

PRIVATE SECTOR PEER LEARNING: MECHANISM PROFILES

Dutch Good Growth Fund (DGGF), Netherlands Enterprise Agency

Description: The Netherlands Enterprise Agency's [Dutch Good Growth Fund](#) (DGGF) provides financial assistance to support the private sector in developing countries and emerging economies. It offers a variety of services to Dutch and local small and medium-sized enterprises (SMEs) and consolidates a number of previous funds supported by the Dutch Ministry of Economic Affairs. Funding streams are managed by a mix of government institutions and private companies.

Objectives: The DGGF aims to expand access to finance for Dutch and local SMEs operating in developing and emerging countries, which should lead to better development results in terms of economic growth (through improvement of production capacity and technology transfer from Dutch companies), job creation and social improvements (particularly since the fund targets female and young entrepreneurs in fragile countries and selects Dutch SMEs that meet corporate social responsibility standards).

Partners: Eligibility criteria for partners vary according to the DGGF programme to which they wish to apply. For investing and exporting Dutch SMEs, applicants must be a Dutch-registered business carrying out substantial activities in the Netherlands, be a SME (according to the European definition), comply with the international corporate social responsibility framework and not have tax planning techniques to avoid paying taxes in countries where earnings are generated. Local SME applicants must be an investment fund that aims to increase access to finance for SMEs in a DGGF country, complies with the international corporate social responsibility framework, is established in a country with an effective anti-money laundering law implemented, does not avoid paying taxes in developing countries, is willing to publicly explain and report on its tax policy, and enforces and monitors local entrepreneurs' compliance with tax laws.

How it works: Investing Dutch SMEs can apply for up to EUR 10 million in guarantees and direct financing with a repayment obligation in the forms of loans and equity investment. Projects require a robust business plan that explains how loans will be repaid. All loans must be matched by a certain amount of risk on the SME's part (e.g. in the form of a capital contribution). The investment must contribute to the sustainable economic development of the DGGF country (through local employment, production capacity or knowledge transfer). Applicants must use an eligibility screening tool and send results to the Netherlands Enterprise Agency's DGGF desk. Selections are made by an independent advisory commission.

For exporting Dutch SMEs, payment risks associated with the export of capital goods can be covered up to EUR 15 million provided that the credit risks are acceptable. Insurance is available and guarantees can also be covered. The same coverage is also available to banks that finance the transaction or provide working capital. SMEs that are unable to obtain financing for export transactions from their banks – and directly offer credit to the buyer by means of bills of exchange or promissory notes – can be eligible for up to EUR 2 million in suppliers' credit to buyers in a DGGF country. Exports must concern capital goods that contribute to sustainable economic development (through local employment, production capacity or knowledge transfer) and the exporter and customer must have sufficient financial means to repay the financial support. Projects with potentially substantial harmful environmental or social impacts are assessed against the International Finance Corporation Performance Standards. Atradius Dutch State Business manages applications for this stream.

Investment fund initiatives must focus on segments that are not or are poorly served by the market and on financing forms that are rarely, if ever, provided. Specific attention is paid to investment funds that invest in young entrepreneurs, female entrepreneurs and companies in fragile countries. Applications can be sent to the DGGF and private companies PricewaterhouseCoopers and Triple Jump, which manage this stream.

Development Assistance Committee member: Netherlands

Duration: Ongoing since July 2014

Budget: EUR 700 million, with an additional EUR 70 million for technical assistance

Geographic focus: Global, 68 least developed and middle-income countries

Sectoral focus: SMEs/open

Offered: Loans, equities, guarantees, insurance, export finance, credit insurance and technical assistance

Monitoring and evaluation: No monitoring and evaluation documents were found.

Results: According to Minister for Foreign Trade and Development Cooperation Lilianne Ploumen, the DGGF had received applications from almost 200 intermediary investment funds and 200 Dutch entrepreneurs as of July 2015. Twenty-two DGGF transactions are underway, seven of which include investment funds working in 20 countries with at least 500 local SMEs (half of these are owned by young entrepreneurs and more than 100 are owned by women), helping to create 4 000 extra jobs. Fifteen of the transactions with Dutch SMEs are expected to create an extra 6 000 local jobs (around 4 000 of which will be performed by women).

Insights: By financing SMEs established or doing business in developing and emerging countries where risks are perceived to be high, the DGGF is filling the additionality gap in the market, mitigating risk and encouraging investment with potential high development impact. The strong focus on corporate social responsibility in eligibility criteria and implementation is also important. Finally, linking eligibility requirements to broader policy objectives – particularly with respect to taxation – is innovative in terms of ensuring policy coherence.

SOURCES:

Government of the Netherlands (1 July 2015), “Toespraak van minister Ploumen over het Dutch Good Growth Fund [Speech by Minister Ploumen about the Dutch Good Growth Fund]”, www.rijksoverheid.nl/documenten/toespraken/2015/07/01/toespraak-minister-ploumen-over-dggf.

Netherlands Enterprise Agency (n.d.a.), “Country List”, <http://english.dggf.nl/country-list> (accessed 1 July 2016).

Netherlands Enterprise Agency (n.d.b.), “Dutch Good Growth Fund (DGGF)”, <http://english.rvo.nl/subsidies-programmes/dutch-good-growth-fund-dggf> (accessed 1 July 2016).