mastercard foundation

Africa Growth Fund

Investing for Impact: Lessons from the Mastercard Foundation Africa Growth Fund

Book one: Moving capital to investment vehicles

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PREFACE

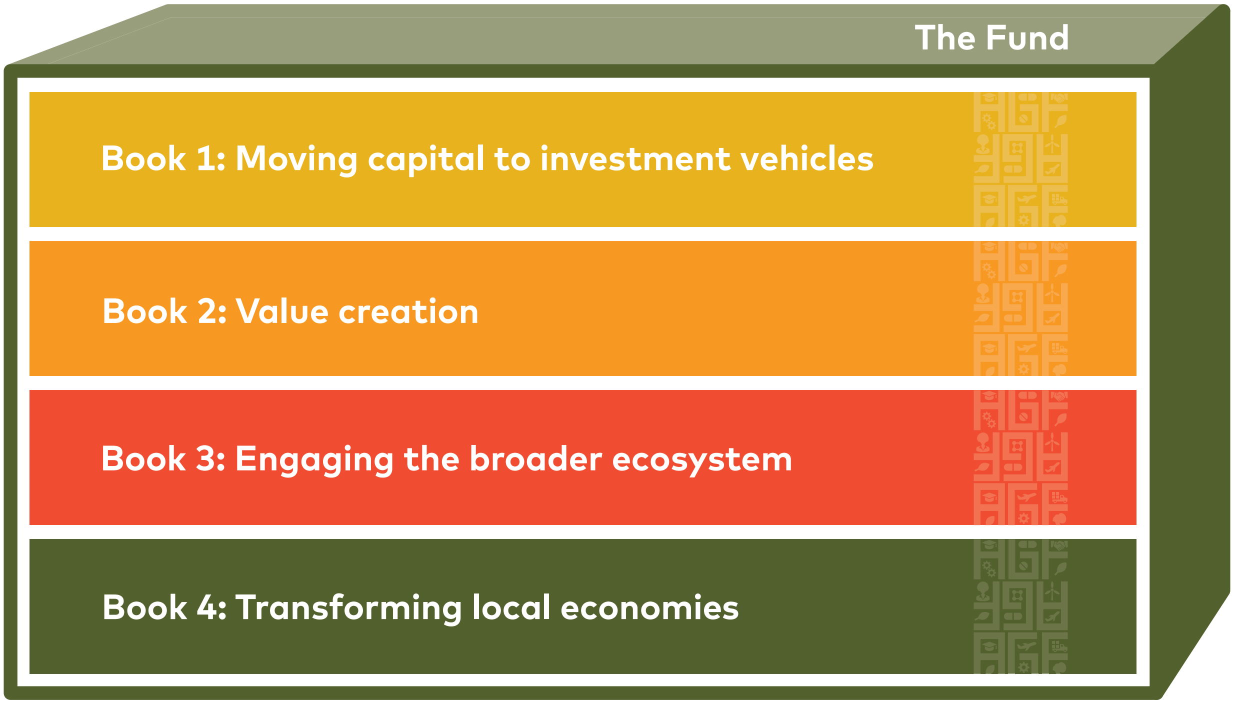
Three years ago, the Mastercard Foundation Africa Growth Fund ('the Fund') was launched not just as an investment vehicle, but as a bold endeavour to move capital differently in Africa? As we implemented, we also wanted to learn. Could an intermediary fund intentionally shift power, break down systemic barriers, and catalyse a more inclusive investment ecosystem for job creation? Could it do so while navigating the rigid structures of global finance and the deep-rooted biases that shape who gets to allocate capital and who receives it?

The Fund was designed to test, iterate, and adapt. Its ambition was clear: accelerate the flow of capital to African investment vehicles (particularly those led by women) to create meaningful, sustainable jobs for young people (especially young women). But designing a different type of investment vehicle is not the same as prototyping in technology or manufacturing—there is no controlled environment, no sandbox free from consequence. Every decision, from fund structure to due diligence to portfolio selection, had real-world implications for investment leaders, enterprises, and the communities they serve.

Throughout this document, we use the term 'investment leaders', rather than 'fund managers', and 'investment vehicles' rather than 'funds' to refer to Fund's portfolio, which targeted a broader type of investment than funds.

This document was written at the end of Year 3 of the program when, after a review of its progress and portfolio in April 2024, the Fund decided to accelerate its impact across various areas including capital deployment to both IVs and PCs, and job creation. This approach has now become the Fund's modus operandi. The analysis and conclusions of this narrative draw on a review of documents written by the Consortium since its inception, with particular attention to the decisions and direction set since April 2024.

The diagram below shows the four components of the Fund and how they come together in a holistic systems change endeavour which shifts narratives and norms in the African investment ecosystem. Each is the subject of a separate learning book. The first is focused on accelerating investments in both investment vehicles and portfolio companies, ensuring alignment with geographic priorities and ultimately accelerating job creation. The second focuses on value creation for investment vehicles and portfolio companies. The third book documents our efforts to engage the broader ecosystem of investors, intermediaries, and policymakers and shift investment possibilities at scale. The fourth and final book looks at what we learned about transforming local economies to enable the creation of dignified, fulfilling work for young women.



The Fund is in a continual period of reflection, refinement and focused implementation. The decisions made and the lessons learned to date have been applied to operations where possible and synthesized into how we might do things differently if we were starting from scratch. Throughout we have been careful to pay attention to our own privilege, power and bias to ensure that we did not just move capital but that we shifted power dynamics in context.

These learning books are not a victory lap. They are not manuals for replication. They are an invitation to those seeking to influence how capital moves—to reflect, to challenge assumptions, and to continue to refine the way capital is deployed in Africa and beyond. The lessons captured here emerge from the lived experiences of investment leaders in our portfolio and the Consortium that built and implemented the Fund. Above all, these learning books offer a deeper understanding of what it takes to build a financial intermediary that does more than move capital: it shifts the investment ecosystem.

An invitation

The lessons learned in this Fund raise questions for multiple audiences, and we invite you all to a conversation about them. For any investors, intermediaries, foundations, donor agencies, fund managers who want to either build similar initiatives, partner with others or learn to navigate the realities of the investment ecosystem they're operating in – this is for you. We hope it will help you to recognize the tensions at play and when to balance or resolve them, understand the power dynamics contributing to these tensions, and maintain alignment between the day-to-day workings of your investment activity and the long-term outcomes you seek to achieve.

At the Fund, we embrace learning as a powerful tool for growth. We present the insights below as both inspiration and a roadmap for our actions, encouraging others to engage in deeper reflection and collective action. The challenges we face demand nothing less.

Introduction

We have been examining our work at the Fund from multiple perspectives over the past three years, and what it takes to build a prototype of this ambition and scale. This book is the first significant attempt to document what we learned in the work of deploying capital to investment vehicles.

The chapters below reveal what worked, what didn't, and what remains unresolved. They examine how the Fund balanced risk and opportunity, redefined investment readiness, and reconsidered the role of governance in shifting power.

Along the way, the Fund confronted hard truths about what it takes to challenge the norms of investing in Africa. Some assumptions held up. Others fell apart in practice. The assumption that investing in women investment leaders would automatically lead to jobs for young women proved too simplistic. The tension between executing with confidence and adapting in real time was ever-present. The push to challenge dominant investment norms had to be carefully balanced against ensuring investment vehicles could still function within those norms.

The narrative examines four elements of the Fund's investment prototype:

01 **Establishing structures for moving capital:** The first step in the initiative was to create a financial intermediary that would deploy capital to investment vehicles and then to the portfolio companies in service of accelerated job creation.

02 **Building a pipeline:** Identifying and screening the investable universe. With the structure in place, we built a pipeline for potential investments, with a focus on vehicles that were led by women and pipelines of companies that would create jobs, particularly for young women.

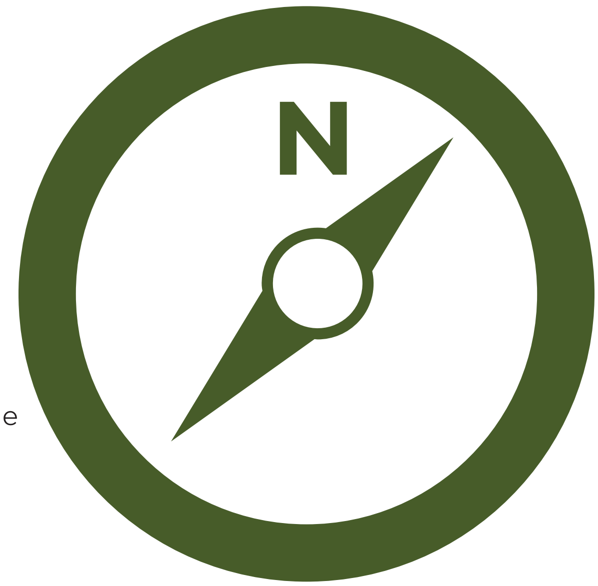
03 **Analysis of risk and opportunity:** As potential investments moved into due diligence and the recommendations process within the investment committee, we had to reach a shared understanding of how to value the opportunity and assess the risks in each investment vehicle.

04 **Structuring investment transactions:** Through the direct engagement and negotiation of potential investments by the Fund, the Consortium provided both advice and capital to be able to prepare the investment vehicle leaders for an investment.

We have analysed these elements through the lens of the three constructive tensions below which resonate through the history of the Fund's investment activities. These reflect the complexity of the endeavour and provide a useful framework for reflection throughout the document.

CONSTRUCTIVE TENSION 1

Confidently executing while learning and adapting



In financial markets, confidence is rewarded. Investors allocate capital based on proven track records, established market dynamics, and predictable returns. Rarely do investment firms admit mistakes or course correct: that would undermine trust. But the Fund is not just an investment initiative; it is a prototype, tasked with learning in real time while actively deploying capital. The Mastercard Foundation intentionally allocated philanthropic capital to this learning, which allowed the Fund to create the space and time for it.

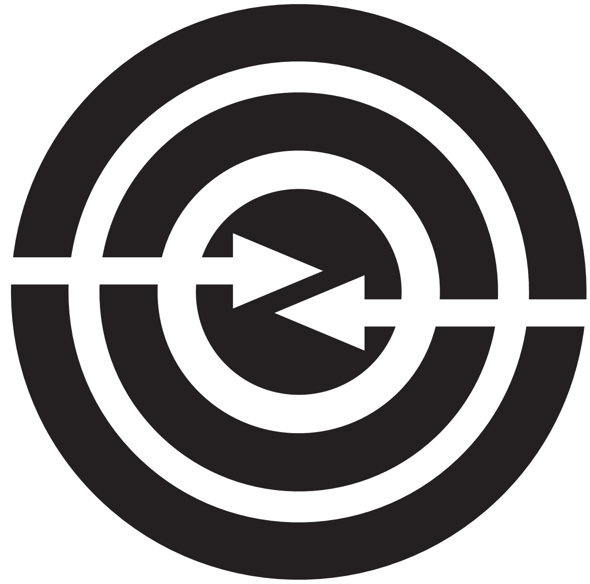
The Fund served as proof of concept. Backed by philanthropic capital and a mandate to deploy $150 million over five years, we had the flexibility to test and innovate. This mandate also came with expectations—of financial sustainability, of impact, and of efficiently moving money to investment vehicles and enterprises that would create jobs.

The urgency of the need is real, and the pressure to deliver is constant. This means executing a prototype while evolving it simultaneously. The only way to learn is by doing, but doing requires complex implementation, high-stakes decision-making, and constant adaptation. Striking the right balance between disciplined execution and iterative learning is one of the Fund’s greatest challenges, affecting everything from investment selection to how we engage with investment vehicles.

In the end, the resolution of this tension is to stabilize the speed of learning and adapting, understand our current state and then determine how to change.

CONSTRUCTIVE TENSION 2

Balancing the urgency of direct impact with the ambition to create systems change



The Fund has its sights set on transformative impact. Transformative change includes changing the systems and structures that produce and keep inequality in place. Yet urgency often aligns with the status quo: it is most often faster to get things done the usual way.

The Fund provides capital to investment vehicles that could have a direct impact on creating jobs for young women. We measure how many jobs are created and the impact of those jobs. But the initiative is a pilot demonstration of how to do things differently – not a well-oiled machine that had been delivering capital for decades. We have had to learn how to use our power as an investor to create systemic change and balance that with the necessity of tactical execution.

One of the reasons for acceleration was the need to close more deals. We weren't moving enough money into investment vehicles that would then invest in companies who could create long-term, sustainable jobs. The intent of the Fund is to use investment to build real economies that grow the companies that create jobs through a holistic market systems approach. As we reflected on ways to invest to shift power within the African investment ecosystem over the long term, we also recognized the urgency of job creation in the short term.

Many organizations struggle to balance system-level impact and direct impact within a specific context. In the context of the Fund, the direct impact we are seeking is job creation which, in the short-term, is more immediately measurable than long-term systems change. These two goals are not mutually exclusive, but they require a different mindset, different strategies, and careful allocation of resources.

CONSTRUCTIVE TENSION 3

Challenging the norms of the system while working within those norms

As in broader culture, finance has a set of behavior norms that inform and codify what is acceptable. Norms in investing shape the practices through which investors decide what is risky, what is valuable, which structures work, and who is ready for investment. Working inside of those norms supports investment vehicles and portfolio companies to be able to access other capital in the investment ecosystem, but it also reinforces the very norms we know are keeping structural inequities in place for first-time African women investment leaders.

The structure of the initiative set up by MEDA and the Mastercard Foundation provided freedom and the mandate to transform norms while also needing to operate within them. We also realized that while the investment vehicles and their portfolio companies are working within the current norms, they have the ambition of transforming them. This tension became particularly apparent when the investment vehicles were trying to attract other investors (who also operate within the existing norms). While we ultimately sought to shift the norms in the African investment ecosystem, the investment vehicles' capital requirements meant they could not wait for the system to change to be able to move forward.

To balance these tensions, we constantly analysed power dynamics in the investment ecosystem and within our initiative to ensure that we did not unintentionally slip into the biases and norms of the existing system.

From wrestling with or resolving these tensions, we were able to make different decisions or shift the design of the prototype. Sometimes a better course of action only appeared in the rearview mirror as learning for the next evolution of the Fund. We explore these tensions further in the chapters below. The conclusion of each chapter sets out the choices made and a broader array of considerations when navigating this complexity.

01

Establishing structures for moving capital

BALANCING BOLDNESS AND MARKET REALITIES

Creating structures that enable multi-stakeholder and multi-region innovation

Bridging expertise across the Consortium

Managing the cost and complexity of intermediation.

Capital structures are about relationships: setting up the agreements within those structures and the terms that manage them. Power dynamics are established within and often enforced by these structures. While the design of structures appears abstract and driven by technicalities, at its core, it is about how to structure the terms of relationships and therefore defines how we can collaborate.

Funds, as pooled investment structures, offer a useful model for certain types of capital deployment, particularly where diversification and professional management are needed. What makes a fund unique is its ability to aggregate capital from multiple investors, spreading risk across a portfolio of investments while leveraging the expertise of fund managers to identify and support high-potential opportunities. Funds also provide a structured governance framework, enabling institutional investors toparticipate in impact-driven investments with clear fiduciary oversight.

The Fund committed to creating a structure that could be open to supporting multiple types of investment vehicles, not just funds: a commitment that was backed up by the Investment Policy. Moving capital effectively requires designing appropriate investment vehicles rather than defaulting to a normative fund structure. Investment vehicles are a broad category that extends beyond funds to instruments such as structured debt, revenue-based financing, venture studios, and other blended finance mechanisms that align capital with the realities of different markets.

> **"While the design of structures appears abstract and driven by technicalities, at its core, it is about how to structure the terms of relationships and therefore defines how we can collaborate.**

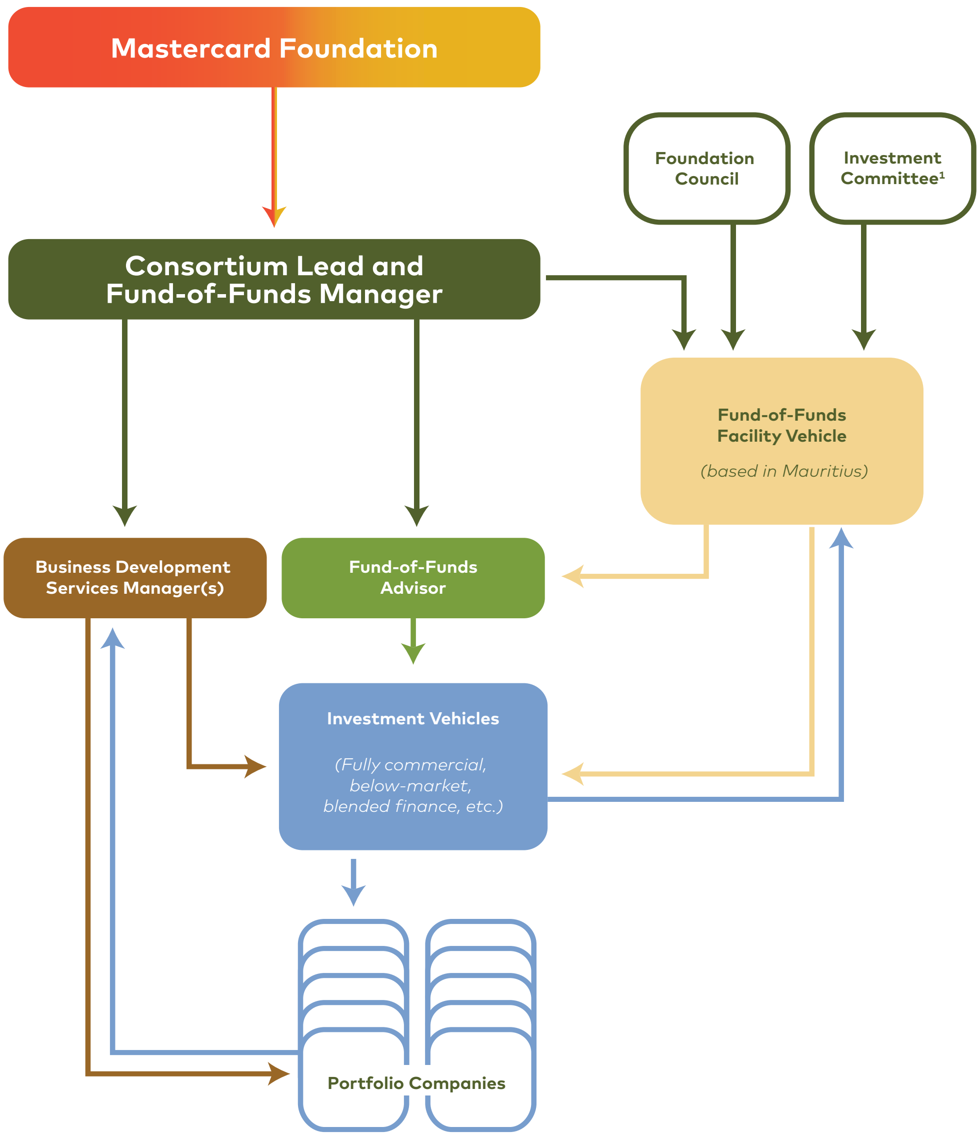
Broadening the range of investment vehicles and matching them to the financing needs of businesses in African markets ensures that investment vehicles are designed for context rather than forcing capital into pre-existing, sub-optimal structures. The intent is also to stimulate domestic capital mobilization as the vehicles design for regions on the African continent rather than for the African context.

The Mastercard Foundation Africa Growth Fund was designed with an explicit intent to shift flows of capital, and required an organizational structure that could bring together a set of partners to establish a prototype investment structure, move capital through that structure, and innovate as a result of learning.

Financial intermediaries such as the Fund, almost by definition, do not create impact directly. The Fund facilitates the flow of capital to intermediaries who invest in companies which then directly engage in the economy to create products and jobs. But it has significant power in the market to signal and stimulate innovation and can set the terms of the relationships in financial markets and economies.

The Fund had some of the traditional structures including a Fund Advisor, Investment Committee and Fund Manager. Alongside that core structure was a broader consortium to deepen impact through value creation processes, to communicate in the investment ecosystem, to manage and measure impact, and incorporate gender and power analysis across the Fund. The broader organizational design both created complexity and costs alongside remarkable opportunities for innovation and expanded impact.

Fund-of-Funds Initiative Structure



Creating structures that enable multi-stakeholder and multi-region innovation

Investing with foundations and through nongovernment organizations has advantages for creating impact but can also create structural complexity.

Moving capital in emerging markets requires navigating an intricate web of regulatory and governance structures. To be able to effectively navigate, the Fund needed a model that could bridge the gap between regulatory requirements and investment realities across multiple jurisdictions. MEDA, as the asset owner, established the MEDA (Mauritius) Foundation as a dedicated financial intermediary, ensuring capital could flow efficiently while meeting the legal requirements of Canadian charitable law. This structure was an attempt to create a fund model that was not only accountable and adaptable but also capable of accommodating the layered complexity of operating across seven priority countries and engaging multiple co-investors, each with their own regulatory frameworks and fiduciary concerns.

At its core, the Fund's governance model was built to balance execution with learning—ensuring that capital could be deployed swiftly while maintaining strong oversight. The decision-making process was designed to be rigorous but not rigid. The Foundation Council, structured to meet Canadian charitable regulatory requirements under the Canadian Income Tax Act, as well as to comply with Mauritian law, holds final investment authority, ensuring that capital deployment remains aligned with the Fund's broader mission. Simultaneously, the Investment Committee—composed of independent stakeholders from the African investment ecosystem—plays a critical role in evaluating potential investments, conducting due diligence, and shaping portfolio strategy. This structure allowed the Fund to manage regulatory requirements in Canada and Mauritius while also accommodating the diverse legal, financial, and governance requirements across Sub-Saharan Africa.

> **"The Fund had to layer charitable governance frameworks over standard financial regulations, creating an investment vehicle that was both functional and compliant.**

However, while these structures enable strong governance and accountability, they increased regulatory complexity. Unlike traditional private sector funds, which operate within well-defined financial regulations, philanthropic capital must navigate additional layers of oversight. The Fund had to layer charitable governance frameworks over standard financial regulations, creating an investment vehicle that was both functional and compliant.

This level of complexity—negotiating regulatory realities in Canada, structuring within Mauritius, and adapting to national regulations in seven African countries—cascaded further in each individual deal.

In turn, co-investors and local investment leaders introduced their own compliance obligations and structural constraints.

This reality is not unique to this Fund; it is a defining feature of investing in emerging markets, where cross-border transactions and diverse regulatory requirements necessitate intricate legal and financial structuring. Investment structures are designed to ensure alignment across complex, divergent contexts. Yet ironically, structures designed to facilitate capital flow into historically underserved markets often result in a higher cost of capital for the very investors and businesses they aim to support. The regulatory and compliance costs and obligations—while intended to ensure financial integrity—translates into legal fees, administrative overhead, and additional transaction costs for African investment leaders and portfolio companies. The experience of structuring the Fund underscores an important lesson: aligning capital with impact requires not only regulatory adaptability but also an awareness of the unintended burdens imposed on the very markets these structures are meant to serve.

In this way, the very mechanisms built to unlock capital in markets that are systematically marginalized can also constrain it, reinforcing the need for ongoing innovation in how philanthropic investment models are designed and implemented. By balancing diverse regulatory requirements with the realities of investing in Africa, the Fund offers insights into how philanthropic investors can build structures that navigate complexity and ensure mission-aligned execution.

Considerations: Confidently executing while learning and adapting

The design of the Fund's structure met the regulatory requirements, but they needed to be stable for that resolution to take place. This was a place where we needed to work within the structures. Therefore, the goal is to be clear about the costs required to stabilize and build as much efficiency into the process as possible. As we move into screening and due diligence processes, we can outline more of the specific shifts.

The lesson here is about managing complexity; paying attention to the ways in which the complexity of the structure affects those it touches, directly or indirectly. There is an onus to make choices that enable capital to flow to the places it is urgently needed.

Bridging expertise across the Consortium

The Consortium structure enabled the Fund to bring together diverse expertise to deliver on its innovation mandate, though integrating these different perspectives and priorities proved challenging at times.

At the inception of the Fund, MEDA brought together complementary organizations with remarkable capacity to implement. That diversity was, and is, a strength but consortiums are challenging, and this one challenged each organization involved. And, as in any organizing structure, there are power dynamics. With three years of working together behind us, we have built deep relationships that will help us be more efficient in the future.

The Fund's emphasis on bridging expertise across the Consortium highlighted the importance of collaborative, multi-stakeholder approaches in addressing complex development challenges.

Many funders call for consortia with the dream of collaboration in mind: building on and from the best of multiple organizations without relying on the capacity or expertise of one. Similarly, the Fund Consortium was built with a vision of a remarkable collaboration between best-in-class organizations. Yet while diversity of expertise is essential to innovation, it brings costs and complexity early in an initiative and requires structures that bring out the best in all parties involved.

As we started, it was hard for Consortium Partners to collectively agree on approaches. There were power dynamics in who conveyed confidence or had structural authority. When Partners tackled challenges head-on, we gained valuable new insights but sometimes got lost. While everyone involved in the Consortium had significant experience running funds, the Fund was not relying on existing expertise but rather building a container for piloting and learning. Each partner made a conscious effort to unlearn and try new things.

> **"...it wasn't so much unlearning than it was embracing that each partner's expertise should be equally prized - that the value of what the other holds can help sharpen our own ways of working.**

At different times in the Fund, where there were different pressures or things at stake, different types of expertise were prized. There was a recognition that each partner's expertise should be valued and that what the other holds can help sharpen our own ways of working.

One of the examples of bridging expertise was in the Consortium's handling of gender expertise. We sought to determine whether gender expertise could be deepened and expanded across the Consortium rather than centralized in one specialist or partner (only Criterion had deep gender expertise at the outset). Should a gender specialist be hired into each organization's team, or should it sit across organizations?

To determine the right approach, Criterion reviewed each Partner's gender strategy against the five standard criteria of successful mainstreaming:

- Vision and mission related to gender mainstreaming
- Senior leadership buy-in
- Focal person and resources allocated
- Team accountability and incentives
- Policies, structures, and culture that support or hinder mainstreaming efforts.

The Partners demonstrated readiness; therefore, mainstreaming was the better strategy and universally welcomed. Since then, the Consortium members have steadily been expanding their understanding of gender and power, and each Partner has now committed to mainstreaming gender throughout their teams. As a side benefit, we also increased the gender capacity of key organizations within the sector. Integrating knowledge around gender, power and context across teams has increased efficiencies and moved toward a more integrated approach for working with our portfolio.

Considerations: Confidently executing while learning and adapting

Efficiency can come from focusing on individual expertise, but it can also come from bridging expertise to create more holistic, integrated knowledge. Therefore, what was often experienced as tension was a path to something potentially more efficient.

A culture of learning is critical to success. Leaders should make space and time for collaboration and creativity that withstands the pressures of urgency.

Managing the cost and complexity of intermediation

One of the central questions in financial markets is to figure out how to reduce the cost of intermediation. Efficient intermediation is driven by standard processes and procedures. What if those standard processes work against the goals of the capital?

Effective intermediation increases the velocity of capital. When capital moves slowly, costs go up. Investment managers charge whether capital is moving or not. Slow-moving capital is an indicator that processes are not working, or that there's a mismatch between the design of the capital and the needs of the market.

But in markets where capital is greatly needed, it is wrong to have it sitting passively in bank accounts. The initiative felt the pressure to innovate and respond to this urgency. Capital needed to get to vehicles who could move the money to companies who could create jobs.

We named ourselves as a fund of funds, and defined implementation as such, but there were several elements that differed from the typical structure. Funds of funds are used to simplify investments, to create confidence for investors and keep management fees relatively low. They create economies of scale, putting multiple fund categories into a single vehicle.

The pilot was set with a five-year timeline: that is a swift timeline for a fund of funds. And while it is a permanent structure for replication, its execution is iterative. It is a prototype that would explore and demonstrate the feasibility of alternative structures. Fund of funds structures take on average a year to set up. They deploy capital to vehicles and exit those vehicles over a time frame of between seven and ten years. The prototype established in the pilot may transition into a perpetual vehicle, but in the early years we needed to innovate alternate models for moving capital.

> **"Capital needed to get to vehicles who could move the money to companies who could create jobs.**

We required the ability to work in multiple countries, in multiple sectors, with multiple types of vehicles and with a range of investment leaders, some experienced and some new to this type of investment. To make the structure work, we needed to break some of the normal processes. The lack of conformity and predictability increased our costs and decreased our efficiency and ease in the market.

It helped us recognize areas where we could improve clarity and alignment with our stakeholders.

Consortium Partners came together in 2024 to develop the acceleration plan, an inflection point which gave us the opportunity to take stock. During this acceleration period, we carefully looked at the costs that we had built into execution and refined the Fund prototype accordingly.

As a Consortium – and as five separate organizations – that created as many glorious synergies as it did misalignment risks. Two years into the initiative, focused acceleration became the primary goal. At this stage, we combined the functions of Fund Advisor and Fund Manager into a single Partner, and the CEO of MEDA stepped in to provide a centralized point of direction, which was particularly important as we sought to accelerate and retool the operations of the Fund.

Considerations: Confidently executing while learning and adapting

Even though working within a Consortium is complex, given the many different organizations, people and priorities, we learned to collaborate by taking the time to recognize and invest in processes that managed the complexity.

The pressure to execute can lead to optimizing for speed, making it easier to revert to silos and pursue the path of least resistance. Decisions are much faster in silos, but not necessarily better.

After deciding on the structure and operating within it, we needed to build a pipeline, screen investment vehicles, conduct due diligence, and ultimately make investment decisions. Doing all this in the context of the structures and tensions explored above require consistency and coherence.

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Structures for moving capital: Implications for the prototype

Organizational design and management

Shift from learning to codifying what we learned. This will ensure knowledge can be passed on to new team members and to the ecosystem. We needed the time to implement before we began to share with others what we'd learned.

Integrated expertise. Whether through agreements within the Consortium, or through a well-designed, well-managed team, the Fund prototype requires diverse, contextual expertise. In addition to leading to better innovations, this expertise made it possible to manage the wide scope of the Fund.

Gender mainstreaming. Integrating responsibility for gender analysis across the Consortium and Partner teams rather than hiring gender experts with sole responsibility (gender mainstreaming) was the right approach because of the commitment and culture it created within the Consortium.

Fund expense model

Constraints on complexity. The Fund can assess the level of complexity required to implement its vision and ensure there are appropriate structures and constraints in place to balance it. It can identify ways to make governance simpler to balance the value or necessity of complexity with the costs to all stakeholders.

Governance

Stress testing the investment policy. The evolution of the prototype required that we test whether the Policy guides the Fund to create the type of intermediation that moves capital in the right direction.

Policy setting that guides strategy adaptations. Stable investment policies enable coherent implementation but should allow room for changes to strategy. This requires regular reviews to ensure that strategy reflects learning while staying aligned with the Investment Policy. To date, the Policy has been sufficiently robust, giving the Fund the necessary space to innovate and respond.

Processes that manage complexity. The governance model in the prototype was complex because it was designed to manage a significant amount of complexity. This complexity was necessary but contributed to fragmentation and challenges with alignment. Feedback loops ensure consistency across complexity.

02

Building a pipeline

DETERMINING WHAT IS ELIGIBLE FOR INVESTMENT

Screening out vs. inviting in

Sending clear signals in the market

Requiring domicilliation

Highlighting the hidden bias in investment readiness.

Investors constantly assess pipelines looking for investment readiness, absorptive capacity, a big enough investable universe in the market to satisfy the needs of the investor. All this investment jargon is simply asking whether an investor can efficiently deploy enough capital to make the effort worth the costs.

The presence of philanthropic capital within the Fund's investment approach provided additional flexibility and risk tolerance compared to traditional investment models. This strategic advantage enabled the consideration of higher-risk opportunities that may have been overlooked in a more conventional investment setting. We were joining others to close a gap for investment leaders that had been systematically excluded from receiving funding.

In assessing the universe of investment-ready deals, we started to wonder: is the core problem the readiness or viability of the investments, or the design of capital? We know that traditional private equity or venture capital models, as well as certain debt models, are not always suitable. They are often designed to provide the wrong type of capital at unaffordable prices, whether for the investment vehicle building a portfolio or the company receiving the end investment. In this logic, there could be a significant opportunity for vehicles that don't fit in with established fund pipelines: a set of vehicles that are ready but looking for a different type of capital, on different terms.

Demonstrating a pipeline was a way for the Fund to signal that the investment ecosystem in Africa was worthy of attention and capital allocation. We were not only moving capital but proving a point. Therefore, how we communicated what we were looking for mattered.

"Demonstrating a pipeline was a way for the Fund to signal that the investment ecosystem in Africa was worthy of attention and capital allocation. We were not only moving capital but proving a point.

The Fund was working to find pipeline in a complex market, with two core screens: domiciliation in Africa and women in leadership positions. Screens are perceived as limiting the investable universe. We allowed room for exceptions, and the question was on what basis those exceptions would be made. The challenge in screening within the Fund was tied up in a question of what types of companies, with what characteristics, including leadership, would create fulfilling jobs for young women.

The screens around gender were based on the underlying hypothesis of the Fund's Theory of Change that investing in women-led investment vehicles would catalyse investments into women-led companies, ultimately unlocking dignified and fulfilling work for women and youth.

We assumed, and perhaps presumed, that women would support women. They may, but it is not automatic. Women investing in or hiring other women may do so out of a commitment to diversity – or they could just have access to a different set of deals. It could also be because women tend to build businesses in sectors that are gendered female, such as agriculture. Through our impact measurement we will learn more about the logic set here.

This tension played out both inside the Fund's decision-making and in the ecosystem seeking to understand our decisions. In contrast, success in domiciliation was a case where clear screens and consistent follow through spurred shifts in the market.

Screening out vs inviting in

Screens are blunt instruments that create boundaries around the investable universe. They screen out who is ineligible. They are less effective at offering an invitation that sparks imagination of what more could be possible.

Screening is central to the economic viability of any investment vehicle. Managers or advisors screening potential investments are focused on whether individual deals are expected to make it through the Investment Committee. This can be both an informal read and a formal set of criteria. There is enormous (largely appropriate) pressure to not waste the time of investment committees, particularly at the screening stage.

Screening is known to be one of the places with biases. Investors make snap judgements about whether an investment is the real deal. Investing is often called an art not a science. "You'll know it when you see it." "Trust your gut." The gut is where bias lives.

We had a sense of what we were looking for, but it was both too narrow and too broad and left too much room for interpretation. And for us to be able to effectively engage with the ecosystem in Africa, we needed to be able to name what we were looking for. We needed to intentionally invite, rather than passively screen.

The tension between challenging the norms and working within them had a significant impact on screening. If you haven't been looking for different types of investment vehicles, then it becomes much harder to screen for them – or to let the market know what you want. The Fund balanced the invitation to alternative investment structures with swift and consistent screening out of those who didn't fit the criteria. This tension also resulted in the review of alternative investment vehicles against criteria that were designed for typical fund structures.

Another tension in the Fund's screen was around 'Gazelles'— high-growth small and medium enterprises (SMEs) with the potential to generate the desired impact on sustainable jobs. The Foundation's initial strategy segmented companies in the 'missing middle' and identified the primary (but not only) target as Gazelles. While Gazelles were not the only category, they dominated the early development of the pipeline.

Our Investment Committee met frequently and was invested in building out the most compelling pipeline. But they relied on the Fund Advisor to be able to feed them an accurate picture of the universe of deals. They also challenged the Fund Advisor to look at a broader set of deals. Were these the only options?

The Fund was seeking to find a different pool of investees: African women, grounded in context and willing to challenge the norms in the market while executing against a timeline. The Fund Advisor challenged itself to approach the process differently, and learned while doing so, but also relied on their own knowledge and skills to be able to swiftly move through the early stages of pipeline development. It was perhaps overly ambitious to expect a ready-made pipeline that evaded the norms and standard processes of investments. At the same time, we needed to prove that our vision of the pipeline was real, and we needed to do that relatively quickly.

Considerations: Challenging the norms of the system while working within those norms

Embedded in our approach were standard processes and criteria that reinforced prevailing norms in finance. Could we adopt existing processes and criteria and point them to different actors, or did we need to change the processes entirely?

Considerations: Balancing the urgency of direct impact with the ambition to create systems change

The value of a Fund Advisor or Manager is largely in their relationships with an investment-ready pipeline. Pipelines are typically proprietary: investment managers can take a decade or more to build relations with and knowledge of the key players.

The Fund Advisor was responsible for creating and assessing the Fund's pipeline, moving deals through to the Investment Committee and, ultimately, Foundation Council. This is a part of the investment process that requires consistency and efficiency so as not to waste time on due diligence for something ineligible. The urgency of creating the pipeline was at odds with the systemic change we sought.

Sending clear signals in the market

The Fund has the power to shift priorities in the market by signalling its criteria and aspirations. We did not use this power effectively, and we sent some mixed messages before eventually strengthening our processes and systems.

At the outset, we were focused on launching and deploying capital quickly, and an open rolling application process seemed like the most efficient way to identify potential investments. However, this approach made it difficult to manage expectations, and without a structured process, we struggled to clearly communicate selection criteria.

The urgency to move deals forward meant that due diligence processes were developed in parallel with execution, rather than being fully defined in advance. This created uncertainty and, at times, misalignment, as investment leaders did not always understand what was required at different stages of the process or how long it would take.

Eventually, the investment application process was streamlined so that every investment vehicle came through a portal and data capture was centralised. The Fund also focused on developing and sharing clear, detailed application guidelines which specified the criteria for investment vehicles, including categories, geographies, and eligibility requirements. It improved clarity on the qualifying criteria across multiple channels (including the website, webinars, and FAQ documents) to filter out unqualified applications and improve the screening process. Furthermore, the Fund committed to providing regular updates and timely feedback to applicants, fostering better communication and engagement with investment vehicles throughout.

We signalled that our priority was investment vehicles led by women. The perception in the market was that we were filling a gap for the women who manage investment vehicles. While the Fund was committed to that goal, it was a means to an end of creating jobs for young women, not the end in itself. This tension in the market created expectations around which investment leaders should or would receive capital.

During this process, the Consortium Partners grew to recognize the importance of language when signalling to the market. Too often, to control perceptions and manage the risk to the brands in the initiative, we said too little, rather than engaging in a conversation and building relationships in the ecosystem.

Considerations: Confidently executing while learning and adapting

Communicating when you only have partial certainty can create long term confusion. The early signalling process was a place where we recognized the need for a message that was clear, considered, and reflected consensus.

Considerations: Challenging the norms of the system while working within those norms

One of the central tensions the Fund has had to navigate is the balance between working within the established investment system and actively reshaping it. While the Fund was structured to move capital to investment vehicles that had been overlooked or undervalued, it quickly became evident that shifting power in the ecosystem requires more than capital—it requires building relationships that challenge prevailing investment norms.

Requiring domiciliation in Africa

Domiciling the fund and its investment vehicles in Africa was a deliberate strategy to prioritize local needs and power structures over those of Western investors.

Investment structures are heavily regulated, and there is a significant push in Africa to shift the regulatory criteria, a systems change goal that the Fund wanted to support. A key investment requirement for the Fund, which is itself domiciled in Mauritius, is the domiciliation of investment vehicles on the African continent. This mandate is grounded in the rationale that domiciling investment vehicles in Africa can act as a catalyst to unlock and accelerate growth opportunities for African economies. By channelling capital directly to the continent, the Fund aims to positively impact domestic financial systems, strengthen local capital markets, and foster sustainable economic development.

Initially, there were concerns that this domiciliation condition might impede the Fund's ability to achieve its pipeline targets and potentially deter co-investors who are hesitant to engage with African-domiciled IVs due to perceived risks associated with political and economic instability, operational challenges, limited exit opportunities, and unfamiliar regulatory environments.

However, the strategic implementation of the domiciliation requirement has already yielded encouraging results. Investment Committee members were committed to this priority and brought significant experience to navigating the challenges for individual investment vehicles. Investment vehicles in the Fund's portfolio have also committed to domiciling on the continent, recognizing the long-term benefits and alignment with the Fund's objectives. Moreover, some of them are innovating by adopting parallel domiciliation structures, which allow them to maintain a presence in both African and traditional offshore jurisdictions. This approach not only satisfies the Fund's requirements but also addresses the preferences of a broader investor base.

> **By channeling capital directly to the continent, the Fund aims to positively impact domestic financial systems, strengthen local capital markets, and foster sustainable economic development.**

The successful adoption of on-continent domiciliation by investment leaders underscores the effectiveness of this strategy in attracting investment to Africa. It highlights the potential for creating a more robust and dynamic financial ecosystem that can drive economic growth and development across the continent.

Considerations: Balancing urgency of direct impact with the ambition to create systems change

The clarity of the commitment to domiciliation from the beginning ensured that the Fund was focused on the long-term systems change work of changing norms and regulations on the Continent. While this may have had an impact on the speed of deployment and increased the complexity of the transactions it signalled a strong commitment that is in turn encouraging others to join us.

> **"**
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> **The successful adoption of on-continent domiciliation by investment managers underscores the effectiveness of this strategy in attracting investment to Africa.**

Highlighting the hidden bias in 'investment readiness'

Investment readiness is a loaded term. The often-snap judgement around whether an investment vehicle can raise capital is an implicit, sometimes explicit, screen that assesses investment leaders against market norms, thereby undermining their ability to challenge those norms.

Language plays a significant role informing perception, outlook and outcomes; it is an important tool that must be deliberately selected and used to facilitate mindset shifts. We need to ensure that we do not perpetuate biases and norms that would give us the usual reasons not to invest. Terms such as 'investment readiness', 'derisking', or 'investment vehicles' can unconsciously reinforce exclusionary practices within the existing system. We learned a lot about the language of investment readiness.

> **Demonstrating a pipeline was a way for the Fund to signal that the investment ecosystem in Africa was worthy of attention and capital allocation. We were not only moving capital but proving a point.**

One of the significant risk considerations for investors in funds is that the fund won't raise capital, or perhaps worse, it will raise capital but not get to a viable fund size. Investment vehicles are sustainable at certain sizes based on the fees and incentives, like carry, that brings them revenue that pays for expenses. There is a minimum viable size for many vehicles. Investors can lose a lot of capital to funds that do not get off the ground successfully.

In the interest of swiftly deploying capital, the Consortium initially prioritized capital for Investment Leaders who could raise additional capital from other investors and get to an investment close. But those other investors were working within the norms of the market – and so by insisting on their acceptability in the eyes of these investors we were pushing them towards those norms in due diligence and negotiation. In the Fund, there are investment leaders and teams that want to be creative. They are bold, imaginative vehicles that meet market needs in context. Discussion revealed that the teams in our portfolio wanted to innovate and work outside imposed constraints. They simply weren't confident in sharing those ambitions because of how that might be perceived.

We were meeting investment leaders in the middle of a journey. For the investment vehicles to be able to deploy capital to companies, they often faced the barrier of getting to their first close. This is part of screening because whether it is believed that they can raise capital is an implicit/often explicit screen – "They won't raise capital so we shouldn't look at them."

The Investment Policy encouraged the Fund to invest a part of its capital as the first investor in a new investment vehicle, without the requirement that the vehicles immediately leverage additional capital to create transformative changes.

Investment leaders in our portfolio were told by other investors to focus, and work within the status quo. To not do anything too innovative until they had proven themselves in the current system. This is a fairly common practice, however the system works for very few. And there is a tendency to label investment vehicles as weak and 'not ready' rather than recognize this struggle to work within narrow parameters.

At the 2X Global gathering in September 2024, the Fund signalled a clear shift in our position. Investment leaders got on stage to share their experience of the privileges and biases embedded in investment readiness. We had initially signalled that we saw investment readiness as the core problem that we were trying to solve, but in the end, we questioned the bias in this assumption. Instead, the Fund recognized that it can invest in the right ideas, give investment leaders capital to deploy to enterprises the way they see fit, and maybe even give them permission to play out two ideas at once.

If readiness means that they have other investors aligned, then we are setting them up to be judged by the norms. Even if we are saying we are looking for other things, we're judging them for their ability to fit into the norms of the market. We could have been the sole investor in a fund, but we did not have clear screens for when that would be an option, or even a preference.

Considerations: Challenging the norms of the system while working within those norms

Rather than providing investment readiness so that investment vehicles fit the norms, the Fund adds value by helping them navigate around the norms. The Fund can use its power more effectively to be able to share learnings and successes of trying a different approach and inspire other investors or LPs to follow suit. But investing time in this activity requires a commitment to challenging the status quo.

Implications for the prototype

Screening

Align the screen with the Investment Thesis of the Fund. This is about looking more at the characteristics of leaders who are aligned with creating the future the Fund is investing in. Rather than a simple gender screen, create a profile of the type of leader we believe will create real change.

Continue to use the power of a screen. Screens work as a blunt instrument to ensure that investment vehicles and the broader investment ecosystem have incentives to respond to an endemic problem. Build on the success of the domiciliation screen and expand to include an explicit commitment to local capital mobilization.

Partners who can find or build a pipeline outside of the norms. Who has been organizing the pipeline in fit-for-context investments? Access to deal flow is concentrated inside the norms of the investment systems now. How do we find alternative pipelines or create the right incentives for them to develop?

Proactive cultivation

Imagining a pipeline. Balance screening out against clear criteria with an equally clear signal that we want to invest in things that are out of the norm and that we have the patience to make it work. Spur the development of a pipeline of funds that are domiciled in Africa through ecosystem work.

Inviting leaders. Look for and actively cultivate leaders who have a compelling view on how they would invest to transform local supply chains and communities in alignment with the systemic shifts we want to see as part of our Investment Thesis. Build a broader pipeline to be able to meet the allocations of the investment strategy.

Encourage individuals or organizations to stand up innovative vehicles. Use flexibility in our investment instruments to provide warehousing and working capital, as the 2X Ignite Africa warehousing facility has done, and enable the design, development and capitalization of vehicles creating the sustainable and impactful economic activity.

Market signalling

Fine tune our signals in the market. For the known, well-defined components of the Fund – such as the commitment to domiciliation – communication can be consistent and clear across public channels. The more complex and nuanced components such as a commitment to innovation and testing, and willingness to go to uncharted territory, need more messaging development in relationship with key ecosystem stakeholders, and careful testing and iteration in the appropriate audience channels.

03

Analysis of risk and opportunity

DE-BIASING DECISIONS FOR BETTER ALIGNMENT WITH OUTCOMES

Derisking risky investments or reassessing how risk is assigned?

Aligning the criteria guiding decision-making

Rethinking assumptions about risk in the investment vehicles' business model

Incorporating gender and power analysis into investment analysis

Designing a thesis to guide analysis.

We had the freedom that comes from philanthropic assets, which meant we could be innovative and responsive to the needs of investment vehicles. We had the freedom – and responsibility – to use capital in ways and places mainstream capital would not. We also had the mandate to prove the value of the portfolio we were building, and to challenge the bias in the market that we were working with a concessionary set of actors.

Concessionary is not a useful term, in context. Investors too often put out unreasonable expectations of what returns the economy can produce with their assets. They then label as concessionary returns that do not match expectations that are simply unrealistic. For example, investors continue to name benchmarks in venture capital that are rarely met in actual performance. If venture capital on the continent, particularly when managed by women, does not hit the benchmark, it is named as a failure, even if the benchmark is patently unattainable in any market.

"Concessionary is not a useful term, in context. Investors too often put out unreasonable expectations of what returns the economy can produce with their assets. They then label as concessionary returns that do not match expectations that are simply unrealistic.

Investment leaders in the Fund have been told by others in the market that they should be willing to ensure a return premium of 15% to 30% in equity and debt. That premium is then passed on to enterprises and ultimately their customers. We can break this cycle, negotiating with others to eliminate this tax on the Continent. We need to regularly review the Investment Policy and regulations to ensure it can continue to support the investment vehicles required in the African context.

The Fund's return expectations are below market rate. While this might appear concessionary compared to market rate expectations, market expectations are rife with bias and privilege. The Fund's expectations enable us to provide investment leaders with the freedom to take risks (without adding a premium for those risks) and to find real value in the markets in which they invest.

The Investment Thesis was developed based on learning from the first two-and-a-half years of analysing the market, working with investment leaders in our portfolio and listening in the investment ecosystem. It was designed as a pilot; therefore, this is an inflection point on a journey. We can see more clearly now. The investment thesis provides a lens into the conditions that will create dignified work and pathways to economic engagement for young women, particularly in rural and peri-urban areas.

Financial analysis is not neutral. It is shaped by gendered assumptions about risk, leadership, and value. Instead of designing investment screens that replicate and reinforce existing biases, there is a need to use gender analysis as a tool to unlock deeper market insights and expand opportunities. Gender analysis should serve as a lens for seeing larger market inefficiencies and power dynamics that affect the flow of capital. For example, as we saw above, investment readiness requirements often reinforce dominant capital norms that disadvantage women-led businesses. Many investment leaders expressed frustration at being categorized as 'emerging' despite having years of experience in finance and investing. These labels discounted their expertise and reinforced exclusionary narratives about who is considered ready for investment.

In the end, to create deep change for those most marginalized, examining and disrupting power dynamics is more effective than counting women. Rather than pushing investment leaders toward a narrow checklist of gender lens criteria, the Fund has learned to encourage a broader and more dynamic analysis of gender patterns in financial and business ecosystems. This means moving beyond representation in leadership to asking how gender shapes access to capital, what structural barriers exist for women-led enterprises and entrepreneurs, and how investment vehicles can challenge power dynamics within financial systems.

Investment leaders bring creativity, resilience, and commitment to creating investment vehicles. The leaders in the Fund are seeking to integrate a focus on women entrepreneurs into a broader systems change strategy. By shifting from gender screens to gender strategies, investment leaders can design investment vehicles that integrate gender and power analysis in ways that are context-specific and transformational. This approach moves away from the false choice between gender inclusion and financial performance, demonstrating that integrating gender creates value, rather than constraining investment opportunities.

Analysing gender patterns to determine and mitigate investment risks

> *Over time, we shifted from funding women to fill a gap, to analysing gender patterns clearly and without bias to uncover risk and risk mitigation strategies.*

As a gender lens investor, we sought to embed gender and power analysis throughout the investment process. Gender does not just sit within the impact outcome we are creating. The power analysis frame allows the Fund to look at how bias, privilege and power are built into the system of capital and to use approaches that see gender inequity as inextricably linked with colonialism, religious oppression, and other structural inequities. Gender is still sometimes a side conversation, but the investment vehicles and leaders in the Consortium see that as a problem to be solved, rather than the solution.

As a result of the language in the Investment Policy, the Fund had a narrow, often simplified screen, for pipeline. We were looking for a woman creating an investment vehicle, domiciled in Africa, focused on investing in women entrepreneurs. As we touched on above, screens can make the world smaller. But if we are seeing power dynamics, gender patterns, looking at the world without bias, then the world becomes bigger.

Counting women does not lead to an intersectional understanding of a gender experience or convey the nuances of a rural or a young life. Seeing structural inequities becomes a way to understand the limits individual people face and enables the investor to find a way around them.

One illustration of where the Fund integrated gender analysis is in an internal debate of whether we were derisking risky investments or reassessing how risk is assigned. The image below shows a banner that the Fund displayed in meetings early on.

The banner reflects a goal of derisking women entrepreneurs and women fund managers. In this case, the assumption is that women-led companies and vehicles are risky. The Fund's role was to be the concessionary capital alongside technical assistance to make the companies and vehicles less risky. When language suggests a capital gap, it encourages investors to throw money into it like throwing cash into a chasm.

The language of de-risking reaffirms that the assessment of risk was accurate.

What if there is bias in the assessment? What if there are data or perspectives missing or ignored?

The default rate of loans to women is not higher. In fact, a 2024 European Investment Bank study concluded that almost 70% of banks observed lower rates of non-performing loans at female-led firms.

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The language of de-risking reaffirms that the assessment of risk was accurate.

Naming that women are risky is a gap in analysis. The question is how to look at the factors in women-led investment vehicles and companies to determine what factors will make them more or less likely to succeed. African women have had to overcome innumerable barriers to be able to build their investment businesses. They may have delayed their own income or taken side work to get through the fundraising process. Is that a failure to focus or a sign of determination? Rather than seeing gaps, we could see grit and resilience. Their lack of access to capital doesn't mean they are broken; it means the system is broken. What is worth analysing is how they have navigated broken systems.

A risk mitigant for African women investment leaders is that they can't afford to fail. They are conservative with cash and often work on a diversified set of strategies. They are not overconfident and do not grow beyond their means. These same attributes could be seen as overextended, unfocused, and unwilling to really go for it. But that analysis does not take existing gender biases and norms into account.

The approach to mainstreaming gender expertise throughout the Fund created the opportunity to build a shared set of data and analysis that anyone in the Consortium could access. We have begun to embed a 'translation function' that can make knowledge about gender in context relevant to the process of investment analysis. Over the past three years we have been building the capacity to do this kind of analysis within the Fund and portfolio. The development of an Investment Thesis (explored below) provided a focused place for its inclusion.

Considerations: Confidently executing while learning and adapting

In the early days of the Fund, the focus was on defining what tools, mostly checklists, were necessary to efficiently implement the gender priorities. Over time, the Fund began to assume that it should integrate gender analysis, but it takes practice.

Considerations: Challenging the norms of the system while working within those norms

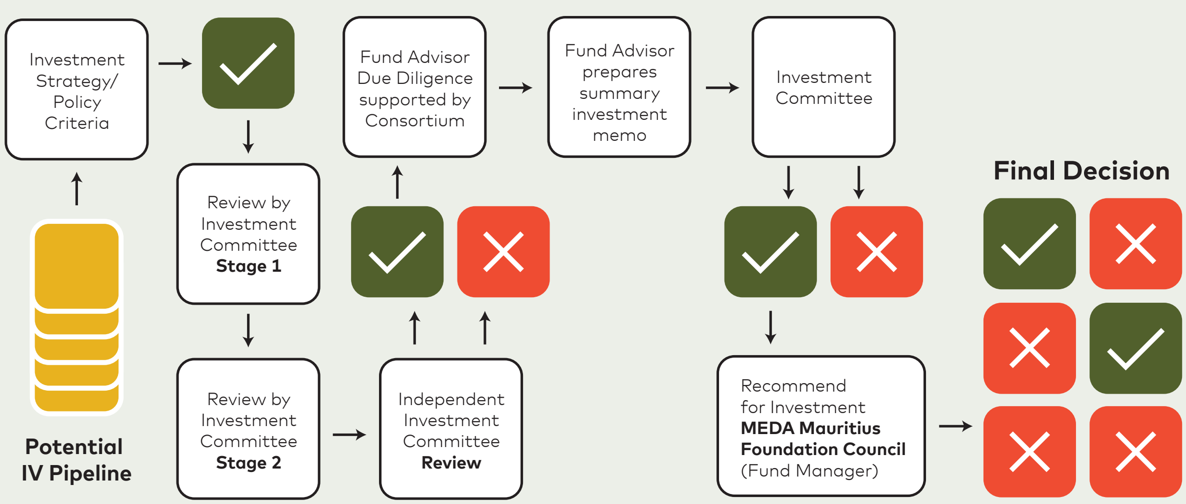
Investment analysis is fully steeped in the norms, biases and privileges of the world we live in. Our snap judgements and our complex spreadsheets will confirm our biases as rational. Gender analysis looks at the structures of power and what informs the conditions women find themselves in and the choices they make to navigate those choices.

Aligning the criteria guiding decision-making

A decision-making tool that integrated multiple factors into a single calculation makes it possible to test consistency across a complex governance structure.

The complexity of the Fund's governance structure meant many diverse actors were part of decision making. This is one of the Fund's strengths. We also needed to ensure alignment to ensure we move through investments efficiently, transparently and accountably in keeping with the Investment Policy and the goals of the Fund. We had to work to ensure consistency and coherence in decision-making, especially given the broad perimeters in the Fund, and some of the tensions, however constructive, in the execution of the investment processes.

As a result of the governance structure, there were more layers than usual in the investment decision process:



The decision-making challenge is that at each step of the process, the actors need to be aligned on the core criteria and how those are going to be balanced within a portfolio.

The rubric was based on their understanding of what the market needs, and reflected what typical investors wanted, but this did not always align with what the investment leaders want. The assumptions were about what typical investors wanted.

While the individual rules in the Fund were clear, as a set, they had to balance impact on jobs with financial returns, and African women leading vehicles domiciled in Africa with traditional measures of fund economics. The Investment Policy left quite a lot of room for interpretation. Not all investment vehicles needed to be led by women, but there needed to be an offsetting priority that would rationalize the exception. When would job creation trump leadership of women? When would the requirements on domiciliation undercut the ability for a fund to be investment ready?

About a year in, we built a scoring mechanism that could be consistent across the layers of recommendations and decision-making from the Fund Advisor screening to the Investment Committee review and recommendation, through to the Foundation Council's final decision (and all the back and forth in the middle). The decision matrix that emerged balanced all the priorities of the Fund, from impact to return, to the viability of the investment vehicle and the additionality of our investment. The tool was grounded in the Investment Objectives, Considerations, Principles and Responsibilities outlined in the Fund's Investment Policy.

The idea is to ensure that the information needed when evaluating opportunities was available within a single framework and used consistently throughout the decision-making process. This framework attempts to encourage awareness of the potential for bias that everyone brings to the conversation, including gender, ethnicity, value and assumptions around generational power.

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DECISION MATRIX TOOL: CATEGORIES

The categories are based on the Investment Objectives, Considerations, Principles and Responsibilities outlined in the Fund's Investment Policy and informed by the gender, equity, diversity and inclusion (GDEI) strategy.

Jobs: Capture quality jobs with a view towards gender diversity, creating jobs in under-served segments and disrupting gender norms or other inequities.

Ecosystem: Frame analysis of potential demonstration effect in the broader ecosystem, including role modelling who can be a fund manager, alternative ways to overcome inequity and what more balanced power can create.

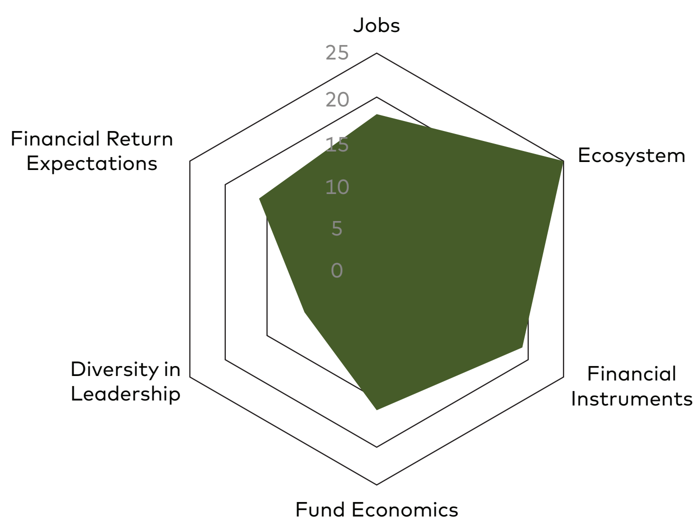
Financial instruments: Look at whether the instruments being used are optimal for the entity, geography, or ecosystem to demonstrate alternatives that reduce power dynamics, bring about gender equity and create more impactful (and sustainable) businesses.

Fund economics: Includes non-traditional and non-financial criteria to support the stated appetite for innovation, using capital in new ways to close specific gaps for financing alternative IV models that yield the desired impact.

Diversity in leadership: Encourages considering leadership in a way that promotes gender equity and appropriate role modelling, helping to overcome specific biases around women and African leaders.

Return expectations: Consider the value of the money being deployed beyond simple investment capital with respect to demonstration effect, minimizing bias, role modelling alternative paradigms and supporting gender equity and good job creation.

This tool is not intended to name new priorities, but rather to create a nuanced and consistent framework and process with which to evaluate decisions to invest (or not) in investment vehicles. The framework is aligned with the Fund's Investment Policy and evaluates the investment's potential towards achieving the Fund's goals.



The rating system is based on five levels or grades (with a higher score being better). Ratings were, of course, subjective. For most of what we were assessing, there was a judgement. To what extent would these jobs be additional? This sparked conversations about why individuals rated the way they did and overall helped to build consistency across the governance structure.

The matrix allowed decision makers to see patterns in their decisions across individual criteria, and to see the portfolio against a common set of criteria. The matrix and specific metrics encourage interpretation of the Investment Policy grounded in a contextual analysis of power and systemic bias.

As we worked to balance multiple factors in investment and to challenge bias in traditional investment processes, we required tools that pushed toward consistency and a new set of norms.

Considerations: Confidently executing while learning and adapting

It took time to work together before we were able to reach agreement and synthesize the different perspectives on core criteria. That was a sign that we were learning and adapting, but it also meant that we were executing for some time before this was harmonized. Alignment is hard.

The hope for many in the decision-making process was to land on a simple checklist. But the complexity of the Fund requires tools that make sense of complexity, rather than masking it.

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Rethinking assumptions about risk in the investment vehicles' business model

Intermediaries drive capital to companies and are, appropriately, measured by the cost of moving capital. But there are biases in how business models are assessed.

In the context of expected returns in the single rather than double digits, the Fund became sensitive to costs both internally and within the investment vehicles.

Many of the initial concerns were about whether the business model was going to work in the market. The Fund is now more aware of the norms and biases shaping our expectations around the viability of investment vehicles' business model.

The Fund is prepared to absorb a higher cost of capital, recognizing we are investing in leaders who have self-financed the development of their investment vehicles. The investment leaders that the Fund invests in cannot afford to fail. For African women, there isn't another investment vehicle if their first vehicle fails. The knowledge they can't fail makes them a safer bet.

> **The investment leaders that the Fund invests in cannot afford to fail. For African women, there isn't another investment vehicle if their first vehicle fails. The knowledge they can't fail makes them a safer bet.**

Traditional venture capital requires the manager of the fund to quit their job and go without compensation as they build it up. These norms have spread into other investment vehicles which may not have the same time intensity as venture capital. The Fund honours the costs absorbed by investment leaders who are in our portfolio African women predominantly, as they navigate the blatant discrimination in the market. The Fund can use terms and structures to ensure that we are not another site of marginalization. It can use its power to be bold and clear about supporting these costs, thereby allowing vehicles to have the working capital they need to support their portfolios in the way that they intend.

Investment methodologies that measure how much investment leaders bring to the investment company (also known as 'skin in the game') tend to reinforce traditional biases by privileging certain types of financial capital over other forms of contribution. For several investment vehicles in the pipeline, the Investment Committee has begun to challenge this norm by recognizing the 'sweat equity' of investment leaders as a legitimate part of fund valuation.

In one example, the Investment Leader had made angel investments before launching her fund, and was offering Limited Partners the opportunity to acquire the latest four at cost, foregoing any profit. The Investment Committee was confronted with the challenge of fairly valuing these contributions—not just in terms of financial investment but also in terms of the expertise, networks, and deal flow the Leader had cultivated over time.

Traditional valuation models often fail to account for these intangible but critical contributions, particularly when made by women fund managers who have had to navigate systemic barriers to entry. By recalibrating valuation standards to acknowledge such factors, the Investment Committee can ensure that investment leaders' contributions—whether financial or intellectual—are properly valued, thereby reinforcing their legitimacy and bargaining power in investor negotiations.

EVALUATING THE ECONOMICS OF AN INVESTMENT VEHICLE
(pulled from the decision matrix developed within the Fund)

Criteria on a scale from 1-5:

- **Depth of support** to portfolio companies provided by the investment vehicle
- **Innovation in the vehicle** structures, model and domiciliation
- **Compensation equity for the founders and management team** built into investment vehicle economics, appropriate to the local context
- **A creative approach to overcoming traditional power dynamics within the vehicle's economic model** that supports the inclusion of fund managers/investment leaders who would otherwise be excluded from the marketplace
- **An innovative component to support jobs, gender equity, youth inclusion**, broadening investor base of the asset class, and/or ecosystem building
- **A model which allows for investment in an under-represented geography, segment, industry** or other area.

Where possible, investment leaders should be supported to design their vehicle for the needs of the market and the entrepreneurs, rather than the needs of the capital; this should reduce the time to deployment. Where possible, it's important to invest in vehicles that have a ready-made portfolio, rather than absorbing the delays of sourcing, closing, and deploying. For example, if an investment vehicle has already brought together a set of enterprises into equity, we can potentially work with partners to deploy trade finance, or merchant banking to support the company's goals in the market.

In the end, investment leaders who can build multiple investment vehicles to meet the needs of a market in which they are trusted will be able to reduce the cost of individual vehicles.

Considerations: Challenging the norms of the system while working within those norms

The burden of challenging norms in analysis should not rest on those who are most vulnerable to the ramifications of resistance. Investment leaders have to navigate multiple barriers to bringing a vehicle to market. The Fund was stepping into a journey that began before us and that would continue with or without our investment.

In its day-to-day operations, the Fund challenged norms around what matters in investment decision-making, particularly in evaluating the business model of the investment vehicle, in context.

"In the end, investment leaders who can build multiple investment vehicles to meet the needs of a market in which they are trusted will be able to reduce the cost of individual vehicles.

Designing an investment thesis to guide analysis

Balancing the dual objectives of investing in women investment leaders and rapidly creating jobs for women presented an ongoing tension that the Fund sought to resolve through its Investment Thesis.

Gender analysis is required to be able to centre the experience of young women. Shaping the systems that inform their lives, and particularly their economic participation, is not about representation or inclusion, but about understanding and challenging the underlying structures that inform their choices.

Many, perhaps most, gender lens investing frameworks are about representation: women as leaders in companies or investments. Diversity and inclusion are critical strategies that tend towards checkboxes, rather than paying attention to context and choice.

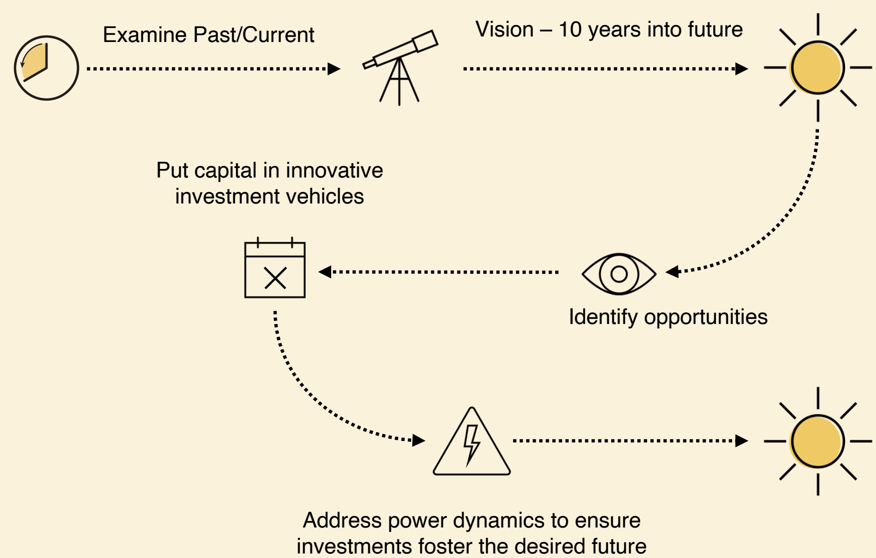
We originally sought investment vehicles designed for women entrepreneurs. We saw ourselves as filling a capital gap for women entrepreneurs who we hoped would in turn create dignified and fulfilling work. We began to imagine another possibility, starting with the challenge in the market system: the structures or processes keeping young women from fulfilling their potential. For example, in the case of young women stepping into a trading position in a market dominated by older men. Are there ways capital from the Fund can shift unequal power dynamics in this context? Simply putting capital into the enterprise is unlikely to create the change we seek.

Seeing shifting gender patterns and trends into the future becomes a viewfinder for opportunity. In gender lens investing, an investment thesis moves the user away from screens to reveal new possibilities. Since gender patterns are often viewed through a biased lens, it is important to reframe risks and opportunities.

An investment thesis is essential to building funds focused on impact. They help to:

- break assumptions and biases about the future, particularly in areas;
- name alternative futures and foster an imagination of what is possible in those futures;
- build investment approaches aligned with a future; and
- influence how a group of investors work to contribute to system-level change.

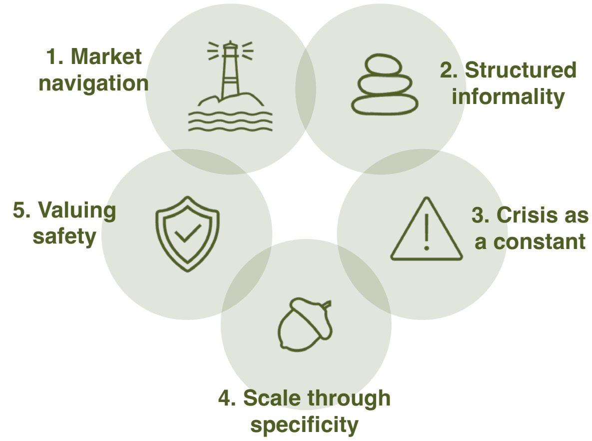
Moving forward, the Investment Thesis will provide a consistent framework for Consortium Partners and our work in the African investment ecosystem. It is a public statement about where the Fund sees investment opportunity and risk within sectors and geographies. We can spur the design of instruments and terms that shift power dynamics. We can encourage people grounded in context to lead in solving the problems in the market, by designing investment vehicles.



Aligned with our Investment Thesis, the Fund can use its power and influence to shift practices in the ecosystem and refine the field of gender lens investing on the continent. To the extent that it is possible, the Fund will demonstrate to other investors working in this context the vital importance of centring young women and girls.

The Fund is designed as a site for learning, to demonstrate to others what is possible. It also has performance expectations, in part to be able to demonstrate to other investors what happens when bias is removed from the analysis of risk and opportunity. The Investment Thesis will allow evaluation of what can be changed and adapted to be fit for purpose for the remaining Fund period.

The Investment Thesis is grounded in five themes that together create a picture of the future in which we can capture the impact on economic opportunity for young women. It determines what we see as investment priorities today and informs how we analyse the net present value of those opportunities in light of possible futures.



The Thesis drives toward futures where the Fund can capture appropriate returns. It sets an expectation that we will find more beta (volatility and systemic risk) and less alpha (excess returns). In the portfolio, we expect repayment of capital over time, in line with an evergreen fund, where we can potentially absorb the cost of fund management into the returns.

Considerations: Challenging the norms of the system while working within those norms

The ideas in the Investment Thesis challenge us to imagine the future, and to use that vision to shape our investment, value creation and ecosystem engagement activities today. Investment leaders in our portfolio can build on the Investment Thesis to be able to strengthen the stories of their investment approach. And the Fund can align with other investors to create shared commitment to a picture of the future that challenges norms, misconceptions and biases in how investors see opportunities today.

Analysing risk and opportunity: Implications for the prototype

Due diligence process

Increase efficiency through relationship building. The complexity of the partnerships meant that it was harder to build relationships. Yet their value became evident from observing the investment leaders in our portfolio, whose relationships and trust within the community make them efficient operators in their target markets.

Build trust within due diligence. Leaders who bring investment vehicles to our pipeline have been engaged in shaping the African investment ecosystem for years or often decades. We can build relationships with them as allies in systems change. With these relationships, we can engage them from a place of trust and increase transparency, which in turn increases ease and efficiency in due diligence.

Investment analysis

Challenge bias in assumptions about risk. While derisking investments can be a strategy to intentionally attract co-investors, the primary activity is to shift the analysis of risk to remove bias and identify appropriate risk mitigation.

Ground with a picture of the future: Build an investment thesis based on a desired future in which good jobs are created and actively collect market data to create a deeper understanding of the dynamics within those markets.

Build a 'translation function' to support analysis. Methodologies for analysis and supporting contextual data ensures knowledge of gender patterns and power dynamics flow into the practices of finance.

Integrated gender and power analysis. Within investment analysis, gender and power dynamics are understood to be a core part of financial analysis of investment vehicles and their portfolio, rather than a separate set of indicators. The indicators of the decision matrix should drive what data is collected and analysed through the process.

Appropriate benchmarking. As we challenge the norms in the market, we need to create models for benchmarking that reflect our analysis or decide where benchmarking is not appropriate practice.

Impact analysis

Analyse market conditions necessary to create impact. Focus on the conditions that will increase economic participation and opportunities for young women. These can inform a set of assumptions about what needs to happen within the market to create the structural changes sought.

Ongoing market analysis: Create feedback loops within specific supply chains and market systems to ensure that we continue to create accessible processes and are providing the capital, the terms and the support to increase the power of impact-aligned companies in the market.

Decision-making

Transparency in the chain of decision-making. Build more transparent processes around the Investment Committee to make sure that the Fund keeps learning (and applying that learning). The Fund's Decision-Matrix provides a common set of criteria for all investments at every stage of decision-making.

See possibilities, not problems. Investing requires reducing the pool of possible investments to a select few. Therefore, there is a tendency to Identify all the barriers to investing. Many of the barriers are grounded in bias and power dynamics; it takes effort to identify pathways forward that others do not see. While our capital may be limited, we need to be mindful of not eliminating good ideas simply because they go against the status quo.

Honor and elevate the investment leaders in the market. Assess what we require investment leaders to bring to the table, particularly in markets where track records are difficult to establish due to systemic exclusion. Beyond removing punitive assessments, structure transactions that increase the ability of Leaders in our portfolio to be leaders in the ecosystem.

Execute transactions at the speed of trust. Speed can be achieved by not overthinking things – and trusting others. Build relationships over time and then partner with those leaders in their markets.

04

Structuring investment transactions

ENSURING DEPLOYMENT PROCESSES ARE EQUITABLE AND EFFICIENT

Designing for a diversified portfolio of investment vehicles

Warehousing and working capital

Using terms to shift power dynamics for investment leaders in our portfolio.

The next evolution of gender lens investing is about seeing power. The Fund is moving towards a more holistic and dynamic application of gender lens investing, one that recognizes the interplay of finance, power, and gender in shaping economic opportunities. Rather than encouraging investment leaders to conform to a predefined gender box, the focus is on supporting investment strategies that shift norms, challenge biases, and create new pathways for capital to drive equity and impact.

When investment vehicles are given the flexibility to build credibility without the immediate pressure of exits or high-return expectations, they are better able to attract co-investors, develop strong pipelines, and prove that alternative investment models can work. The challenge for the Fund—and for others in the investment ecosystem—is not just to deploy patient capital in isolated cases, but to demonstrate that structuring capital differently can shift the way risk and opportunity are understood, creating space for investment vehicles that might otherwise struggle to gain a foothold in the market.

The sandbox in the acceleration supported a set of vehicles that we thought could fit into the portfolio, but that needed either warehousing, technical assistance or working capital to get there. Putting them in the sandbox allowed us to support them in a focused way.

It also made it possible to start building more formal value creation strategies around them. This meant that the Fund's business development solutions (BDS) Partner could start providing formal support to the investment vehicles through providers that were selected to meet their needs.

This created more transparency in the process of identifying what investment leaders in our pipeline thought they needed, rather than what we wanted for or from them as an investor. It also let us signal what we wanted the end portfolio to look like including missing target geographies (Senegal, Ghana, Rwanda, etc.) and it allowed us to focus on more debt funds.

The Fund has structural power as an asset owner. Not endless power but a good amount. Most investors use their power only for their own gain, and while there were outcomes we needed to hit for our key stakeholder the Mastercard Foundation, we drove toward creating a positive impact on the investment vehicles and companies we were supporting. There were tensions, but over time, we ensured that we were using our power to benefit others, not just protect our own interests.

We needed to evaluate when to use our power (be the first, first loss, etc) and when to influence others to use their power – we couldn't be the only investor in an investment vehicle.

The Fund is more than a mechanism for capital deployment; it plays a critical role in shaping investment structures, ensuring governance integrity, and realigning power dynamics in investment decisions. Through its structures and decision-making processes, the Fund has actively worked to foster equitable investment practices, ensuring that capital deployment does not inadvertently perpetuate systemic biases but instead creates meaningful pathways for African women investment leaders.

Providing appropriate warehousing and working capital

Tools like warehousing and working capital allowed the Fund to try out a financial relationship with investment vehicles before we put them into the portfolio. These instruments come with both possibilities and power dynamics.

From the start, the Fund's Investment Policy allocated a portion of capital in repayable grants —warehousing and working capital that can be used to incubate and to allow investment vehicles to demonstrate or build track record. Warehousing and working capital are not intended to be used in isolation. The Fund is seeking to prove that if we use these instruments well, we can convert and anchor the vehicles.

In the acceleration phase, the sandbox enabled us to balance execution with innovation and test new approaches. It gave us permission to invest in things that were potentially complex and would require time and resources to structure the deal. Many of the investment leaders in the portfolio, particularly those building vehicles for the first time and those developing innovative models, face expectations that they will demonstrate rapid returns even when their investment strategies require longer time horizons.

One of the strategies adopted in this initiative has been the allocation of a portion of the available capital to warehousing—providing early-stage investment vehicles with the flexibility to make initial investments and prove the viability of their strategies. This approach has the potential toward shifting power dynamics in the market, allowing investment leaders to gain experience and generate performance data that can attract institutional investors.

Warehousing capital has emerged as an essential tool for addressing the inequities embedded in how investment track records are evaluated. The expectation that investment leaders must demonstrate a track record before securing institutional investment is often assumed to be a neutral requirement. However, in practice, it disproportionately limits opportunities for women who have historically been excluded from the networks and resources needed to establish such a track record in the first place.

This creates a reinforcing cycle in which the ability to prove an investment thesis remains out of reach for many women-led investment structures, making it more difficult for them to access the capital necessary to grow and sustain their funds. In addition, in very new markets, it might not be possible to show a proven track record. Could the Fund take on the role of signalling trust in new investment leaders and new markets to break the track record 'catch 22' that hinders their development?

One of the challenges in warehousing is the speed to proof points. Warehousing is intended to demonstrate the viability of a pipeline or investment strategy. There is pressure to get to these proof points. If they are not achieved, assets could be 'orphaned' in the ecosystem. Companies and vehicles could receive enough capital to get started but not end up converting to the level of investment required to thrive.

The Fund worked to offer fair terms in the warehousing agreement. Limiting equity stakes to minority shares, streamlining reporting requirements, and reserving board seats for independent directors can help maintain a balanced governance structure. Setting realistic and achievable performance milestones with built-in flexibility to respond to market conditions can support sustainable growth without placing undue pressure on the company or the vehicle. Ensuring that intellectual property rights remain with the company, while providing the investor with a non-exclusive license, also protects the startup's core assets and innovation potential.

Ultimately, the goal of investment warehousing should be to create a symbiotic relationship where both the investor and the company thrive. By addressing the inherent power imbalances and fostering a more collaborative approach, the Fund can support the growth and success of early-stage companies while securing their own financial returns. In doing so, they not only mitigate risks but also contribute to a healthier, more dynamic entrepreneurial ecosystem. Balancing opportunity and control in warehousing agreements is not just beneficial; it is imperative for the long-term success of both investors and the startups they support.

One of the most persistent challenges in moving capital effectively has been the tension between financial discipline (to preserve value in the Fund) and allowing investment vehicles the time they need to establish themselves.

Considerations: Confidently executing while learning and adapting

Having the ability to use warehousing and working capital as part of our investments strengthened our ability to execute confidently. It is the kind of tool we need to be an adaptive fund.

Sometimes we used valuable working capital to help investment leaders get through the existing system and survive norms to get to close, rather than giving them the freedom to explore alternatives and innovate. Could we have decreased the need for working capital need by spending less time getting to an investment? Could we have skipped the warehousing step by having more trust in what investment leaders had designed?

When was the instrument catalytic, and when was it expedient? When did it increase the ability of investment leaders to take risks, when did it reduce our risks?

Supporting investment vehicles designed for context

Inviting a diversity of vehicle types into a fund of funds aligns with the needs of investment leaders in the ecosystem but does not capture the efficiencies of a traditional fund of funds structure.

Fund of fund structures diversify risk for limited partners who put capital in the fund by investing in multiple funds. The appeal to investors is the same as in other funds: they make predictable and consistent choices about the type of fund they are investing in. The investment strategy sold to investors is based on similarity between funds, not diversity.

Because the Fund had a single source of capital, we had an extraordinary opportunity with a mandate from the Mastercard Foundation to focus on diverse, often excluded vehicle types. The Investment Policy of the Fund stated the importance of a balanced portfolio of emerging and mature IVs, including a diversity of asset classes, investment strategies and instruments, and capital in a range of legal structures and fee profiles.

> **The investment leaders that the Fund invests in cannot afford to fail. For African women, there isn't another investment vehicle if their first vehicle fails. The knowledge they can't fail makes them a safer bet.**

Despite the mandate, the Fund's initial investments defaulted to fund structures in both the pipeline and the portfolio. We defaulted to the norms in the ecosystem, not unexpectedly. Funds are the known quantity; they get the most attention in the market. The operational challenge was to balance the time required to create transformative impact by unlocking new investment vehicles vs the speed of job creation (direct impact) in mature vehicles. Through the sandbox created in the acceleration phase we have since built processes to bring in and encourage the development of vehicles with a range of structures.

The investment leaders in our pipeline and in our portfolio are experimenting with a range of vehicles. Many wanted to create different vehicles yet ended up creating funds because investors asked for one. Emerging investment leaders in Africa are encouraged to work within trusted funds that make traditional investors comfortable.

70% of the investment vehicles in the Fund are not implementing the vehicle they think is right for their context, but the vehicle they thought investors would support.

These efforts have highlighted a crucial lesson: transforming power dynamics in investment requires more than proving that new models work—it requires actively influencing the perceptions and practices of other investors in the ecosystem. And where investors are not aligned, we need to ensure that the leaders inside the investment vehicles have the power to push back.

We have now built an intentional ecosystem strategy to collaborate with others who believe that investment vehicles should meet the needs of the companies creating jobs in the African economy rather that only serving the interests of those who hold the capital.

Considerations: Challenging the norms of the system while working within those norms

The Fund wanted to invest in a broader set of vehicles, but investment leaders already marginalized by the system were unable to advocate for what they were imagining. We were actively challenging the norms of investing while our day-to-day operations mimicked standard investment processes.

"

70% of the investment vehicles in the Fund are not implementing the vehicle they think is right for their context, but the vehicle they thought investors would support.

Using terms to shift power dynamics for investment leaders in our portfolio

Shifting power dynamics was a central goal and the Fund's structures were designed to facilitate this, though the specific mechanisms required design.

The Fund has played an active role in reassessing partnerships within investment vehicles to ensure alignment with its broader objectives. In some cases, we have needed to create more fitting partnership models that allow investment leaders to operate with greater autonomy. By applying a power-conscious approach to decisions, the Fund has demonstrated that investment frameworks must be actively examined and adjusted to distribute power equitably, rather than being passively accepted as neutral structures.

The Fund Advisor and the Investment Committee proactively evaluated inherited structures and were willing to make structural adjustments to empower investment leaders rather than reinforcing dependency on existing power holders.

Demonstrating fund viability to investors without firm commitments is a challenge for many first-time fund managers, particularly those without established track records. The Investment Committee and the Fund Advisor helped mitigate this challenge by strategically deploying non-binding commitment letters to signal investor confidence while maintaining flexibility in negotiations. These letters serve as a bridge between interest and formal commitment, allowing investment leaders to present a stronger case to potential "lead investors" without locking themselves into unfavourable terms.

> **"…side letters have been leveraged to manage the transition of Fund partners, ensuring that the new leadership is protected from legacy liabilities.**

Similarly, side letters have been leveraged to manage the transition of Fund partners, ensuring that the new leadership is protected from legacy liabilities. By structuring these agreements carefully, the Investment Committee has been able to insulate new investment vehicles from adverse power dynamics stemming from previous partnerships while safeguarding the integrity of Fund governance.

The Investment Policy intentionally challenged the Fund to look at power dynamics. Its nuanced gender criteria underscored the Fund's commitment to avoiding superficial representation in leadership metrics. Investment vehicles had to satisfy criteria tied to key milestones of first close or disbursement, which provided substantive tests for whether women's ownership or leadership was meaningful:

- For multiple partner teams, at least one female partner (understood as a founding partner with a shareholding in the General Partnership, Chief Investment Officer or Investment Director) who is part of the decision making for the vehicle, and women representing at least 30% of the overall team beyond marketing, human resources or investor relations roles.

- For single partner teams (male or female), at least 30% of the team is female beyond marketing, human resources or investor relations roles. This condition will need to be met before the second tranche of capital investment is disbursed by the Fund into the IV (which will typically coincide with the first close) or prior to first close, whichever is first.

These criteria made it possible for the Fund to engage pipeline companies in conversations about power dynamics. Fulfilling the terms of the policy required looking deeper at the terms and conditions that would address power dynamics in leadership. There were several occasions on which the Fund Advisor was presented with leadership teams that had clearly recruited a woman to hit diversity goals without the intention of providing her a long-term role.

> "
> **By intentionally using power to shape fund structures, governance, valuation, and investor relations, the Investment Committee has provided a model for how investment committees can move beyond capital allocation to actively dismantle systemic barriers in investment decision-making.**

One of the Fund's most notable interventions has been reshaping investment structures to provide long-term flexibility and sustained impact. For example, revising Fund terms to extend investment horizons has demonstrated how investment agreements can be adapted to align with the realities of early-stage investments in Africa. These decisions are not merely technical adjustments but deliberate moves to empower women-led investment vehicles by providing them with the room to execute their strategies effectively.

In the case of one investment vehicle, requiring exit letters was more than a due diligence exercise—it was an intentional strategy to protect the authority of the Investment Leader. By ensuring that previous stakeholders had formally exited from the vehicle, the Investment Committee reinforced the leader's ability to operate without undue interference from past actors. This highlights the potential for governance tools to serve as proactive instruments for shifting power to fund managers who have traditionally been underrepresented in investment decision-making.

By intentionally using power to shape fund structures, governance, valuation, and investor relations, the Investment Committee has provided a model for how investment committees can move beyond capital allocation to actively dismantle systemic barriers in investment decision-making. These lessons underscore the broader responsibility of investment actors to ensure that financial governance serves as a catalyst for inclusion rather than an enforcer of exclusionary norms.

Considerations: Challenging the norms of the system while working within those norms

As we move forward the Fund will continue to use its power to influence the ecosystem to invest with a gender lens. It will advocate for a move from just counting women, to investment practices that shift power for investment leaders, leaders in portfolio companies and, ultimately, the young women and girls served. By demonstrating advanced practices that challenge norms and power dynamics, the Fund can use its capital and influence to transform assumptions in the investment markets and practices in the local markets.

"By intentionally using power to shape fund structures, governance, valuation, and investor relations, the Investment Committee has provided a model for how investment committees can move beyond capital allocation to actively dismantle systemic barriers in investment decision-making.

Structuring investment transactions: Implications for the prototype

Portfolio

Segment the portfolio. Develop a method for segmenting (and supporting) investment vehicles based on what they need from the Fund. This segmentation would depend on whether the vehicle needed support to design and develop new instruments or to realize the potential of a tested model.

Create distinct due diligence processes. We can also create distinct due diligence processes for investment vehicles who are either ready to deploy capital to companies creating jobs and/or experiment with designing alternative investment vehicles. The first would lead into the portfolio, and the second into the sandbox.

Instruments

Use instruments to expedite capital flows. Expand the use of warehousing and working capital to accelerate deployment to companies ready to create direct impact through job opportunities.

Fit instruments for purpose. Design criteria around the use of working capital and warehousing to ensure that they are used to challenge existing norms in the investment ecosystem and stimulate the design of investment vehicles that meet market needs.

Terms

Document alternative valuations. Sweat equity, industry relationships, and lived experience should be integrated into valuation methodologies to create more inclusive investment ecosystems.

Codify structures and terms that shift power dynamics. Documents such as exit letters and side letters can also be used as instruments to reinforce fair power distribution and ensure that investment leaders—particularly women and African-led vehicles—have equitable power dynamics within investments.

Regularly review investment terms. Investment terms should be periodically reassessed to ensure they align with the needs of investment leaders and portfolio companies rather than replicating structures that may disadvantage them.

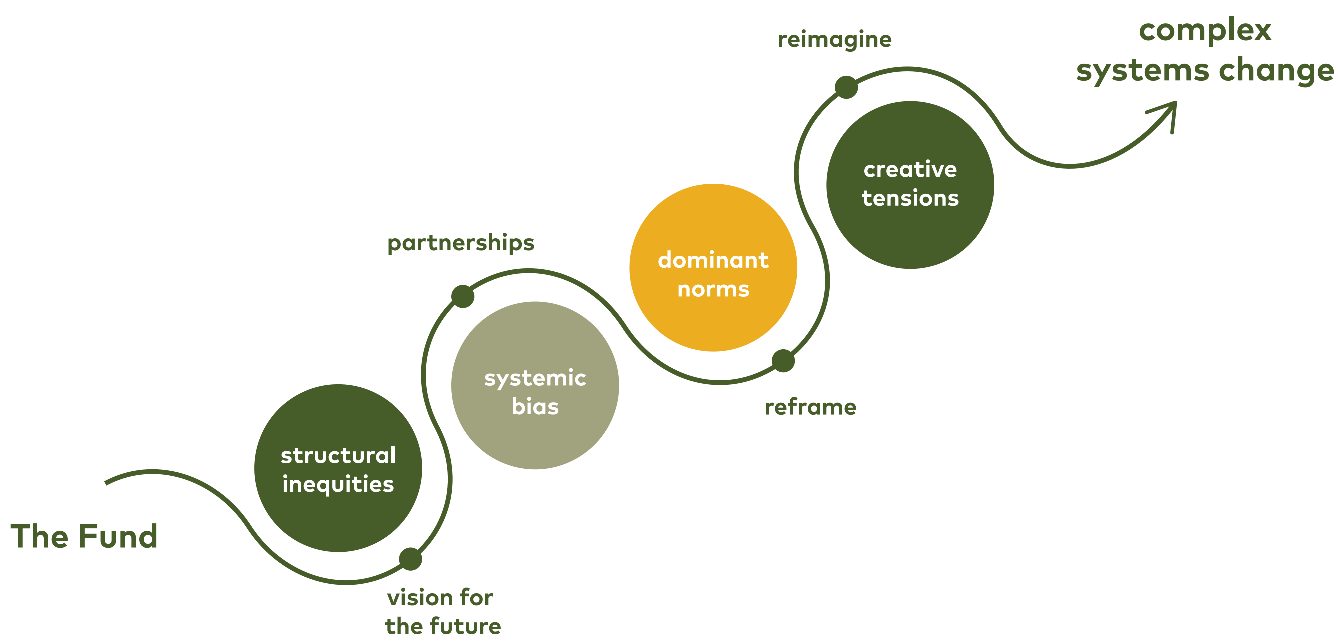
Leverage our power with co-investors. Tools such as non-binding commitment letters and side letters should be strategically deployed to help first-time fund managers secure capital on equitable terms.

Conclusion:
A path forward.

PRACTICAL APPLICATIONS OF THE LEARNING

Guidance on managing the three core tensions in this document

An invitation to the investment ecosystem.



Where possible, the Fund will seek to resolve tensions in a future iteration. In doing so, we will continue to reframe and reimagine what is possible for current investments, what can be accomplished through partnerships in the ecosystem, and what could be possible in the future.

However, some tensions do not yet have solutions. The Fund's activities take place amid structural inequities, systemic bias, and dominant norms that convey how things are supposed to work. The presence of creative tensions might simply reflect the reality of being a learning initiative with a mandate to create complex, systemic change.

Below, we summarize the key insights gleaned while walking this delicate balance between learning and doing, diplomacy and rebellion, urgency and legacy. These are not specific to the Fund, but rather tied to the realities of organizations, initiatives and individuals who are leading or working within complex systems change efforts. We hope they prove useful.

Managing within tensions

The analysis of the prototype led to a set of observations and recommendations about managing tensions. We have broken these out by the three tensions analysed throughout this report.

Considerations: Confidently executing while learning and adapting

Value authentic reflection over the performance of expertise. Finance privileges confidence and a coded language that signals who is an expert. In an environment where being right is what matters, authentic reflection on what is not working tends to fade into the background – thereby hampering genuine opportunities for progress.

Articulate the current state before naming changes. Organizations and teams are more accepting of change when they understand the place they are changing from. If there isn't clarity and shared understanding of the current state, adaptation – however intentional – looks and feels like chaos.

Recognize that confidence is often tied to privilege. Projecting confidence, particularly in the context of ambiguity and change, is easier for those who come from privilege, who believe they have respect due and that their confidence will be embraced. Rather than expecting individuals to project confidence, authority needs to be reinforced through structure and process, particularly for those systematically excluded who have been told their knowledge doesn't matter.

Resist reverting to what is safe and known. In moments of stress, the efficiency of operations will be prioritized over the effectiveness of a learning agenda. Within finance, there are significant risks to working outside of the norms but systemic change won't happen within them.

Prioritize learning even if it is never urgent. Execution will almost always trump learning in the battle for attention. Therefore, it is important to establish routines and practices that normalize reflection and synthesis in day-to-day work.

Build a culture to support that learning. An organizational culture that fosters learning together will be able to hold the tensions that arise and allocate the required resources to ensure learning happens.

Considerations: Balancing the urgency of direct impact with the ambition to create systems change

Maintain commitments and be transparent about adjustments to those commitments.
Teams rely on commitments to a shared purpose and clarity on what impact is being created. If those commitments change, any adjustments should be made visible.

Tell stories of systems change. Making sense of systems change requires anecdotes.
Rarely is tangible evidence possible until much later, after the shift in the system has taken root. Until then, value informal data and signals that suggest you're heading in the right direction, and make sense of them collectively to minimize any bias that might creep in.

Expect adjustments in how to measure impact.
As stakeholders apply the lessons learned from the systems change process, this will likely cause shifts in how to understand and measure the direct impact.

Use the power of signalling.
Investors can use their power to send signals in a market. This can lay the groundwork for future change, even if their current ability to execute is limited. Signals could include naming the contradictions between the realities of the current system and future aspirations.

Considerations: Challenging the norms of the system while working within those norms

See norms.

The challenge is that norms are what is assumed as right, good, rational.
Yet norms inform what is risky, what is valuable, what structures work, and who is ready for investment. Learning to spot them, and how they operate in context, is an important step – even if you do not intend to challenge them.

Decide, intentionally, when to use the system and when the system is the problem.

Organizations, initiatives and individuals straddle operating in the current system and pushing on leverage points that can change the system. This sometimes makes decisions and direction-setting difficult. Carefully articulating the rationale behind choices is critical to building accountability.

Challenge oversimplification and checkboxes.

Common criteria around gender can create coherence and ease, but they also mask contextual complexity. Simplification can make it harder to see and name how norms operate in context.

Attend to power dynamics in the change process.

Organizational structures often serve to keep existing power dynamics in place. Therefore, leaders need to boldly name the dynamics and the tensions explicitly and give others permission to do the same.

Value patience.

In the end, transforming power dynamics and shifting norms and narratives is complex work and requires both moments of insight and patience to be in a sustained process of resistance, disruption and change.

Calls for collective action

In the next phase, the Fund will take on a more intentional role in shaping the investment ecosystem, working to bring together investors who share a commitment to expanding access to capital.

We are not just putting out recommendations for what others in the ecosystem can do. We're aligning those recommendations with the priorities of the ecosystem strategy and will continue to put resources into the execution of that strategy. The Fund is not only investing in individual vehicles; it is also building a network of capital providers willing to see opportunities in new ways, ensuring that the shifts taking place within this initiative extend beyond its direct investments and into the wider financial system.

There are four workstreams within the ecosystem strategy relevant to moving capital to investment vehicles:

01 Driving local capital mobilization

The Fund and other large asset owners have a unique opportunity to leverage their position and catalyse systemic change within the African investment ecosystem. By influencing local institutional investors, governments, and regulatory bodies, we can create a more conducive environment for capital markets and businesses to flourish and foster:

Increased local domiciliation:
Locally-domiciled investment vehicles (IVs) strengthen the enabling environment for investments in Africa (e.g. hedging against FX dependencies).

Structures and processes for local capital movement:
localized structures and processes lead to increased capital flow in local markets and contribute to a healthier investment ecosystem.

02 Challenge norms and validate new models

The Fund and others can use their power to signal and validate unproven models by lending our brand and credibility to innovative investment leaders. This is about influencing investment ecosystem norms, backing innovative new IVs, redefining what success can look like, and using our power to legitimize innovations as better (rather than riskier) ways to create change. Through thought leadership and direct engagement, we can collectively create:

Mindset shifts:
By promoting alternative investment models, we can catalyse a widespread shift in industry perspectives, encouraging stakeholders to embrace innovative approaches, norms and values.

New investment narratives and norms:
The Fund will actively work to name, challenge, create, and promote new norms within the investment community and invite others to do the same. This involves redefining success in investment strategies by fixing the capital, not the company.

Choices not checkboxes on gender:
By leading the pack to redefine what is investment-ready and choosing to focus on the positives instead of gaps, the Fund can inspire other investors to understand that gender lens investing is a series of nuanced, context-specific choices and does not need to fit into a simplified checkbox.

03 Build bridges between diverse stakeholders

We have a powerful opportunity to bring together a diverse array of stakeholders, particularly those who are often excluded from financial discussions. By inviting them to the table and amplifying their voices, we can signal the importance of (frequently overlooked) diverse expertise. This workstream aims to shift power dynamics by influencing channel partners to support marginalized groups within the financial system, such as microfinance institutions, village savings and loan associations, cooperatives, unions, associations, civil society organizations, and women's rights organizations. By extending invitations beyond the "usual suspects," we can collaborate with a broader set of actors to:

Increase inclusion in financial discourse:
The initiative will expand the breadth of voices included in market discussions, fostering a more inclusive financial ecosystem.

Value different types of expertise:
By recognizing and integrating diverse sources of knowledge, the Fund will help create "translators" that facilitate understanding between traditional finance and marginalized communities.

Centre marginalized groups:
The inclusion of traditionally excluded groups will enhance their ability to influence financial systems that directly impact their lives and those they support.

Launch sustainable interventions:
By building the infrastructure needed for sustained impact, initiatives developed through this engagement will continue beyond the Fund's direct involvement and operations.

04 Support market interventions

MEDA and its Partners' expertise in market systems and trade investment positions it for systemic-level interventions that extend beyond traditional investments and business development services This approach focuses on influencing entire value chains and creating scalable, sustainable solutions for markets as a whole—not just isolated businesses. As the Fund, we can allocate dedicated resources to develop and pilot new models that address systemic gaps, foster innovation, and promote market-wide improvements.

As a result, we can ensure:

An expanded sense of possibilities:
Inspiration for ideas and solutions that address market challenges tailored to real market demands.

Adoption of new ideas and models:
Ideas and solutions adopted by those in the value chain will enhance job creation and quality, strengthen the value chains, and drive profitability for everyone involved.

Prioritization of market demands:
Shifting towards demand-driven, market-creating innovations.

Join us.

We hope you have found the insights in Book One both inspiring and informative. As we move from the pilot phase into more sustained learning and execution, we would like to invite you to join us. What are your experiences of designing innovative investments on the Continent? How have you managed to balance the tensions named above? Do you have any additional insights or reflections to support accelerated impact and execution?

Over the coming months we will publish three further learning books on value creation, investing in portfolio companies, and investment ecosystem influence. We will also share some of the tools and resources developed in the prototype phase for use by the wider investment ecosystem.

Thank you for taking this learning journey with us.