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BEAM EXCHANGE

DCED Global Seminar 2026

Session 1E

The SME Finance Market: An ever increasing missing middle?

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DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Affaires étrangères
et européennes, de la Défense, de la
Coopération et du Commerce extérieur

Ministry of Foreign Affairs of the Netherlands

FMO
Entrepreneurial Development Bank

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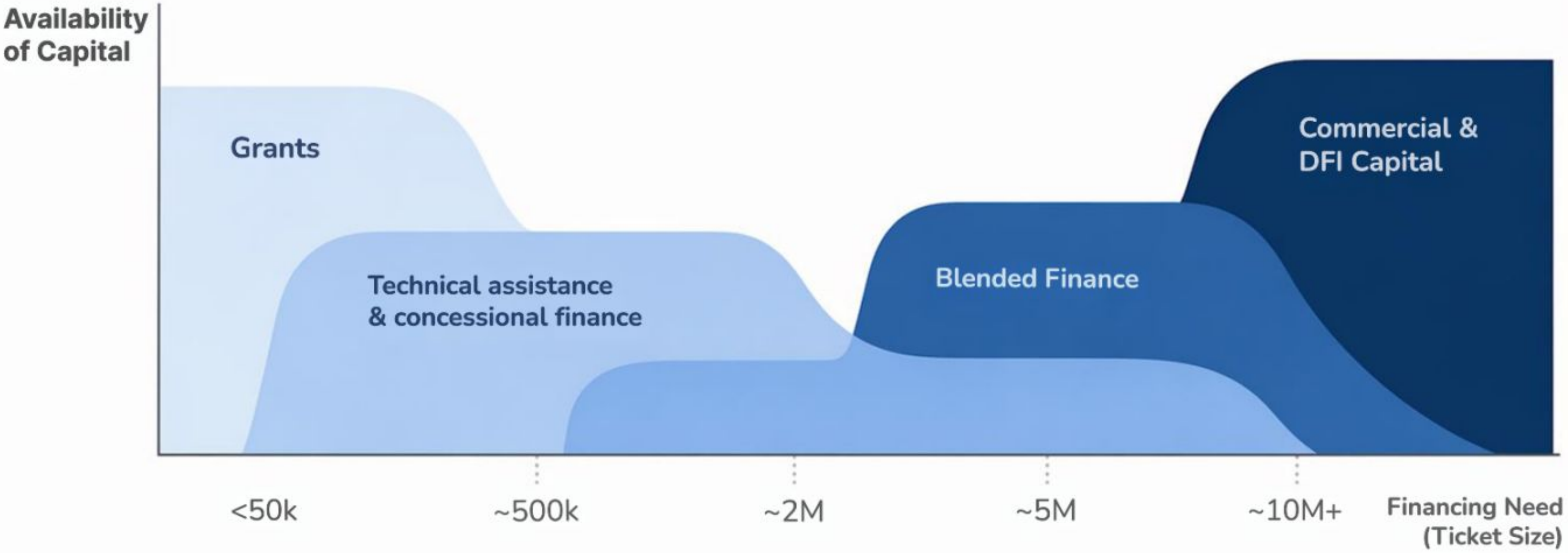
Mapping Financing Instruments to Ticket Sizes



As grants become less efficient a gap emerges before finance enters

Source: own elaboration

Segmentation of "*small enterprises*"

Pre-2010

IFC International Finance Corporation WORLD BANK GROUP

IFC MSME Definition focus on traditional, and tangible, **"number metrics"** of enterprise size

Indicator	Employees	Total assets US$	Annual sales US$	Loan size at origination
Small enterprise	10-49	$100,000 - < $3 million	$100,000 - < $3 million	<$100,000

2010

ANDE's "Small and Growing Businesses" (SGB) adds concept of enterprise's **growth intentionality**.

ASPEN NETWORK OF DEVELOPMENT ENTREPRENEURS aspen institute

2018

COLLABORATIVE FOR FRONTIER FINANCE

CFF "**Missing Middles**" – too small for commercial banks and PE, too big for Microfinance

Four Segments of "Missing Middles"

- Livelihood-sustaining Enterprises
- Growth Enterprises
- Dynamic Enterprises
- High-growth Enterprises

2023

COLLABORATIVE FOR FRONTIER FINANCE

Small Business Growth Funds, an emerging asset class of capital providers:

- Growth-oriented small businesses
- Often need intangible investments
- **Avg Ticket sizes ≈$50K - $500K**
- Often 1st formal debt/equity
- Debt, Equity and Quasi-equity

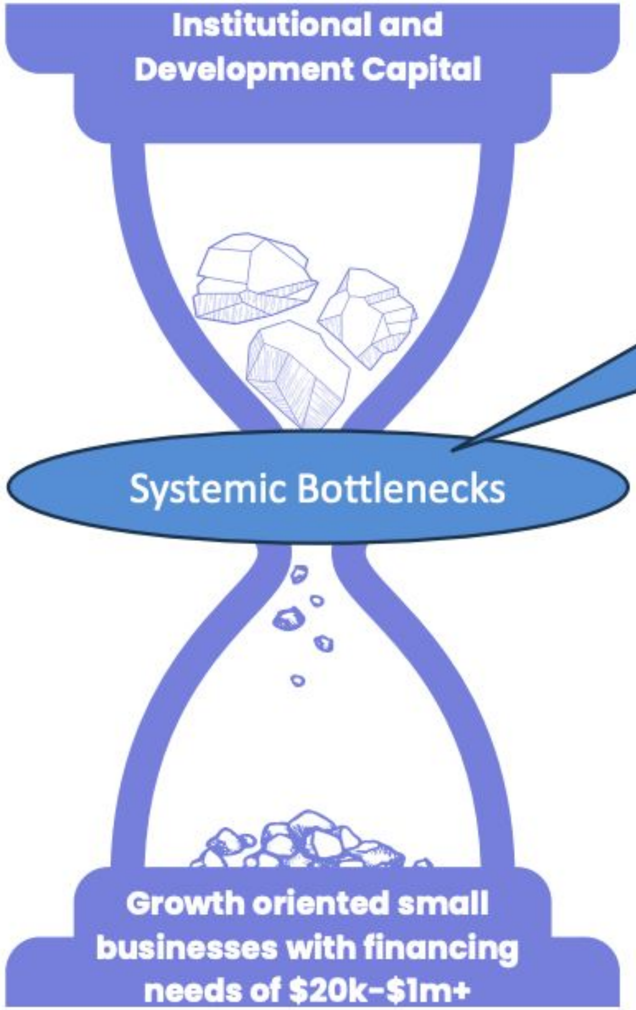
2025

COLLABORATIVE FOR FRONTIER FINANCE

Market-based lens on segmentation. Growth Funds provides capital based on:

- Purpose of Funding
- Stage of enterprise
- Organizational capacity
- Cash-flow Growth potential
- Business sector

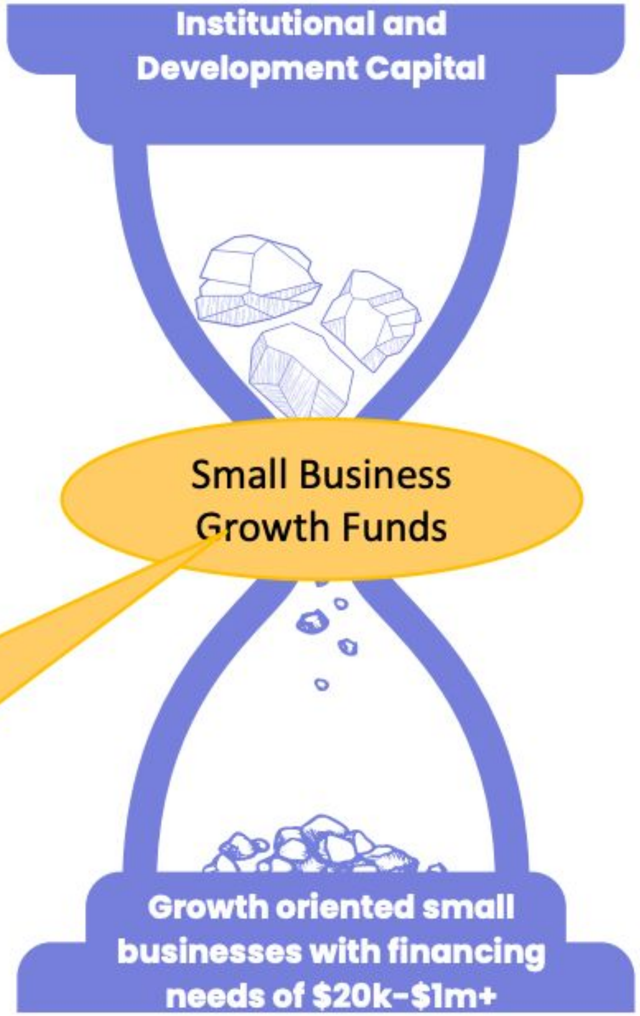
The Hourglass Dilemma and Systemic Barriers



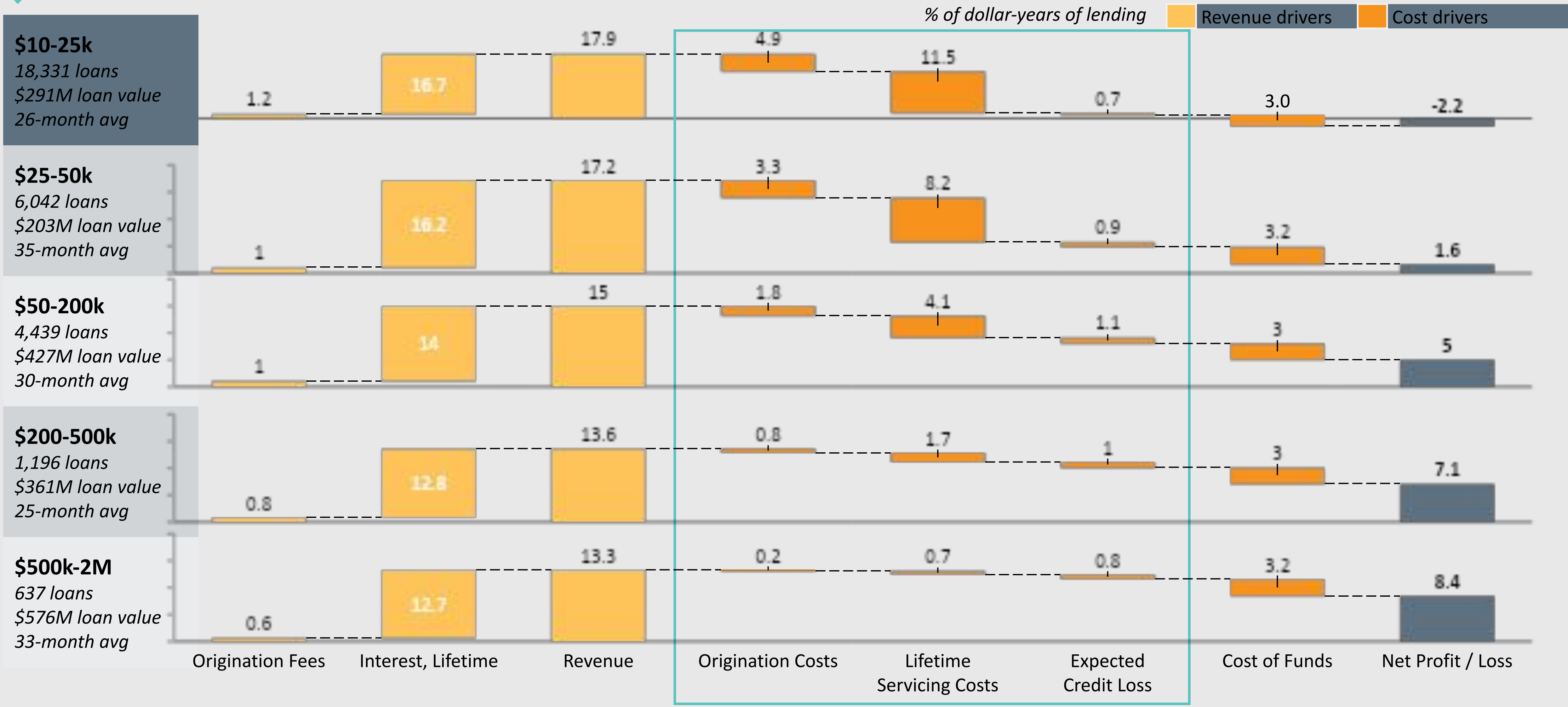
THE "HOURGLASS DILEMMA"

Large pools of institutional capital struggle to meet the small, diverse financing needs of Africa's "*missing middles*"

To meet needs of growth-oriented small enterprises, Growth Funds provide range of capital financing instruments; flexible financing terms; and embed enterprise support in their financings



Profitability | Smaller loans cost more to originate and service, leading to losses or low profitability despite higher interest and fee income



Notes: 4 banks omitted from analysis due to missing data
Sources: Dalberg analysis; Aceli Benchmark Data 2024

How Partners Can Design Effective Investment Readiness Mechanisms

Design of effective investment readiness mechanisms

BDS Providers

Institutional capacity building of BDS providers

- Business model
- Revenue streams
- In-house implementation capacity

Specialization of BDS providers

- Outsource non-specialized services

Segmentation & selection of companies

Target support at a small segment of companies

Strict selection criteria

- Critically assess ability to generate profits & employment
- Financing needs/suitability
- Readiness
- Profile/sector/stage

Investors & entrepreneurs on the selection committee

Market system

Develop/partner with initiatives to address wider market challenges

- Regulations
- Market access
- Supply chains
- Support services

Support Design

- Quality rather quantity
- Individualized, hands-on support
- Long term support (pre & post investment)
- Co-design of programs

Charge for services (subsidized, success fee)

Access to Finance

Assessment of financing needs from the start:

- Type of funding/funder
- Amount

Grants and blended facilities only catalytically

- Partnerships with suitable funders
- Support to apply to/negotiate with funders

Feedback Loop

- Continuous improvement of the support mechanisms
- Project length of at least 5 years
- Assess real long-term impact

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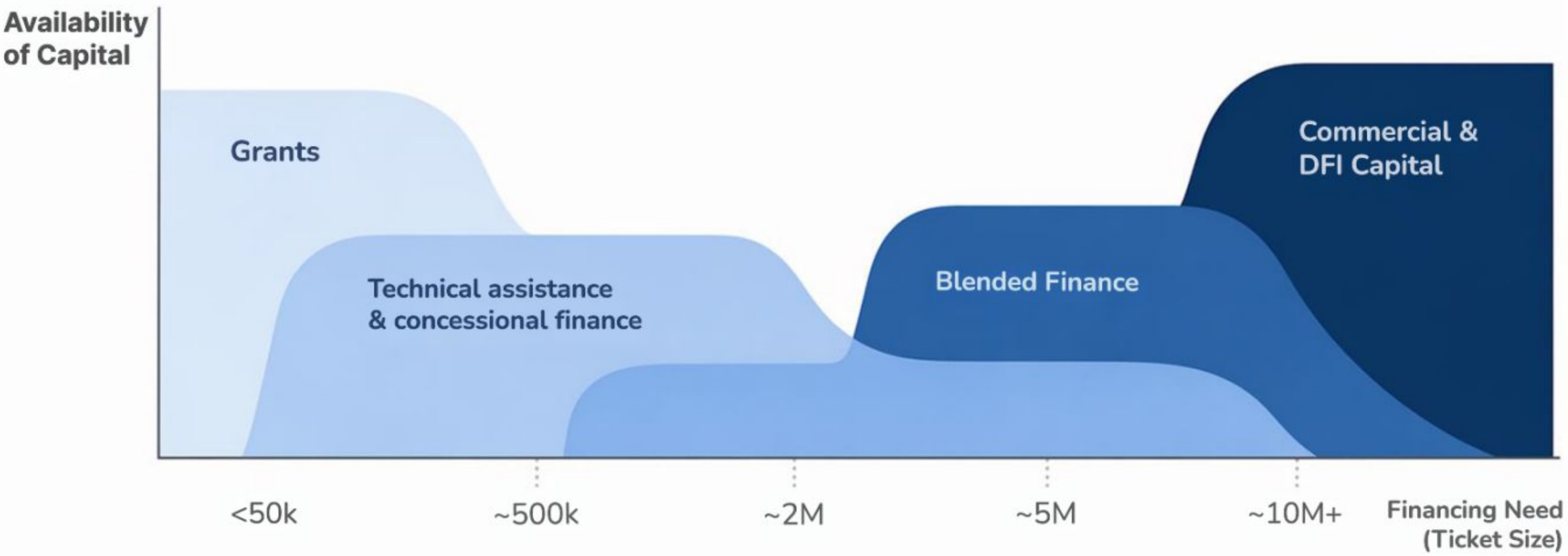

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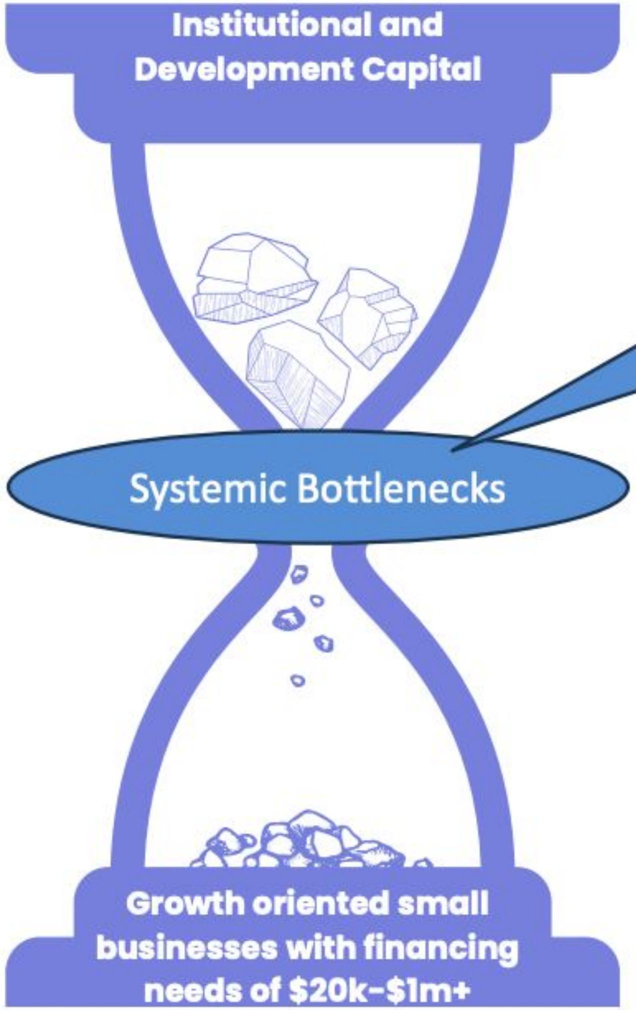

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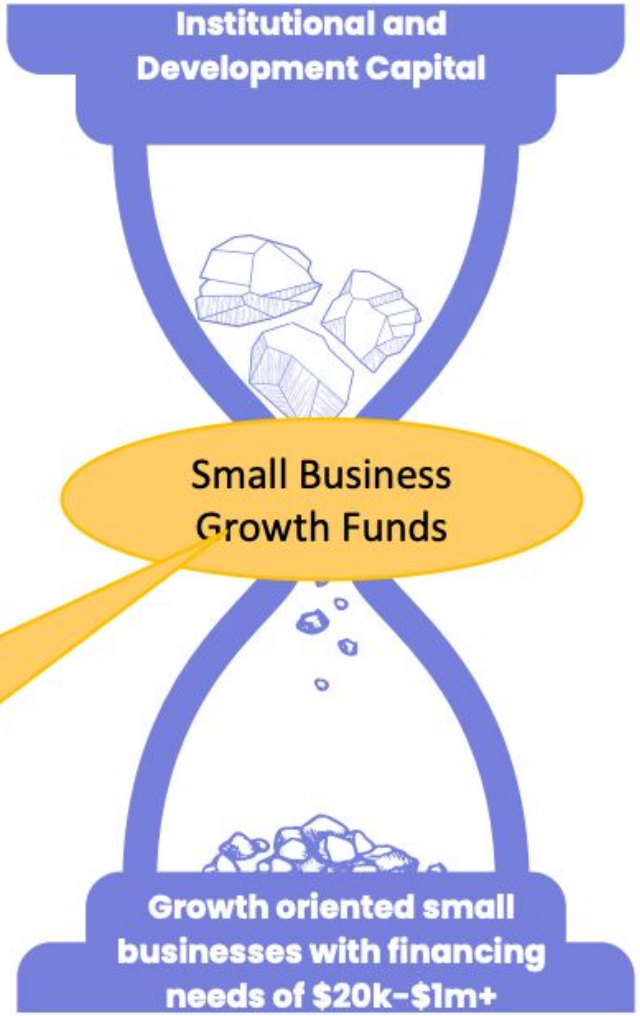


Who are Africa's small businesses growth funds?

Growth Funds – in ten key data points

86% of GFs leadership teams have business management experience

4+ yr Avg. tenor provided by Growth Funds (compared to 2.5 yrs average among Africa's commercial banks)

98% of GFs teams are based in their target market

$20K–$1MM typical range of financing transaction size of Growth Fund portfolios

68% of GFs offer flexible funding in the form of self-liquidating financing instruments

2/3rd of GFs pursue non-collateralized risk mitigation

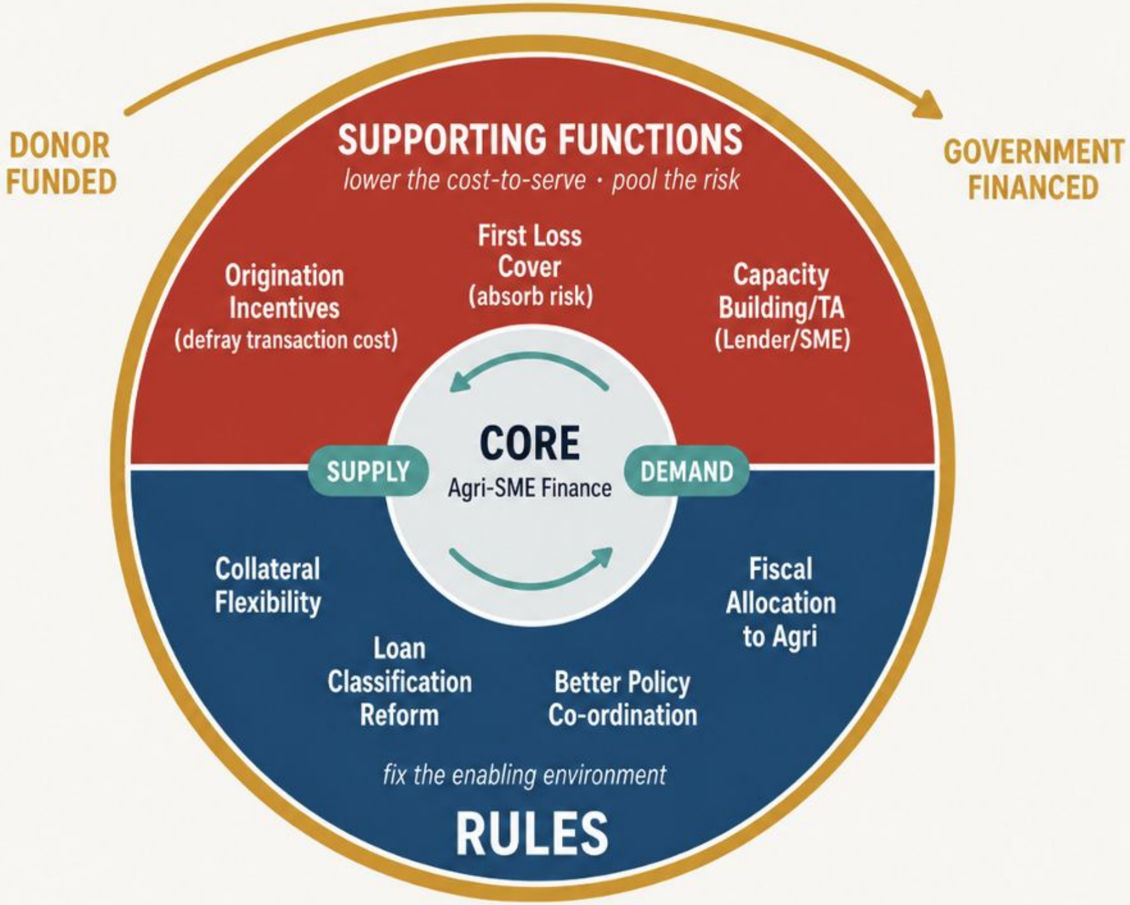
98% of GFs provide pre- and/or post- investment support, with 84% offering a tailored approach, and 73% of TA is provided through Fund Managers

60% increase in number of GFs with female founders/principals over the prior year

70% of GFs have portfolios that have achieved >10% growth in revenue in the last year

$2.25BN target AUM of the 100 GFs surveyed in CFF's 2025 State-of-Play report

Systemic Change



Q&A session

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Thank you