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# ENGAGING DEVELOPMENT FINANCE INSTITUTIONS AND THEIR ROLE IN ALLOCATING CAPITAL TO SAVCA MEMBERS

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## SAVCA Member Summary Report



Commissioned by \_\_\_\_\_

## Commissioning statement

This report was commissioned by the SA Venture Capital and Private Equity Association NPC. It was produced independently by the Bertha Centre for Social Innovation and Entrepreneurship at the UCT Graduate School of Business. The findings, analysis and recommendations represent the views of the Bertha Centre project team.

## About the Bertha Centre

The Bertha Centre for Social Innovation and Entrepreneurship, based at the UCT Graduate School of Business, works at the intersection of social innovation, entrepreneurship, impact investing and innovative finance. Through research, teaching, convening and advisory work, the Centre supports approaches that use capital, evidence and collaboration to address complex social and environmental challenges across South Africa and the continent. For this project, the Bertha Centre developed research and recommendations to help SAVCA and its members better understand DFI allocation practices and strengthen pathways for PE and VC managers to engage with DFI capital.

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### Disclaimer

This document has been prepared as a starting point for deeper engagement with DFIs and SAVCA members on the factors shaping capital allocation to PE and VC funds. It is intended to support further discussion, validation and refinement of the recommendations.

The document is based on research, interviews, feedback and validation inputs believed to be reliable at the time of writing. The findings and recommendations should be interpreted as evidence-informed insights rather than investment, legal or financial advice. The Bertha Centre project team does not guarantee the completeness or accuracy of third-party information and cannot be held responsible for decisions made solely on the basis of this document.

This report was prepared by the Bertha Centre team, with selected use of AI-enabled tools, including Claude, Perplexity and ChatGPT, to support research efficiency, analysis, synthesis and drafting. These tools were used as aids in the process and not as substitutes for professional judgement. The Bertha Centre project team has reviewed the final content to ensure the accuracy, relevance and integrity of the report.



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# MEMBER EXECUTIVE SUMMARY

Development Finance Institutions occupy a central position in development finance because they are designed to mobilise long-term capital into markets, sectors and enterprises that are strategically important but underserved by purely commercial investors. For Southern Africa, this role is important because enterprise growth, infrastructure delivery, climate transition, job creation, inclusion and regional competitiveness require patient capital that can tolerate complexity, longer investment horizons and market-building work.

This member-facing summary condenses the SAVCA research on DFI participation in the private equity and venture capital ecosystem. The research combines desktop analysis with direct engagement with DFIs to understand allocation practices, barriers and readiness requirements. The evidence indicates that access to DFI capital is conditional on mandate fit, governance, realised performance, exits, hard-currency outcomes, impact evidence and fund-manager capacity. Because the primary interview sample is limited, the study should be read as evidence on recurring decision factors and allocator perspectives rather than as a definitive quantitative estimate of DFI allocation to Southern Africa.

The research also shows that DFIs are not one investor type. Some have mature fund-investment programmes and dedicated PE or VC teams, while others are mainly direct lenders, project financiers, sovereign lenders or mandate-specific institutions that may use funds selectively. Members should therefore verify each target DFI's current mandate, geography, instrument





preference, risk appetite, ticket size, sector priority and evidence requirements at the time of engagement. The analysis also distinguishes between Southern African-focused funds, Pan-African funds that invest partly in Southern Africa, and South African-headquartered funds with Pan-African mandates; commitments to these categories should not be treated as equivalent evidence of appetite for dedicated Southern African strategies.

PE and VC are treated differently. PE is generally viewed as more familiar, more benchmarkable and closer to institutional capital because it often offers larger tickets, stronger governance infrastructure and clearer value creation and exit pathways. VC remains important for innovation, inclusion, digital access, climate technology and market creation, but DFIs often view it as higher risk and more dependent on catalytic capital, technical assistance, smaller tickets or blended finance. The practical implication is that VC managers carry a higher evidentiary burden than PE managers.

The most important barriers identified across the research include weak realised performance and cash distributions, limited exits and liquidity, thin GP track records, subscale fund economics, currency and macroeconomic risk, mandate fit, governance and reporting gaps, and fragmented regional markets. For SAVCA members, DFI readiness is therefore not the

same as fundraising readiness. A manager may have a compelling pitch deck and strong pipeline, but still be unprepared for DFI due diligence if the fund lacks institutional documentation, ESG systems, impact indicators, valuation discipline, track-record attribution, evidence of DPI and realised exits, and reporting capacity.

SAVCA can reduce information asymmetry between DFIs and fund managers through practical, low-regret actions: a confidential DFI-readiness diagnostic, a standard data-room and engagement toolkit, common ESG and impact guidance, stronger evidence on realised performance and capital recycling, and targeted DFI-manager working groups. Allocator-specific additionality guidance, catalytic facilities and other market-shaping interventions should be refined through a structured validation and co-design phase with representative domestic and international DFIs before broader implementation. The path to greater allocation is therefore readiness, proof, structure, alignment and validation.



# 1. INTRODUCTION

## 1.1 WHY DFI CAPITAL MATTERS

DFIs are public-purpose financial institutions established to finance development by investing in projects, firms and financial intermediaries where private capital is insufficient or unwilling to move at the required scale. Unlike purely commercial investors, DFIs combine financial sustainability with a development mandate. They can therefore support markets that need patient capital, including private equity and venture capital funds, while also requiring evidence that capital will be preserved and recycled.

For Southern Africa, DFI capital matters because many priority sectors need long-term riskbearing finance. SME growth, renewable energy, digital infrastructure, healthcare, agribusiness, financial inclusion, industrial competitiveness and transformation cannot be supported only through short-term credit. PE and VC can be useful channels because they provide equity, governance support, strategic advice and operating discipline to growing businesses. However, DFI commitments to funds are not automatic. DFIs must justify allocations to investment committees, boards, shareholders and, in some cases, public stakeholders.

## 1.2 PURPOSE AND SCOPE OF THE RESEARCH

The purpose of the research was to develop a practical evidence base on DFI participation in the Southern African PE and VC ecosystem. The study examined how DFIs allocate capital to funds, co-investments and direct investments; what barriers shape these decisions; how DFIs balance risk, return and impact; and what SAVCA can do to help members access appropriate pools of capital. For geographic interpretation, the study distinguishes dedicated Southern African strategies from Pan-African funds with Southern African exposure and South African-headquartered Pan-African funds. The member-facing summary focuses on what the evidence implies for readiness and engagement, not on estimating a definitive regional allocation share.

The study does not treat DFI allocation as a simple question of investor preference. It examines how mandates, risk frameworks, return expectations, development impact, governance standards, currency risk, fund structure and exit prospects combine to shape investment decisions. This matters because a fund can be commercially attractive and still fail a DFI mandate test, or developmentally compelling and still fail a financial sustainability or governance test.

The evidence base of this study should be interpreted with appropriate care, while recognising the value of the insights



generated. The interview findings provide a useful view of the perspectives, priorities and concerns of the participating DFIs, but should not be read as fully representative of the entire DFI universe. Where the study identifies possible explanations for allocation patterns, such as perceptions of South Africa as a deeper market or the role of local institutional capital, these should be treated as important hypotheses or interview-informed insights unless supported by broader evidence. Rather than weakening the findings, these limitations help define their appropriate use: the study provides a strong foundation for targeted discussion, prioritisation and further validation. A subsequent DFI validation phase should therefore be used to test, refine and sequence the recommendations before they are positioned as the basis for broader industry implementation or publication.

## 1.3 KEY MESSAGE FOR MEMBERS

The key message is that DFI readiness should be built before the fundraise. DFIs evaluate the full institutional quality of a fund: the GP-LP structure, LPA, side-letter framework, LP advisory committee arrangements, track record attribution, valuation policy, ESG management system, impact framework, reporting calendar, investment committee process, team stability, fund economics and exit strategy. These requirements can be demanding, especially for emerging managers and early-stage VC funds, but they are not optional for most DFI investors.



## 2 LITERATURE REVIEW

### 2.1 DFIS AND THE DUAL MANDATE

The literature describes DFIs as public-purpose investors that provide capital where private markets are incomplete, shallow or unwilling to invest. Their distinctive feature is a dual mandate: they are expected to generate development impact while remaining financially sustainable. This makes them different from grant-making institutions and also different from purely commercial LPs. In PE and VC, DFIs can anchor funds, crowd in other investors, set governance expectations and support market-building, but they must still preserve capital and manage portfolio risk.

This dual mandate creates a recurring tension. Many African funds can demonstrate strong development potential through job creation, inclusion, innovation, climate transition, SME growth or market creation. However, DFIs still require a credible commercial case. Where the investment case is weak, impact alone rarely compensates. Conversely, where a fund has attractive returns but limited development additionality, some DFIs may not be able to invest. The investability zone is where development additionality, financial sustainability and risk control overlap.

### 2.2 INTERNAL INSTITUTIONAL CONSTRAINTS

The literature identifies several internal constraints that affect DFI allocation. Mandate rigidity is a first constraint. DFIs are guided by shareholder strategies, country eligibility rules, sector priorities, product permissions and exposure limits. A fund may be strong but still fall outside a DFI mandate. Process complexity is a second constraint. DFI due diligence is rigorous because development capital must be protected. Legal review, ESG assessment, business integrity checks, impact assessment, investment committee review and side-letter negotiation can make the process slow relative to commercial fundraising timelines.

Risk appetite is a third constraint. DFIs are expected to be additional and take risk where development benefits are strong, but they cannot repeatedly absorb losses without damaging their balance sheets, credit standing or ability to recycle capital. Compliance burden is a fourth constraint. ESG, exclusion list, integrity and reporting requirements improve fund quality, but they increase costs for smaller managers. Shareholder accountability is a fifth constraint. Because DFIs are accountable to governments, member states, boards or taxpayers, their decision-making culture can be cautious even where the development case is strong.



## 2.3 MARKET AND ECOSYSTEM BARRIERS

External barriers are equally important. The literature highlights a shortage of sufficiently large, formal and investment-ready companies in many African markets. This reduces the pipeline of businesses that can absorb DFI-scale capital. Market fragmentation adds further complexity because fund managers operate across different legal systems, currencies, tax regimes, regulatory processes and infrastructure conditions. This raises transaction costs and makes it harder for companies to scale across borders.

Fund manager capacity is another constraint. Many African PE and VC managers are first-time or second-time funds with limited realised exits. DFIs may want to support emerging managers, but their internal approval systems usually require strong evidence of team stability, attribution, governance, pipeline quality and realised performance. Weak exit markets compound this problem. PE and VC depend on liquidity, but trade sales, secondary buyouts, sponsor-to-sponsor transactions and IPOs remain less frequent or less predictable than in mature markets. Currency risk can also turn a strong local-currency outcome into a weak hard-currency return.

Regulatory uncertainty, political risk and information asymmetry further affect allocation. Policy unpredictability, licensing delays, tax uncertainty, capital controls, corruption risk, weak contract enforcement and limited company data increase perceived risk and due diligence costs. For smaller VC funds and lower-mid-market PE funds, the cost of proving institutional quality can be disproportionately high relative to fund size.

## 2.4 BALANCING FINANCIAL RETURNS WITH DEVELOPMENT IMPACT

DFIs use several approaches to manage the risk-return-impact trade-off. A portfolio approach allows a DFI to accept higher risk or lower returns in a subset of catalytic investments if the overall portfolio remains financially sustainable. Specialised vehicles and blended finance can also help. First-loss capital, guarantees, donor funds, concessional tranches and technical assistance can absorb defined risks, especially in VC, climate, inclusion, emerging manager and frontier-market strategies.

The practical lesson for fund managers is that impact and return should not be presented as separate narratives. DFIs assess the interaction between them. A stronger case explains how the fund thesis generates development outcomes and how those outcomes strengthen commercial resilience, market access, regulatory alignment, customer demand, exit attractiveness or portfolio value creation. Impact should be measurable, mandate-specific and capable of being reported at both portfolio and company level.



## 2.5 LITERATURE REVIEW CONCLUSION

The literature points to a realistic but actionable conclusion. DFI participation in Southern African PE and VC is shaped by both internal institutional factors and external market conditions. The strongest opportunities lie in improving fund-manager readiness, strengthening evidence on realised performance, distributions and impact, reducing reporting friction, improving exit and secondary pathways, and addressing currency and local-capital constraints.

# 3. INTERVIEW FINDINGS

## 3.1 INTERVIEW APPROACH

The interview component used semi-structured engagements with DFI representatives. This approach was designed to explore institutional interpretation rather than produce a statistically representative estimate of allocation behaviour. Interviewees were asked about allocation practices, instruments, mandates, risk appetite, return expectations, impact priorities, governance requirements, fund-manager quality, ecosystem perceptions, barriers, enablers and the role SAVCA could play. Throughout this summary, statements framed as “interviewees reported”, “interviewees described” or “some DFIs indicated” should be read as primary interview evidence; broader market interpretations are qualified accordingly, and proposed interventions are recommendations rather than demonstrated causal drivers of future allocations.

## 3.2 ALLOCATION PRACTICES TOWARD PE AND VC

DFI allocation practices varied considerably among the institutions interviewed. Some reported dedicated or semi-dedicated fund-investment teams and formal portfolio-construction approaches for PE and VC. Others were mainly direct lenders, project financiers or mandate-specific institutions with limited allocation to external funds. A third group occupied an intermediate position: open to selected fund opportunities, but with fund allocations modest relative to broader sovereign, infrastructure or project-finance activity. These observations describe the participating institutions and should not be interpreted as a quantitative estimate of the wider DFI market.

PE was generally viewed as more familiar and more investable than VC. Interviewees associated PE with larger deployment volumes, more established governance, measurable jobs, value creation and clearer exit pathways. VC was not dismissed, but it was treated as a higher-risk asset class. DFIs recognised VC as important for innovation, financial access, climate technology, digital services, youth employment and ecosystem development, but expressed concern about valuation discipline, follow-on capital, failure rates, exits and realised performance.



| Dimension        | PE fund manager expectation                                                                 | VC fund manager expectation                                                                                                |
|------------------|---------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Track record     | Realised exits, DPI, TVPI, stable team, value creation and responsible governance.          | Quality of mark-ups, follow-on discipline, founder selection, partial liquidity, reserve logic and portfolio construction. |
| Fund size        | Large enough to absorb institutional tickets and justify diligence and reporting costs.     | Large enough to sustain a team and institutional systems without forcing weak deployment or inflated pricing.              |
| Impact thesis    | Jobs, local economic development, inclusion, climate, productivity and portfolio-level ESG. | Inclusion, climate, access, market creation, innovation and realistic company-level indicators.                            |
| Risk concern     | Currency, exits, long hold periods, governance, concentration and portfolio resilience.     | Loss rates, exit scarcity, valuation discipline, follow-on funding, governance rights and limited operating history.       |
| Likely structure | Fund commitment, co-investment, sometimes debt into portfolio companies or TA facility.     | Smaller commitment, donor-supported allocation, first-loss, guarantee or TA.                                               |

**Table 1: Distinct DFI expectations for PE and VC fund managers.**

### 3.3 INSTRUMENTS AND APPROACHES USED

The interviews identified a broad range of instruments and approaches: fund commitments, direct equity, direct debt, co-investments, parallel financing, debt facilities, guarantees, first-loss capital, concessional funding, technical assistance and market-creation tools. Fund commitments remain an important route for DFIs with established fund programmes. Co-investments can be attractive because they allow DFIs to deepen exposure to selected companies, align with impact priorities, assess fund managers and reduce fee drag relative to fund-only exposure.

Blended finance emerged as particularly important for VC, emerging managers and frontier strategies. Interviewees described layered structures that combine commercial capital with concessional or third-party funding, including first-loss and second-loss arrangements. Technical assistance is also important because managers often need support to build ESG systems, reporting templates, governance documents and impact measurement capacity before they are institution-ready.



### 3.4 MANDATE, GEOGRAPHY AND ADDITIONALITY

A recurring interview message was that DFI capital is mandate-bound capital. A fund can have a strong commercial thesis and still be ineligible if it does not match a DFI mandate. Restrictions may operate through geography, ODA eligibility, member-country rules, sector focus, exposure limits, public accountability and product permissions. Some interviewees described South Africa as a deeper and more investable market and indicated that this can raise the additionality bar for particular institutions. This points to an important area for further testing, namely whether South Africa's perceived market maturity raises the additionality threshold for some international DFIs and, if so, how far this influences allocation decisions. This should be validated directly with DFIs and supported by stronger quantitative evidence before being framed as a broader market pattern.

For members, generic fundraising narratives are therefore weak. The stronger approach is to translate the fund thesis into the current mandate language of each target institution and verify that mandate directly before relying on it. Climate mitigation may be decisive for one DFI; for another, jobs, gender inclusion, transformation, local income generation, financial inclusion, infrastructure access or regional market creation may matter more. South Africa-specific additionality guidance should be developed as an advanced, allocator-informed workstream and validated with relevant international and domestic DFIs rather than inferred solely from the present interviews.

### 3.5 GOVERNANCE, ESG AND INSTITUTIONAL ENTRY CONDITIONS

Governance and ESG appeared in the interviews less as optional value-adds and more as entry conditions. DFIs may help improve fund structures, but several requirements are nonnegotiable: compliant jurisdictions, exclusion lists, GP-LP governance, LP protections, advisory committee arrangements, conflict policies, ESG management systems, valuation discipline, audited processes, reporting calendars and business integrity checks. These requirements create a scale threshold because very small funds may struggle to justify the cost and complexity of institutional infrastructure.

For first-time managers and early-stage VC funds, institutionalisation needs to begin before approaching DFIs. A pitch deck is not enough. DFIs want to know that the fund can absorb institutional capital without creating legal, reputational, ESG, governance or reporting risk.

SAVCA can help by translating these expectations into practical tools and templates.



### 3.6 RISK, RETURN, IMPACT AND PERFORMANCE EVIDENCE

Interviewees described some form of double or triple bottom-line approach, but the balance differed by institution. Some DFIs can accept lower returns where the development case is strong and concessional capital is available. Others emphasise that financial sustainability remains essential because they must preserve capital, protect credit ratings, retain earnings and continue investing. Across interviews, development impact could not compensate for a fundamentally weak investment case, just as financial return could not compensate for poor mandate alignment.

Risk was framed in terms of realised hard-currency returns, cash distributions, DPI, liquidity, exits, fund-manager integrity, team stability, currency depreciation, execution capacity and institutional balance-sheet sustainability. Several interview themes imply that future commitments are influenced not only by pipeline and impact narratives but also by whether previous capital has been realised and recycled. Established managers with credible exits, distributions and institutional systems are therefore better positioned for ordinary DFI commitments, while emerging managers, first-time managers and frontier VC strategies may require staged evidence-building, warehousing vehicles, concessional anchors, technical assistance, fund-of-funds exposure, guarantees or proof-of-concept capital before approaching large DFIs as direct LPs.

### 3.7 PERCEPTIONS OF THE SOUTHERN AFRICAN ECOSYSTEM

Among the interviewees, perceptions of Southern Africa were mixed rather than uniformly negative. South Africa was often described as deeper and more investable than many African peers, with stronger fund-manager depth, established companies and more developed financial infrastructure. Some interviewees linked these strengths to a higher additionality bar. This is an interview insight, not evidence that the perceived maturity or liquidity of South Africa is the primary reason for lower international DFI allocation.

Interviewees described the broader Southern African region as developmentally important but, in many markets, thinner and more fragmented. Smaller markets, limited fund-manager depth, fewer mature companies, difficult exits and currency risk can make fund economics more challenging. These observations should be interpreted as recurring interview themes rather than uniform characteristics of every country in the region. Regional strategies may therefore need deliberate platform, sector or cross-border approaches, with catalytic instruments considered only where a defined market failure is validated.



## 3.8 BARRIERS AND ENABLERS

| Barrier                               | How it affects allocation                                                            | Practical response                                                                                                                           |
|---------------------------------------|--------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Weak realised distributions and exits | DFIs may lack confidence in cash returned, hard-currency returns, DPI and liquidity. | Build realised-exit case studies, distribution and DPI evidence, buyer maps and realistic hold-period assumptions.                           |
| Limited GP track record               | First-time and second-time managers face high institutional hurdles.                 | Use warehousing, mentorship, anchor pilots, fund-of-funds and staged institutionalisation.                                                   |
| Subscale fund economics               | Small funds struggle to absorb DFI compliance and reporting costs.                   | Show viable fee budgets, team capacity, governance costs and deployment discipline.                                                          |
| Currency and macro risk               | Local-currency gains may translate into weak hardcurrency returns.                   | Prepare sensitivity analysis, natural hedge logic, regional diversification and local capital strategy.                                      |
| Mandate and additionality fit         | Strong commercial funds may fail DFI eligibility tests.                              | Verify each DFI's current mandate and articulate mandate-specific jobs, inclusion, climate, transformation or market-creation additionality. |
| Governance and reporting gaps         | DFIs cannot approve funds without institutional controls.                            | Prepare LPA, LPAC terms, ESMS, valuation policy, reporting templates, KYC and impact indicators.                                             |
| Fragmented regional markets           | Scale, pipeline and exit visibility are harder outside deeper hubs.                  | Use regional platforms, sector focus, pipeline evidence and cross-border market intelligence.                                                |

**Table 2: Key barriers to DFI allocation and practical responses for SAVCA members**

The enablers are the mirror image of the barriers. Interviewees were more comfortable where managers could demonstrate realised performance, cash distributions, credible exits, disciplined deployment, institutional governance, strong ESG and impact systems, realistic fund economics, local-capital participation, transparent reporting and clear mandate alignment. Blended finance and guarantees may help where they address a defined and validated risk, but they should not be used to mask weak investment fundamentals.



## 4. IMPLICATIONS AND RECOMMENDATIONS

### 4.1 WHAT THIS MEANS FOR SAVCA

SAVCA is well positioned to reduce information asymmetry between DFIs and members. Many managers do not have a clear view of what DFIs need before a fund can move through investment committee. Conversely, DFIs may not fully appreciate the operating realities of smaller Southern African funds. SAVCA can act as translator, convener, standard setter and evidence builder.

The most useful SAVCA role is not simply to advocate for more DFI allocation. It is to reduce avoidable friction where the underlying case is strong: help members become DFI-ready, create practical evidence and tools, and convene focused dialogue with allocators. A segmented approach is important because emerging VC managers, established VC managers, lower-mid-market PE managers, infrastructure-adjacent funds and South Africa-heavy strategies face different readiness constraints. Some interventions such as readiness tools and evidence-building can begin immediately, while allocator-specific additionality guidance, blended-finance structures and other interventions should be validated or co-designed with DFIs before scale-up.



## 4.2 PRIORITY ACTIONS FOR SAVCA

| SAVCA action                                        | Purpose                                                                                                                     | Output for members                                                                                                                                                          |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DFI-readiness diagnostic                            | Provide a confidential self-assessment of institutional readiness; not a ranking of managers.                               | Readiness scorecard and improvement plan covering governance, ESG, impact, track record, reporting, exits and distributions.                                                |
| Standard DFI data room and engagement toolkit       | Reduce repeated diligence gaps and clarify minimum institutional documentation.                                             | Practical checklist and templates for fund documents, track record, policies, pipeline, reporting, ESG/impact and engagement preparation.                                   |
| DFI mandate intelligence resource                   | Help members target relevant institutions without implying mandates are static.                                             | Periodically refreshed guide to geography, sector, instrument, indicative ticket size and additionality, with a requirement to verify current terms directly with each DFI. |
| ESG and impact reporting guide                      | Translate overlapping DFI requirements into practical templates.                                                            | Minimum indicator set for jobs, inclusion, gender, youth, climate, transformation and governance.                                                                           |
| Performance and capital-recycling evidence platform | Address confidence in realised returns, distributions, exits and liquidity.                                                 | Aggregated evidence on DPI, cash distributions, realised exits, hold periods, value creation, jobs and capital mobilisation.                                                |
| Emerging manager pathway and catalytic design       | Create a staged route from institutional gaps to DFI readiness, with catalytic tools used only for defined market failures. | Diagnostic, improvement milestones, mentoring/ TA, governance templates, warehousing or fund-of-funds options, and DFI-validated catalytic pilots where appropriate.        |
| DFI validation and segmented working groups         | Test priorities with allocators and create targeted engagement rather than generic networking.                              | Structured validation with representative DFIs, followed by separate dialogues for VC, PE, additionality, exits, emerging managers, ESG/ impact and co-investment.          |

**Table 3: Recommended SAVCA action agenda for improving DFI readiness and engagement.**



**Note:** The “readiness scorecard” is intended as a confidential diagnostic output for the participating manager and SAVCA, not as a public league table or DFI endorsement. It would assess defined criteria, identify gaps and produce an improvement plan before allocator engagement. The “emerging manager pathway” is a staged support route for first-time or early institutional funds, moving from diagnostic and governance/documentation support to evidence-building, mentoring or technical assistance, and, where justified, warehousing, fund-of-funds or catalytic structures that help the manager demonstrate institutional readiness.

## 4.3 WHAT THIS MEANS FOR VC FUND MANAGERS

VC managers face a particularly demanding DFI-readiness challenge. Interviewees recognised venture capital’s potential contribution to innovation, inclusion and market creation, while also expressing concern about realised performance, valuation discipline, follow-on funding, failure rates and exits. A DFI-ready VC manager therefore needs more than a compelling technology thesis: it should evidence portfolio construction, entry pricing, follow-on reserves, founder support, governance rights, valuation discipline, partial and full liquidity, cash-realisation pathways, ESG screening, impact indicators and credible reporting.

VC managers should also be realistic about the type of capital they are seeking. Some DFIs may invest from commercial balance sheets into established Series A or growth-stage Pan-African funds, while others

may consider smaller ecosystem-building tickets, donor-supported risk capital, first-loss structures or funds with explicit climate, gender or inclusion mandates. A Pan-African commitment should not be interpreted as equivalent to appetite for a dedicated Southern African strategy. For South African VC managers, the additionality case should be explicit and, where it relies on allocator perceptions of South Africa, tested against the target DFI’s current mandate.

## 4.4 WHAT THIS MEANS FOR PE FUND MANAGERS

PE managers are generally closer to the institutional structures described by interviewees, but the bar remains high. DFIs increasingly want evidence of realised performance, cash distributions, disciplined fund economics, credible exits, ESG integration and measurable development impact. A DFI-ready PE manager should prepare evidence that allows an allocator to assess both value creation and capital recycling.

Relevant evidence includes DPI, TVPI, net IRR, realised cash distributions, loss ratios, exit case studies, value-creation examples, buyer maps, portfolio governance evidence, ESG performance, impact indicators, currency sensitivities and a clear mandate-specific additionality case.

For South African PE managers, generic growth is unlikely to be enough. The fund should explain how it contributes to black economic participation, transformation, job creation, inclusion, SME formalisation, climate transition, healthcare access, infrastructure services, food systems, local



procurement or regional trade. PE managers should also anticipate questions about exits and currency. A credible memo should include likely buyer universe, comparable transactions, hold-period scenarios, secondary options and hard-currency return sensitivities.

## 4.5 POLICY AND ECOSYSTEM IMPLICATIONS

Not all barriers can be solved by individual fund managers. Several constraints sit at the policy and ecosystem level, including shallow exit markets, limited local institutional capital, fragmented regional markets, currency volatility, regulatory uncertainty, data gaps and high cross-border transaction costs. Policy actors and ecosystem builders can improve the conditions under which DFI capital can flow by strengthening capital markets, supporting secondary and strategic buyer pathways, improving regulatory clarity, reducing friction in cross-border capital movement and supporting local institutional participation in alternatives.

Local institutional capital mobilisation is essential. DFIs alone cannot build a sustainable PE and VC ecosystem. Greater participation by pension funds, insurers, foundations, family offices, corporates and other local investors would reduce dependence on hard-currency DFI capital and improve alignment between local market needs and investment capital. SAVCA can support this by building evidence, engaging regulators and developing practical guidance for prudent local institutional participation.

## 4.6 IMPLEMENTATION ROADMAP

Implementation should be sequenced into practical, low-regret actions and interventions that require allocator validation. In the first 0-6 months, SAVCA can pilot the confidential DFI-readiness diagnostic, draft the standard data-room and engagement toolkit, define the minimum performance/capital-recycling evidence fields, and convene a structured validation working group with representative domestic and international DFIs. During 6-12 months, SAVCA can refine the tools from validation feedback, run segmented working groups, publish minimum ESG/impact guidance, build exit and distribution case studies, and replace a static mandate map with a periodically refreshed DFI mandate-intelligence resource. During 12-24 months, SAVCA can implement an emerging manager pathway with defined readiness milestones and test South Africa additionality guidance with relevant allocators. Blended-finance or catalytic structures should move to pilot only where validation confirms a defined market failure, suitable risk-sharing mechanism and credible path to commercial discipline. Over 24-36 months, the agenda can expand to local institutional capital, secondary-market and exit initiatives, regulatory advocacy and regional collaboration, informed by annual evidence updates and periodic DFI re-validation.



## 4.7 PRACTICAL READINESS CHECKLIST FOR MEMBERS

Members seeking DFI capital should prepare early. At minimum, managers should be able to evidence mandate fit, fund documents, track record, team stability, governance, ESG and integrity systems, impact framework, financial discipline, pipeline quality and exit pathway. The specific requirements will vary by DFI, but these items appeared consistently across the research and should be treated as the baseline for institutional readiness.

- **Mandate fit:** geography, sector, stage, fund size, legal structure and development priorities checked against the target DFI's current mandate; do not rely on a static profile.
- **Fund documents:** LPA, subscription documents, side-letter approach, LPAC terms, conflict policy and legal opinions where relevant.
- **Track record and capital recycling:** realised exits, cash distributions, DPI, TVPI, net IRR, attribution analysis, loss ratio, case studies and references.
- **Governance:** GP-LP structure, valuation policy, reporting calendar, audit plan, conflicts process and portfolio governance model.
- **ESG and impact:** ESMS, exclusion list compliance, screening tools, incident escalation, theory of change, baselines and indicators.
- **Financial discipline:** fund model, fees and budget, portfolio construction, reserve strategy, currency sensitivities and exit assumptions.
- **Exit pathway:** buyer universe, comparable exits, hold-period scenarios, secondary options and strategic acquirer logic.

## 5. FINAL CONCLUSION

The study indicates that DFI decisions affecting Southern African VC and PE funds are shaped by mandate, risk, return, impact, governance, realised performance and market conditions. The interview evidence points consistently to the importance of exits, distributions, institutional readiness and additionality, but the limited primary sample does not support market-wide quantitative conclusions about the level or causes of regional allocation. While the evidence should be read as recurring allocator perspectives rather than a full market-wide quantification, the direction is clear: DFIs are not withdrawing from African private markets, but are becoming more selective and evidence-driven. The managers best positioned for DFI engagement are those able to combine commercial discipline, clear mandate-specific development additionality, strong governance, practical reporting capacity and evidence of credible exits and capital recycling.

The immediate opportunity for SAVCA is to move from research to implementation. SAVCA can begin piloting the readiness diagnostic, data-room toolkit, evidence platform and segmented working-group format, while using representative domestic and international DFIs to test, refine and prioritise the more allocator-specific recommendations before broader publication or scale-up. Longer-term work on additionality, local institutional capital, blended finance, secondary markets and emerging-manager pathways should be informed by that validation and by stronger evidence on realised exits, distributions and capital recycling. Unlocking more DFI capital is therefore a readiness, evidence, alignment, validation and ecosystem-building challenge.



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