



# Dutch Good Growth Fund - Financing local SMEs

A programme by the Dutch Ministry of Foreign Affairs

## Background

Since 2014, a consortium of Triple Jump and PwC is responsible for managing the Dutch Good Growth Fund (DGGF) Part: 'Financing local SMEs' on behalf of the Dutch Ministry of Foreign Affairs.

## Purpose

The DGGF aims to improve the access to finance for 'missing middle' SMEs and financial sector development in selected countries by investing through funds and other financial intermediaries that have the relevant capacity and local presence to directly reach out to companies in the DGGF's target markets. The 'missing middle' refers to entrepreneurs of small medium enterprises (SMEs), whose financing needs are neither served by microfinance nor by conventional capital market players. In addition, the DGGF aims to reach out to underserved markets, foster innovative financing products, and invest in vulnerable target groups (young and female entrepreneurs and entrepreneurs in fragile states that face high barriers to attracting capital).

These efforts are part of DGGF's broader agenda to steer towards inclusive growth by financing inclusive employment and providing inclusive products and services, especially in rural areas. By doing so, the DGGF contributes to knowledge transfer, increased employment and production capacity and thereby becomes a driver of economic growth and systemic change.

Click on the picture for the video on the DGGF explanation logic.



## DGGF Financing Local SMEs

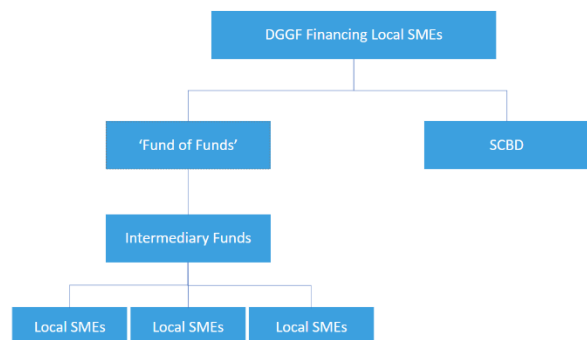
The Dutch Good Growth Fund provides aims to reach the missing middle via investing through two types of facilities: (i) funds of funds and financial intermediaries and (ii) Seed Capital & Business Development (SCBD). The DGGF does not, however, invest directly into SMEs.

The DGGF has built its portfolio gradually spread across a variety of target groups, financing products and countries. The DGGF strives to maintain an adequate balance between different types of investments, taking into account the track record of the financial intermediaries and their managers, as well as considering each investment in the context of other investment opportunities.

Potential DGGF investees (funds and financial intermediaries or business development initiatives) must invest in one or several of the [DGGF target countries](#).

## DGGF Funds & Financial Intermediaries

The 'fund of funds' model consists of two distinct levels in the investment chain (see the illustration): 1. the DGGF invests in funds and financial intermediaries (mainly locally operating, existing, or new), and 2. these financial intermediaries in turn offer a range of customized financing products to SMEs. The DGGF invests in various types of funds or financial intermediaries, ranging from venture capital and private equity to banks. The first/second time fund managers are supported to extend their reach to SMEs. In the past years, the DGGF has built a diversified portfolio of investments.





### DGGF Seed capital and Business Development (SC&BD)

The Seed Capital and Business Development (SC&BD) facility aims to further the impact of the investment services by:

- **Supporting Seed Capital SME finance initiatives** that are of strategic interest for the DGGF, but too young, small or risky for an investment to form part of the DGGF intermediary investment fund portfolio;
- **Supporting DGGF investees (funds and financial intermediaries)** to strengthen the local entrepreneurial ecosystem, to offer business development support to their clientele of local SMEs or to bring their tax/ESG/result measurement practices in line with DGGF standards;
- **Developing and sharing practice-based knowledge** by working with and learning from investees, co-investors and other field builders;
- **Developing entrepreneurial ecosystems** by supporting local initiatives that provide quality and affordable capacity-building services to young and first-time entrepreneurs in a sustainable way.

Interested parties can find the proposals for the SC&BD facility requirements in the designated factsheets.

### Investment Proposals for Funds & Financial Intermediaries

Proposals for the funds and financial intermediaries facility should at least cover the following topics:

- Fund structure and target size;
- Average size and type of investments;
- Country focus;
- Target group and sector focus;
- Development impact;
- Investment Team and track record.

We aim to conduct a first screening and contact you within two weeks. For any questions, contact us via the information noted below.

### Criteria for Funds & Financial Intermediaries

- The fund or financial intermediary must invest in one or several of the [DGGF target countries](#).
- Financially sustainable (positive return on investment);
- Provide financing to the 'missing middle' with investments in SMEs (max. 250 employees) of approximately USD 10.000 to USD 5M per transaction;
- Meet international standards of:
  - Environmental, Societal & Governance
  - Tax avoidance & transparency
  - Monitoring & Impact-evaluation
- Reach specific target groups of entrepreneurs:
  - Female
  - Young (<35 years)
  - In fragile states
- Development impact, fostering inclusive growth, in terms of (direct and indirect) employment generation, production capacity and knowledge transfer;
- Contributes to climate change adaptation or mitigation;
- Contributes to removing barriers for female entrepreneurs and the ambition to become [2x aligned](#);
- SME financing products are innovative and/or additional to existing market initiatives;
- The DGGF plays a catalyzing role in attracting other investors, contributing to systemic change and being complementary to other financing initiatives.

### What DGGF offers Funds and Financial Intermediaries

- Moderate return requirements in line with the developmental goals;
- Flexible capital provision, including:
  - Equity
  - Mezzanine
  - Debt
- Long-term financial commitment possible:
  - No fixed exit period
- Active partner:
  - Setting up of fund structures
  - Fund governance
- Support through the SC&BD programme.