SME Finance Market Creation Working Group

Online meeting ,12 November 2025

Meeting Minutes

Participants

1. Harry Devonshire (Chair, Argidius Foundation)
2. Alex Kucharski (BII)
3. Adolfo Cires-Alonso (European Commission)
4. Camille Otto (EBRD)
5. Serena Bassi (FMO)
6. Alan Duggan (FMO)
7. Matt Guttentag (Growth Firm Alliance)
8. Hayder Al-Bagdadi (GIZ)
9. Tobias Zeller (GIZ)
10. Patricia Richter (ILO)
11. Takafumi Ueda (JICA)
12. Pascal Fabing (LuxDev)
13. Anders Aabo (NORAD)
14. Thomas Husson (Proparco)
15. Peter Beez (SDC)
16. Thierry Buchs (SDC)
17. Sara Spånt (Sida)
18. Julia Mensink (Acumen)

Harald Bekkers, Melina Heinrich-Fernandes, Nabanita Sen Bekkers (DCED Secretariat)

Agenda Items

1. **Welcome and introductions:** This was the first meeting for the Working Group which was officially formed in June 2025 at the DCED Annual Meeting.
2. **Member updates and priorities:** Members update on key priorities, shifts, or major developments in relation to SME finance within their organisations.
3. **Discussion on a brief Terms of Reference (TOR) for the working group:** The systems perspective informing SME finance market creation draws from, combines, financial sector engagement, private sector development, and market development. A TOR can help Working Group members, often with different finance-related backgrounds, articulate this new practice and area of work.
4. **Discussion on priorities for the working group:** At the June 2025 DCED Annual Meeting, ideas for work items for the Working Group were suggested. Now that the Working Group has been formed, several of these can be taken forward.
5. **IIM at the SME/investee level:** One of the ideas pitched at the June 2025 DCED Annual Meeting was to focus on credible impact measurement and reporting at the SME/investee level, thereby leveraging DCED expertise in developing and managing the Standard for Results Measurement. Acumen is pursuing a similar objective, seeking to collaborate with the Aspen Network of Development Entrepreneurs (ANDE), the DCED and Impact Frontiers.
6. **Next steps, action points and closing**

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1. Welcome and introductions

The meeting started with a brief round of introductions from all attendees.

After this, Harry Devonshire (Argidius Foundation) was given the floor to introduce himself and explain why he had volunteered to chair the DCED SME Finance Market Creation Working Group. He explained that in the current climate of budget cuts it is essential to channel more private resources towards development goals.

He also explained that CGAP is a good example of how developed actors helped create the micro-finance market up to the point that by now micro-finance has become a recognised asset class: investors opt to invest in micro-finance institutions knowing the financial and social returns and risks. This can be a blueprint for what can be achieved in the, albeit more diverse and complex, market for SME finance.

Argidius sees this new Working Group as an opportunity to drive progress toward SME finance market creation, leveraging more private capital for development outcomes.

Harald explained that Secretariat will support the Chair with the workload so that it is not burdensome. He also asked whether someone volunteered to co-chair the Working Group with Harry, as Working Groups are often co-chaired by two members (although this is not a 'must').

2. Member updates and priorities

Some agencies shared current priorities and updates:

FMO: focuses on building out its multi-stakeholder Market Creation Platform. This should help development efforts (donor grant funding) and (development finance) banks/investors come together to address SME ecosystem constraints, which hamper their ability to grow their business. This is important for Development Financial Institutions (DFIs) such as FMO, because DFIs can only invest in bigger companies. In other words, the Market Creation Platform is a means to bridge the gap between traditional grant-based market system development and (development) finance. FMO currently has programs with the UK government and with BII.

BII: considers SME finance a key priority. For this reason, BII invests in intermediaries to reach SMEs and strengthen capital deployment ability. BII is also testing a new model in terms of intermediation and investment cycles (a traditional fund invests in 10 businesses over five years; the new model invests in 10 businesses per year). BII supports market creation programmes in priority markets (Nepal, Ghana) – which are showing promising results.

ILO: focuses on social finance while maintaining a systemic approach. With SIDA support, ILO developed a toolkit on results measurement for specific financial instruments, notably for measuring the impact of guarantee instruments, which is now publicly available. This tool will be adapted for other instruments. ILO is currently testing the impact measurement of insurance products. It considers creating markets for SME insurance products highly relevant for SMEs and is interested to work with other members on this.

Sida: provided more background to the ILO collaboration mentioned above. The work was started as the national audit office criticized Sida for not measuring the results of guarantee instruments (only outputs were recorded, such as the number of loans and loan volumes, not their development outcomes). The toolkit should help address this. Sida also has started a systems analysis of the financial sector in Kenya to determine the root causes of a lack of access to finance. In Tanzania it is conducting an end-evaluation of guarantees (no baseline available).

GIZ: considers SME finance as part of a broader focus on financial inclusion. Key focus areas include support to the GPFI G20 platform (which will be discontinued next year). At the systemic level, there is a focus on policy frameworks for SME finance (with a further focus on infrastructure finance). There is also support for specific elements of financial systems, such as support to strengthen credit bureaus, training institutes, and the digital payment infrastructure. Furthermore, at micro-level, there is support for product development for financial service providers and innovate collateral requirements for non-bank financial services.

SDC: focuses on impact finance with social relevance. This includes impact-linked finance for SMEs, linked to specific themes (such as gender, health, education, fragility) and using de-risking instruments for blended finance for local SMEs in nutrition and renewable energy. Key challenges observed are scalability, private money mobilization, and impact measurement beyond investees.

Proparco: focuses on risk sharing mechanisms. It has an extensive risk sharing program to enable local financial institutions to provide finance to SMEs. It also has developed a trade finance program and a specific approach for fragile frontier markets.

3. Discussion on a brief TOR for the working group

Harald shared a slide outlining the rationale and key elements of a TOR for the Working Group. These are:

1. To communicate that market creation **contains three core elements:** Financial Sector Engagement FSE) and financial instruments development, market facilitation (PSD/MSD), including innovations in finance business models, BDS, access to information, and elements of Business Environment Reform (BER). This **distinguishes** market creation from other practices areas and the Working Groups focusing on these. This also defines how market creation **adds value** to finance at large (a focus on the "pipes to channel the water").
2. To help **define and maintain a system's perspective**: Creating markets for SME financial services includes diverse financial products and services, delivered a range of service providers, banks and non-bank financial institutions (capital allocators), which can be commercial, developmental or public in nature, and which engage with a range of private (commercial, philanthropic) and public capital owners, or their asset managers. Together with enterprise support organisations, value chain actors, technology companies, market regulations and information providers, they have the potential to improve the returns, reduce risks of last mile access to finance of diverse SMEs.
3. To **communicate** market creation's distinct focus to other members.

The following feedback was offered to make the TOR more specific.

FMO: Include development finance and available capital structuring (combinations of debt and equity).

JICA: Include distinctions in terms of different financial instruments and SMEs in different phases of their life cycle (e.g., early-stage, mature).

LuxDev: Build on existing taxonomy in impact investment and focus on systems-level measurement. Generally, reflect what is already out there and where there are gaps.

EC: Make clear distinctions between demand side and supply side activities and clearly communicate the focus of the group (e.g., mobilising finance, co-creating programmes, or sharing information?); include a clear definition of development finance as used in this group

4. Discussion on priorities for working group

Harald listed the different ideas for work items floated at the Annual Meeting in Geneva.

Potential Priorities (Based on the Geneva Discussion)

- How did microfinance become development's largest private capital mobilization success story? What key roles did public and private actors play? What can we learn from this to create and build markets of SME finance and investment?
- A primer explaining finance ad PSD/MSD language to better understand each other (and define new concepts, distinct from older ones)
- Updating guidance on BDS (distinct from the historical "Blue Book")
- Guidance on IIM at the SME/investee level in terms of what to measure and how to measure, to improve credibility and efficiency, create more standardisation
- Case study at country level (system analysis): Which parts of a financial system inclusive of SMEs are in place, are "working", and which parts are not in place, why, and what could be done to overcome this?
- Implementation guidelines on market creation (perhaps too early, for later?)

Several participants voiced that a Primer explaining finance and PSD/MSD language would be useful, also to bridge internal gaps in donor organisations. This may therefore represent a logical first work item for the Working Group.

Specific suggestions on the primer included the following:

ILO: The primer should include information on new financial instruments (there have been significant change in last 5-10 years). Case studies on what works could also be useful

Argidius: There would be value in a primer translating existing material for donors, and to break down what that concrete means from programming, Terms of Reference.

A few general comments on future work of the group were also made:

GFA: Compile existing guidance rather than creating new materials; there is a lot already out there, especially on impact investing. A High-level Theory of Change on collective objectives could also be useful.

GIZ: Focus on new trends in SME finance (auction platforms, digital approaches) but first check the SME Finance Forum to avoid duplication of efforts.

5. IMM at the SME/investee level: Potential collaboration with Acumen to develop guidance on proportional, credible measurement

Nabanita provided a background to the discussion that started at the Annual Meeting in Geneva:

- Traditionally, donor projects measure results, which means that impact measurement stops when the project ends. This is a missed opportunity, because this impact has a value and the SME generating this impact may be able to mobilise finance against this.
- Therefore, the question arises how SMEs can be enabled to (continue to) do credible measurements themselves, which can attract finance.
- DCED has developed the Standard for Results Measurement with member buy-in: Can this be replicated, or serve a source of inspiration for, a broadly accepted mechanism for SME impact reporting?
- While exploring this topic, the DCED Secretariat came across Acumen, who is working with others on an initiative with a similar ambition.

Next, Julia Mensink (Acumen) explained Acumen's perspective:

- Acumen recognises the current tension between SMEs preserving a business orientation while at the same time being confronted by different reporting requirements. Currently, every investor and donor demands different data points. This creates an "avalanche of data requirements". It makes that impact becomes pain point rather than a celebration.
- Proposal: Create a framework that defines what an SME is expected to report on, per stage in the SME's development and proportional to the investment received.
- Acumen is in discussion with the Aspen Network of Development Entrepreneurs (ANDE), the William Davidson Institute at the University of Michigan, and Impact Frontiers. The aim is to create a framework is that accepted by private and public capital owners.
- Questions of who owns/safeguard this framework are yet to be worked out.

In the discussion that followed interest was expressed, but it was also emphasised that a framework should be neutral and not duplicate existing frameworks.

6. Next steps, action items and closing

The following next steps were discussed in the course of the meeting:

1. **Secretariat**: will provide the meeting Minutes.
2. **Secretariat:** will draft a fuller Terms of Reference document and circulate this among members; **Members** will provide written comments.
3. **Secretariat:** will develop concept notes for the priority items and circulate for further discussion. This includes:
    - Finance/PSD primer development
    - Impact measurement task force exploration (members are asked to come forward if interested)

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- Case study compilation on effective approaches

4. **Next meeting:** will be in the in the New Year; a face-to-face meeting is explored. Potential agenda items could include:
    a. Agreement on the Working Group TOR
    b. Agreement on ToR or next steps for one or more work items
    c. Preparations for the combined Annual Meeting and DCED Global Seminar in Nairobi, 15-19 June 2026.