

A FRAMEWORK FOR DOMESTIC CAPITAL MOBILISATION IN EMERGING MARKETS

Extracted From: *Unlocking Domestic Pension Capital in Africa for SMEs – Lessons from Ci Gaba Report*

Drawing from the experience of creating Ci-Gaba a \$75million pension-backed fund of funds. The following framework identifies the conditions that must be in place for domestic pension capital to flow into productive investment. It is organised around three primary pillars and three enabling dimensions.

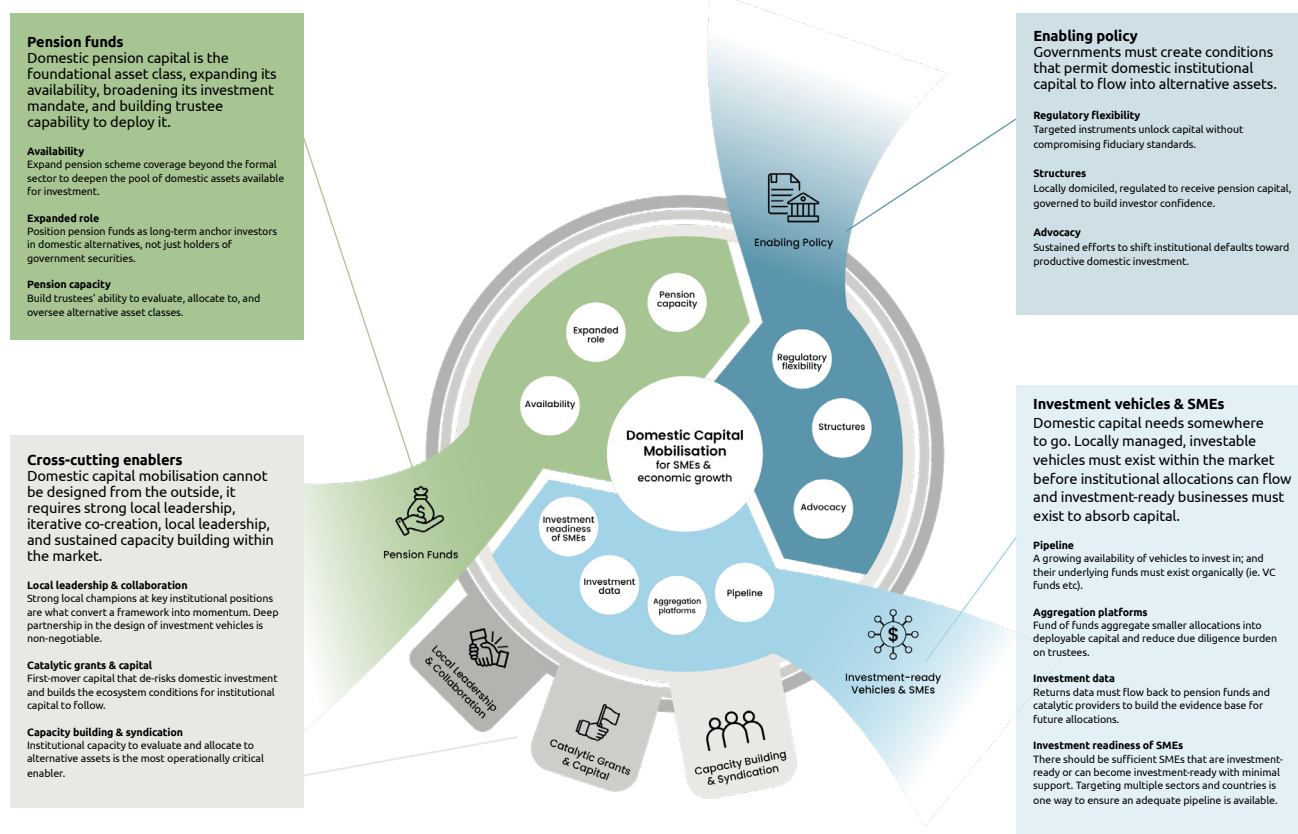
As demonstrated in the table below, the framework highlights that unlocking pension capital is not a single intervention but a system of interdependent enablers that comprise the operational logic of three primary pillars involving how pension funds availability, an enabling policy, and investment and SME-ready vehicles interact with three enabling dimensions: involving local leadership and collaboration, catalytic grants and capital to support design and derisking, and capacity building and syndication to build internal teams and draw in pensions.

The framework provides entry points for various actors and suggestions on which dimensions a country or region can focus on to unlock domestic resources for SMEs and economic growth.

A Framework for Domestic Capital Mobilisation

Dimension	What must be true
Pension Funds	Schemes are available and growing; pension funds are positioned as long-term anchor investors; pensions have the capacity to evaluate alternative assets
Enabling Policy	Regulatory frameworks permit allocation to alternatives; locally domiciled structures exist; advocacy sustains institutional momentum
Investment-ready Vehicles & SMEs	A pipeline of investable, locally managed vehicles exists; aggregation platforms reduce due diligence burden; returns data flows back to build confidence and SME-ready businesses to absorb the finance vehicles
Local Leadership & Collaboration	Local leadership with the right skill and relationships to drive deep partnerships, iterative co-creation and sustained capacity building is available and embedded throughout
Catalytic Grants & Capital	First-loss capital de-risks participation, technical assistance builds the ecosystem, and concessional finance is calibrated to crowd in — not crowd out — domestic actors
Capacity Building & Syndication	This enables pensions to build the capacity to invest in alternative assets and build internal teams. Leading pensions can take the lead in syndication and draw in others. Investment vehicles could also be supported to close.

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Recommendations

Unlocking domestic pension capital at scale across Africa requires coordinated action from multiple stakeholders:

- ▶ **Local leaders committed to unlocking domestic capital:** Need to emerge across Africa with the partnerships, skills and long term commitment to unlock domestic capital profitably and at scale.
- ▶ **Pension trustees and fund managers:** Deepen capacity, adopt blended structures, and engage early in vehicle design.
- ▶ **Policymakers and regulators:** Enable regulatory flexibility for alternative asset allocation while maintaining fiduciary safeguards.
- ▶ **Development partners and philanthropic actors:** Catalytic funding is a requirement to unlock domestic capital. Provision of catalytic grants - often from development partners or philanthropies - is required for design, set up and ecosystem building and to invest catalytic capital strategically to unlock domestic funding. Strong coordination between catalytic investors, including shared due diligence, aligned processes and streamlined joint reporting can reduce the burden on the fund manager.
- ▶ **Fund managers of innovative vehicles:** Develop bankable vehicles structured to meet the needs of domestic capital with viable pipelines of underlying investments.

Ci-Gaba continues to raise funding for its technical assistance facility, which will support emerging fund managers and portfolio companies and enable the team to continue capturing learning from this historic fund of funds for the benefit of the wider ecosystem.

This framework was developed as part of a learning report on the setup of the Ci-Gaba fund of funds to catalyze domestic pension funds for SMEs and high impact African enterprises. Impact Investing Ghana runs accompanying workshops for the stakeholders listed above. Visit impactinvestinggh.org to download the full learning report or email partnerships@impactinvestinggh.org for more information about participating in workshops.