



Government of the Netherlands  
Ministry of Foreign Affairs



# Dutch Good Growth Fund

Investing in local SMEs





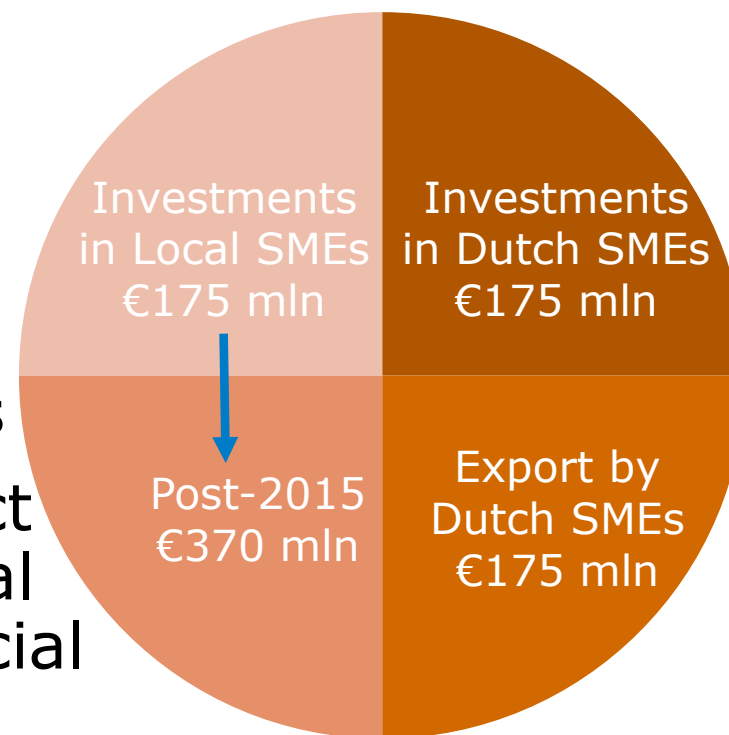
# Challenges for SMEs in developing countries

- Financing gap, especially for entrepreneurs aiming to grow
- Specific financial products not available on the local market
- Coaching of entrepreneurs can be of added value to merely providing loans or equity
- Specific groups of entrepreneurs (women, young entrepreneurs, and entrepreneurs in fragile states) face these challenges more often



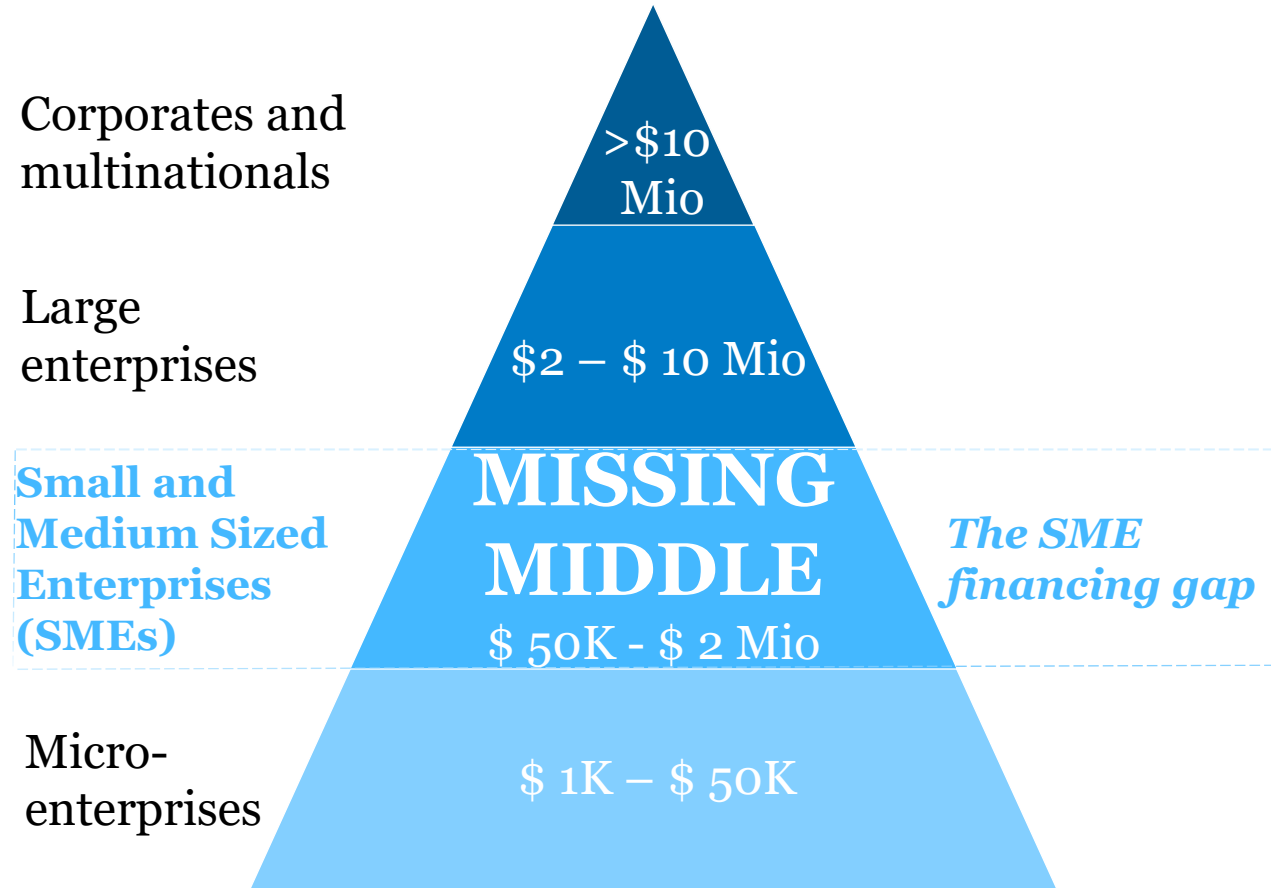
## DGGF: a revolving fund

1. Dutch businesses that invest partner with local SMEs
2. Direct investment in local SMEs
  - Objectives: development impact (e.g. jobs, productivity, financial sector development) and financial return
  - Innovative & additional to existing market offering:
    - Higher risk tolerance investing in vulnerable groups (female and young entrepreneurs, entrepreneurs in fragile states)
    - Corporate Social Responsibility requirements (ESG en tax)



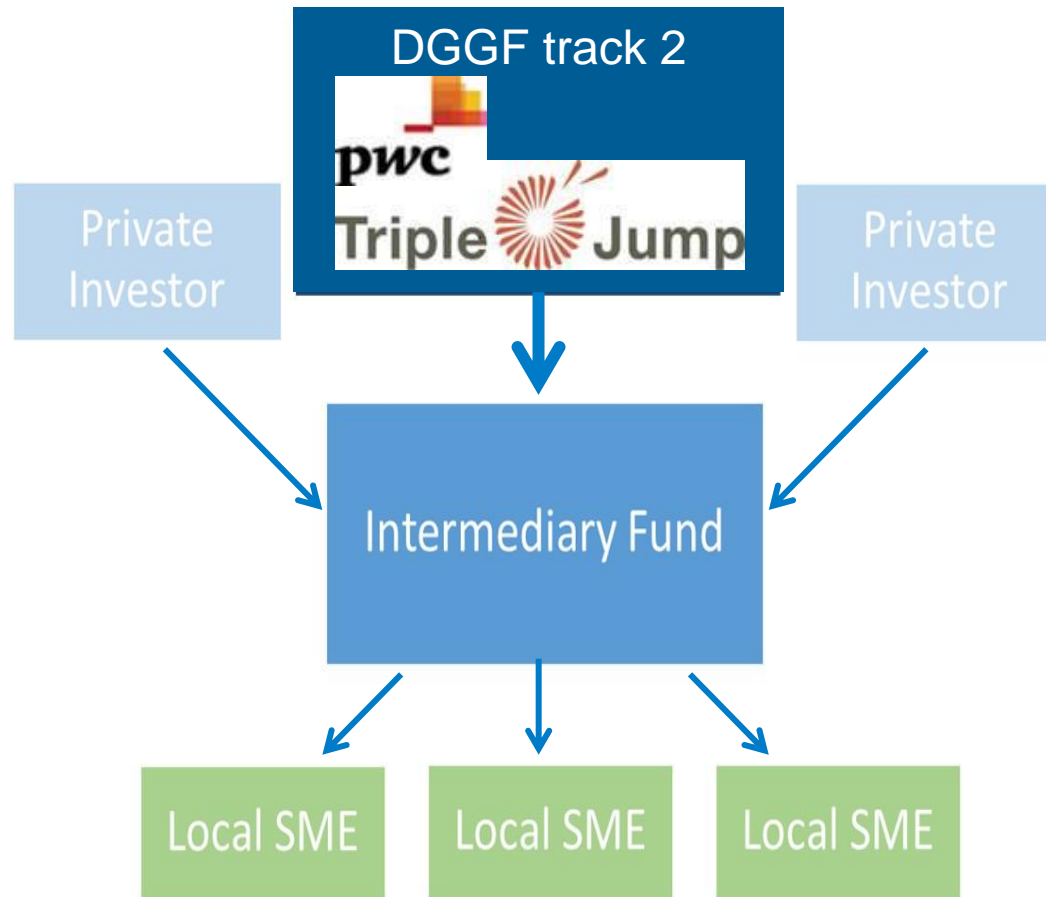


# DGGF supports the 'Missing Middle'





# DGGF track 2: Fund-of-funds structure





## DGGF track 2: Dedicated M&E function

- DGGF Impact Monitor: impact measurements on all IFs and SME investees, collected annually, e.g.
  - revenues
  - # employees
  - % young/female ownership
  - et cetera
- 7 external evaluations at IF level, commissioned by the track 2 implementers, including measurement of impact at SME and financial sector level
- 1 overall DGGF external evaluation 2014-2019, including some IF and country case studies



## DGGF track 2: Rigorous evaluation, but...

- Aim: 7 IF evaluations, using rigorous methods, i.e.:
  - experimental or quasi-experimental methods, using baseline-endline and with-without comparisons; or
  - when the numbers do not allow for the above, in-depth case studies at SME level.
- Challenges:
  - new approach for impact investors, administrative burden deemed too great;
  - limits to data access;
  - methodological difficulties in forming proper control groups;
  - risk of short-termism due to pre-selected indicators.
- Result: pushing evaluation frontier outwards





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