



# Dutch Good Growth Fund

## *Bridging the SME Financing Gap*

*Topsectoren overleg 15 januari 2015*

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## Dutch Good Growth Fund (DGGF)

### Agenda

- Aid and trade agenda
- Goal of the Dutch Good Growth Fund
- Characteristics of the Dutch Good Growth Fund





## New aid and trade policy

*Coalition Agreement (October 2012):*

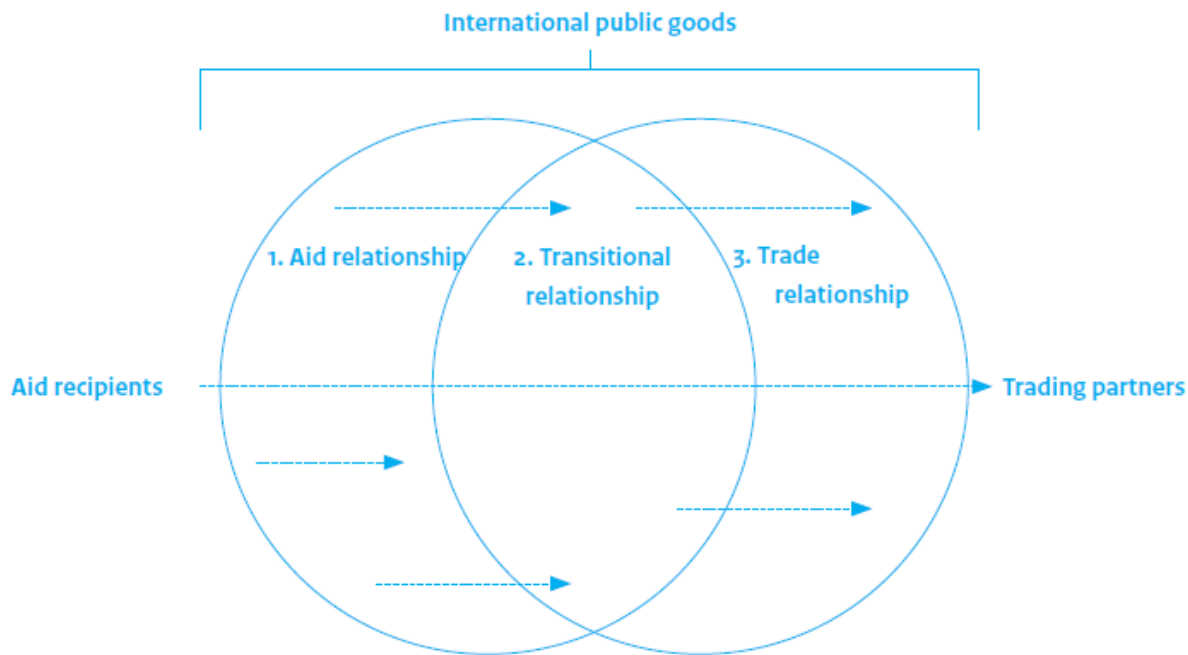
- There will be one minister for Trade and Development, situated at the ministry of Foreign Affairs
- The closer connection between foreign trade and development cooperation will also be reflected in the development, in collaboration with the business community, of a revolving fund of €750 million that will be financed in the years 2014-2016 from the development cooperation budget.
- This fund will be used to support investments in developing countries, especially by small and medium-sized enterprises (SMEs).



# “A world to gain: A new agenda for aid trade and investment” (April 2013)

*Going from Aid to Trade and Investing .....*

- Creating business
- Making g
- Mixing gr



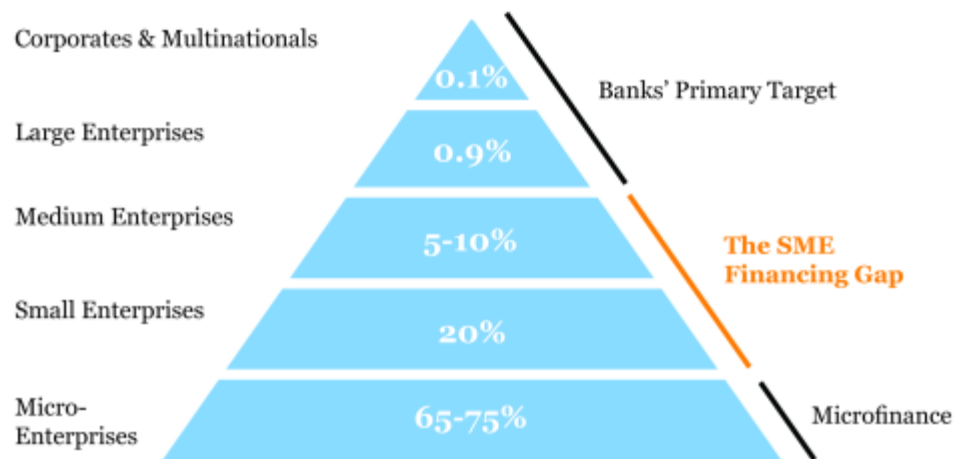
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# DGGF goal: bridging the SME finance gap in Netherlands and DGGF countries

- SME financing in DGGF countries is perceived as “high risk” by financiers:
  - High transaction costs per deal
  - Limited information
- Limits growth of SME’s which are the job and growth engines of an economy (the so-called ‘missing middle’)
- DGGF aims to alleviate shortage of capital availability for SME’s that want to invest or trade in DGGF-countries

## Typical Business Landscape in Emerging Economies





# The 'missing middle'





# Dutch Good Growth Fund

One goal, two target groups:

1. Dutch SME's
    - Financing **investments** by Dutch SMEs in developing countries
    - Credit insurance and trade finance for (Dutch) SME **exports** to developing countries
  2. Local SMEs in DGGF countries through **intermediary investment funds**
- Open since July 1st 2014, first 10 deals closed. Many more to come



## Key characteristics of DGGF

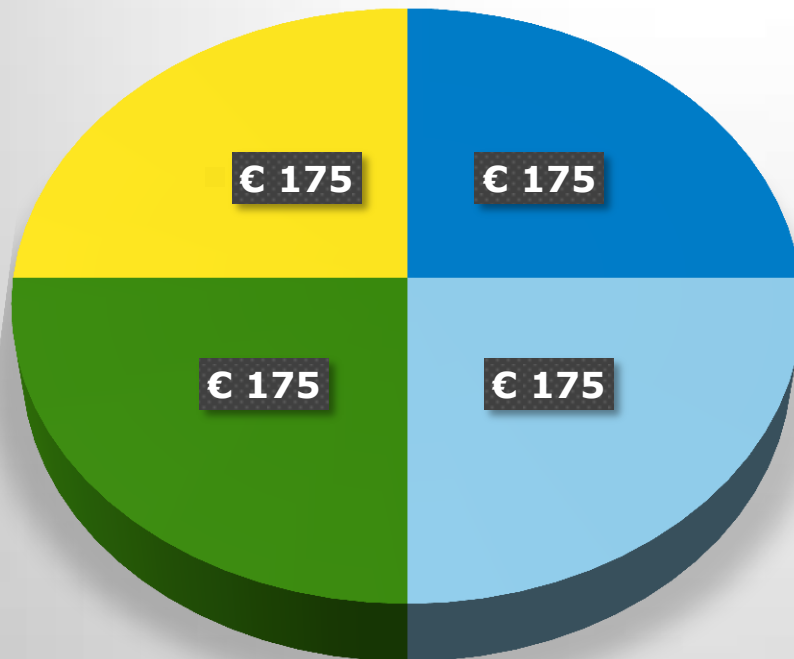
- Development impact (jobs, productivity, knowledge transfer)
- Corporate social responsibility
- Catalyze private investments (leverage)
- If possible focus on women and young entrepreneurs and SMEs in fragile states
- Additional to the market (no market distortion)
- Technical assistance available
- Various channels can be used, private institutions (i.a. Banks, financial intermediates, investment Funds), direct funding (loans, guarantees), etc
- Focus on 66 countries (33 LICs and 33 MICs, 18 fragile states)





## Revolving budget: EUR 700 million

### DGGF



- Track 1: Investments by Dutch SMEs
- Track 2: Finance of local SMEs via intermediary funds
- Track 3: Exports by Dutch SME's
- Reserve - end 2015



## DGGF country list (66):

<b>Africa (35)</b>	Ghana	Sao Tomé
Algeria	Kenya	Senegal
Angola	Libya	Sierra Leone
Benin	Madagascar	Somalia
Burkina Faso	Malawi	South Africa
Burundi	Maldives	South Sudan
Cape Verde	Mali	Tanzania
DR Congo	Morocco	The Gambia
Djibouti	Mozambique	Tunisia
Egypt	Niger	Uganda
Eritrea	Nigeria	Zambia
Ethiopia	Rwanda	Zimbabwe

<b>Asia (18)</b>	Afghanistan	Bangladesh
Bhutan	Cambodia	India
Indonesia	Jordan	Laos
Mongolia	Myanmar	Nepal
Palestinian Territories		Rep. Pakistan
Sri Lanka	Thailand	The Philippines
Vietnam	Yemen	
<b>Latin America (6)</b>		Bolivia
Colombia	Guatemala	Nicaragua
Peru	Suriname	
<b>Eastern Europe (7)</b>		Albania
Armenia	Bosnia and Herzegovina	
Georgia	Kosovo	Macedonia
Moldova		





## **Dutch Good Growth Fund in “A world to gain: A new agenda for aid trade and investment” (April 2013)**

- The DGGF is a revolving fund which offers tailored funding arrangements for entrepreneurs (particularly small and medium-sized enterprises)...
- ...that have solid business or investment plans and relevance to development...
- ...and whose business practices are sustainable and socially responsible.

Financing will be available for:

- ✓Enterprises in low- and middle-income countries making direct, (innovative) investments involving a substantial element of risk;
- ✓Dutch enterprises wishing to engage in commercial activities with partners in low- or middle-income countries; and
- ✓Dutch enterprises aiming to export to low- and middle-income countries.