

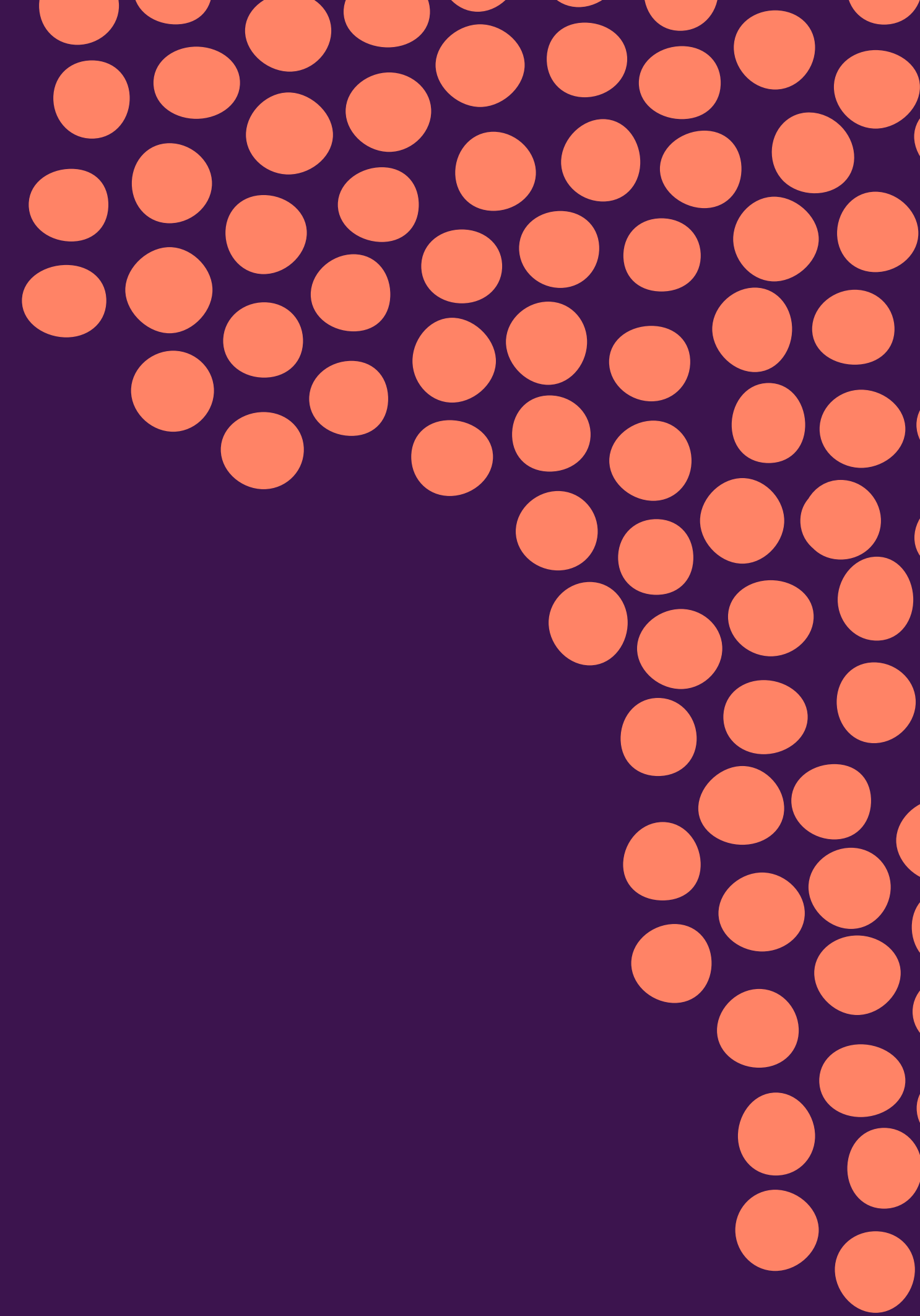
FOUNDSMALLDATION

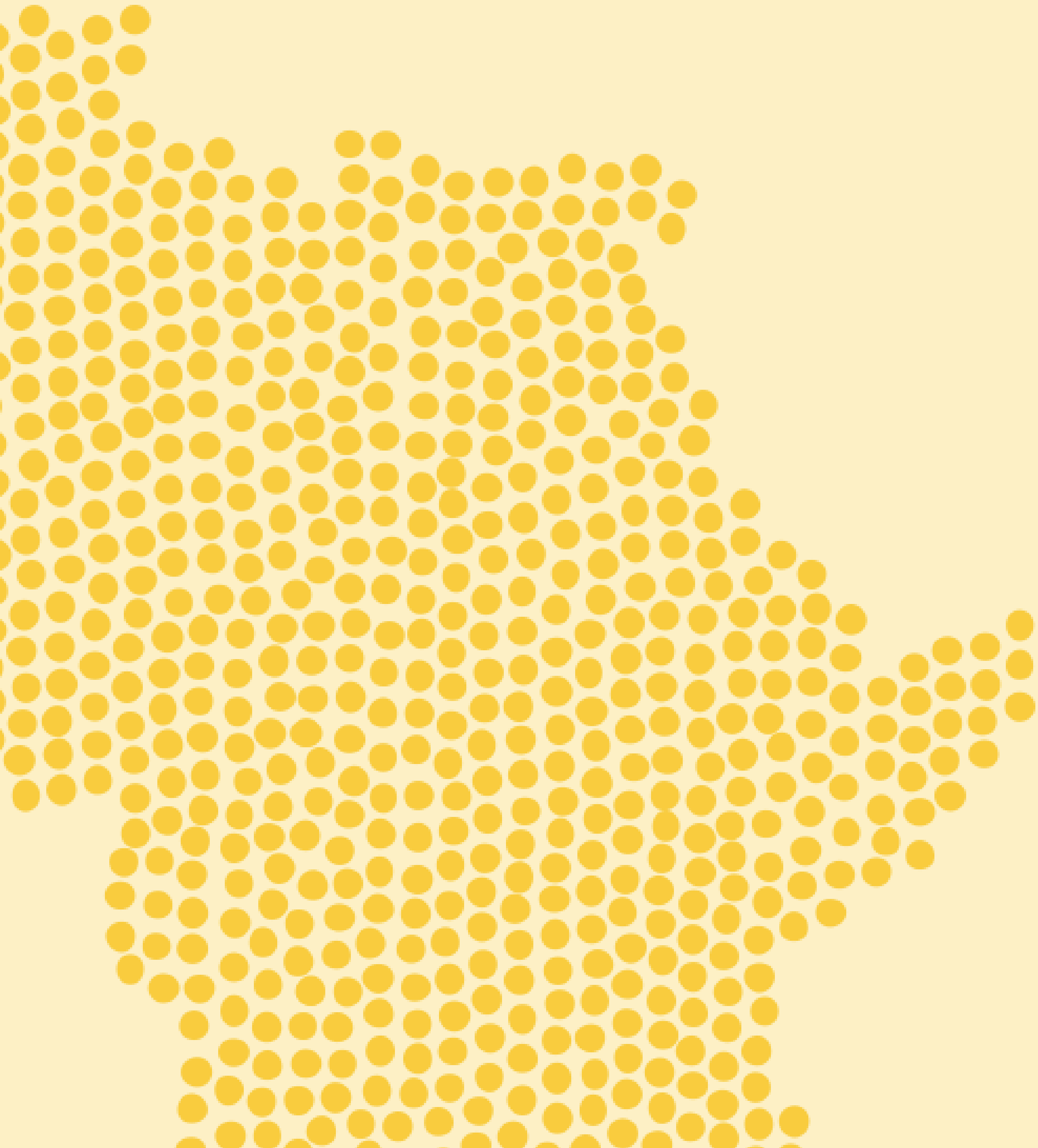
Engaging Local ESOs

February 2026

External Deck

[SMALLFOUNDATION.IE](https://smallfoundation.ie)





INTRODUCING SMALL FOUNDATION

ABOUT SMALL FOUNDATION (SF)

Founded by Brosnan family; incorporated in 2007 in Ireland as a company and a charity

Over €50m in donations and social investments committed since inception

HQ in Dublin, with staff in Nairobi, Lagos, London, Chicago and France

Vision

A thriving Africa free from extreme poverty.

Mission

Act with urgency and ambition to catalyse and scale income-generating opportunities for people living in extreme poverty in rural sub-Saharan Africa.

Goal

Collaborate with those creating the environment for micro, small and medium enterprises (MSMEs) to succeed and deliver opportunity at scale. In particular, work with intermediaries that increase availability of the finance, social and human capital, knowledge, technology and markets required by a thriving, commercially viable MSME ecosystem.

OUR THEORY OF CHANGE

WE LEARN AND COLLABORATE TO:
Understand the systems that perpetuate rural poverty in Africa.



WE FOCUS OUR SUPPORT ON:
Improving the environment for rural enterprises to thrive across Africa.



WE WORK TO CHANGE THE SYSTEM BY:

- Facilitating connection and coordination amongst diverse actors
- Supporting interventions that shift capital flows to rural enterprises
- Collaborating to generate and share learning

ASSUMING THAT:

- Trust is built and consistently enables new action and mindset shifts
- Successful models and approaches are identified that improve income-generating opportunities



IF WE ARE SUCCESSFUL THEN:

- Power dynamics and mindsets shift
- More and better capital flows toward enterprises
- Changes in the system emerge from deliberate collaboration

ASSUMING THAT:

- Successful models and approaches are scaled or replicated, catalysing wider change



OVER TIME THIS RESULTS IN:
Thriving enterprises that drive income growth, quality jobs, increased productivity and commercial opportunities.

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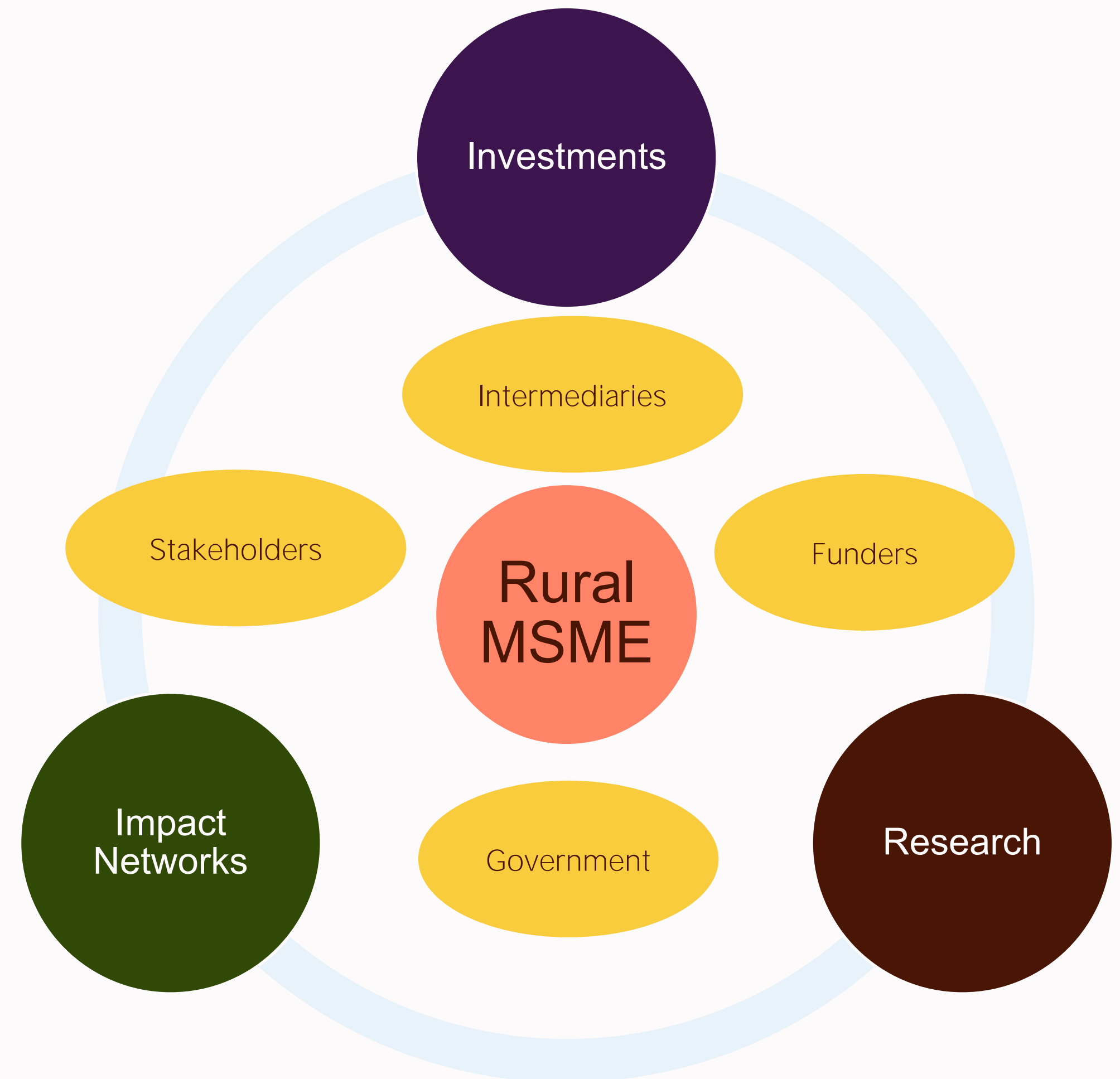
THIS MEANS:
People in rural areas benefit from strong economic opportunities and increased resilience.

ASSUMING THAT:

- Improvements in rural enterprises effectively translate to greater opportunity for individuals experiencing rural poverty.

SYSTEMS CHANGE APPROACH

- *Using a systems lens and our strategic vantage, we support the sub-Saharan African business ecosystem by collaborating with mission-aligned partners.*
- *Our practice areas of investment, impact networks, and research are more interwoven than distinct, with each integral to achieving our goal.*
- *We collaborate and partner with a range of different types of partners*



STRATEGY EXECUTION

Support

Financial

Invest grant, debt or equity
Align to investee needs

Non-financial

Pre & post investment
Formal or informal advisory roles

Example #1: Ci-Gaba (fund of funds) catalytic equity investment
Example #2: Working capital facility targeting African emerging fund managers

Example #1: Previously on board of OCA
Example #2: Network advice to AMEA (delivered via Circle Generation)

Collaborate

Impact Networks

Supporting systems transformation
Spark collaboration

Stakeholder Engagement

Facilitate connections
Co-create concepts

Example #1: Network Leadership Series
Example #2: Core funding of AFRACA, a network of rural finance providers

Example #1: Hosting roundtable on secondary fund vehicles
Example #2: Active engagement with Growth Firms Alliance and Catalytic Capital Consortium

Disseminate

Research

Understand system and challenges
Identify opportunities

Share learnings

Information, knowledge and expertise
Increase influence

Example #1: Research on reporting norms for systems investing via Impact Frontiers
Example #2: Research on the cost effectiveness of agricultural focused business providers

Example #1: Regular blog posts on learning from our work
Example #2: Disseminating learnings in our partner gatherings and impact reports

FOUNDSMALLATION

Engaging Local ESOs

Concept Overview

LEARNINGS TO DATE: UNLOCKING THE POTENTIAL OF LOCAL ESOS

1. Local ESOs are most effective and cost-efficient: *Local ESOs are among the most cost-efficient and effective providers of SME support, particularly for rural SMEs (ISF Advisors)*
2. Most remain financially fragile: *Many local ESOs are sub-scale, grant-dependent and financially constrained, limiting service consistency and quality (Village Capital)*
3. Sustainability is possible, but underdeveloped: *Viable revenue-generating models exist; financial sustainability beyond short-term grants is achievable (William Davidson Institute)*

Key Challenges

Financial Sustainability

- *Over-reliance on short-term, restricted donor funding*
- *Weak revenue diversification & low earned income*
- *Limited cost discipline and public sector backing*

Implication: ESOs struggle to cover core operating costs predictably.

Quality & Effective Services

- *Underdeveloped team capacity, operations & governance*
- *Misalignment between services and SME needs*
- *Limited performance and impact data*

Implication: Inconsistent service quality and unclear value proposition.

Scale

- *Highly fragmented, sub-scale landscape*
- *Limited reach and service gaps for SMEs*
- *Weak collaboration across ecosystem actors*

Implication: Scale requires many strong local ESOs, not isolated high-performers.

FROM LEARNING TO ACTION: THE LOCAL ESO COHORT

The Problem: Short-term grant financing constrains high-quality local ESOs from sustaining strong service delivery beyond grant lifecycles

The Approach: Provide a cohort of smaller, locally-embedded ESOs with a combination of structured capacity support and debt funding to expand earned-revenue lines and become financially sustainable

Capacity

1. Strengthen value propositions
2. Advance strategies for financial sustainability, cost management and scaling
3. Build diversified, resilient revenue models

Capital

1. Provide returnable capital to improve operations and refine earned-revenue lines
2. Align capital to long-term sustainability of ESOs
3. Monitor ability of ESOs to repay returnable capital

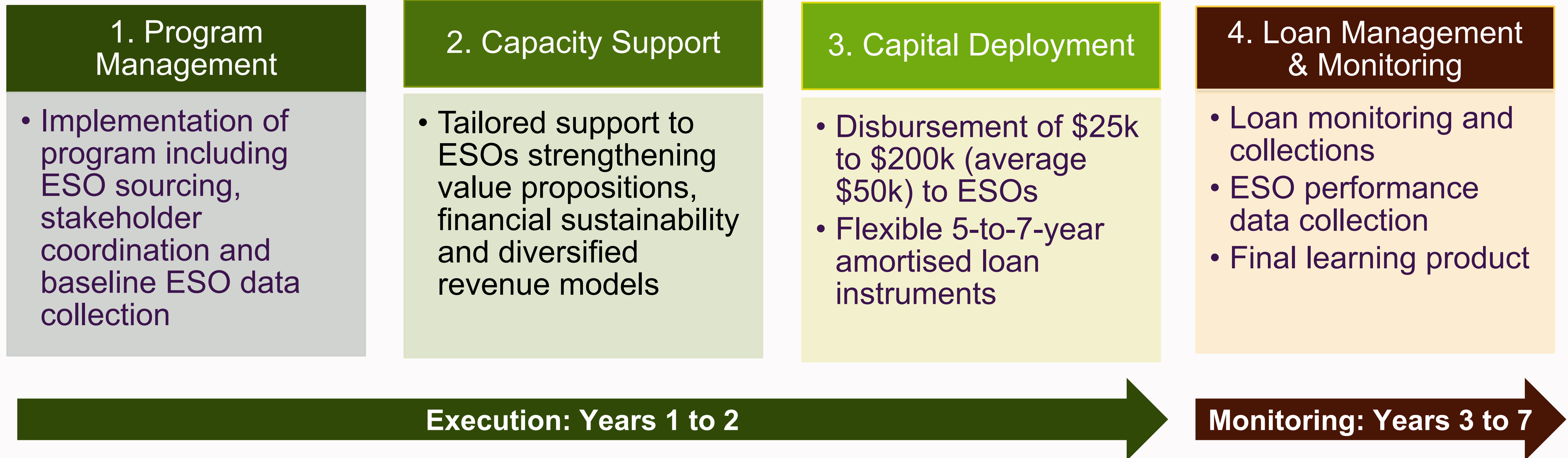
Evidence

1. Demonstrate sustainable financing models for ESOs
2. Increase visibility of impact of local ESOs to a broader funding base
3. Build proof points for replication financing models

Goal: Strengthen high-quality local ESOs & catalyse a shift in the ESO funding ecosystem towards more sustainable financing

PROGRAM OVERVIEW

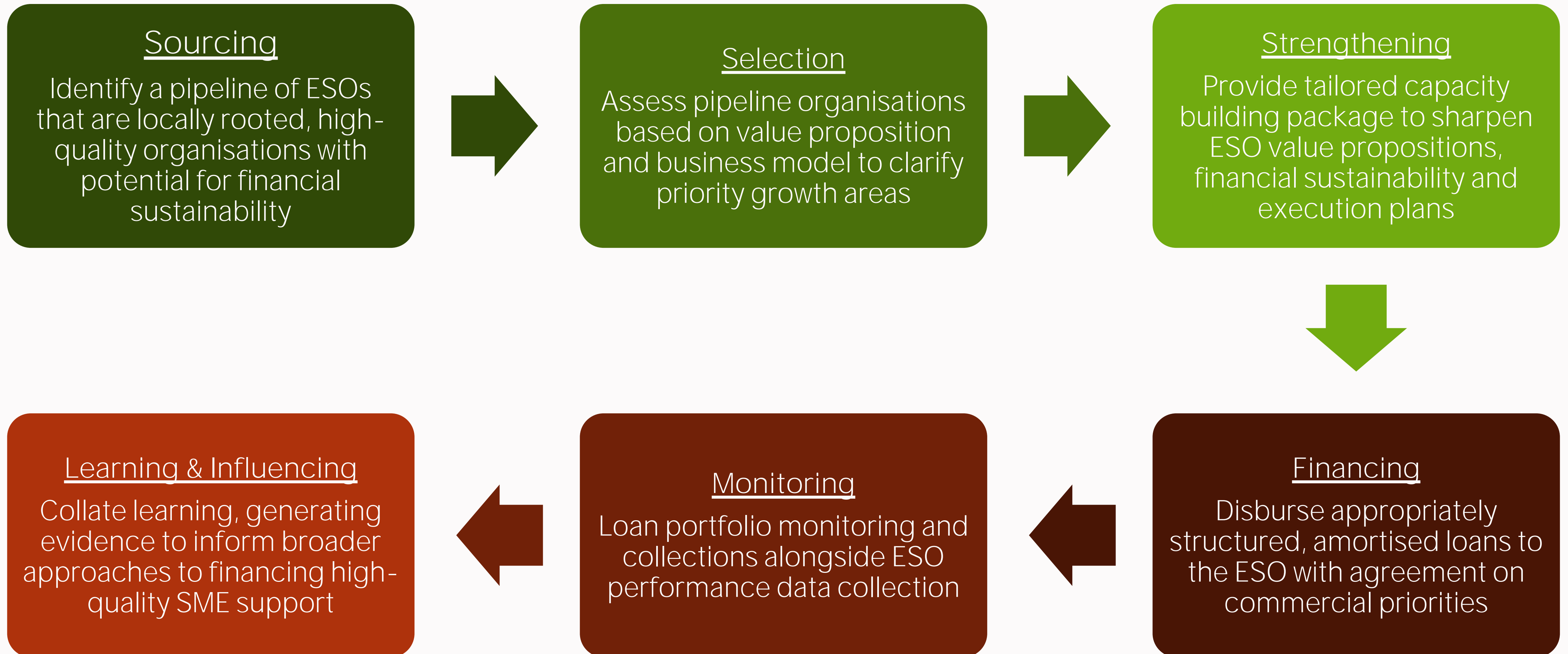
SF is seeking to identify 10-15 ESOs to support them on executing commercialisation strategies over 2 years. SF may seek one or more partners for implementation to engage in:



- Execution Phase: *Expected to run years 1 to 2 covering items 1 to 3 above*
- Monitoring Phase: *Continued monitoring and collections for the ESO loan portfolio across years 3 to 7. This phase will also include continued ESO & SME data collection culminating in a final learning product for wide dissemination across the sector*

IMPLEMENTATION JOURNEY – KEY ACTIVITIES

SF is seeking implementation partner(s) to support execution and monitoring phases:



PROPOSED CAPACITY SUPPORT AREAS FOR ESOS

Tailored, hands-on support to help ESOs transition from grant dependence to sustainable, revenue-generating models by embedding commercial capability.

Value Proposition

- Refining target customer segments and priority SME profiles
- Strengthening and differentiating the ESO value proposition
- Aligning services to clear SME needs and willingness to pay
- Validating and iterating service offerings based on market feedback

Financial Sustainability

- Developing clear pathways to reduced grant reliance
- Building and testing sustainable revenue models
- Strengthening pricing strategies and cost discipline
- Improving unit economics and contribution margins
- Financial planning aligned to growth and debt repayment capacity

Scaling Strategies

- Translating strategy into executable growth plans
- Designing scalable service delivery models (breadth vs depth)
- Strengthening customer acquisition and revenue growth strategies
- Supporting rollout and execution of commercial initiatives
- Embedding commercial discipline within hybrid organisations

PROPOSED FINANCIAL INSTRUMENT

Current High-Level Terms

Structure: Amortised Loan

Tenor: 5 to 7 years

Interest Rate: 5% to 7%

Ticket size: \$25k – \$200k (avg. \$50k)

Limit: Up to 25% of annual operating budgets

Grace Period: 0 to 1 year

Interest-Only Periods: 1 to 3 years

Repayment Frequency: Quarterly or semi-annual

Use of Funds: Agreed commercial strategy priorities

Instrument Rationale

1. Patient growth capital gap: ESOs require longer term capital to fund capex, build customer bases and strengthen unit economics. No identified actors offering returnable capital aligned to ESO cashflows
2. Affordability: Early-year free cash flow is constrained as margins scale; standard amortising loans breach affordability thresholds without excessive grace
3. Repayment discipline: Long grace improves short-term affordability but defers risk; early repayment discipline remains important (interest-only periods)
4. Simplicity: The instrument must be predictable for ESOs and clear enough for other funders to replicate or co-invest

EVIDENCE & LEARNING

Data Collection

SMEs

- *Revenue increase*
- *FTE increase*
- *Capital raise*

ESOs

- *Loan portfolio performance*
- *% Grant Reliance decreased*
- *Operating margins improve*
- *Increased number of SMEs served or increased service depth to existing SMEs driving a rise in earned revenue per customer*

What does success look like?

SMEs

- *Better outcomes for SMEs*

ESOs

- *Clearly defined value propositions and earned revenue strategies*
- *ESOs with proven pathways to financial sustainability*
- *Increased scale depth/breadth*
- *Crowd in additional aligned ESO funders*
- *Develop pathway toward scaled, system-level financing reform*

Goal: Strengthen high-quality local ESOs & catalyse a shift in the ESO funding ecosystem towards more sustainable financing

Please provide
feedback

Thank you