



COLLABORATIVE
FOR FRONTIER FINANCE



LEARNING BRIEF

2025 ANNUAL CONVENING

28 FEB – 4 MARCH, LAKE NAIVASHA, KENYA

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OVERVIEW



Attendees of the 2025 CFF Annual Convening, Lake Naivasha, Kenya

CFF's 2025 Annual Convening was a success, bringing together key stakeholders including fund managers, institutional investors, pension funds, DFIs, and ecosystem players to discuss the evolving landscape of small business finance.

The insightful discussions provided a clearer appreciation of the challenges, and opportunities, as well as the necessary actions required to strengthen small business financing in emerging markets.



60

Small Business
Fund Managers



23

African countries
represented



92

Attendees



27

Ecosystem Partners,
institutional investors,
and LPs, represented



This year's convening themed **"Africa-centric policies and practices increase efficiency, reduce risk, acknowledge context"** featured:

- **92** Attendees
- **60** Small Business Fund Managers from **23 countries** across Africa / MENA operating in sectors ranging from agri value chain, climate and renewable energy, healthcare, fintech, to e-commerce, refugees, creative economy, women-led businesses, and more.
- **27** Ecosystem Partners, institutional investors, and LPs, including philanthropic foundations, family offices, domestic insurance companies and pension funds, development agencies, fund of funds, catalytic capital investors
- **Learning sessions and breakouts** on leading topics in small business finance, including:
 - **Funding Strategies and Investment Instruments** diversifying funding pools, investment instruments, and fund structuring
 - **Operational Support and Investment Readiness** Operational Support and Fund Models prioritising fund economics and investment readiness, including back office, warehousing, and operational support
 - **Capital Mobilization and Risk Mitigation** Targeting new funding pools, capital markets, local private and institutional capital mobilisation
 - **Catalytic Financing and Market Innovations** The 2025 Convening underscored the increasing importance of catalytic capital and financial innovations designed to mitigate FX risk and enhance access to local capital.
 - **Investment strategies and Portfolio support.** Value Creation and Technical assistance in terms of pre and post support to portfolio companies

These sessions play a key role in supporting the growth of small business funds and their ability to build capacity and attract institutional investment.

STRENGTHENING THE ESCP NETWORK



CFF's role in knowledge-sharing has been critical to accelerating SME finance solutions.

With input from the Early Stage Capital Providers Network (ESCP), we collectively agreed to focus on a set of priorities aimed at **strengthening small business funds, expanding institutional investor engagement, and advancing market solutions** that accelerate capital mobilization for high-impact SMEs.

Specifically, CFF will deepen its support for the ESCP Network by:

- **Enhance network engagement** by segmenting members by region, theme, stage, and need to deliver more targeted support and interventions—strengthening deal sharing, co-investment opportunities, and knowledge exchange. Redesign and leverage the Fund Manager Portal to standardize training, templates, and tools, supporting investment readiness mapping ahead of LP outreach. There was also a strong call to collaborate with other ecosystem actors and to co-create a unified agenda for key ecosystem events throughout the year.

- **Benchmarking, gathering and disseminating data on performance of small business finance funds** To attract institutional capital and DFIs, comparable data on portfolio configuration, performance and impact are critical ingredients. For example, as a network, we need an initiative on sharing performance data on Investment Vehicles. How do we use this to promote awareness and share insights to inform on commercials and intervention areas? What are efficient ways to track impact and what are the key metrics and benchmarks for impact?
- **Deploy a regional approach to advocacy** working with regulators, associations, partnering on events to ensure representation, develop concepts, mapping local funders and story telling. There was also an ask from CFF to support storytelling and bridging information gaps. For example, LCPs journey, success and impact stories.
- **Map and Segment the Alternative funder pools (private and institutional Capital, e.g. pension funds, insurance co, HNWI, Family Offices and Foundations) by demographic, region, sector, fund stage and ticket sizes** to assess their criteria and fit. For example, which pools of capital are currently untapped? How can we attract and access these pools of capital? What would a coordinated approach to engaging these pools of capital look like?
- **Deepen our learning agenda with a learning series** on high impactful topics, trends as well as elevating the merging asset class **by developing case studies on fund strategies and successes** to advance local knowledge and insight on small business finance. For example, what does the playbook for SME funds look like – pathway to profitability.
- **Advocate for De-risking Guarantees and Fund of Funds as a bridge for smaller funds (sub-US\$10m)** to allow them demonstrate the business model and impact while addressing liquidity, asset class diversification. For example, how do we promote the proliferation of FoF vehicles as a catalyst for these investment vehicles for success? How do we use such vehicles to address the constraints around perceived risk, liquidity, valuation, exits/monetization (debt vs. equity) that limit local institutional capital from directly participating? Can CFF support design and cocreation of such solutions and guide on the adaptive rollout?
- **Strengthening the Body of Knowledge** in the broader investment ecosystem in Africa and MENA. Through Research & Advisory Collaboratives, explore platforms that create an opportunity for localized, high-quality advisory services with CFF in collaboration with consortium of local fund managers. This also provides an alternative income stream which ultimately enhances the fund managers' ability to become more resilient as they fundraise and support small businesses and drive economic growth in their markets.

10 KEY INSIGHTS & TAKEAWAYS

1. An Advance in ESCP Business Models

“Combining revenue-based financing and technology is unlocking capital for African entrepreneurs in ways we haven’t seen before.”

Discussions explored **alternative funding models, revenue-based financing, and technology-driven solutions** that are broadening access to capital and streamlining fund management operations. See CFF’s 2024 Annual State of Play Report for more.

2. High potential to mobilize pension fund capital

“The CFF Convening provided clarity and direction for our venture-building strategy.”



CFF and its partners are actively collaborating with [NSSF Uganda](#), the largest pension fund in East Africa, to advance SME investment strategies across the region. NSSF, which attended the convening, is seeing **strong returns from its SME portfolio** and is committed to further refining its approach while encouraging peer institutions across the continent to expand their SME investment strategies.

As part of this effort, **NSSF will host the All Africa Pension Summit in November 2025 in Kampala under the theme ‘Power Africa’s Future’**, bringing together pension funds under the Africa Social Security Association, DFIs, fund managers, regulators and local capital providers with an aim to unlock the full potential of pension capital for Africa’s economic and social development. It will entail showcasing successful investment models, tackling key challenges such as liquidity constraints and valuation concerns, and driving greater participation in SME financing. CFF will carry out a series of network building and learning activities in the lead up to the conference. See [‘next steps’](#) below for more on CFF planned activities in the run up to the November conference.

3. Philanthropic foundations moving with intentionality

“Unlocking the full potential of local private and institutional capital for Africa’s thriving small and growing businesses is critical now more than ever.”

Philanthropic foundations are joining forces to better prioritize the needs of growth firms and local capital providers. With a clear and strategic focus, they are effectively addressing both ecosystem support and the catalytic funding required to drive sustainable growth. These funders recognize that unlocking capital for small and growing businesses goes beyond direct investment; it requires strengthening the broader infrastructure that enables firms to scale and create lasting economic and social impact.

a. The Growth Firms Alliance (GFA) is a coalition of funders committed to enhancing the ecosystem that support the emergence and expansion of growth firms. By fostering collaboration among key stakeholders, GFA aims to accelerate the economic and social transformation of low- and middle-income countries, ensuring that high-potential businesses receive the right mix of capital, technical support, and market access to thrive. <https://growthfirmsalliance.com/>

b. The Catalytic Capital Consortium (C3) is dedicated to promoting learning, fostering collaboration, and mobilizing catalytic capital to unlock investment opportunities with deep social and environmental impact. Through its efforts, C3 is building a dynamic and engaged community of practice, equipping investors and ecosystem actors with the tools and insights needed to deploy capital more effectively and at scale. <https://catalyticcapitalconsortium.org/>

“Engaging directly with such an interesting set of local and international partners has been invaluable! I return home very motivated.”

4. First-time participation by the World Bank in CFF’s Annual Convening

Joining the convening for the first time, CFF had the pleasure of hosting the **WE-Fi Code** a global partnership of governments, multilateral development banks, and private sector stakeholders, hosted by the **World Bank Group**, aimed at addressing financial and non-financial barriers for women-led SMEs, including through the Women Entrepreneurs Finance Initiative Code, a commitment launched to increase funding for Women led and focused MSMEs in 26 countries.

<https://www.we-fi.org/we-finance-code/>

5. Shifting Definition of the Missing Middle

The shifting definition of the missing middle has evolved over time. While previously understood as businesses seeking \$200K–\$1M in financing, remarks from fund managers indicate that the missing middle now goes as low as \$20K and revolving in nature covering short term liquidity needs, depending on sector and market conditions. This shift has implications on how we structure funds, assess investment readiness, and design financial products to effectively serve these businesses.

6. SME Financing Needs across the Spectrum

There is a need to appreciate the varying financing needs of SMEs across the ‘Missing Middle’ spectrum to facilitate more effective funding strategies. The ecosystem should work together to align on this and move away from a one-size fits all to ensure that wholesale financing programs, instruments and capital structures are appropriately designed.

7. Data Collection is critical for Growth and Fundraising

Funds are increasingly recognizing the value of capturing and analyzing data on their portfolio companies. This data helps SMEs track growth and key performance indicators (KPIs), which can be leveraged in fundraising efforts. Aceli Africa (<https://aceliafrica.org/>) shared their experience and encouraged fund managers to proactively collect and report useful data that demonstrates portfolio growth and impact.

8. Investment instruments

“Revenue-based financing works because it evolves with the business—when revenues are up, repayments go up, and when revenues are down, the business isn’t suffocated by fixed debt obligations.”



- **Revenue-Based Financing (RBF)** is emerging as a flexible alternative to traditional debt and equity, allowing SMEs to repay based on revenue rather than fixed terms.
- **Risk management strategies** include shared CFO models, stress-tested revenue projections, and hybrid structures that convert RBF into equity if targets are not met. This demonstrates commitment to the business' success.
- **Fund managers are shifting** away from closed-end structures toward more open ended investment structures to enhance flexibility and avoid liquidity constraints.
- **Local currency funding remains a challenge**, leading to exploration of blended finance models, guarantee-backed investments, and standardized risk frameworks to attract foreign currency funding from international investors.

9. Fund Structuring

“Many Fund Managers are structuring just to get over the line, which is a major risk. Open-ended is more fit for purpose for the continent as it allows for learning, adaptation, and an open liquidity window.”

- **Fund structuring is iterative**—most managers refine their approach over time, focusing on proving the investment thesis before perfecting structure.
- **Many early-stage managers** push through structuring to secure funding, but this can lead to long-term inefficiencies and constraints.
- **Investor influence is strong**, particularly from DFIs, often dictating fund structures and making innovation difficult to scale.

10. Technical Assistance to Portfolio Companies

“The business case for TA interventions – why is it mission critical? It’s addressing the gaps in the market.”

- **TA is essential for value creation**, helping portfolio companies improve performance while reducing costs through structured TA funds rather than costly one-off consultants.
- **Pre-investment value creation plans** enhance negotiation leverage and ensure measurable outcomes such as EBITDA growth and operational efficiency.
- **TA should be tailored** to business stage and sector, addressing governance, financial management, HR, and market positioning.
- **TA should extend beyond founders**, strengthening the full leadership team to build long-term resilience and scalability.



CATALYTIC FINANCING & MARKET INNOVATIONS

The 2025 Convening was a valuable opportunity for market actors to share insights on catalytic financing facilities and innovative solutions designed to empower small business funds by building internal capacity, scale operations, and attract institutional capital.

Two key themes emerged: the increasing role of **catalytic capital** in bridging the financing gap and **new innovations** that address persistent challenges such as foreign exchange risk and access to local capital.

1. Catalytic Capital Providers

Nyala Ventures: Briding the Gap to DFI Capital

Nyala Ventures, developed in collaboration with CFF and now housed at FSD Africa, provides early-stage funding to emerging fund managers, acting as a bridge toward DFI investment. The facility supports managers through a diverse set of funding pools:

- \$24M Climate Portfolio – Investing in funds focused on climate resilience and sustainability.
- \$15M Alternative Local Capital Pool – Encouraging local capital mobilization.
- \$12M Venture Builder – Strengthening fund manager capacity and expanding the investment pipeline.

Originally structured around debt, Nyala has since incorporated equity to better meet fund managers' evolving needs. By refining fund strategies and facilitating access to non-traditional funding, Nyala helps managers scale and attract institutional investors.

Small Foundation's African GP Working Capital Facility

Small Foundation is launching two new facilities to provide critical working capital to African fund managers: a US\$2.5 million facility supporting micro funds (less than US\$20m) in underserved markets, and a partnership with a pan-African investment platform for macro funds (above US\$20m). This facility provides a flexible funding mechanism (debt and quasi-equity) supporting emerging fund managers in underserved markets. This provides fund managers with financial runway during the lengthy fundraising process to reach first close (3 years), and begin deploying capital to SMEs in underserved markets and attract local capital. Key features include:



- Loan terms of 7–9 years, offering concessional below-market rates.
- Ticket sizes of \$150K–\$300K, offering a two-year grace period before repayments begin.
- Priority for fund managers attracting local capital, investing in rural businesses, or targeting overlooked regions.
- Eligibility criteria requiring demonstrated investor commitment and a clear path to first-close
- Providing working capital for pre-close, operational and setup expenses.

This provides fund managers with financial runway during the lengthy fundraising process, reach first close, and begin deploying capital to SMEs in underserved markets and attract local capital.

Mastercard Africa Growth Fund (MFAGF)

MFAGF managed by **MEDA** operates a USD\$200 million fund-of-funds, providing catalytic capital, risk-mitigation/technical assistance support (warehousing and working capital), to African Investment Vehicles investing in high-growth SMEs and business development services to the portfolio companies. The initiative aims to de-risk investments in underserved markets, unlocking greater capital flows into Africa's small business finance ecosystem.

Over the last 3 years, they have allocated capital to 18 investment vehicles (75% female led) this includes 9 receiving investment capital commitments while another 9 are supported with warehousing and working capital. The fund has reached 49 portfolio companies across 12 African countries.

Financing for Agri-SMEs in Africa (FASA)

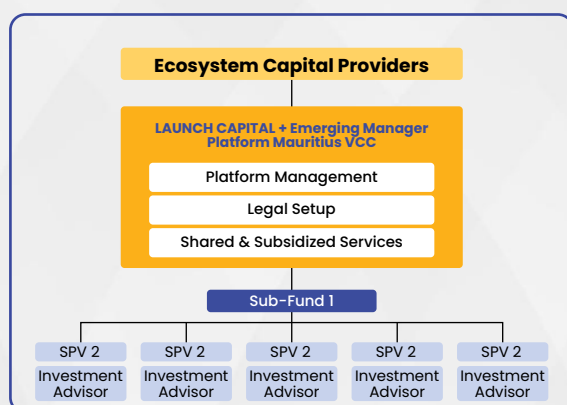
Managed by I&P (add link <https://www.ietsp.com/en>) provides catalytic capital (from \$2m to 10m) of subordinated capital/junior equity and technical assistance to emerging and established investment funds, which will in turn empower businesses operating within agricultural value chains in Africa. Reducing the funding gap faced

by agri-SMEs in Africa by mobilizing catalytic capital, empowering investment managers, and fostering a supportive ecosystem.

2. New Innovations Coming to Market

LAUNCH+ Capital: CFF's Flagship Integrated Fund Acceleration Platform

Shared Platform for Small Business Funds (SBFs)



SBF Accelerator Program



Launch+ Capital, is designed to accelerate the pace at which small business funds scale and demonstrate readiness for DFI and institutional investment. The platform will provide fund managers with shared services, technical assistance, and catalytic capital support, addressing key challenges such as fund structuring, capital access, and operational sustainability.

- **Shared services platform** – Access to Mauritius domiciled umbrella vehicle (variable capital company) providing world-class governance, financial, and legal services to facilitate compliance and efficient fund management
- **Small Business Fund (SBF) Accelerator Program** – Capital support ensures these small business funds can establish a quality GP team (OPEX) while allowing the team to demonstrate investment thesis, pipeline and investment capabilities (warehousing). This will be done directly or indirectly through linkages with existing market initiatives supporting the same.

CFF has engaged a fund administrator and legal advisor and is in the process of designing platform roll out and fund manager selection process, with a view to being operational by the end of Q2 2025. See '[Next Steps](#)' section for more details.

Addressing Foreign Exchange Risk: Shona Capital (Uganda) and KSF Impact

"We need to solve this problem so that everybody else can tap into the solution—this is too much work for each small lender to figure out on their own."

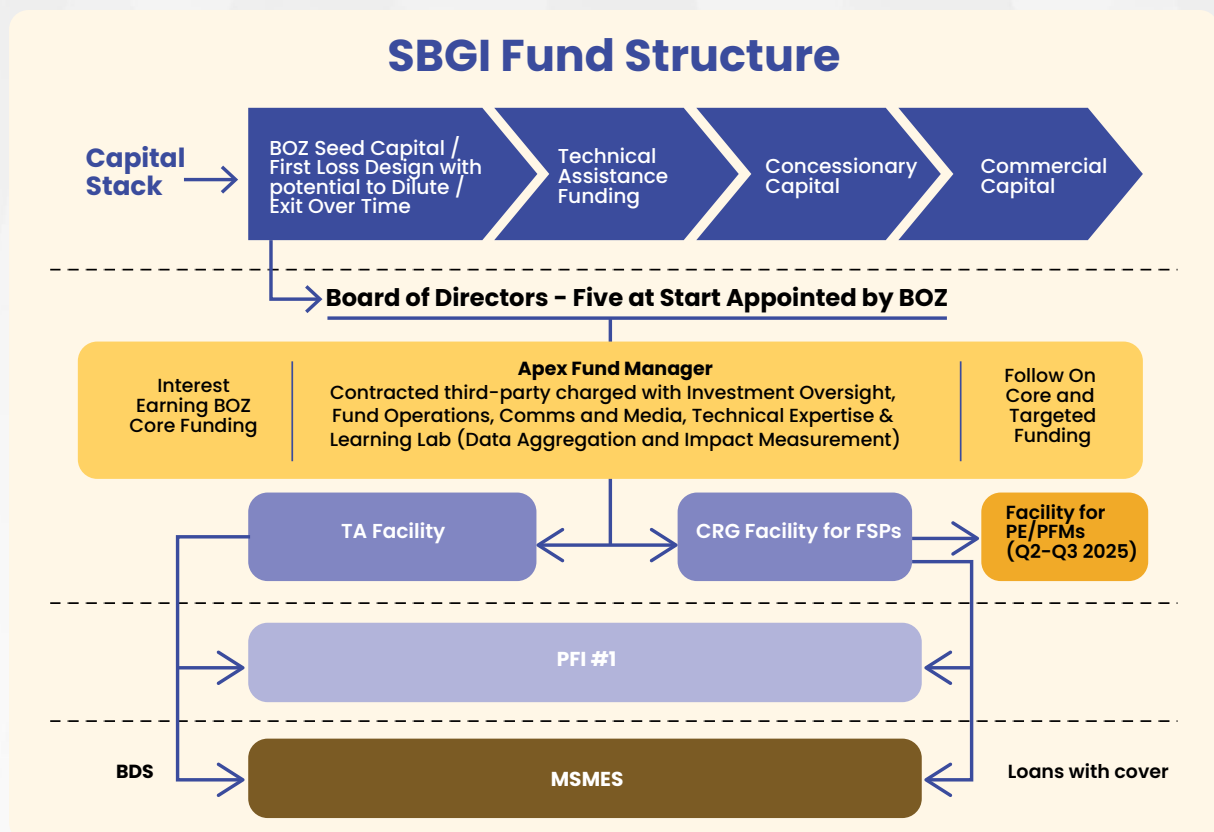
Foreign currency risk drives up the cost of borrowing for small business fund managers in emerging markets, ultimately passing higher costs to SMEs. **Shona Capital (Uganda) and KSF Impact** piloted a 'FX Swap' model to mitigate this risk by:

- Channeling USD from a family office into a Ugandan asset manager.
- Enabling the asset manager to provide local currency financing to Shona Capital for SME lending.

This structure cushions against currency risk and lowers borrowing costs, providing a proof of concept as a case for scalable local currency financing that could strengthen the small business finance emerging asset class across Africa. There is need to design local currency bonds for wholesale funding to small business funds with support from DFIs and Local Institutional Capital

It was also highlighted that there is a need to study the impact of Macroeconomic indicators (Interest Rates, FX) on the performance and sustainability of funds: How do we measure the extent of these vagaries and their impact on the returns on investment? What are some common hedging strategies used to mitigate foreign currency risk and how effective are these?

Unlocking capital for small growing businesses in Zambia: Zambia Small Business Growth Initiative (SBGI)



“The main objective [of the SBGI] is to unlock financing for SMEs through a structured risk sharing mechanism. The central bank is coming in and providing catalytic capital with an underlying first loss in the design, aiming to demonstrate viability and attract other key players like pension funds and DFIs.”

The Zambia SBGI is a \$200 million fund-of-funds spearheaded by the Bank of Zambia to expand access to SME financing through banks, fintechs, leasing and factoring firms, VCs, and other intermediaries. Key design elements include:

- An independent Apex Fund to manage risks and attract private capital.
- Public junior tranche capital to de-risk investments and crowd in DFI and institutional funding.
- Capital adequacy incentives for banks, encouraging SME lending.
- A Learning Lab and Business Development Services (BDS) facility to strengthen Zambia’s SME ecosystem.

The Zambia SBGI is expected to launch in Q4 2025, serving as a scalable model for mobilizing institutional capital into small business finance and one that can be replicated across the continent.



NEXT STEPS & SCALING OPPORTUNITIES

Strengthening and Advocating for the Early Stage Capital Providers.

Following Section 2, CFF will concentrate on strengthening our involvement with the ESCP network through several key initiatives:

- Prioritizing our Small Business Finance Learning Agend across the Regional Chapters.
- Delivering Capacity Building Learning Series to equip LCPs with the necessary tools to improve capital deployment and impact.
- Conducting Network Deep-Dives to leverage data and insights for a more comprehensive understanding of the ecosystem.

LAUNCH+ Capital: Build Platform to make emerging fund managers more efficient

CFF is preparing to launch **LAUNCH+ Capital** in Q2 2025 to support emerging fund managers, following a rigorous evaluation process and engagement with key legal and fund administration partners. With final agreements underway and FSC approval pending, we will be looking to onboard our first cohort of fund managers.

Redoubling Pension Fund Engagement For SME Growth Ahead of the **All Africa Pension Summit (Nov 2025, Kampala)**, CFF in the lead up to this will work closely with the Growth Firms Alliance working group to explore multiple stakeholders in advance of November to engage pension funds. In collaboration with GFA and NSSF Uganda, we are also developing a case study repository on successful pension investments in growth firms, identifying key barriers and solutions for scaling SME financing. This practical toolkit will equip pension funds with actionable insights to unlock local capital.

Exploring FX Hedging Solutions CFF will work with key stakeholders like MIT's Kuo Sharper Center to advance FX hedging solutions for SME-focused funds. This includes further collaboration with LPs and ecosystem partners, small business fund managers, and regulatory bodies to develop hedging structures that mitigate currency risk while managing cost of funds.



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MacArthur Foundation

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FUNDS AND ORGANIZATIONS IN ATTENDANCE

ADAP Capital	Sinergi Burkina (Partenaire d(I&P)
AfriShela/GMT	Teranga Capital
Altree Capital	Truvalu
Aruwa Capital	Tshiamo Impact Partners
ATG Samata	Unconventional Capital
Balloon Ventures	Vakayi SME Fund
Brightmore Capital	Vested World
COSEF	Viktorias Ventures
Darena Ventures	Villgro Africa
FbX Ventures	Wangara Capital
Finding XY	Warioba Ventures
GenCap	wCap (Women Capital)
Grassroots Business Fund	Argidius Foundation
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Nordic Impact Funds	Aceli Africa
Ortus Africa Capital	Women in African Investments (WAI)
Practitioners of Contemporary Philosophy Ltd	Argidius Foundation
Relevant Ventures	African Life Financial Services
Samawati Capital	Shortlist
Sayuni Capital	Untapped Global
ShEquity	Private Equity Support
SHONA Capital	

GLOSSARY

AUM	assets under management
BDS	business development support
bn	billion
CFF	Collaborative for Frontier Finance
DFI	development finance institution
ESCP	Early Stage Capital Providers
FMCG	fast-moving consumer goods
FoF	fund of funds
FTE	full-time equivalent
FX	foreign exchange
GLI	gender lens investing
GP	general partner
HNWI	high net worth individual
k	thousand
LCP	local capital provider
LP	limited partner
m	million
MENA	Middle East and North Africa
mezz	mezzanine
PE	private equity
SAFE	simple agreement for future equity
SDG	sustainable development goals
SGB	small and growing business
SME	small and medium-sized enterprises
TA	technical assistance
USD	United States dollar
VC	venture capital

ABOUT CFF

The Collaborative for Frontier Finance (CFF) is a multi-stakeholder initiative that aims to increase access to capital for small and growing businesses (SGBs) in emerging markets—a financing gap estimated at \$930 billion.

CFF collaborates with diverse stakeholders—including local capital providers, institutional investors, development agencies, philanthropic funders, and field-building organizations—to accelerate financing solutions tailored for SGBs. As a “think and do” ecosystem player, CFF operates across three pillars:

1. Networks: Collective Action

Connect and Empower LCPs that focus on small business finance in a peer-centric shared learning approach.

2. Learning Lab: Research & Advocacy

“Demystify” frontier finance for LP investors, regulators and ecosystem builders and actionable research to inform strategies

3. Links to Capital: Program Initiatives

Identify and spearhead capital initiatives to address gaps in the early-stage finance sector by designing and bringing to market.

Through these efforts, CFF fosters a peer-to-peer learning environment and provides a platform for collective action to drive meaningful change in emerging market finance.

Strong Network, Lasting Impact: The Power of CFF Convening With 88% of Small Business Funds finding energy and inspiration in the CFF network and the 100% of attending Ecosystem Partners and LPs are likely or highly likely to recommend the CFF Convening to their peers, demonstrates the event’s impact is clear. We look forward to our a new year of collective action and system change to support and advance small and growing businesses across the continent.

CFF is a registered 501(c)(3) US-based nonprofit organization operating in Africa and MENA. For more information see, www.frontierfinance.org



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