



Market Creation

Coordinated action to build finance and investment markets for growth firms

Supported by

FMO
Entrepreneurial
Development
Bank

GFA GROWTH FIRMS ALLIANCE

The \$5tn SME financing gap is not just a funding problem

**It is a collection of system failures
that demand a coordinated approach**



SME Demand

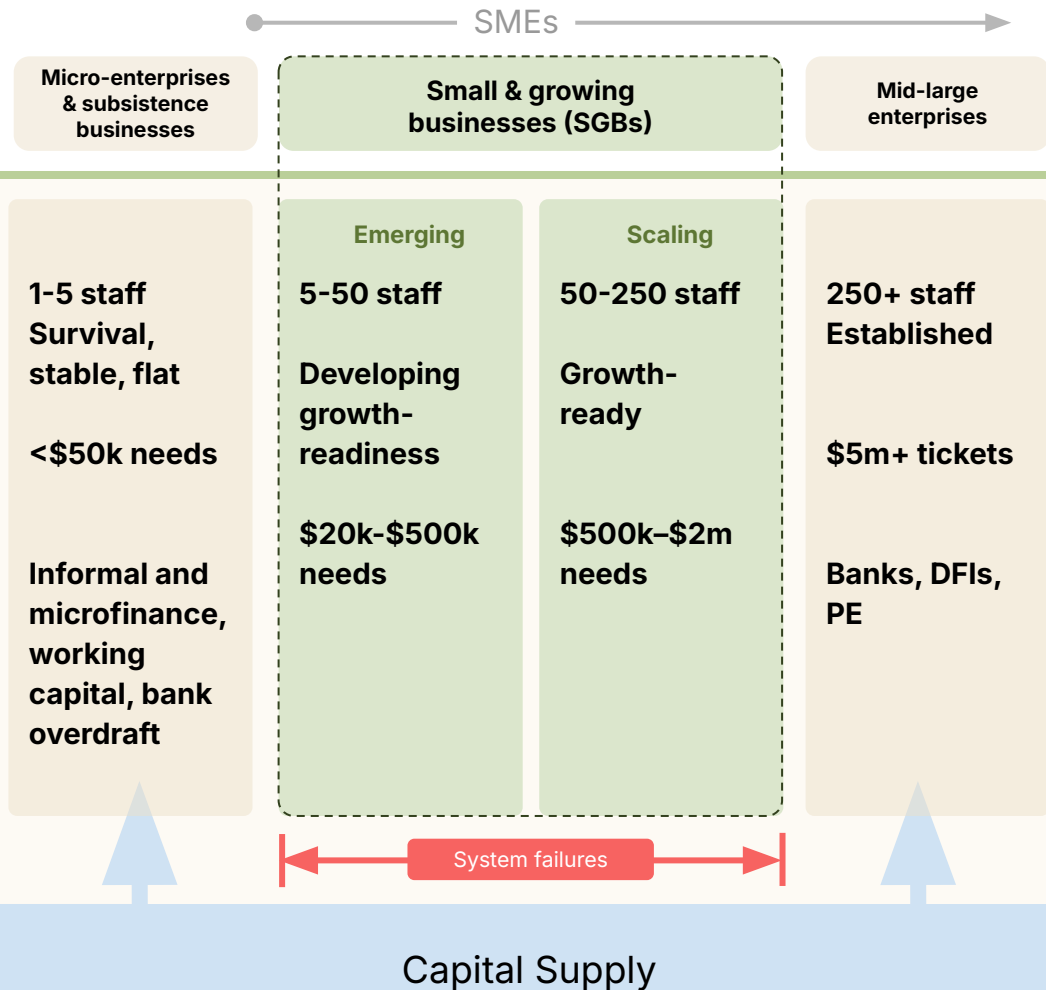


Structural barriers
constraining both the
demand and **supply** of SME
financing can be understood
through a lens of institutional
dynamics and relations



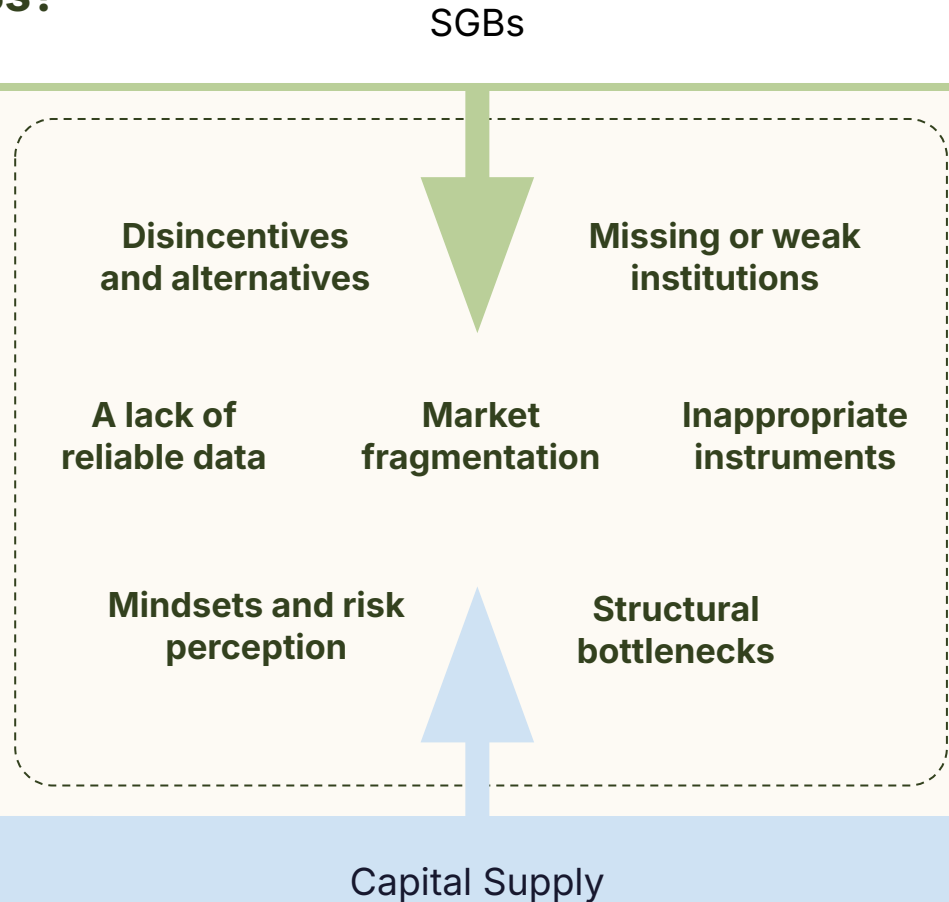
Capital Supply

SGBs are a **highly impactful** segment of SMEs that are acutely **under-financed**

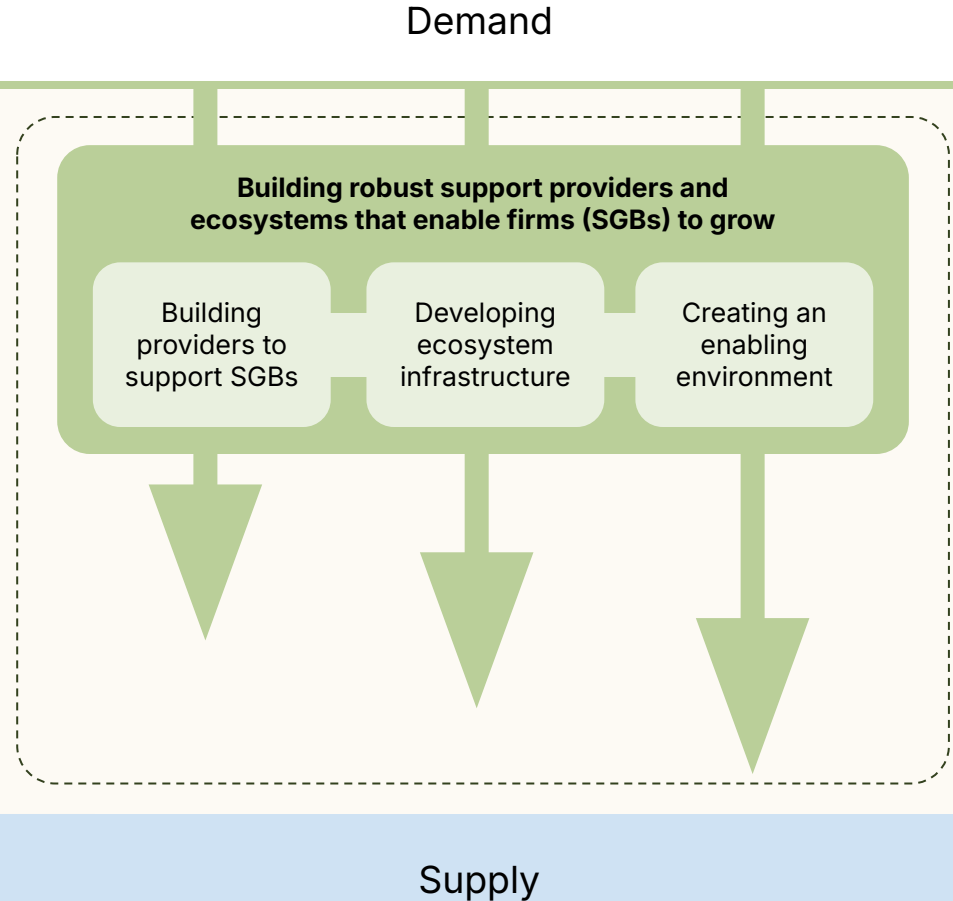


Why doesn't capital flow to SGBs?

Established dynamics and relations create a collection of **linked system failures** that **constrain** the supply of capital and demand from SGBs

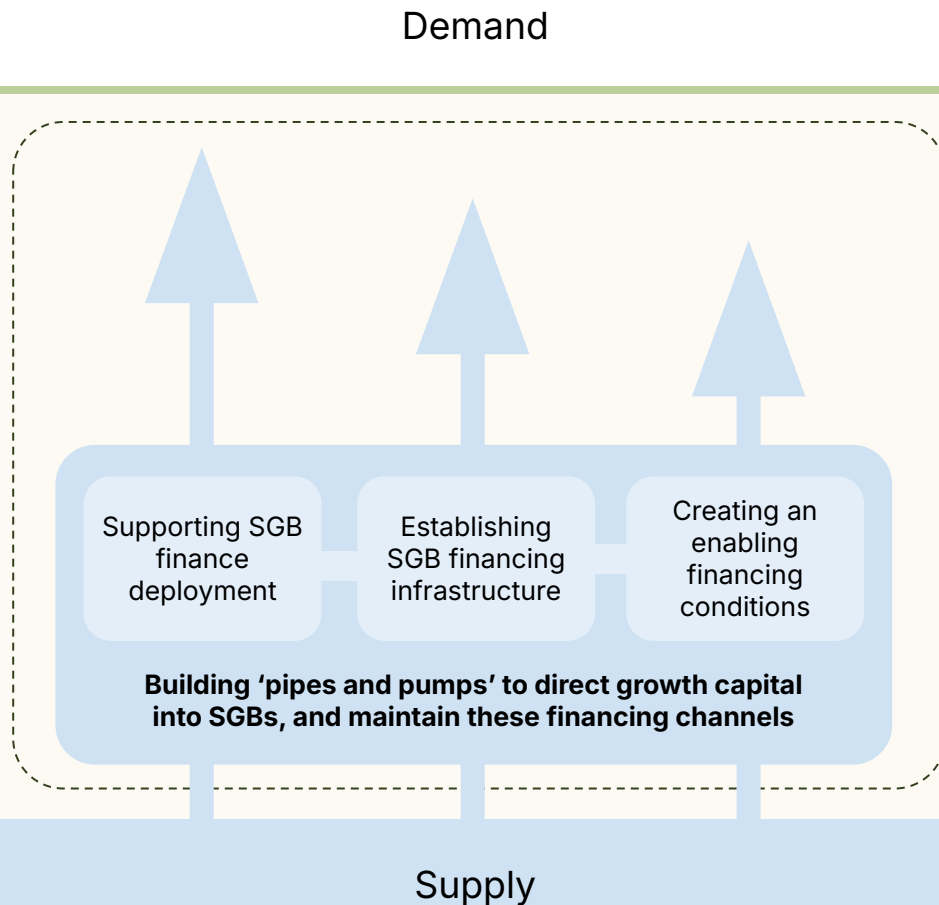


By addressing these challenges, this work can **'break ground'** by increasing SGB demand and readiness for capital



But it is also crucial to **build the 'pipes and pumps'** that can direct capital into SGBs.

We need pathways for capital to flow.



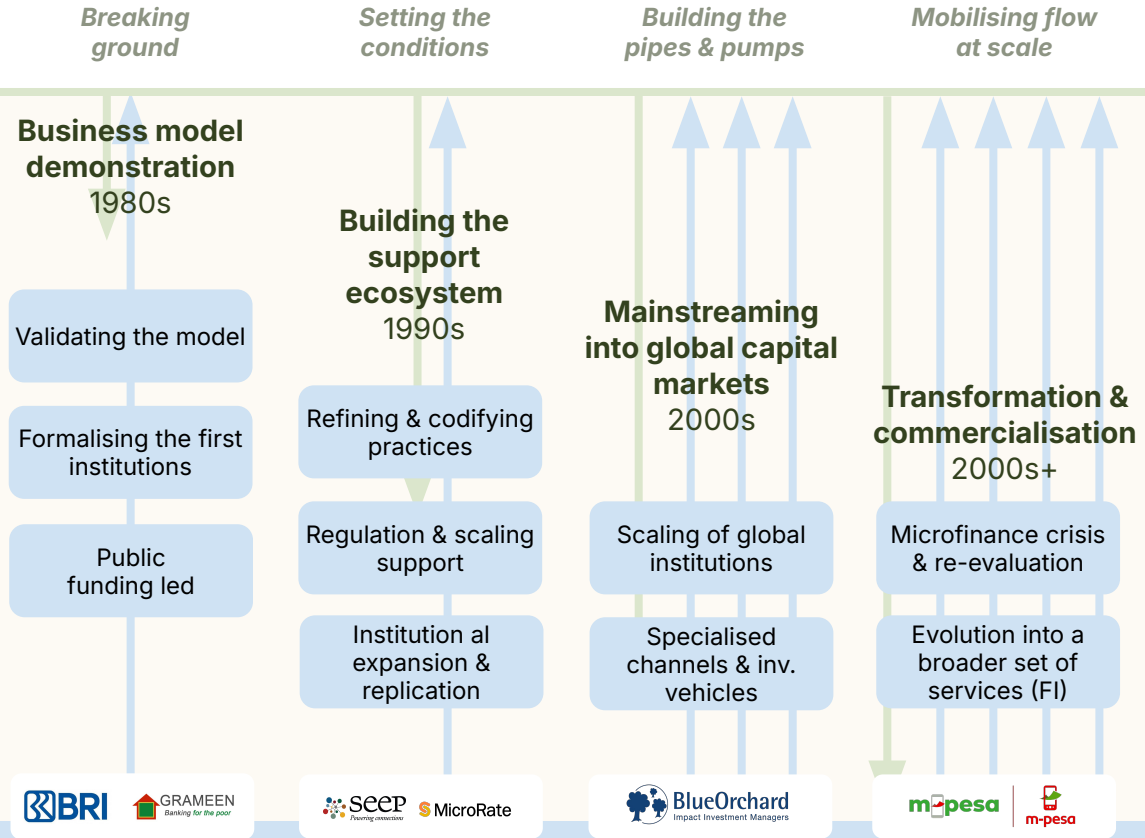
**But what needs to be built,
with whom, in what order?**

Looking back at historical examples of
market creation can shed light on the process

Learning from the past

How microfinance infrastructure developed to direct global capital into micro-enterprises

Micro-enterprises

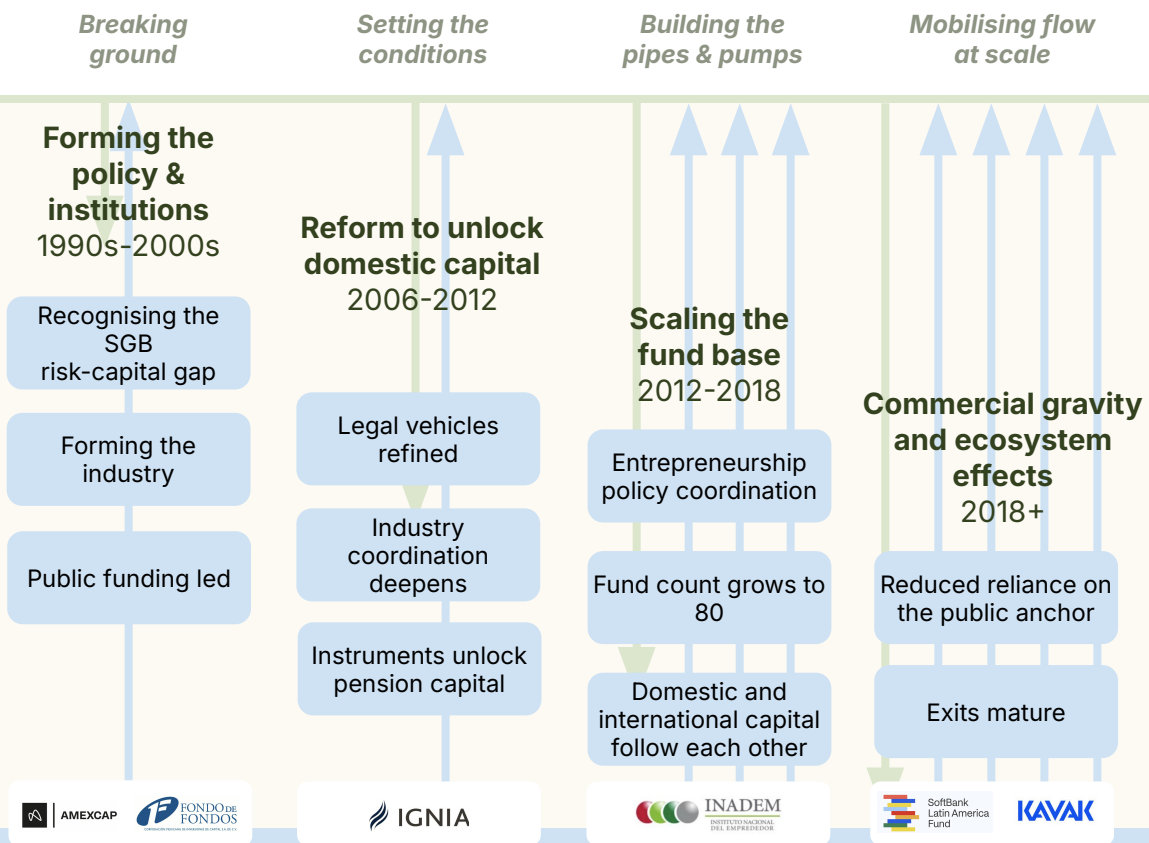


Capital

Learning from the past

How the Mexican VC ecosystem developed to create over 500,000 jobs

SGBs

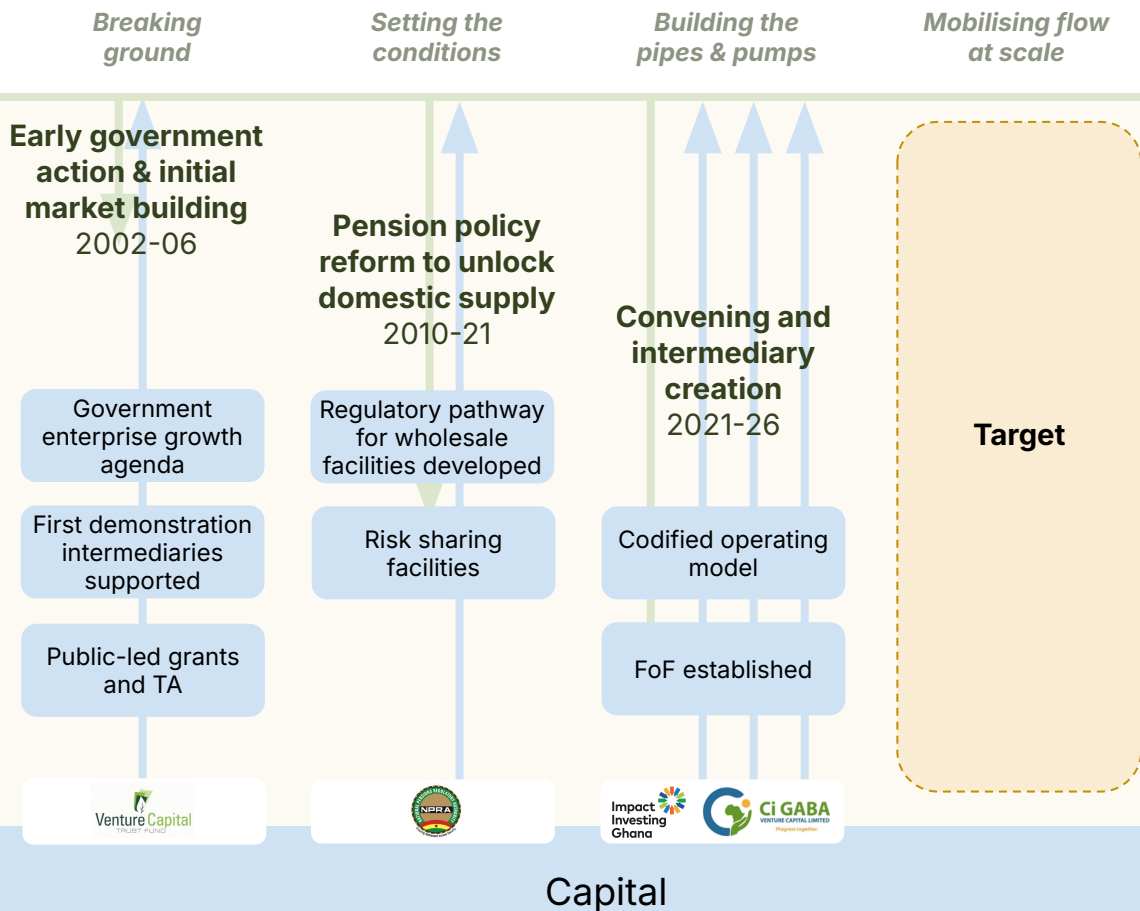


Capital

Learning from the past

SGBs

How pension funds are being mobilised in Ghana to direct domestic capital into SGBs



What patterns do we see?

Market Creation is not just addressing failures, but also **integrating system levels** to create self-reinforcing growth dynamics

Micro

Providers of
finance & BDS to
SMEs

Meso

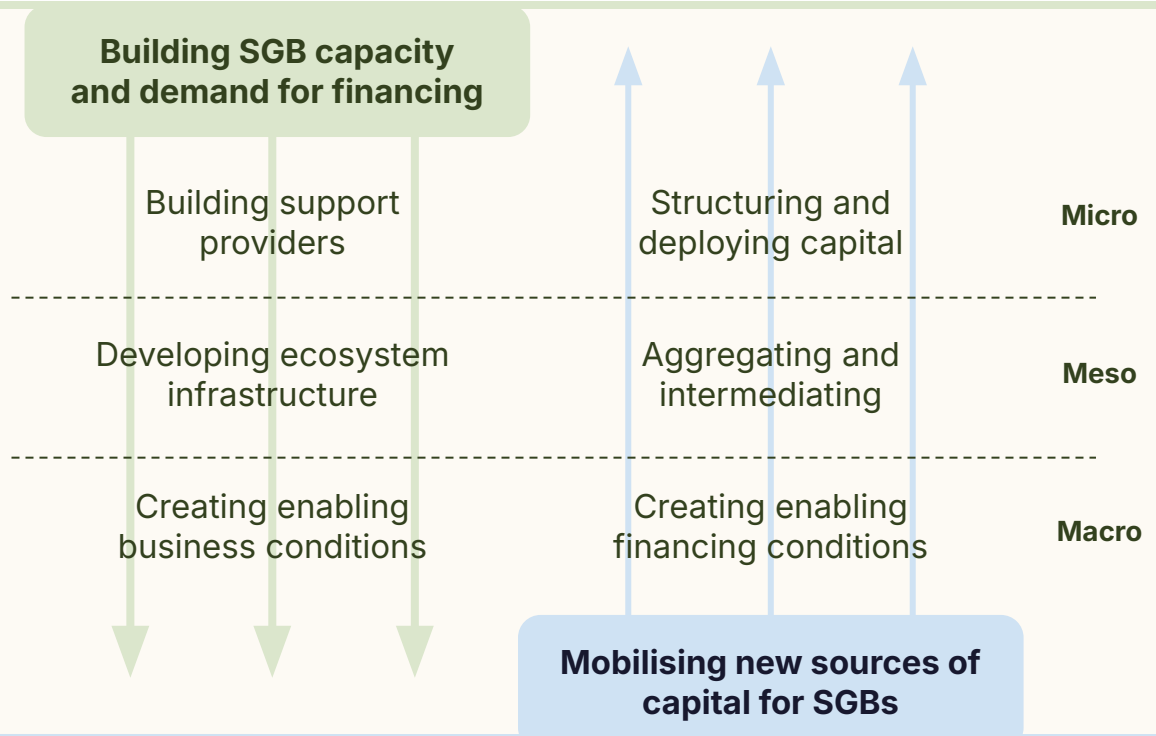
Financial & non-financial
market infrastructure

Macro

Enabling environment

SGB Demand

Market functions
need to grow and
work together



There are **common principles** in effective Market Creation practices

Build demand and supply together

Capital and capacity have to grow alongside each other

Coordination as discipline

Shared diagnosis, shared language, shared risk

Sequence public before commercial

Public and then concessional capital builds the layers commercial capital uses

Unlock domestic capital

Enable flows of domestic funds (e.g. pension funds, venture capital, retail banks)

Focus on building the pipes and pumps

Enable the market, don't capture it

Recent examples of these principles in action



Small business growth initiative (SGBI)



CiGaba Fund of Funds



And many more

A diverse group of organisations are recognising the potential of Market Creation and learning and developing the practice

International donors and actors



Market builders and finance institutions



Capital flows through the easiest pathways

Break the ground, make the pathways and build their sustaining institutions.

What will you leave behind?

