



FSD Africa Investments commits £8m to finance a new class of asset allocators in Africa

Tapping the Capabilities of Africa's Emerging Class of Capital Managers to Address a Systemic Gap in Finance for Small and Growing Businesses

Nairobi, 9 June 2022 – FSD Africa Investments (FSDAi), the investment arm of FSD Africa, has announced an £8 million investment to support a new class of investors who are financing Africa's small businesses and consider gender equity a key driver of financial performance.

In partnership with the Collaborative for Frontier Finance (CFF), and the Facility Manager, a Joint Venture of Cardano Development and Total Impact Capital Europe, FSDAi will provide the critical anchor funding for a new special purpose vehicle, Nyala Venture.

Nyala Venture will bridge the funding gap left by other institutions, by targeting a new class of capital providers serving small and growing businesses, particularly those which are led by women or are applying a gender lens investment strategy in Nigeria, Ghana, Kenya, Senegal, South Africa, and Uganda.

Small and medium-sized enterprises (SMEs) are one of the key growth engines of emerging-market economies, absorbing up to 70% of the labour market and generating 40% of gross domestic product. However, access to finance is often cited as the single largest constraint to growth. The International Finance Corporation and others have long documented that emerging enterprises across Africa are starved for capital in the USD50,000 to USD500,000 range – the “missing middle”.¹

Women-led businesses, which account for at least a quarter of entrepreneurs on the continent, predominately fall into this “missing middle” category and, in particular, have been adversely impacted by this dearth of capital to grow their enterprises.

To date, the combination of risk, size, collateral, and governance makes small and growing businesses unattractive propositions for traditional financial institutions and local banks. Similarly, it has been a challenge for institutional capital, development finance institutions and multilateral development banks to finance these smaller businesses consistently and at scale.

Through its investment in Nyala Venture, FSDAi is providing highly catalytic capital to address this gap. The new facility will leverage the experience and skills of African capital providers, many of which are founded and led by women themselves, who deliberately prioritise

¹ Dalberg & Collaborative for Frontier Finance. (2019). Closing the gaps: Finance pathways for serving the missing middles. *Collaborative for Frontier Finance*.



financing these “*missing middle*” stage enterprises. These asset allocators are an emerging class of indigenous capital providers that look to meet the financing needs of Africa’s small and growing enterprises. These fund vehicles apply innovative approaches and alternative investment structures specifically befitting the local business environment.

Along with addressing the funding gap faced by small and growing businesses, especially women-owned, FSDAi’s investment in Nyala Venture will demonstrate through its early stage support the critical role that this investment class will play in driving capital markets in Africa. In addition to its investment, FSDAi is funding the development of the Frontier Capital Learning Lab, which will document and share the learnings of these local capital managers and their small business portfolios over the coming years.

Nyala Venture will be highly flexible with its investment funds to meet the innovative approaches of these local capital providers. Funds will be available in the form of debt or equity. The investment activities of Nyala Venture will be managed by two highly respected impact investing firms, Cardano Development and Total Impact Capital.

Building on the leading support of FSDAi, Nyala Venture intends to raise additional capital to create a USD50-75 million fund over the coming 18 months.

Commenting on the investment:

Anne-Marie Chidzero, Chief Investment Officer, FSD Africa Investments, said: “This new class of asset managers have better networks and embedded boots on the ground, enabling them to play a huge role in supporting and growing local businesses. Our support to them is part of our journey to discovering new investment avenues through which we could impact the overlooked but critical sectors of Africa’s economy and tap into the opportunity presented by women as investors and founders. ”

Drew von Glahn, Executive Director, Collaborative for Frontier Finance, said: “The role that SMEs play in the creation of jobs and driving more resilient economies is well documented. Nyala, by working with these local capital managers, will not only provide the necessary capital to grow and sustain Africa’s emerging businesses, it will also demonstrate to the broader marketplace the critical role that women capital managers are playing in the continent’s finance innovation.”

Bart Schaap, Managing Director, Nyala Venture, said: “I believe the new investment facility will unlock opportunities in a new class of capital providers that has to date often been disregarded. By treading on uncharted paths, I am confident that we shall demonstrate the appropriateness of Alternative Capital Providers for channeling funding to small and growing businesses in the African context.”



Jessica Espinosa Trujano, CEO of 2X Collaborative, said: “Nyala Venture will help drive and inform new investment vehicles targeting women-led small and growing business on the continent. With women-led businesses accounting for about a quarter of enterprises on the continent, we need better and more effective tools to overcome the funding gap they face.”

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About FSD Africa Investments

[FSD Africa Investments \(FSDAi\)](#) is the investing arm of FSD Africa, a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa’s team of financial sector experts work alongside governments, business leaders, regulators, and policymakers to design and build ambitious programmes that make financial markets work better for everyone. FSDAi invests in financial firms and intermediaries whose strategies could lead to transformative change in financial markets. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya, and FSDAi as a Kenyan investment company. Both are funded by UK aid from the UK government.

About Nyala Venture

[Nyala Venture](#) is a catalytic financing and support facility. With a priority for Gender Lens Investing, Nyala aims to contribute to strengthening economies by providing capital and capacity building services to Local Capital Providers (LCPs), which are best equipped to strengthen Small and Growing Businesses (SGBs), the most important business segment in any economy.

About Collaborative for Frontier Finance

[The Collaborative for Frontier Finance](#) is a multi-stakeholder initiative that aims to increase access to capital for small and growing businesses in emerging markets. Small and growing businesses (SGBs) create roughly 80% of formal employment opportunities in frontier and emerging markets, making them an essential part of every economy and an important lever for social and environmental impact. However, SGBs face an estimated \$940B financing gap in



appropriate capital they need to grow. SGBs are often called the “missing middle” because few investment models are tailored to their needs. They are too big for microfinance, too small for private equity, too risky and lack sufficient collateral for commercial banks, and lack the growth trajectory that venture capital seeks. Additionally, because SGBs require small amounts of capital to grow, the cost of conducting the transaction is often disproportionately high relative to the size of the investment.

About Cardano Development

[Cardano Development](#) (CD) is an incubator and fund manager, established in 2007. Through careful risk-management analysis in data-poor settings, CD identifies scalable solutions that help to make frontier financial markets more inclusive, investible, and sustainable to unlock lasting economic value. CD creates solutions for local currency, credit, and liquidity risks in these markets. With over USD 6 billion assets and USD 1.5 billion capital under management, CD supports its scale-up funds and a number of start-ups with ongoing management services, financial support and corporate governance oversight. Cardano Development works with reputable partners including foundations, governments, impact investors, institutional investors and commercial partners.

About Total Impact Capital Europe

[Total Impact Capital Europe \(TIC EU\)](#) provides advisory services and manages investment vehicles in emerging markets, in sectors that are key to economic and social development, but often considered high risk by investors, such as SME financing, healthcare, and water. We work with reputable international and local partners that are making a real, positive impact on the ground and seek to scale up their efforts. We connect these opportunities with investors who seek modest financial returns while advancing their social or environmental priorities in a sustainable way. TIC EU works in close partnership with its US based Sister organization Total Impact Capital.