SME Finance Community of Practice

Hybrid Meeting at the DCED Annual Meeting in Nairobi, 15 June 2026

Workshop Minutes

Introduction

The first in-person meeting of the DCED SME finance Community of Practice (CoP) was held at the DCED Annual Meeting, which, for the first time, was held in conjunction with the DCED Global Seminar, to maximise exchanges between PSD donors and practitioners. In the spirit of exchange and learning, the CoP organised a workshop on market creation open to all DCED members. In addition, leading practitioners from the field were invited to the workshop to share their experiences. The workshop could also be attended online.

Participants

In person:

1. Argidius Foundation (Co-chair)
2. FMO Entrepreneurial Development Bank (Co-chair)
3. African Development Bank (AfDB)
4. British International. Investment (BII)
5. Collaborative for Frontier Finance (CFF)
6. European Bank for Reconstruction and Development (EBRD)
7. Foreign, Commonwealth and Development Office (FCDO)
8. FSD Africa (FSDA)
9. Gates Foundation
10. Ikea Foundation
11. International Labour Organization (ILO)
12. Impact Investing Ghana
13. International Trade Centre (ITC)
14. Japan International Cooperation Agency (JICA)
15. Luxembourg Ministry of Foreign Affairs
16. Luxembourg Agency for Development Cooperation (LuxDev)
17. Netherlands Ministry of Foreign Affairs
18. Netherlands Rijksdienst Voor Ondernemers (RVO)
19. Norwegian Agency for Development Cooperation (NORAD)
20. Swiss Agency for Development Cooperation (SDC)
21. Swedish International Development Cooperation Agency (Sida)
22. Triple Jump/Dutch Good Growth Fund (DGGF)
23. United Nations Capital Development Fund
24. Kristen O'Planick (independent)

Online:

25. ERBD
26. FSDA
27. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
28. ILO
29. SDC
30. Sida
31. Snowmelt (observers)

Secretariat:

Harald Bekkers

Muneeb Zulfiqar

v. 07 July 26

Workshop Agenda

Workshop objectives:

- Collect feedback on Market Creation framing, concepts, and proven and promising examples
- Identify ways to contribute to building markets of SME finance and investment, with a deepened pool of collaborators
- Identify potential work-streams of the DCED SME Finance Community of Practice

Workshop elements:

- Setting the scene: 'The Market Creation Imperative'
  - Introduction and welcome
  - Introduction to the emerging field of market creation *(Harry Devonshire, Anouk Verheijen)*
  - Case study: Ghana's growing SME investment market (*Amma Lartey)*
  - Orientating ourselves - a map for market creation contributions (*Harald Bekkers)*
- Market Creating Contributions
  - Structured inputs from AfDB, BII, CFF, DGGF and FSDA, each covering elements of a systemic approach to market creation
- Small group discussions to reflect on the various contributions, identify systemic constraints in finance markets workshop participants had been working on, and identify areas for action or collaboration. Key questions included:
  - Visioning and sensemaking:
    - ✓ What does success look like, also at different market stages?
    - ✓ What are appropriate roles for donors, DFIs, funders, allocators, SMEs, etc.?
    - ✓ What are the key priorities, challenges and learning questions?
  - What are the next steps:
    - ✓ For market creation as a movement
    - ✓ For the DCED and this CoP working in support of this

Setting the Scene: The Market Creation Imperative

Welcome and introductions

Alan Duggan (Co-Chair, FMO) opened the workshop by reminding everyone that this was the first in-person meeting of the CoP, after having met twice online. He explained the purpose of the workshop as follows:

- frame and discuss the emerging field of practice called market creation;
- identify how a deepened pool of collaborators could contribute to market creation;
- identify workstreams for the DCED SME finance CoP.

Introduction to the emerging field of market creation

Anouk Verheijen (FMO) started by explaining the importance of SME segmentation: there exists an array of different SME segments, each with different financial and non-financial needs. Their stage of development, growth potential, and growth motivation are key to understanding these needs. Servicing this array of SME segments requires an array of financial and non-financial service providers.

Micro-finance is able to reach micro-enterprises (which primarily need working capital). Banks can service more mature SMEs with collateralised lending products. Venture capital can invest in SMEs with an extremely high growth potential (often IT-related). Reaching other SME segments with growth potential is more problematic.

The "Missing Middles" does not reflect a funding problem but a structural, systemic problem: pools of underutilised capital exist, but "the pumps and the pipes", i.e., the financial and non-financial intermediaries, finance wholesalers and finance regulations are not adequality in place to assess risks and manage costs to enable the supply of finance and the SME demand for finance to efficiently and profitably meet.

Harry Devonshire (Co-Chair, Argidius Foundation) discussed examples of market creation to learn from, including micro-finance (1980s – 2000s), the expansion of venture capital in Mexico, and the mobilising of pension funds for investment in SMEs in Ghana.

Harry also delved into the emerging patterns we can observe when thinking about a systems approach to SME finance market creation. This relates to the realisation that systems are comprised of different levels -- micro, meso, macro -- each populated by different actors playing different roles. These actors and levels are interdependent and only together form a functional system for SME finance. Emerging patterns can also be detected in relation to emerging areas of work, such as establishing the "pumps and pipes" –- new channels for connecting funds to SME demand –- and mobilising domestic capital to be pumped into these channels. The overarching conclusion is that this whole-of-system approach is important to identify the most pressing structural, systemic bottlenecks, which in turn require a collaborative, coordinated approach to have them all addressed.

You can find more details in the "introduction deck" to market creation here.

Amma Lartey (Impact Investing Ghana), provided a first-hand account of the Ci-Gaba Ghana pension fund case. She framed Impact Investing Ghana's system facilitation efforts as a "journey of discovery", in which analysis of market failures and institutional behaviours, consistently asking "why", and offering tailored support were, in her view, essential to understand the underlying issues of market failure, gain the confidence of stakeholders, and help them overcome capacity issues and change mindsets.

In Ghana, pension funds preferred investing in government bonds over investing in SMEs, but this also posed a risk in terms of overexposure. Some pension funds wanted to diversify but did not know how to. Their in-house SME investment capacity had to be built up, and collaboration with experienced concessional investors had to be established, before they felt comfortable enough to move forward. This allowed for the establishment of a USD 75M fund for SME investment, 70% of which came from pension funds.

You can read more about the Ci-Gawa case here.

Harald Bekkers (DCED Secretariat) explained the purpose of the work-in-progress "DCED Market Creation Systems Map". He started by saying that the biggest pitfall in a systemic development process is to talk about a system only in abstract terms. It is important to conduct the analysis Amma Lartey referred to in order to build up a concrete picture of a specific financial system and its specific "piping and pumping" gaps:

- What is the demand from SME segments (in terms of products and market size)?
- Which financial and non-financial service providers facing these SME segments would be best placed to respond to this demand, and what prevents them from doing so? (micro-level)?

- Which other system actors could be instrumental in building an efficient ecosystem that supports micro-level service transactions to reduce costs and risks, and what would they need to do? (meso-level)
- Which macro-level regulatory reforms would work in support of the meso- and micro-level, helping to reduce costs and risks further, and what would be needed to initiate these?

The map is a tool to help analyse a system, first in terms of where it currently stands (with all its gaps and the reasons for their persistence) and, secondly, how this could improve, by framing a vision and collaborative strategy (Amma's "journey of discovery") for addressing key bottlenecks. This should be achieved by strengthening the incentives and capacities of financial and non-financial actors that should play a role in this system. Catalytic support is essential for this.

You can find the "work-in-progress" DCED Market Creation Systems Map here.

After these introductions to aspects and examples of market creation, several other speakers briefly discussed their work on SME finance, which all can be considered contributions to market creation (guided by the map, the ambition would be that more of these contributions will come together to collaborate on a specific SME finance market system and the gaps therein – to change a system fundamentally).

Market Creating Contributions

Contributions were made by: Kevin Simmons (FSDA); Drew von Glahn (CFF), Julia Kho (Triple Jump/DGGF), Alex Kucharski (BII) and Josephine Ndao (AfDB).

The ensuing discussion centred around the question of how this newfound momentum around market creation was different from previous efforts to unlock SME finance. Contributors gave various explanations for a renewed sense of optimism:

- The withdrawal by USAID has created a new sense of urgency.
- There are growing pools of (domestic) capital in search of productive investment.
- Local talent wants to work in the industry.
- There is a clearer sense of the way forward (embodied in market creation).
- New collaborations are taking shape (as demonstrated in this DCED CoP).

Finally, it was mentioned that, in the future, these discussions should include local stakeholders, such as pension funds, banks, local capital allocators, chambers and sector bodies, and government representatives.

Small Group Discussions

After the coffee break, the workshop split into two groups. The in-person workshop continued with small group discussions and a clustering exercise to help visualise how the different participants intervened in systems, in which they can play different but intersecting roles. The online group reflected on the presentations and discussion before the break. The discussion centred around the questions of how to make market creation practical and affordable, i.e., who can invest in this.

It was acknowledged by various contributors, both in person and online, that while the SME finance discussion is not new, the combination of more and new players entering the scene, a stronger ecosystem

perspective and a desire to work more intentionally together, combined with new technologies to reduce transaction costs, can create new opportunities for SME financing.

The participants attending in person were asked to identify their "spot" (i.e., area of work) from a systems perspective. It was found that participants were able to apply the micro-meso-macro structure. Some participants worked directly on creating access to finance; most participants worked at the meso-level on aggregation; some worked on early-stage finance or on SME banking; and some covered several levels.

Some participants mentioned that when focusing on systems, the meso-level may offer the most potential for impact and creating multiplier effects. Others argued that aggregation without connections to SMEs (through banks or local capital allocators) still leaves a system without all "pumps and pipes" in place. It was also mentioned that the purpose of market creation/system building was to ensure that the SMEs with the strongest growth potential gain adequate access to finance and services. Their growth also represents an important multiplier effect.

To make market creation more concrete and actionable, and less abstract or academic, multi-stakeholder platforms were considered to be very important. These platforms should be organised in-country and should not only include donors. Country platforms could be supplemented by a continent-based platform.

Developing case materials such as the Ci-Gawa also helps to make the discussion more concrete. For example, discussions in Uganda about mobilising pensions benefit from the Ghana Ci-Gawa case.

Overall, it was felt that the "how to" of market creation needs to be further worked out. Embracing a systems perspective implies being clearer on what a specific intervention or project should be working towards (i.e., which funds, through which intermediaries for which SME segments), and which other activities would be necessary to complement this.

To this, it was added that it is important to retain access to catalytic (grant) funding. This instrument can nudge innovation, enabling market actors to try something out and learn from it. Also, it is important to remain cognisant of alternative investment opportunities. We cannot "force" financiers to forgo more rewarding investment opportunities in favour of less attractive ones. Still, we can help them diversify by learning to operate in market segments that previously *appeared* too risky to enter.

Finally, in terms of who pays/affordability, as of now, it remains unclear how much market actors such as banks and pension funds, which should become part of newly forming coalitions for market creation, are able and willing to invest in developing national systems (in addition to investing in their own capacity). With shrinking donor envelopes, it will be important to use donor grant funding as strategically and catalytically as possible.

In this context, it was also mentioned that it could be important for this CoP to connect with other finance networks out there (e.g., global guarantee networks, networks of angel investors in Africa) to bring them along and learn from them.

Next Steps

In FY 26-27, the following steps will start to address some of the questions raised in the workshop:

- The Market Creation Primer, approved in the DCED workplan for FY26-27, should help clarify the technical language and the approaches used by PSD practitioners and financiers as well as how impact is defined. It should help explain where different actors are coming from, but also what we want to move toward, and thus help make market creation already a bit more concrete.

- The demonstration financial system analysis, approved in the DCED workplan for FY26-27, should further help make market creation more concrete. The (national level) analysis should result in a clear understanding of the coalition of actors, or platform, that should be built, and the actions that need to be undertaken, to create functional (national) systems for SME finance. This, therefore, should generate in the task at hand and, ideally, who can invest in what.
- The DCED Market Creation systems Map should evolve into an implementation guideline for market creation (building off the experience gained from the primer and the analysis).
- The updated BDS guidelines, approved in the DCED workplan for FY26-27, should shed a practical light on current best practices to make BDS less dependent on recurring donor funding, help pivot toward more catalytic donor support.
- More practical examples of market creation will be collected and shared.