



Dutch Good Growth Fund Part: Financing Local SMEs

A programme by the 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: 'Investment Funds 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 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 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.

Procedure

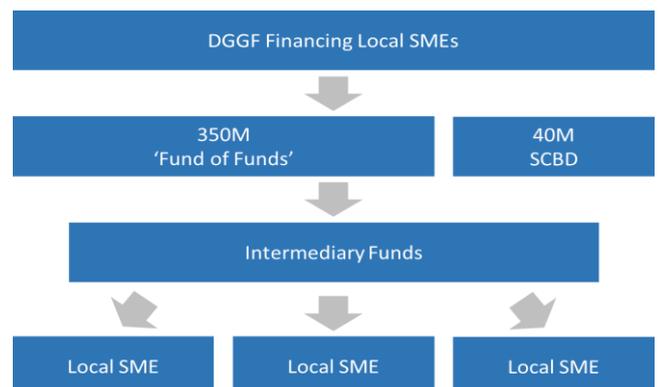
The Dutch Good Growth Fund works through a 'fund of funds' model, which consists of two distinct levels in the investment chain: 1. the DGGF invests in (mainly locally operating, existing or new) funds and financial intermediaries, and 2. these financial intermediaries in turn offer a range of customized financing products to SMEs.

The DGGF can also invest in funds that contribute to an improved ecosystem for SMEs. The DGGF does not, however, invest directly into SMEs.

In the past years, the DGGF has built a diversified portfolio of investments. The fund will gradually grow to its full size of EUR 350m.

The Seed Capital and Business Development (SC&BD) budget of EUR 40m aims to further the impact of the investment services by:

- Supporting early-stage 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 investment portfolio;
- Supporting DGGF investment clients 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.



Information Sheet

Criteria for Funds	DGGF offers
Financially sustainable (positive return on investment)	Moderate return requirements in line with the developmental goals
Provide financing to the 'missing middle' with investments in SMEs (max. 250 employees) of approximately USD 10.000 to USD 5M per transaction	Flexible capital provision, including: <ul style="list-style-type: none"> • Equity • Mezzanine • Debt • Guarantees
Meet international standards of: <ul style="list-style-type: none"> • Environmental, Societal & Governance • Tax avoidance & transparency • Monitoring & Impact-evaluation 	Long-term financial commitment possible: <ul style="list-style-type: none"> • No fixed exit period • Support of permanent structures
Reach specific target groups of entrepreneurs: <ul style="list-style-type: none"> • Female • Young (<35 years) • In fragile states 	Active partner: <ul style="list-style-type: none"> • Setting up of fund structures • Fund governance
Development impact, fostering inclusive growth, in terms of (direct and indirect) employment generation, production capacity and knowledge transfer.	Support through the SC&BD programme: <ul style="list-style-type: none"> • Support at fund/financial intermediary level, including design and pilot phases of new funds • Seed capital for innovative initiatives at intermediary level • Provision of capital for Business Development Services at SME level
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	

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.

Target Countries

Financial intermediaries must invest in one or several of the target countries which can be found via this [link](#).

Investment Proposals

Proposals should 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.

The DGGF is administered on behalf of the Ministry of Foreign Affairs. For more information, please contact DGGF, Financing local SMEs

PwC and Triple Jump

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