Despite this, Laila, together with co-founder Hussein Nasser Eddin, managed to grow RedCrow into a successful company that provides risk mitigation solutions to diplomatic missions, non-profit organisations and corporates working in the volatile Middle-East. It does so by crunching big data from social media and other public sources to come up with security analyses and alerts.

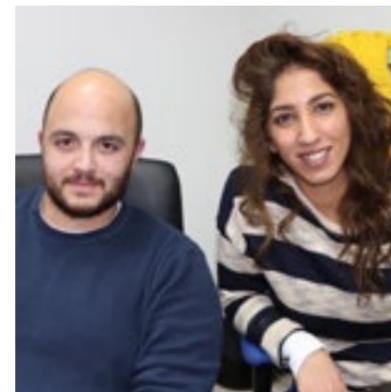
"The beginning was tough financially", says Laila. "We had to bootstrap. We didn't have the funds to grow as fast as we wanted." When Ibtikar Fund, which invests exclusively in early-stage companies in the Palestinian Territories, invested in RedCrow in 2016, things started to change. With the funding, Laila and Hussein could expand their company rapidly and spread to other countries like Jordan, Egypt, Lebanon and Syria.

"Ibtikar Fund's position in funding growing start-ups in the Palestinian Territories is extremely vital", says Laila. "When you are stuck in the middle you can't take smaller funds because that would only burden your start-up, and you can't go higher because you don't match with the international venture capitalists - Ibtikar is there to help you out."

The ICT sector is gaining more recognition both within the Palestinian Territories and in the rest of the world, but, similar to start-ups in other frontier markets, entrepreneurs are facing severe difficulties to attract funding. Ibtikar Fund aims to address the opportunities in this sector by supporting tech and tech-enabled companies that offer innovative, scalable solutions. DGGF's SC&BD facility has supported the final close of Ibtikar Fund, enabling them to demonstrate the case for early-stage finance. DGGF is also supporting Ibtikar Fund in developing step-by-step registration manuals for start-ups to navigate the complex legal system.

"Ibtikar Fund's position in funding growing start-ups in the Palestinian Territories is extremely vital."

Laila Akel, founder of RedCrow



# SMEs AS THE BACKBONE OF IVORY COAST'S ECONOMY

**Raïssa Marteaux**  
Deputy Head of Mission  
Embassy of The Kingdom of The Netherlands in Abidjan, Ivory Coast

With a wealth of natural resources and a population of 25 million, of whom 39,5% are under the age of 14, Ivory Coast is a land of opportunities. Yet, political turmoil and two civil wars have left their marks. Raïssa Marteaux, deputy head of Mission and head of the Economic Department with the Dutch embassy in Ivory Coast, reflects on the financing opportunities for SMEs and the state of the country as an investment opportunity in the context of DGGF.

## Ms. Marteaux, could you speak about Ivory Coast as an investment opportunity?

Ivory Coast is doing remarkably well in terms of economic growth, but we are still dealing with a post-conflict country. The country is transitioning from a state of fragility to economic prosperity, but is lagging behind on inclusiveness and wealth redistribution. This also has an effect on private sector development. The country is ranked 122 among 190 economies in terms of ease of doing business, according to the latest World Bank annual ratings, improving significantly from a ranking of 170 in 2010. In addition, Ivory Coast scores relatively high in terms of the ease of starting up a new business (26 out of 190). Yet, red tape is still a major problem, and the complexity of the fiscal framework with the large number of different types of taxes companies need to pay, make it difficult for smaller companies to handle their administration. The lack of both market information and a skilled labour force hinder foreign direct investments. Nevertheless, the government is making great efforts to attract investors by creating a vibrant business community with its diversification agenda which stimulates new and unsaturated sectors, as well as by enabling the growth of the SME sector. Although the cost of transportation is still high, the government has made significant investments in developing infrastructure, making it one of the best on the African continent. I would recommend investors to come visit and take a look for themselves.

## What are the challenges in terms of access to finance for SMEs in Ivory Coast?

Access to finance is a key problem for start-ups and more established SMEs in this country and is one of the main barriers for scaling up. On the one hand, commercial banks consider these businesses high risk as they often don't have collateral and lack the knowledge to develop thorough business plans. This is especially the case for young and female entrepreneurs who do not have a long operational track record. On the other hand, microfinance institutions either charge very high interest rates or do not provide products that are tailored to the needs of SMEs. Therefore, many businesses are forced to fund themselves with their own savings or through family members. But without external finance, they will never reach their full potential.



Raïssa Marteaux at the 'Lioness Lean In' event for women entrepreneurs in Ivory Coast who aim to take their business to the next level, in partnership with the Embassy of The Netherlands (Abidjan, November 2018).

## Why is it important to invest in SMEs in Ivory Coast and how does DGGF make a difference?

Just like in the Netherlands and many other countries, SMEs are the most important driver for economic growth and form the backbone of Ivory Coast's economy. They also play a large role in creating employment opportunities and support the diversification agenda of the government by entering into new sectors of the economy. Yet, they are constrained by a lack of knowledge and capital. To date, DGGF has supported a number of new and innovative initiatives that provide a combination of both, which is the best way to invest successfully in this country. Examples include Suguba, an incubator that supports young entrepreneurs to acquire the necessary skills to effectively turn their ideas into business plans, and Oasis VC Fund, which helps more established SMEs reach their full potential by providing a combination of patient capital and advice in the area of strategy and corporate governance. This is fully in line with the objectives of the Dutch embassy, as we focus on strengthening SMEs and stimulating innovation.

“As access to financing and technical know-how are the two main challenges for SME development in Ivory Coast, DGGF has a strong impact by combining investments with capacity building.”

# ZIMAVIAN CREATING EMPLOYMENT FOR FARMERS IN ZIMBABWE

## About the SME

Company: **ZimAvian**  
Sector: **Poultry**  
Region: **Southern Africa**  
Country: **Zimbabwe**

## DGGF Impact

Financial Intermediary:  
DGGF investment:  
Jobs created (expected):

**Vakayi Capital**  
**€0.43 million**  
**262**



After 15 years of living in the United States, returning to Zimbabwe was not that easy for Cyril Gund. A lack of funding opportunities severely constrained the entrepreneur, who aimed to set up his business and help develop his home country at the same time. *“Inconsistent government policies, foreign exchange shortages and lack of capital: it makes it very difficult to do business”*, Cyril mentions, when being asked about the challenges he faced.

Despite the odds stacked against him, Cyril started a poultry hatchery in Ruwa, Zimbabwe in 2014. *“Chicken meat and eggs are the best source of quality protein for the millions of low-income people in Africa,”* he states. He also noticed an acute shortage of day-old chicks, which he saw as his way into the market.

Using his savings and a few personal loans for his first two machines, Cyril started ZimAvian Ltd. Initially, importing equipment was a challenge in a country with a chronic foreign currency shortage. Vakayi Capital Investment Fund, which had received financing from DGGF, helped him out in 2018. Vakayi provided ZimAvian with a crucial loan, and in dollars. With this loan, Cyril could import new machines and increase his capacity.

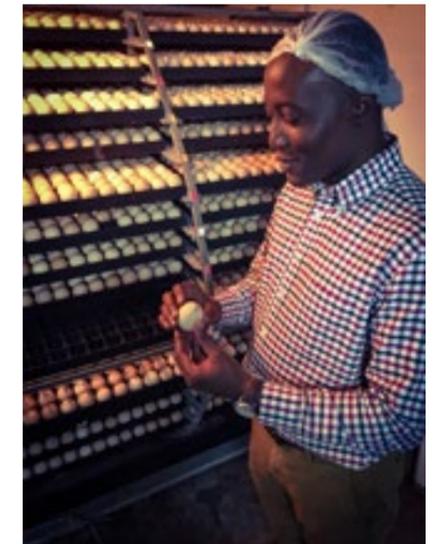
*“Vakayi and ZimAvian share the same values”,* says Cyril. *“We want to make money, but at the same time we want to be socially responsible and transparent.”* For instance, ZimAvian, which sells its day-old chicks to small-scale poultry farmers, gives its farmer clients the opportunity to go to an independent veterinarian if they experience a problem with the chicks and reimburses the expenses. *“Transparency costs money. But in the end, it helps you and the community.”*

The social responsibility ZimAvian upholds, is also illustrated by the number of small-scale farmers from deprived backgrounds that are served by the company, contrary to its competitors who target primarily large, asset-rich farmers. The majority of the day-old chicks are sold for resale to female farmers who use the income to meet basic needs. ZimAvian is now on its way to create employment for over 3,000 small farmers. Thanks to Vakayi’s support, Cyril expects the company to double in staff, turnover and farmers served. Quite an achievement in a challenging context like Zimbabwe.

DGGF’s SC&BD facility supported the launch of Vakayi Capital, a first-time investment fund focused on SMEs in Zimbabwe. Vakayi targets a unique market in a country that is generally beyond the radar of most investors, and will invest in local entrepreneurs providing essential services, such as housing, education, clean energy and healthcare, for the growing Zimbabwean middle class. DGGF supported the launch of Vakayi by providing liquidity support and initial investment capital.

“Thanks to Vakayi’s support, we expect our company to double in staff, turnover and farmers served.”

**Cyril Gund, owner of ZimAvian**



# INFRONTIER STIMULATING PRIVATE SECTOR RECOVERY IN AFGHANISTAN

## About the fund manager

Company: **InFrontier**  
 Region: **Central Asia**  
 Country: **Afghanistan**

## DGGF Impact

DGGF investment: **€6.12 million**  
 Jobs created (expected): **320**



InFrontier launched the first private equity fund investing in growth stage SMEs in Afghanistan. DGGF was one of the two anchor investors in the fund, providing financing together with the UK's Development Finance Institution CDC. InFrontier has since made its first investments including in the insurance market leader (ICA), a technology and broadcast services company (Alef Technology) and the leading saffron brand (Rumi Spice). *"The investment from InFrontier really enabled us to grow our saffron business, launch a new curmin product during 2019, and ultimately promote spices as a force for good"* says Keith Alaniz, co-founder and CEO of InFrontier investee Rumi Spice.

Felix von Schubert and Benj Conway, founders of InFrontier, explain how raising a fund for Afghanistan was challenging due to negative preconceptions of the market: *"It did help that we were able to show a successful track record of deal by deal investments in Afghanistan prior to raising the fund. DGGF came into the first closing of the fund which was instrumental to get the fund up and running and then supported us in getting additional investors on board."*

Although Afghanistan suffers from negative press, Felix explains how investors benefit from some of the most modern investment regulations, free movement of capital and a young generation of entrepreneurs, many of whom have been educated abroad. *"Still, it is difficult for companies in Afghanistan to reach out to international clients and partners. InFrontier addresses this hurdle by having both London, Kabul, Tashkent and Karachi based teams."* In this way, it helps companies in creating links to customers, suppliers and banking partners outside of Afghanistan and support the internationalisation of the Afghan private sector. InFrontier's presence in neighbouring countries supports portfolio

companies in their regional expansion. *"Internationalisation is one of our 'Whole Sector Impact' indicators," Felix explains, "which in addition to financial metrics also measures the impact of a single company investment across an entire sector."*

InFrontier's objective is to show that commercial investments in frontier markets are possible and contribute in a sustainable way to the economic development of some of the most challenging countries, like Afghanistan. With its investment in InFrontier, DGGF has supported the launch of the only private equity fund for SMEs with an on the ground presence in Afghanistan. InFrontier will provide much needed capital to high growth SMEs and significant knowledge transfer, which is considered critical for success in the Afghan context. Targeted SMEs are expected to generate new employment opportunities mostly for the youth.

*"DGGF came into the first closing of the fund which was instrumental to get the fund up and running."*

**Felix von Schubert, co-founder of InFrontier**



## DGGF and CDC Group

CDC seeks to play a significant role in building frontier markets, where there is a severe shortage of financial and human capital that hampers economic growth. *"We aim to do this through developing local investment capacity, reaching more and smaller businesses, and by demonstrating the investability of a market in order to mobilise capital from other sources. Unlocking capital for fragile states and creating local jobs requires a concerted approach and patience."*

At the end of 2016, in collaboration with DGGF, CDC backed Afghanistan's first private equity fund, InFrontier. *"Even after many years of conflict, Afghanistan's entrepreneurial culture remains vibrant. However, businesses that have withstood the toughest of times now require investment to grow and generate the jobs and the healthier future the country needs."*

InFrontier targets companies that will be vital for underpinning the economy, such as financial services, agri-business, health and education, and export businesses. *"Alongside capital, as investors we seek to support the InFrontier team across a number of areas, including improving social and environmental standards in a challenging market."*

**Sara Taylor**  
 Director Impact Fund at CDC Group, UK

# LIST OF INVESTMENTS

## Investments DGGF Investment Fund (by March 31, 2019)

Investee	Investment in mln EUR (committed capital)	Year of first commitment	Focus countries
<b>Sub-Saharan Africa</b>			
GroFin SGB Fund Limited Partnership	18.5	2015	Nigeria, Ghana, Zambia, Egypt, South Africa, Kenya, Tanzania, Rwanda, Uganda
Novastar Ventures East Africa Fund I L.P.	7.08	2015	Kenya, Uganda, Ethiopia
Investment Fund for Health in Africa II	10.53	2015	Sub-Saharan Africa
African Rivers Fund	7.02	2016	Democratic Republic of Congo (DRC), Uganda, Republic of Congo
Oasis Africa VC Fund	7.00	2016	Ghana, Ivory Coast
Kinyeti Venture Capital	0.88	2016	South Sudan
Access Bank Liberia Limited	3.56	2017	Liberia
Fund for Agricultural Finance in Nigeria	6.04	2017	Nigeria
Equity For Tanzania Limited	3.46	2017	Tanzania
Inside Equity Fund	6.51	2017	Zambia, Madagascar, Mauritius, Malawi
Zoscales Fund	7.83	2017	Ethiopia
Spear Africa Holding II Limited	8.72	2017	Zimbabwe, Zambia, South Africa, Malawi
AB Bank Rwanda	3.00	2017	Rwanda
AB Microfinance Bank Nigeria	5.00	2017	Nigeria
AB Bank Zambia	2.00	2017	Zambia
Africa Food Security LP	10.48	2018	Sub-Saharan Africa
Novastar II Ventures Africa Fund	13.10	2018	Kenya, Uganda, Ethiopia, Nigeria, Ghana
Advans Banque Congo	4.38	2018	DRC
Investisseurs et Partenaires Afrique Entrepreneurs II	7.00	2018	Ivory Coast, Senegal, Ghana, Madagascar, Cameroon, Burkina Faso, Niger, Mali, Benin, Togo, Guinea, Gabon, DRC, Mauritania, Kenya, Uganda, Tanzania, Rwanda
<b>Middle East and North Africa</b>			
Nomou Jordan for Investment	2.72	2016	Jordan
Sanadcom for SME Funding PSC	6.00	2017	Jordan
FATEN - Palestinian Territories for Credit and Development	4.47	2017	Palestinian Territories
Sawari Ventures North Africa Fund I	6.99	2018	Egypt, Tunisia, Morocco

Investee	Investment in mln EUR (committed capital)	Year of first commitment	Focus countries
<b>Asia</b>			
Aavishkaar Frontier Fund	9.65	2015	Bangladesh, Sri Lanka, Indonesia
Dolma Impact Fund I	7.05	2015	Nepal
JSC Credo Bank	9.18	2015	Georgia
Cambodia Laos Myanmar Development Fund II	8.72	2015	Cambodia, Laos, Myanmar
JSC Total Leasing & Finance S.A.	5.00	2016	Moldova
SEF International Universal Credit Organization LLC	3.49	2016	Armenia
InFrontier AF	6.12	2016	Afghanistan
Gazelle Fund	6.96	2017	Armenia, Georgia
Xac Bank LLC	8.95	2017	Mongolia
Omnivore Partners India Fund II	7.96	2017	India
Intreprinderea Mixta Organizatia de Microfinantare "Microinvest" S.R.L.	7.00	2018	Moldova
Asia Business Builders I	6.98	2018	Vietnam
Anthem Asia Myanmar SME Venture Fund LP	6.99	2018	Myanmar
LOLC Myanmar Micro-Finance Company Ltd	2.65	2018	Myanmar
Capital 4 Development Asia Fund	7.42	2018	India, Philippines, Indonesia, Cambodia
Alliance for Microfinance in Myanmar	1.98	2018	Myanmar
SANASA Development Bank	8.95	2019	Sri Lanka
<b>Central and South America</b>			
Centro de Investigación y Desarrollo Regional	4.41	2016	Bolivia
Fundacion Genesis Empresarial	4.26	2017	Guatemala
Acumen Latin America Early Growth Fund	6.56	2018	Colombia, Peru, Guatemala
Sempli SAS	3.47	2018	Colombia
Finca Haiti S.A.	3.48	2018	Haiti
Caja Rural Raiz S.A.	6.14	2018	Peru
Fundacion Genesis Empresarial	8.67	2018	Guatemala

Seed Capital and Business Development (by March 31, 2019)

Investee	Investment in mln EUR (committed capital)	Year of first commitment	Type*	Focus countries
<b>Sub-Saharan Africa</b>				
GroFin SGB Fund Limited Partnership	1.89	2015	TA/BDS	Nigeria, Ghana, Zambia, Egypt, South Africa, Kenya, Tanzania, Rwanda, Uganda
AHIF	0.80	2015	Early-stage Finance	Kenya, Ghana
Oasis Africa VC Fund	0.06	2015	TA/BDS	Ghana
FACTS	1.01	2015	Early-stage Finance	Kenya, Uganda
Kinyeti Venture Capital	1.28	2016	Early-stage Finance	South Sudan
Novastar Ventures East Africa Fund I L.P.	0.09	2016	TA/BDS	Ethiopia
Vakayi	0.43	2016	Early-stage Finance	Zimbabwe
African Rivers Fund	0.61	2016	TA/BDS	DRC, Republic of Congo, Uganda
ungo capital	2.30	2016	Early-stage Finance	Uganda, Rwanda
Suguba	0.50	2017	Ecosystem development	Mali, Senegal, Ivory Coast
Etrilabs	0.50	2017	Ecosystem development	Benin
Innov'Up	0.27	2017	Ecosystem development	Togo
Alitheia	0.03	2018	TA/BDS	Nigeria
CIPMEN	0.50	2018	Ecosystem development	Niger
Gemini	1.06	2018	Early-stage Finance	Liberia
Sensi	0.26	2018	Ecosystem development	Sierra Leone
ACTB	1.89	2018	Early-stage Finance	Sierra Leone
AB Microfinance Bank Nigeria	0.02	2018	TA/BDS	Nigeria
Kobo Hub	0.02	2019	Ecosystem development	Democratic Republic of Congo
KAIN	0.02	2019	Ecosystem development	Uganda
<b>Middle East and North Africa</b>				
Ibtikar	0.99	2017	Early-stage Finance	Palestinian Territories
Liwwa	1.47	2017	Early-stage Finance	Jordan
Impact Lab Tunisia	0.23	2018	Ecosystem development	Tunisia
Youth Entrepreneurship Finance Program	0.04	2018	Ecosystem development	MENA & Sub-Saharan Africa
H7	0.30	2018	Ecosystem development	Morocco
<b>Asia</b>				
Cambodia Laos Myanmar Development Fund II	0.43	2015	TA/BDS	Cambodia, Laos, Myanmar
JSC Credo Bank	0.30	2015	TA/BDS	Georgia
Ankur	1.40	2016	Early-stage Finance	India

\*TA/BDS: Technical Assistance and Business Development services

Investee	Investment in mln EUR (committed capital)	Year of first commitment	Type*	Focus countries
NIIC	1.24	2016	Early-stage Finance	Nepal
Gazelle Fund	0.60	2017	TA/BDS	Armenia, Georgia
SME Corner	1.14	2017	Early-stage Finance	India
Aavishkaar Frontier Fund	0.49	2017	TA/BDS	Bangladesh, Indonesia
EME Myanmar	0.98	2017	Early-stage Finance	Myanmar
SEF International Universal Credit Organization LLC	0.02	2017	TA/BDS	Armenia
Asia Business Builders I	0.11	2018	TA/BDS	Vietnam
Dolma Impact Fund I	0.12	2018	TA/BDS	Nepal
Omnivore Partners India Fund II	0.03	2018	TA/BDS	India
SHE Cambodia	0.38	2019	Ecosystem development	Cambodia
Alliance for Microfinance in Myanmar	0.66	2019	TA/BDS	Myanmar
<b>Central and South America</b>				
Centro de Investigación y Desarrollo Regional	0.02	2016	TA/BDS	Bolivia
Sempli	1.18	2017	Early-stage Finance	Colombia
Fundacion Genesis Empresarial	0.40	2018	TA/BDS	Guatemala
<b>Studies</b>				
#ClosingTheGap Kenya	0.03	2015	Knowledge building	Kenya
New perspectives on financing small cap SMEs in emerging markets - the case for mezzanine finance	0.08	2015	Knowledge building	Global
#ClosingTheGap West Africa	0.40	2016	Knowledge building	Benin, Guinea, Mali, Senegal, Togo, Ivory Coast
Scaling Access to Finance for Early-stage Enterprises in Emerging Markets - Lessons from the field	0.21	2016	Knowledge building	Global
Uganda entrepreneurial ecosystem initiative: phase 1	0.04	2017	Knowledge building	Uganda
#ClosingTheGap Mekong	0.20	2017	Knowledge building	Cambodia, Laos, Myanmar, Vietnam
#ClosingTheGap MENA	0.08	2018	Knowledge building	Morocco, Tunisia
The Missing Middles - Segmenting Enterprises to Better Understand Their Financial Needs	0.06	2018	Knowledge building	global
Serving the Financial Needs of Women-Led Businesses: Perspectives from the DGGF Portfolio	0.07	2019	Knowledge building	Global

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