Pathways to Employment

Paper 4

Intermediaries

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Acknowledgements

The CFYE team gratefully acknowledges the implementing partners (IPs) who generously shared their time, insights, and experiences through interviews, surveys, and reflections that informed this study.

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Artificial intelligence (AI) tools were used to support qualitative and quantitative data synthesis and analytical processes. All AI-assisted outputs were subject to human review, verification, and editorial judgment.

This report has been produced by the Challenge Fund for Youth Employment
The Challenge Fund for Youth Employment (CFYE) is a 7-year programme (2019 - 2026) funded by the Netherlands Ministry of Foreign Affairs, managed by Palladium, VSO Nederland and Randstad.

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CHALLENGE FUND FOR YOUTH EMPLOYMENT

CFYE is a €134 million initiative funded by the Netherlands Ministry of Foreign Affairs. Our goal: **create, match, and improve jobs for 230,000 youth—at least half of them women—across 11 countries in MENA, Sahel & West Africa, and the Horn of Africa.** Since 2019, CFYE has issued competitive "Calls for Solutions," inviting private-sector companies (typically part of a consortium of partners) to submit ideas for addressing the youth-employment challenge in partnership with the Fund.

CFYE has co-invested - via matching grants and complementary technical assistance (TA) - in **132 IPs**. Partner IPs commit to creating, matching or improving a certain number of decent jobs for youth over a 2-3 year project duration. The programme supports the Netherlands' *Youth@Heart* strategy and the UN SDGs on education and employment.

What is CFYE aiming to achieve?

CFYE adopts a market-driven approach to address both supply and demand side youth employment barriers:

Supply side: Targeted upskilling and career-readiness initiatives that meet fast-changing labour-market needs and overcome gender barriers - for example, partnering with Nigerian digital-service providers to train young women in coding and entrepreneurship.

Demand side: Job creation and job quality improvements through business support - such as CFYE's partnership with Uganda's Balloon Ventures, which combines loans with business support for small and growing businesses.

CFYE's Outcome Pathways

CFYE supports a range of pathways that enable young people to access decent work[1]. These pathways fall under three job outcomes:

Create: Young people gain employment through new work opportunities created as a direct result of CFYE support.

Match: Young people are connected to existing jobs through job placements and matchmaking services.

Improve: Young people already employed experience enhancements in job quality, such as better pay, improved working conditions, access to social protection, and career growth.

Results-based Payment Approach

CFYE operates a Payment by Results (PbR) model. 10% of funds are released on finalising the project Theory of Change; 12.5% through quarterly and annual reporting; 37.5% for activities leading to jobs (outputs); 40% via annual job reports.

1 This follows the International Labour Organization (ILO)'s definition of decent work. This is defined as work that is productive and delivers a fair income, security in the workplace and social protection for all, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. For CFYE, all jobs supported through the programme must respect fundamental labour rights, as set out in the ILO core standards.

The Pathways to Employment (PTE) Learning Series

Youth unemployment across Africa and the Middle East is a complex and urgent challenge. With over 60% of the population under the age of 25, the region faces a demographic surge that, if not matched with economic opportunity, risks deepening cycles of unemployment, underemployment, and exclusion, particularly for women and marginalised youth.

Each year, more young people enter the labour market than there are jobs to absorb them, especially in less developed economies. Formal employment remains out of reach for most: In 2023, only about one in five youth in low-income countries could expect to secure regular paid employment and nearly three-quarters of young adults in Sub-Saharan Africa remained trapped in insecure work[2], underscoring the persistent gap between demographic potential and economic opportunity.

Despite growing interest in youth employment programmes[3], many interventions remain fragmented and overly focused on supply-side solutions such as upskilling. While important, this narrow focus often overlooks the demand-side of the employment equation. In other words, *what are the requirements, commercial motivations, and constraints faced by employers who ultimately create and sustain jobs?*

This highlights a critical gap: the need for more evidence and investment in programmes that directly engage employers and respond to labour market realities with demand-driven solutions.

The **Challenge Fund for Youth Employment (CFYE)** seeks to address this gap through the **Pathways to Employment (PTE) Learning Series.** Drawing on standardised data collected over 6 years of implementation and targeted case study research with selected partners, the PTE series aims to generate practical lessons on how different business models can create and sustain decent work for youth.

To better understand the types of businesses in CFYE's portfolio and their contribution to job outcomes, we have segmented our 132 implementing partners (IPs)[4] into the following business model categories:[5]

2 ILO (2024). *Global Employment Trends for Youth 2024: Decent Work, Brighter Futures (20th Anniversary Edition).* International Labour Organization. Retrieved from https://www.ilo.org/publications/major-publications/global-employment-trends-youth-2024
3 Donors such as Germany (GIZ), European Union, multilateral banks (World Bank, African Development Bank), foundations such as MasterCard, and private sector companies like Accenture, Microsoft, and Adecco Group have prioritised youth employment in their strategies.
4 IPs are are privatesector led consortia or single companies contracted by the Challenge Fund for Youth Employment (CFYE) to design and deliver projects that create, match, or improve jobs for young people. IPs are selected through competitive calls for solutions and are responsible for implementing their proposed business models.
5 In this paper, we use "business models" as shorthand for the broad categories of enterprises that CFYE partners with. Our categorisation is informed by the Dutch Good Growth Fund (DGGF) report *Segmenting the Missing Middle*. The assumption is that DGGF's fourth category—Livelihood Sustaining Enterprises—is reached through CFYE's fourth category, Intermediaries.

Table 1. **CFYE Portfolio Categorisation**

Category*	Model	Definition
Social Enterprises*	Social Enterprises	Businesses that combine commercial incentives with an explicit social and/ or environmental mission, aiming to create both financial sustainability and measurable impact.
High-growth Ventures*	Platforms for offline work**	Platforms that connect general and blue-collar workers to in-person, non-digital jobs and gigs
	Platforms for digitally-delivered work**	Platforms that train and connect young people to digitally-enabled and digitally-delivered jobs
	Platforms for Skills-Building**	Platforms that offer training and skills development to enhance workers technical capabilities
	Digitizing Micro-enterprises**	Online platforms that connect potential buyers and sellers and helps to sell or buy products or services
Dynamic Enterprises*	Agribusinesses	Businesses that produce, or provide support services to the sourcing and/ or processing of agricultural products, provided they generate revenue from these activities
	Non-agri SMEs	Businesses that operate in typical "bread & butter" industries
Intermediaries	NGOs	Conventional non-profit organizations that set up projects to support micro-entrepreneurs and/or self-employment
	Intermediaries	Organisations that combine capital deployment with technical assistance to support the growth of small and growing businesses. Rather than creating jobs directly, they work through the businesses they finance and support, meaning they have an indirect impact on employment through the businesses in their portfolios.

* Our categorisation is informed by the Dutch Good Growth Fund (DGGF) report Segmenting the Missing Middle. The assumption is that DGGF's fourth category—Livelihood Sustaining Enterprises—is reached through CFYE's fourth category, Intermediaries.

** Subcategories within the High-Growth Ventures category broadly align with the classification used by the Jobtech Alliance.

Four Promising Business Models

The PTE series offers a reflective, practitioner-led inquiry into how these business models are performing within the CFYE context. It aims to surface trends, generate insights, and inform the decisions of actors in the youth employment ecosystem.

For this learning series, we have selected four promising business models for deeper analysis:

1. **Platforms for Skills-Building:**
   Platforms that train and connect young people to digitally enabled and digitally delivered jobs.

2. **Social Enterprises:**
   Businesses that combine commercial incentives with an explicit social and/or environmental mission (for example waste management services or health products), aiming to create both financial sustainability and measurable impact.

3. **Agribusinesses:**
   Businesses that produce or provide support services to the sourcing and/or processing of agricultural products, provided they generate revenue from these activities.

4. **Intermediaries:**
   Organisations that combine capital deployment with technical assistance to support the growth of small and growing businesses. Rather than creating jobs directly, they work through the businesses they finance and support, meaning they have an indirect impact on employment through the businesses in their portfolios.

Importantly, this is not an evaluation of CFYE's net impact, nor an academic study establishing causal relationships. Rather, it is a learning initiative designed to support donors, investors, practitioners, and private sector actors in designing more connected, market-grounded youth employment programmes that are more effective, scalable, and inclusive.

Intermediaries

Pathways to Employment Paper 4

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Intermediaries

Intermediary organisations combine capital with technical assistance (TA) for SGBs.
By reaching many businesses, Intermediaries offer the possibility of youth employment outcomes at scale.

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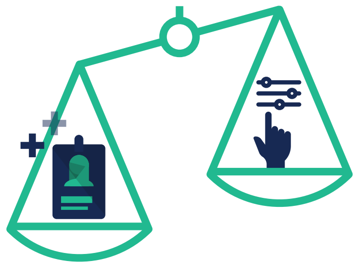
**With funding through Intermediaries you lose influence: Donor funds the Intermediary, who funds the SGBs, and they employ young people.
This makes it harder to shape, verify, and attribute results.**

SGBs often struggle with formalising employment and tracking outcomes.

Intermediaries must balance investment goals with employment objectives while building ways to measure impact across their portfolios.

KEY INSIGHT

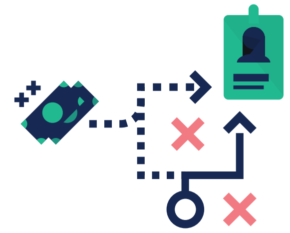


Intermediaries deliver scale, but the indirect pathway creates trade-offs in control and attribution

KEY INSIGHT

Intermediaries most consistently deliver job improvement, rather than job creation

KEY INSIGHT



Concessional capital catalyses de-risking and strategic shifts toward employment

KEY INSIGHT

Institutional capabilities built through the partnership are a durable form of additionality

KEY INSIGHT

Some IPs show potential to become commercially viable investment models

Executive Summary

PTE 4: Intermediaries

Small and growing businesses (SGBs) across Africa and the Middle East face a persistent "missing middle": too large for microfinance, too small for commercial banks, and too early-stage for mainstream private equity. The financing and support gap they face directly constrains job creation and improvement. One response that has emerged is Intermediary organisations such as impact investors, fund managers, and non-bank financial institutions that combine capital with technical assistance (TA) for portfolios of SGBs. By reaching many businesses through a single partnership with the donor, Intermediaries offer a mechanism for generating youth employment outcomes at scale.

For CFYE, Intermediaries represented a strategic bet: could a small number of well-positioned organisations deliver employment outcomes that would be difficult to achieve through direct SGB partnerships? This model accepts a fundamental trade-off. The opportunity is scale: a single grant can reach dozens or hundreds of SGBs, and through them, thousands of workers. The challenge is influence: CFYE funds the Intermediary, the Intermediary funds the SGB, the SGB employs young people. The further a donor's funding travels from the point of employment, the harder it becomes to shape, verify, and attribute the results.

Intermediaries face constraints on both sides of this equation. On the supply side, the SGBs they support often lack the management capacity, HR systems, and data infrastructure needed to formalise employment and track outcomes. On the demand side, Intermediaries must balance their investment thesis with employment objectives that may not have been part of their original strategy, and develop measurement capabilities to demonstrate impact across diverse portfolios.

This paper draws on six in-depth case studies of CFYE Intermediary partners, selected to represent a range of investment models, deal sizes, and geographic contexts:

Intermediary	Country / Region	Primary model
Acumen Fund	Kenya, Ethiopia, Nigeria, Uganda	Patient capital investor deploying equity into early-stage social enterprises
JobTech Alliance (JTA)	Kenya, Ethiopia, Nigeria, Uganda, Senegal	Ecosystem builder offering venture support and grants to digital employment platforms
Balloon Ventures	Uganda, Kenya	Specialist lender providing debt and hands-on support to SGBs with 5–30 employees
Aman for Micro Finance (Aman MF)	Egypt	Microfinance lender focused on youth self-employment through micro-loans
United Gulf Financial Services (UGFS)	Tunisia	Asset management company deploying private equity and seed funding, with TA through a subsidiary
Teranga Capital	Senegal	Impact investment fund providing equity and debt to established SMEs

Paper 4 explores Intermediaries through the following questions:

- How, and to what extent, do Intermediaries create and improve jobs for young people?
- How have Intermediaries designed and adapted their business models in ways that reach and benefit young people?
- How do Intermediaries balance commercial sustainability with delivering employment impact?
- What lessons emerge from CFYE's experience supporting Intermediaries, and how can these inform future policy and programming?

Key insights from CFYE

Intermediaries deliver scale, but the indirect pathway creates trade-offs in control and attribution:

A single CFYE grant to an Intermediary can reach hundreds of SGBs and thousands of young people. However, the two-layered model (donor → Intermediary → SGB → youth) means that steering outcomes requires deliberate effort at each level. Gender and inclusion outcomes were strongest where Intermediaries embedded targeting criteria into investment screening and technical assistance. Measurement presents a parallel challenge: there is a gap between what Intermediaries can verify and what they believe they achieve through indirect effects.

Intermediaries most consistently deliver job improvement, rather than job creation:

Across most case studies, Intermediaries exceeded their project outcome targets for improve while falling short on create. The most common improvements were contract formalisation, access to health insurance and wage increases. Balloon Ventures made this central to its model, using loan conditions to achieve contract formalisation for under 5% of workers on contracts to over 90% after Balloon's investments. Acumen Fund's portfolio saw over 95% of reported job outcomes classified as improvements. Timelines are important: improve outcomes can be achieved within a single loan cycle through conditions the Intermediary directly controls, while create outcomes depend on business growth and market conditions that unfold over longer periods.

Concessional capital catalyses de-risking and strategic shifts toward employment:

CFYE grants served a dual function. Financially, CFYE's grant capital acted as first-loss funding that helped Intermediaries attract co-investors. Strategically, CFYE's combination of grants and results-based payments gave Intermediaries room to experiment with employment-focused approaches they were unlikely to test with their own capital. UGFS used the partnership to develop a formal impact committee and employment measurement framework. Teranga Capital integrated a formalisation toolkit into its standard investment process. A useful test of whether these shifts will persist is whether employment considerations have entered the Intermediary's core allocation decisions, and do not just serve the purpose of impact reporting.

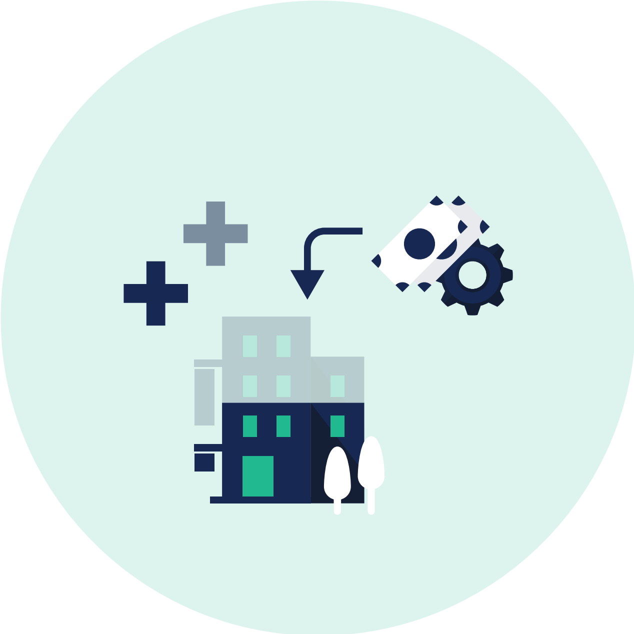
Institutional capabilities built through the partnership are a durable form of additionality:

Across the portfolio, CFYE's investments led to new measurement frameworks, impact governance structures, and employment-focused technical assistance models that have potential to outlast the funding relationship. Employment-focused Intermediaries like Balloon Ventures and JobTech Alliance brought existing employment expertise to the partnership. Investment-focused Intermediaries like UGFS and Teranga Capital developed these capabilities through the partnership itself, building systems that should prove durable. A practical question for donors is whether to select Intermediaries that already have employment capability or invest in building it. Both can work, but they require different timescales and support structures.

Some IPs show potential to become commercially viable investment models:

CFYE's portfolio has demonstrated that employment outcomes can be embedded in investment models, but the models that produced these results were largely subsidised by grant capital. Two Intermediaries are already moving toward commercial viability. Balloon Ventures describes its lending model as prototyping a new asset class — employment-conditional small business lending — and is working to demonstrate the risk-return profile that would make it investable. UGFS is raising a standalone impact fund built on the institutional capabilities it developed through CFYE. If these efforts succeed, they show that donor-funded experimentation with Intermediaries can catalyse investment models that sustain employment outcomes beyond programme timelines.

Intermediaries offer reach and leverage, but they require longer time horizons, differentiated target-setting for improvement and creation outcomes, and investment in the measurement systems needed to capture their full impact. The evidence from CFYE's portfolio suggests that when Intermediaries are given the space and incentives to develop employment capability, they can deliver significant results while also investing in institutional changes that can endure long-term.



Section 1

Introduction

Defining the Challenge

Youth unemployment across Africa and the Middle East is shaped by structural constraints on both sides of the labour market. On the supply side, young people face barriers including limited skills, weak networks, restricted access to finance, and social norms constraining mobility and participation in formal employment. On the demand side, SGBs face thin margins, volatile markets, and limited working capital, making formal hiring risky and workforce investment hard to justify.

Much of the employment programming landscape has focused on supply-side interventions: training, upskilling, and workforce readiness. Yet without attention to the enterprises that generate jobs, these alone cannot close the gap. Many small and growing businesses (SGBs) operate in a persistent "missing middle" category: too large for microfinance, too small for commercial banks, and too early-stage for mainstream private equity. The financing and support gap they face directly constrains job creation and improvement.

One response that has emerged is Intermediary organisations such as impact investors, fund managers, accelerators, and business development service providers. By combining capital with technical assistance across portfolios of SGBs, Intermediaries offer a mechanism for reaching many businesses and workers through a single partnership. For CFYE, Intermediaries represented a strategic bet: could a small number of well-positioned organisations generate employment outcomes at a scale difficult to achieve through direct SGB partnerships?

This paper examines that bet. It explores how six Intermediaries in CFYE's portfolio have approached the challenge of generating youth employment through enterprise support, what has worked, what trade-offs have emerged, and what lessons their experience offers for donors, investors, and practitioners working in this space.

What are Intermediaries?

In this paper, we define Intermediaries as organisations that combine capital deployment with technical assistance to support the growth of small and growing businesses. Rather than creating jobs directly, they work through the businesses they finance and support, meaning they have an indirect impact on employment through the SGBs in their portfolios.

Intermediaries are thus positioned two layers removed from the young people whose employment outcomes CFYE aims to influence. CFYE funds the Intermediary; the Intermediary funds/supports the SGB; the SGB employs young people directly or through their supply chains. Each layer introduces both leverage and distance. On the plus side, this means there is potential to reach many businesses and therefore more young people. This comes with a trade-off: greater complexity in attribution, measurement, and quality assurance.

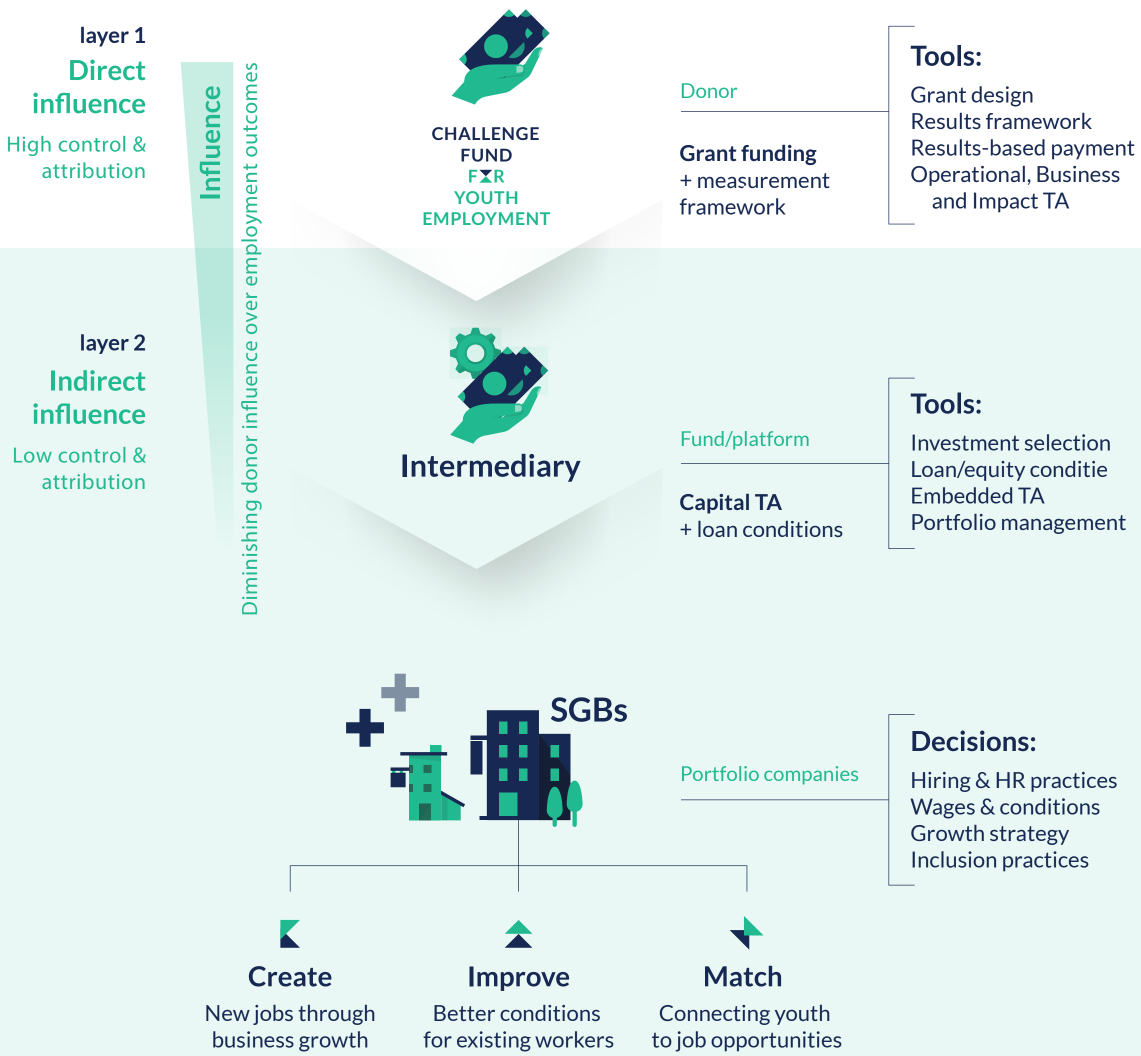
The opportunity of this structure is scale: a single grant to an Intermediary can reach dozens or hundreds of SGBs, generating employment outcomes across a larger footprint than any individual partnership. The challenge is influence: the more steps between a donor's funding and employment, the harder it becomes to shape, verify, and attribute employment outcomes.

Within CFYE's portfolio, Intermediaries vary in how they combine capital and support, and the extent to which employment features in their investment decisions.

- Some are employment-focused, meaning their core strategy is built around understanding labour markets and targeting employment outcomes.
- Others are investment-focused, oriented toward SGB growth, with employment as one type of impact among many.

This distinction shapes how Intermediaries design their business model, what they measure, and how durable their employment focus is likely to be beyond the CFYE partnership.

Figure 1. How Intermediaries generate employment outcomes — the 'two layers removed' framework



When CFYE funds an intermediary, employment outcomes depend on two successive sets of decisions it cannot fully control:

1. The intermediary's investment choices-which SGBS to fund, what conditions to attach, what TA to provide
2. The SGB's business decisions-who to hire, what wages to pay, how to grow, which markets to enter

CFYE's Intermediary partners are mainly different types of financial institutions: specialized lenders, fintech companies, impact investors and fund managers. They deploy a mix of concessional and commercial capital into portfolios of SGBs, alongside technical assistance programmes. They don't fit neatly into an organisational mold. Some have accelerator-type offerings that provide time-bound cohort-based support, while others partner with business development providers to help their portfolio companies grow and thrive. At least one of our case studies (*JobTech Alliance*) focuses on ecosystem building and building matching platforms.

What the group shares is a theory of change in which improving the performance and growth of SGBs translates into better employment outcomes for young people.

The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the Challenge Fund for Youth Employment

Who are the Featured Intermediaries?

The six case study Intermediaries are:

	Acumen Fund	JobTech Alliance (JTA)	Balloon Ventures	Aman for Micro Finance (Aman MF)	United Gulf Financial Services (UGFS)	Teranga Capital
Primary model	Patient capital investor deploying equity into early-stage social enterprises	Ecosystem builder offering venture support and grants to digital employment platforms	Specialist lender providing debt and hands-on support to SGBs with 5–30 employees in secondary towns	Fintech company offering wide range of financial solutions. CFYE partnership focused on microfinance lending for youth self-employment.	Asset management company deploying private equity and seed funding to startups and SMEs with TA through a subsidiary	Impact investment fund providing equity and debt to established SMEs with formalisation requirements
Country/ Region	Kenya, Ethiopia, Nigeria, Uganda	Kenya, Ethiopia, Nigeria, Uganda, Senegal	Uganda, Kenya	Egypt	Tunisia	Senegal

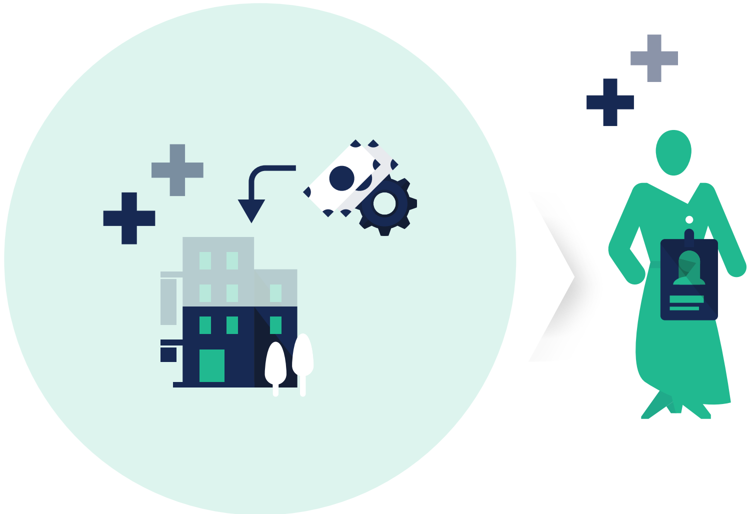
Scope of the Research

This paper draws on six in-depth case studies of CFYE Intermediary partners in the table above, complemented by portfolio-level quantitative analysis across the broader set of 21 Intermediaries in the CFYE portfolio. The case studies were developed through structured data extraction from CFYE monitoring data, annual and quarterly reports, and technical assistance records, followed by semi-structured interviews with senior leaders at each organisation.

This learning paper addresses the following questions:

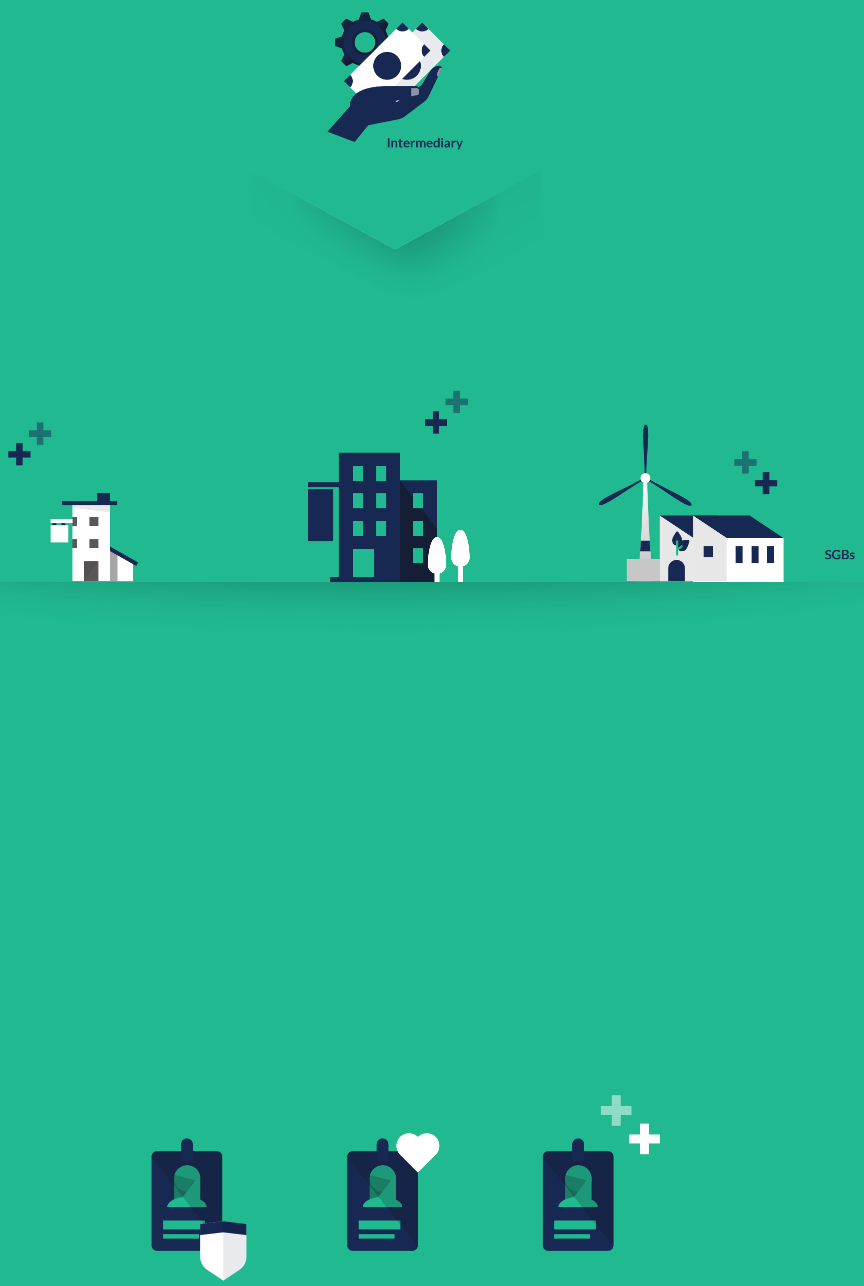
- *How, and to what extent, do Intermediaries create and improve jobs for young people?*
- *How have Intermediaries designed and adapted their business models in ways that reach and benefit young people?*
- *How do Intermediaries balance commercial sustainability with delivering employment impact?*
- *What lessons emerge from CFYE's experience supporting Intermediaries, and how can these inform future policy and programming?*

As with all papers in the PTE series, this is a practitioner-led learning exercise rather than an impact evaluation. It aims to surface practical insights from CFYE's experience that can inform the decisions of actors working at the intersection of enterprise development and youth employment.



Section 2

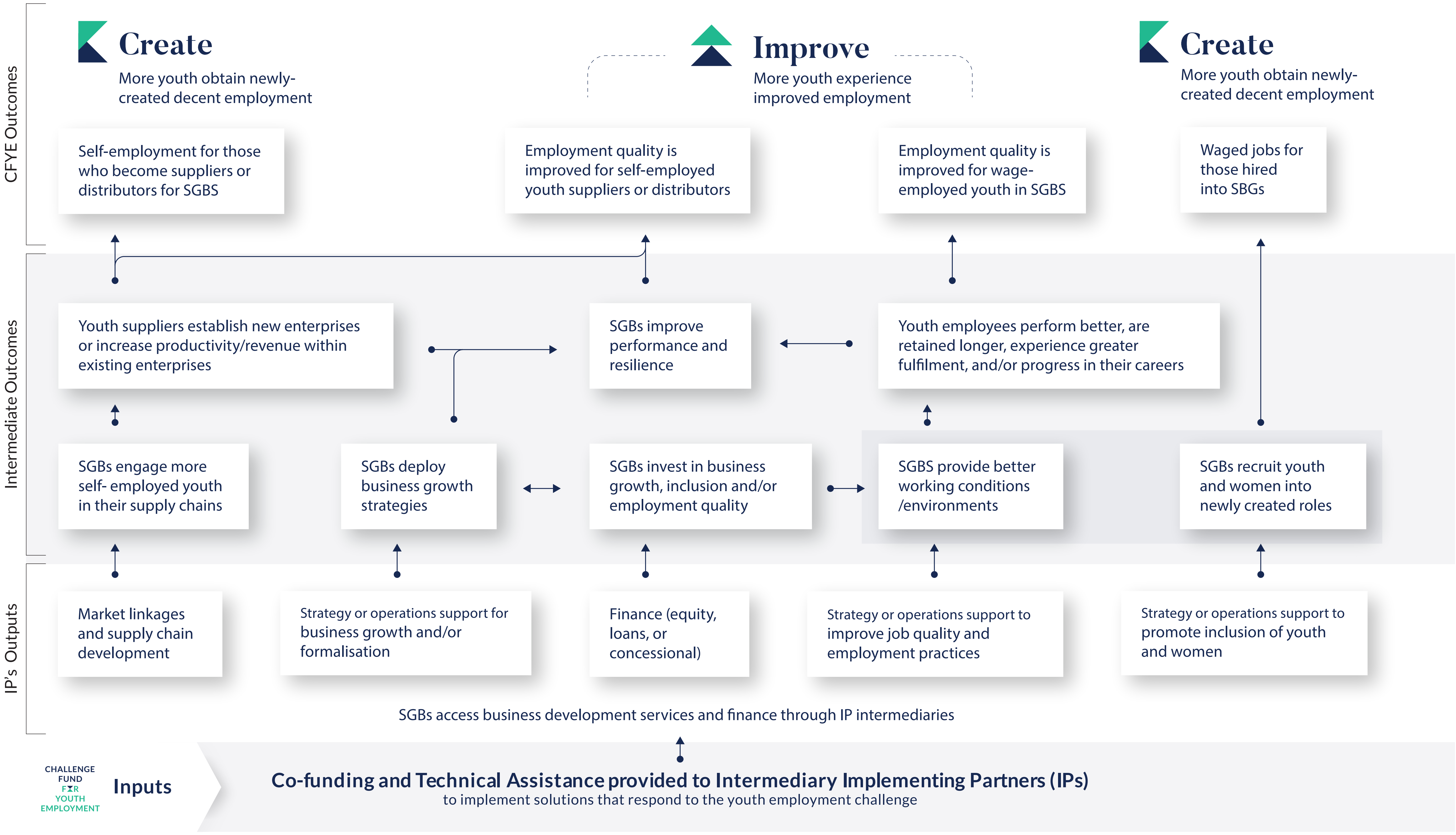
How do Intermediaries contribute to youth employment outcomes?


Intermediary
SGBs

Theory of Change for

CFYE's Partnership with Intermediary Implementing Partners

Intermediaries represent a distinctive model within CFYE's portfolio. Unlike the other business models explored in this series (Platforms for Skills-Building, Social Enterprises, and Agribusinesses), Intermediaries do not create, match or improve jobs directly.



Employment Pathways

Through CFYE's partnership with Intermediaries, the fund influences youth employment through three broad pathways: *creating new jobs, improving existing ones, and matching young people with employment opportunities.*

Within each pathway, outcomes may take the form of waged employment or self-employment, depending on the Intermediary's model and the SGBs in its portfolio.

Creating jobs

Job creation is what most donors and investors instinctively associate with employment programmes. Within CFYE's Intermediary portfolio, job creation takes two distinct forms.

1. **Waged job creation through business growth.** When an Intermediary's capital and support enable an SGB to expand, new roles may be created. *Teranga Capital's* investees receive investment and support to hire new staff in roles such as processing, sales, and quality control. In each case, the Intermediary's contribution to the hiring decision is indirect — the SGB decides when and whom to hire based on business needs that the Intermediary's support has helped to create.

2. **Self-employment creation through micro loans.** *Aman for Micro Finance* in Egypt operates at the opposite end of the deal size spectrum: its micro-loans of $200–$2,000 (~171 EUR – 1709 EUR) finance individuals to start or formalise micro-enterprises. Each loan represents a self-employment outcome. The borrower becomes self-employed; the Intermediary's role is providing the capital and basic business guidance that enables the enterprise to function. This model generates high volumes, but the job being created (a precarious, new enterprise) is quite different from a formal waged job involving a contract and agreed wages.

Improving jobs

Job improvement[6] is what Intermediaries in this portfolio most consistently delivered.

Job improvement in waged employment occurs when existing workers at supported SGBs experience measurable gains in employment quality. The most common improvements across this portfolio were contract formalisation, access to health insurance, wage increases, and structured working conditions. *Teranga Capital* embedded formalisation requirements into its standard investment process, so portfolio companies are expected to formalise all employment contracts and provide health insurance within one year of investment.

Job improvement in self-employment for Intermediaries often occurs in agricultural supply chains, resulting in better prices, more reliable markets, and reduced post-harvest losses for smallholder farmers. *Acumen* investee Keep It Cool in Kenya enhances self-employment outcomes for smallholder fish and poultry farmers by providing decentralized cold chain infrastructure and market access, reducing post-harvest losses and enabling more stable incomes across the value chain.

Matching jobs

Job matching refers to SGBs (supported by Intermediaries) connecting jobready individuals to existing vacancies, typically by screening candidates and facilitating placement, without directly creating the roles themselves. Job matching is a less common pathway for Intermediaries. Within this portfolio, only *JobTech Alliance* generated matching outcomes at scale (over 10,000 jobs matched).

6 "Improved" employment by CFYE IPs must reflect a verifiable shift in employment conditions across at least one of three dimensions: (i) wages and earnings, (ii) working conditions, or (iii) job security. Thresholds are set by context and sector, using national labour laws as a reference point. This flexible approach was necessary in informal labour markets, where rigid income benchmarks risk excluding viable livelihoods and where earnings are often irregular or beyond partners' direct control. Minor administrative changes, or improvements likely to have occurred without CFYE support, do not qualify. See CFYE's Learning brief on job decency and quality.

The Scale Picture and What Drives It

Table 1 summarises the employment outcomes reported by CFYE's six Intermediary implementing partners.

Table 1. Employment outcomes by Intermediary implementing partner

IP	Acumen Fund	JobTech Alliance	Aman for Micro Finance	Balloon Ventures	UGFS	Teranga Capital	Total
Intermediary model	Patient capital investor (equity)	Digital platform ecosystem builder	Micro-lender	SGB growth lender with embedded TA	Impact fund / asset manager	Equity investor, agribusiness focus	
Country	East & West Africa	5 countries	Egypt	Uganda, Kenya	Tunisia	Senegal	
CFYE grant	€5.5m	€5.0m	€0.8m	€3.3m	€3.1m	€0.8m	~€18.5m
Co-funding	€14.6m	€2.3m	€16.6m	€0.6m	€3.2m	€0.6m	€~38m
Target	15,100	12,000	4300	5533	4358	1070	~42,300
Actual	24,134	21,100	6492	5457	2936	1047	~61,100
% of target	160%	176%	151%	98%	67%	98%	~144%

Table 2. Employment outcomes (actual) by pathway

IP	Acumen Fund	JobTech Alliance	Aman for Micro Finance	Balloon Ventures	UGFS	Teranga Capital	Total
Create	1,089	3,825	2968	850	758	–	~9500
Improve	23,045	6,139	3,524	4607	1656	1047	~40,000
Match	–	11,136	–	–	522	–	~11,700
Total	24,134	21,100	6492	5457	2,936	1047	~61,200

Across the portfolio, the distribution of outcomes across these three pathways reveals an important pattern. If JobTech Alliance's distinctive match pathway is set aside, the ratio shifts further: among the five capital-deploying Intermediaries, improvement outweighs creation by roughly three to one.

So, Intermediaries demonstrate a unique ability to reach scale, but the breakdown of different types of employment outcomes is a more intriguing story, which shapes how donors and investors assess Intermediaries. The rest of this paper tries to tell this story and explain what drives these figures: the business models, strategies, innovations, and trade-offs (including job quality).

Section 3

Business Models in Focus

This section explores the business models of CFYE's Intermediaries in more depth. It begins with a brief overview of how Intermediaries are structured as businesses — their core value propositions, revenue models, and relationships with the SGBs they serve. It then turns to five converging trends and innovations that emerged from the case studies and interviews, examining how Intermediaries behave in practice, and the opportunities and limits of working through Intermediary models to achieve employment outcomes.

What is the Business Model?

CFYE's Intermediary partners operate a range of business models united by a common structure: deploying capital to SGBs while providing some form of technical or business development support. Beyond that shared architecture, the models diverge considerably.

Business Model Pillar	What is Working Across Intermediaries?	Challenges to Watch Out For
Value Proposition	–Combining capital deployment with technical support to SGBs –Using financial leverage to drive employment quality across a portfolio of firms –Portfolio approach enables scale across many SGBs	–Employment outcomes depend on SGB growth; Intermediaries have limited control over job outcomes –The Intermediary's proposition to SGBs is primarily commercial; how strongly employment is prioritised depends on Intermediary commitment
Key Activities	–Deploying a range of capital instruments (equity, debt, micro-loans) suited to different SGB contexts –TA delivered through embedded staff or specialist providers within consortium –Employment monitoring and verification integrated into portfolio management	–TA quality and consistency vary, especially when outsourced to consortium partners –Challenge to balance portfolio size with individual firm support –Monitoring employment at the SGB level is resource-intensive –Early-stage SGB support carries higher failure risk and less predictable employment results
Customers & Beneficiaries	–SGBs ranging from micro-enterprises (1-2 employees) to medium-sized firms with 50+ employees –Youth in waged employment at supported SGBs –Self-employed youth accessing micro-loans to start or formalise enterprises –Workers in SGB supply chains reached through agricultural value chains and digital labour platforms	–Youth beneficiaries are often reached indirectly and may not be visible data systems –Self-employed borrowers face more precarious outcomes than waged employees –Women's participation constrained by sector composition and Intermediary portfolio choices
Revenue & Cost Model	–Commercial revenue models at one end: loan interest (Aman), management fees and carried interest (Teranga) –Hybrid models: commercial asset management alongside concessional impact activities (UGFS) –Some Intermediaries are approaching cost recovery on core lending while TA remains subsidised	–Grant-dependent models face sustainability risk when programme funding ends –TA costs are high and rarely covered by commercial revenue alone –Cost structures are difficult to benchmark across models with very different unit economics

Converging Trends and Innovations

1 The Create-to-Improve Shift

Across five of six case study Intermediaries, job improvement outcomes exceeded targets — often substantially. Job creation targets, by contrast, proved harder to reach within programme timescales. The evidence from this portfolio suggests this pattern reflects structural features of Intermediary models rather than shortcomings in execution, and it carries important implications for how donors set targets and evaluate performance when working through Intermediaries.

Why does create-to-improve happen?

Three reinforcing dynamics drive the pattern.

The first is **investment logic.** Intermediaries deploying capital tend to invest in businesses where they can see a return. These are typically existing, operating businesses with revenue and staff. Capital enables these firms to grow, but growth often manifests as productivity gains, operational improvements, and working-condition upgrades for existing staff rather than net new hiring. The investment logic itself points toward improvement.

This dynamic is not universal. Intermediaries focused on early-stage technology startups, where new capital enables hiring, or on microfinance for self-employment (*Aman MF*), see different patterns. But for Intermediaries investing in established businesses, the default pathway is improvement.

Teranga Capital illustrates this clearly. The fund invests exclusively in existing companies, making improvement a deliberate strategic choice rather than a concession to measurement pressure.

> *"We do not finance greenfield companies. We finance existing companies. That's why we focused on improvements. We've been doing it for ten years now, and we know that we are very good at improving jobs."*
>
> — **Mohamed Ngom**
> **CEO, Teranga Capital**

The second dynamic is the **two layer distance from hiring decisions.** Even when Intermediaries invest in growing businesses, SGB owners ultimately make the hiring decision. Intermediaries can provide capital, attach conditions, and offer guidance, but they cannot compel a business to add staff. What they can influence more directly is how existing workers are treated: loan conditions requiring formal contracts, technical assistance on HR practices, and governance requirements all operate within the Intermediary's sphere of influence.

Balloon Ventures illustrates this clearly. Across over 600 SGBs in Uganda and Kenya, Balloon generated 690 new jobs over three years: roughly one new job per SGB. Yet the same portfolio generated over 3,700 improved jobs, a 5:1 ratio. A 2026 survey of 90 Balloon portfolio companies[7] found that average headcount had grown by 30 per cent since investment, with temporary employment increasing even faster. The concentration of new jobs in a minority of companies (22 per cent of the sample accounted for 75 per cent of new positions) illustrates why aggregate job creation figures from Intermediaries require careful interpretation.

Labour market constraints also shape outcomes in a way that Intermediaries cannot control. Some of *Acumen*'s investees struggled to hire software developers because of intense labour market competition in East Africa. External shocks can compound this: several Intermediaries reported that portfolio companies shifted sectors or strategies in response to COVID-19, currency volatility, or political instability — disruptions that reshaped employment prospects regardless of model design. These are constraints that have nothing to do with measurement incentives or programme structure, but nonetheless shape job creation outcomes. They are a reminder that job creation is difficult and complex and not within the Intermediary's control.

The third dynamic is **reporting timelines,** which reinforces the first two. Job improvements can be observed and verified within a shorter timespan (within 12 months in most cases). Job creation, by contrast, typically follows a longer and less predictable trajectory: a business needs to grow before it hires, and the decision to add staff may lag investment by 12–18 months or more. CFYE reporting required comparison against annual targets by employment type – often with targets for both improve and create. In several cases, Intermediaries were able to demonstrate improvement outcomes well before creation outcomes materialised. This timing mismatch is explored more fully in Theme 4, but its relevance here is that reporting structures favour the outcomes that appear earliest.

UGFS in Tunisia offers a candid example of how programme timelines interact with investment logic. Facing a mismatch between startup growth timescales and CFYE reporting periods, the fund pivoted toward medium-sized enterprises with existing employees.

7 https://balloonventures.com/uncategorized/new-research-published/

"We said to ourselves, this programme is limited in time. We cannot get our goals in terms of employment if we bet only on startups. So we said, let's give a bigger focus to medium and large enterprises."

— **Khaled Dridi**
Managing Director, UGFS

The shift increased reportable improvement outcomes but moved the fund away from the higher-risk early-stage investments where job creation potential may have been greater.

What does job improvement look like through Intermediaries?

The table below summarises the main forms of job improvement observed across CFYE's Intermediary portfolio. Not all improvements are equivalent: some represent structural shifts in the employment relationship that are likely to persist; others are more incremental or context-dependent. The Intermediary's role also varies — from directly enforcing changes through financial conditions to indirectly enabling them through business growth — and the strength of the pathway between Intermediary action and improved job outcome differs accordingly.

Type of improvement	What changed	How Intermediaries achieved it	Expected durability[8]
Contract formalisation	Workers moved from informal verbal arrangements to legally recognised contracts with defined terms, hours, and protections.	Financial leverage as enforcement: loan conditions (Balloon), investment requirements (Teranga). Balloon shifted portfolio from 2–3% to 92% formalisation.	*HIGH.* Once in place, a ratchet effect makes removal difficult due to legal and reputational risk
Health insurance and social protections	Workers gained access to health coverage, social security, or other benefits not previously available.	First-year subsidy (Teranga), conditional follow-on lending (Balloon), below-market loans for insurance enrolment (UGFS).	*MODERATE TO HIGH.* Strongest where tied to ongoing lending or regulatory requirements. Weaker where dependent on a one-off subsidy.
Income and earnings improvements	Workers, borrowers, or supply chain participants experienced measurable income gains — through higher wages, better prices, increased volumes, or new earning opportunities.	Ranges from direct to indirect. Direct: living wage benchmarks at follow-on lending (Balloon); sustained platform earnings above a quality threshold (JTA); micro-loans enabling new income activities (Aman). Indirect: working capital pre-financing enabling above-market prices for smallholders (Teranga); expanded sourcing from female farmers and agents (Acumen).	*VARIABLE.* More durable where linked to structural business growth or ongoing commercial relationships. More fragile for one-off loan cycles or supply chain participants several steps removed from the Intermediary.
Improved working conditions and HR practices	Improvements in working conditions or changes to workplace management, HR systems, job descriptions, performance management— translating to more predictable experiences for workers.	Dedicated gender and HR technical assistance across portfolio companies (Acumen, funded by Global Affairs Canada). Business management TA including job descriptions and KPIs (Balloon). In practice, better financial and HR systems led to more timely wage payments for SGB employees.	*MODERATE.* Stronger where codified in company policy or systems. Weaker where dependent on ongoing external TA.
Employee ownership and profit sharing	Workers gained a financial stake in the business through stock option pools, equity shares, or performance-linked bonuses.	ESOPs required as a condition of investment disbursement (Acumen applied across its entire portfolio). Stock options and performance bonuses used as talent retention tools (UGFS).	*VARIABLE.* Structurally powerful where implemented — aligns worker and investor interests. But typically reserved for key personnel rather than the broader workforce.

8 These assessments reflect how likely changes are to last based on how they are designed, not on postprogramme evidence. Since no intermediary has yet been evaluated after CFYE support ended, durability ratings should be read as expectations rather than confirmed outcomes.

How measurable are these improvements?

The improvements that are easiest to verify are also the ones Intermediaries can most directly drive through their financial products. Binary changes — contract formalisation (yes/no), health insurance enrolment (enrolled/not), ESOP establishment (pool created/not) — can be checked against a document at a point in time. These are also the types that score highest on expected durability. Continuous changes — income growth, working condition shifts — are harder to measure and required each Intermediary to develop a bespoke approach. No Intermediary started off with adequate measurement systems for employment improvement; every one had to build or adapt them during the programme.

Three recurring measurement challenges emerged.

1. **Defining quality thresholds:** what counts as a meaningful improvement? *JTA* invented a quality job threshold for platform work (~26 EUR/month, sustained over 3 months, representing ≥25% of income) and revised it twice as they learned how workers actually earn. *Aman for Micro Finance* built a four-indicator system for self-employment improvement (credit score, income, new contracts, jobs generated), cross-checked between loan officers and an AI model.

2. **Data variability with SGB size and capacity:** *UGFS* found that larger, more formalised companies could evidence outcomes that smaller firms simply could not — one factor behind its mid-programme pivot toward medium enterprises.

3. **Measuring indirect income improvements:** where the worker sits several steps from the Intermediary. *Teranga* described the MEL technical assistance it received for tracking supply chain outcomes as transformative, having previously lacked the methodology entirely. *Acumen* relied on 60 Decibels lean-data surveys — which capture self-reported changes but have faced scrutiny on response bias and counterfactuals. *Balloon* commissioned an independent study of 95 clients that found substantially higher employment growth than its own M&E had captured, but has not yet integrated this approach into its core tracking systems.

What does this mean in practice?

The create-to-improve pattern should not be read as evidence that Intermediaries are failing to generate employment impact. In contexts where most jobs are informal and lower quality, improving jobs at scale is a valuable outcome. The 38,200 improved jobs across the six cases in this portfolio represent real gains for workers. *Acumen's* portfolio alone delivered over 23,000 improved jobs, with 62 per cent of beneficiaries being female smallholder farmers and supply chain workers whose incomes and working conditions improved through deliberate technical assistance.

The evidence from this portfolio suggests that Intermediary models, as currently structured, tend to generate improvement outcomes more readily than job creation at scale. This has implications for target-setting and raises a deeper question about whether the impact investment ecosystem needs to develop frameworks that prioritise job improvement as an objective.

Key takeaways

- Job improvement consistently outpaced job creation across the portfolio. Intermediaries working with existing businesses generate improvements faster than the business growth required to create new positions.
- Job creation does occur, but on longer timescales, typically linked to business expansion rather than the initial investment.

2 Inclusion at Two Levels Removed

Intermediaries cannot directly hire young people or women, so their influence on who benefits from employment outcomes operates indirectly. Inclusion is a key area where the distance between Intermediary action and employment outcome is felt most acutely.

The structural challenge

When CFYE works directly with an SGB, it can set participation targets, provide technical assistance, and monitor outcomes at the level of individual beneficiaries. When CFYE works through an Intermediary, the tools available for influencing inclusion are different: investment screening criteria, loan conditions, equity board seats, sector selection, linked technical assistance, and community engagement.

These instruments require deliberate design and sustained follow-through to translate into outcomes for the young people and women that CFYE most wants to reach. Decisions about which to employ are made by Intermediaries themselves, depending on priorities, business models and investment risk appetite. CFYE in turn assesses these when selecting the Intermediary and co-developing monitoring and inclusion approaches.

What the case studies show

Across the portfolio, inclusion strategies varied considerably in sophistication. The most effective approaches embedded targeting women and youth in the Intermediary's core business model.

Aman for Micro Finance's model in Egypt offers a clear example of inclusion through product design. Aman MF's inclusion outcomes are structurally embedded because they flow from the commercial model itself —59 per cent of borrowers being women. The product reaches women because it targets the sectors and enterprise sizes where women operate (hairdressing, sewing, retail kiosks). This suggests that sector selection and investment thesis may be more powerful drivers of inclusion than programme-level tools applied after the fact.

Acumen Fund's approach was the most resource intensive. Funded through additional resources from Global Affairs Canada, Acumen deployed dedicated gender technical assistance across its portfolio, working directly with investees to develop gender action plans, revise HR policies, and build management capacity around inclusive practices. This included supply chain initiatives targeting women producers, particularly in agriculture and manufacturing.

At the programme level, CFYE's GESI Diagnostic Assessment Tool and Gender Action Plans provided structured frameworks. However, Intermediaries varied in how deeply they engaged with these tools. Where Intermediaries had pre-existing gender capability (*Acumen*), programme tools reinforced existing practice. Where they did not, there was limited evidence of uptake of GESI tools.

The pattern across the portfolio suggests that inclusion succeeds where it aligns with the Intermediary's core business incentives — whether through product design (*Aman MF*), sector focus (*Balloon*), or dedicated resourced capability (*Acumen*). Where inclusion depends on programme tools alone, without a commercial or mission-driven anchor, it risks remaining superficial.

The evidence base for what drives structural inclusion through Intermediaries remains thin; this is an area where future programming could invest in more deliberate testing.

A pattern worth noting is that sector choice and investment instrument shape inclusion outcomes as much as deliberate targeting. *Aman MF's* microfinance product reaches women because the sectors it finances have high proportions of women in the labour force (e.g. hairdressing, retail, sewing). By contrast, Intermediaries investing through equity in technology or manufacturing face higher barriers to gender inclusion and typically need dedicated TA to make progress. Future programming should assess the inclusion potential of an Intermediary's sector and instrument at the point of selection.

Key takeaways

- Inclusion outcomes were strongest where targeting was built into the Intermediary's commercial model, through product design or sector focus.
- Where Intermediaries lacked pre-existing gender or youth capability, programme tools alone showed less traction.

Innovation Spotlight

JobTech Alliance

JTA originally structured its venture support around two tracks: an Innovation Lab for later-stage platforms with product-market fit, and a Catalyst Accelerator investing ~€150k per company in early-stage ventures. In practice, almost all companies turned out to be earlier stage than anticipated, and the accelerator model produced few results.

Under pressure from missed annual targets, JTA replaced the accelerator with the Growth Lab — a more flexible vehicle offering tailored engagements of €30k–80k focused on helping platforms find and consolidate growth. Alongside this, JTA shifted from evaluating companies individually to developing sectoral theses about where platform-based employment had genuine demand, then seeking companies that matched.

The combination of thesis-driven selection and flexible, growth-focused support produced substantially better outcomes. JTA's strongest portfolio companies emerged from this approach, including AfriWork, which became its single largest contributor to employment results.

3 Embedded Support and the Sustainability Question

Technical assistance operates at two levels in the Intermediary model.

- TA from donors or programme partners to the Intermediary itself. This builds the Intermediary's institutional capacity for impact measurement, gender mainstreaming, or investment management.
- TA from the Intermediary to its portfolio companies. This helps SGBs formalise employment, improve HR practices, or implement health and safety standards.

Both levels matter, but they have different sustainability dynamics. Intermediaries varied widely in how they structured, staffed, and resourced technical assistance to portfolio companies.

Sustainable TA: who pays for the support that drives results?

A consistent finding is that employment outcomes (particularly improvements) depend on technical assistance delivered alongside capital. The question of whether that TA can be sustained beyond grant funding is therefore central to the durability of the model's employment effects.

The answers vary considerably. At one end of the spectrum, some Intermediaries have embedded TA into their core operations. *Aman for Micro Finance's* branch network of over 250 offices and its credit officer infrastructure serve as the primary delivery channel for business support. Here, the TA function is inseparable from the lending relationship. Loan officers provide mandatory business training before disbursement and ongoing advisory support throughout the repayment period, functioning as a blend of account manager and business coach. The per-unit cost of support is spread across an enormous client base, making it commercially viable even without grant subsidy.

At the other end, grant-funded consortium models, where one organisation provides capital and another delivers TA, face starker sustainability questions. *UGFS* relies on Wiki Startup, a subsidiary, for business development support to investees. *JobTech Alliance's* venture support is delivered through Mercy Corps' operational infrastructure. In both cases, the TA function depends on grant funding. If the grants end, the support function disappears, even if the capital deployment continues.

Sustainability of the Intermediary itself

The question of TA sustainability is nested within a broader question about the sustainability of the Intermediary's own operations. For Intermediaries working in frontier markets with underserved SGB populations, long-term sustainability depends on access to the types of capital they need at rates affordable to their clients. This is a challenge that extends well beyond CFYE, but the programme's experience offers useful illustrations.

The type of capital an Intermediary deploys also shapes how much TA is needed. Equity investors like *Acumen* and *UGFS* maintain board seats and ongoing relationships with portfolio companies, creating natural channels for employment-related guidance. Debt providers like *Balloon* and *Aman MF* have more transactional relationships: their leverage comes at the point of disbursement and renewal, not through continuous engagement. This means debt-focused Intermediaries may need to invest more deliberately in TA infrastructure — dedicated staff, structured follow-up, or conditional lending terms — to achieve the same level of influence over employment practices that equity investors gain through governance.

UGFS offers the most notable example of institutional transformation. Through CFYE support, UGFS developed a formalised impact committee, a structured measurement approach, and an impact investment framework now being used to raise new capital. These are signals of a shift from conventional asset management toward impact-oriented investing, which can persist beyond the programme.

For commercially established Intermediaries such as *Teranga* and *Aman MF*, the sustainability question is narrower: will they continue the employment-focused practices they developed, and continue to prioritise social impacts? Teranga's integration of formalisation requirements into its standard investment process suggests durable change. *Acumen's* investment team provides post-investment accompaniment — targeted technical assistance tied to the impact targets agreed at investment. This can include helping portfolio companies restructure supply chains, improve workforce practices, or deploy productivity-enhancing technology. The sustainability question is whether investees maintain these practices once accompaniment ends, which depends on their capacity and resources to institutionalise the changes.

Key takeaways

- TA sustainability depended on whether support functions were embedded in the Intermediary's core operations or funded as a separate programme layer.
- Intermediaries with high-volume, low-cost models (such as micro-lending or repeat loans) absorbed TA costs more easily than those relying on intensive, deal-by-deal accompaniment.

4 How Measurement Shapes Intermediary Strategy

CFYE's results framework — reinforced by Payments by Results— shaped Intermediary strategies in significant ways. By setting clear definitions for created, improved, and matched employment, and tying milestone payments to verified results, the programme created productive pressure while dealing with inevitable measurement challenges and trade-offs.

The upside: measurement as a learning catalyst

Multiple Intermediaries noted Payments by Results forced them to pay more attention to employment outcomes than they would have otherwise. By directly linking employment targets to programme funding, CFYE created a stronger incentive than standard grant reporting requirements. For organisations whose primary identity is as investors or lenders, this requirement to count, verify, and report on jobs pushed employment from the periphery to the centre of their strategy.

Balloon Ventures illustrates this well. CFYE's measurement pressure led Balloon to develop more strategic approaches to employment tracking — investing in understanding which SGB behaviours (like contract formalisation) correlated with business performance and refining its model accordingly. The learning fed back into how Balloon designed its lending products.

JTA underwent a similar process. The requirement to define and verify employment thresholds forced the alliance to develop clearer metrics for what constituted a meaningful "job" in the platform economy, leading to the income-floor methodology that became central to its results story.

The downside: timeline pressures and measurement challenges

In some cases, measurement created incentives that steered Intermediaries away from potentially impactful activities beyond CFYE's focus on employment. Age and inclusion verification requirements sometimes made it impractical for Intermediaries to support market-linkage services or downstream hiring, because employment effects at connected firms didn't "count" towards targets or they were difficult to verify for CFYE purposes.

UGFS's experience illustrates a common tension in time-bound programmes. Facing pressure to demonstrate results within CFYE's timeline, UGFS shifted toward more established companies with existing employees. These larger companies were more ready to absorb larger numbers of young people and more capable of providing reliable data. This increased reportable job improvements but shifted the fund's balance somewhat away from higher-risk, early-stage investments. The trade-off is not straightforward: early-stage investments offer deeper, transformational impact on individual businesses, while later-stage investments offer scale. Both represent legitimate forms of additionality, but the programme's timeline and measurement structure made one visibly rewarding and the other difficult to demonstrate within the time-bound targets set for job creation results.

The measurement system rewarded the pivot in the short term. But the fuller picture is more nuanced: UGFS used the CFYE partnership to build an impact committee, a structured measurement approach, and an employment-focused investment framework. These institutional capabilities are now the foundation for a standalone impact fund. The additionality may have been less in direct job creation and more in transforming what kind of organisation UGFS became.

A subtler concern relates to indirect employment. Several Intermediaries believe their largest effects occur through supply chain relationships and economic multiplier effects that standard reporting cannot capture. The extent to which these effects are counted depends on Intermediary-specific measurement plans. *Acumen* pursued gender-focused technical assistance that reached workers within investee supply chains, supporting agricultural companies to source from female farmers and recruit female agents. These efforts improved inclusion in specific value chains but were not designed as a supply chain employment tracking system. The organisation acknowledges that broader employment effects through supply chains remain under-measured.

Key takeaways

- Results-based payment sharpened Intermediaries' attention to employment outcomes but sometimes narrowed their focus toward what was most easily measured and verified.
- Indirect employment effects, through supply chains and economic multiplier effects, remained largely uncaptured by the measurement framework.

5 Selecting and Supporting Intermediaries — the Employment-to-Investment Spectrum

Some Intermediaries in CFYE's portfolio built their organisational strategy around employment from the outset. Others are primarily investment vehicles that developed an employment lens through partnering with CFYE. This distinction has practical implications for how donors select Intermediary partners and what kind of support they need to deliver employment outcomes.

Two starting points

Balloon Ventures and *JobTech Alliance* entered the CFYE programme with employment central to their missions. Balloon's lending model and Good Jobs framework were designed around improving working conditions in East African SMEs; JTA's platform ecosystem was designed to unlock informal, part-time earning opportunities for young people. Both organisations brought existing labour market learning into their strategy formulation: understanding how SGBs hire, what constitutes meaningful employment, and how to influence employment practices.

Employment-focused Intermediaries like these are valuable partners for donors and investors focused on employment outcomes because they bring existing capability. But they are also relatively rare in the Intermediary landscape: most fund managers and impact investors have investment theses built around financial returns and sectoral impact, not around employment specifically.

Teranga, *UGFS*, and *Aman MF* represent a more common starting point: established financial organisations that adapted an employment lens through CFYE. Teranga had a decade of investment experience but had not previously tracked employment outcomes. UGFS was an asset manager without a formalised impact framework. Aman MF had not disaggregated social outcomes by employment pathway. Each developed new capabilities through the programme, but the depth and speed of adaptation varied.

For these Intermediaries, CFYE's combination of targets, measurement requirements, technical assistance, and Payments by Results catalysed a shift in how they thought about and tracked employment. The depth of that shift varied: UGFS developed an entirely new impact fund model; Teranga integrated a formalisation toolkit into its standard investment process; Aman MF extended

When Job Improvement Drives Business Performance

The distinction between employment-focused and investment-focused Intermediaries can obscure an important area of common ground. Several Intermediaries across the portfolio found that formalisation measures such as contracts, benefits and structured HR approaches led to improved employee retention and satisfaction.

Balloon Ventures' research found that employment improvements such as contract formalisation were associated with lower staff turnover and stronger business performance among portfolio companies. When workers have formal contracts and feel invested in, they stay longer and work harder, which benefits the SGB's bottom line.

If improved employment practices can be shown to drive business performance under specific conditions, it creates a commercial case for job quality that does not depend on donor subsidy. Funders could invest in testing, documenting, and disseminating the conditions under which this holds, building an evidence base that could drive adoption of employment-improving practices beyond programme boundaries.

its existing lending infrastructure to reach a new borrower segment it had previously overlooked.

What this means for programme design

Where Intermediaries start on the employment-to-investment spectrum has practical implications for programme design, but the evidence from this portfolio suggests the distinction narrows over time.

The first relates to selection. Donors seeking large-scale employment outcomes should first look for Intermediaries that already prioritise employment and have some relevant capabilities. This means organisations that understand labour markets, track employment outcomes, and have designed their products and support models around job quality, job creation or job matching. These partners are more likely to deliver results quickly and to sustain employment focus beyond the programme period.

The second relates to strategic adaptation. Investment-focused Intermediaries can develop employment capability, but this takes time. *UGFS's* transformation took the better part of three years and required substantial TA. Donors should factor this into target-setting, recognising that the first year of performance from an investment-focused Intermediary is unlikely to match that of an employment-focused one.

The more important finding may be that these starting points can converge when actively supported. Investment-focused Intermediaries that were pushed to build employment capability — through targets, TA, and Payments by Results— found it strengthened their investment models: *UGFS* now uses its impact framework to pitch a new fund, and *Teranga's* formalisation toolkit became a standard feature of its investment process. Employment-focused Intermediaries that sharpened their commercial disciplines became more sustainable. The practical lesson is less about choosing between the two types and more about designing programmes that accelerate the convergence: combining realistic timelines with targeted TA so that financial returns and employment outcomes reinforce each other rather than compete.

Key takeaways

- Employment-focused and investment-focused Intermediaries started from different points but showed signs of convergence over time, particularly where programmes invested in capability-building.
- Investment-focused Intermediaries required substantially more time and TA to develop employment capability, typically two to three years.

Section 4

Lessons Learned and Looking Ahead

CFYE's partnerships with Intermediaries highlight significant benefits and trade-offs from working through this type of business model as part of a broader portfolio. Below are some cross-cutting lessons that can be taken up by investors and donors looking to engage with Intermediaries.

1 Grant capital offered Intermediaries higher risk appetite — for both financial and employment experimentation

CFYE grants served a dual de-risking function for Intermediaries. The more visible function was financial: grant capital acted as first-loss funding that reduced risk for co-investors and made it easier for Intermediaries to raise additional capital.

- *UGFS:* The CFYE grant helped build the credibility needed to approach institutional investors for a new impact fund.
- *Teranga Capital:* The grant provided a margin for experimentation within an established portfolio.
- *Balloon Ventures:* The grant was transformational in enabling the initial pilot and scale-up of a lending model that had not yet been tested at scale.

A less obvious type of de-risking relates to employment. CFYE's combination of grant funding and Payments by Results gave Intermediaries room to experiment with employment-focused approaches without putting their core investment thesis at risk. *Balloon Ventures* used the space created by CFYE funding to develop a distinctive approach to "realistic behaviour change" in SGB employment practices. *JobTech Alliance* restructured its partnership model in response to measurement pressure. These shifts in Intermediary strategy centered employment, but they would have been highly unlikely without CFYE's funding and accountability for results.

Implications

- **For donors:**
  Structure concessional capital to support employment-focused experimentation alongside the financial de-risking that Intermediaries need to attract co-investors.
- **For Intermediaries:**
  Leverage donor support to test employment approaches that would be too risky to fund from investment returns alone.

2 A litmus test for Intermediaries: whether employment enters allocation decisions

An interesting test of employment integration into Intermediary strategy is whether employment considerations have entered the investment decision-making process itself. This includes screening, due diligence, deal structuring, board governance and the rationale and risk-appetite of investment committees. This is not something easily measured, but it did come out with striking frequency in the in-depth interviews with CFYE Intermediaries.

For employment-focused Intermediaries like *Balloon Ventures* and *JobTech Alliance*, this integration was relatively straightforward. Employment was already central to their organisational missions, so CFYE's measurement requirements mainly reinforced existing practice. Although in both cases the PbR structure ratcheted up the pressure on teams to deliver employment results, which was a beneficial dynamic. *Acumen*, with its strong social mission DNA and established impact measurement capacity, was able to develop an employment-specific focus relatively quickly.

For investment-focused Intermediaries, the shift was more pronounced and took more time. *Teranga Capital* had a decade of investment experience but had not previously tracked employment outcomes; integrating a formalisation toolkit into its investment process represented a genuine change in how deals were structured and monitored. *UGFS's* development of an impact committee and employment-focused measurement framework during project implementation reshaped how investment decisions were made at the institutional level. These qualitative changes are more significant than improvements in reporting alone, but sometimes harder to sense from outside.

Allocation decisions can therefore be thought of as a litmus test, signalling deeper change in how employment is being factored into Intermediary strategy. Where employment remains confined to just an additional set of data to disaggregate, gather and report, the effects may fade once the external funding incentive is withdrawn. Where it is institutionalisted in investment decision-making, the change seems more likely to persist.

Implications

- **For donors:**
  Consider a mixed portfolio that includes both employment-focused and investment-focused Intermediaries. Look for evidence that employment considerations have entered core decision-making processes and reflect on the incentive signals you are sending.

- **For Intermediaries:**
  Position employment as an allocation for longer-term credibility to attract impact-oriented capital from investors interested in employment outcomes.

3 Build institutional capabilities to deliver long-term employment outcomes

A practical question for donors is whether to select Intermediaries that already have employment capability or to invest in building that capability where it does not yet exist. CFYE's experience suggests both can work, but they require different timescales and support structures. Employment-focused Intermediaries like *Balloon* and *JTA* delivered results faster because they already had the teams, frameworks, and institutional knowledge to operationalise an employment strategy. Investment-focused Intermediaries like *UGFS* and *Teranga* took longer but developed capabilities that may prove more durable precisely because they were built from scratch. Across the portfolio, CFYE's investments led to new or evolved institutional capabilities, including:

- *UGFS* developed a formalised impact committee and measurement approach now used to pitch a new impact fund.
- *Teranga* integrated a formalisation toolkit for all businesses into its standard process.
- *Aman MF* embedded youth-specific lending criteria into its AI-driven credit scoring system.
- *Balloon's* approach to contract formalisation became a core feature of its model.

The practical lesson for donors is that employment capability can be developed — but it requires deliberate investment in institutional development, not just financial targets. Programmes that combine patient timelines with structured TA for capability-building are more likely to produce Intermediaries that sustain employment outcomes beyond the funding period.

Implications

- **For donors:**
  Assess additionality through institutional capabilities such as measurement frameworks, impact committees, employment-focused TA model. Assess Intermediary TA cost structures at design stage. Distinguish between investments that build lasting institutional capability and those that fund a time-limited programme overlay.

- **For Intermediaries:**
  Leverage available resources (e.g. TA, networks) to build capabilities that position you to deliver employment outcomes independently and attract future investment. Track and manage TA costs as a core business cost. Integrate support functions into lending or investment relationships where possible and reinvest returns into successive cohorts of SGBs.

Where was the Challenge Fund Model most Additional?

CFYE's additionality in the Intermediary portfolio operated across several reinforcing dimensions.

Financial additionality

CFYE grants acted as first-loss capital that reduced risk for co-investors and gave Intermediaries' investment committees confidence to approve deals they might otherwise have declined. For several Intermediaries, the presence of CFYE grant funding made it easier to raise co-funding from other investors. The grant signalled that the employment-focused dimension of the investment had external backing, reducing the perceived risk of incorporating employment objectives into investment decisions.

TA additionality for the Intermediary

CFYE's technical assistance helped several Intermediaries develop new capabilities, such as impact investment frameworks, partnership models, measurement toolkits and coaching models.

TA additionality for portfolio companies

CFYE resources enhanced the support that Intermediaries could provide to their SGBs. Acumen's gender TA programme enabled dedicated technical assistance on gender-inclusive practices that was not evident in other Intermediaries in the portfolio.

Impact measurement additionality

CFYE's results framework pushed Intermediaries across the board to develop employment measurement capabilities they would not have built independently. The resulting capacity to articulate and verify employment impact has value beyond the CFYE programme.

4 Job improvement and job creation operate on different timescales. Programme design should reflect this

Job improvement and job creation are different outcomes that emerge on quite different timescales. Job improvement can happen within a single loan cycle (6–12 months) because it works through conditions and technical assistance that the Intermediary can directly influence: formalising contracts, introducing health insurance, improving working conditions. Job creation depends on business growth, market conditions, and SGB-level hiring decisions that unfold often over multiple years. While it is possible to invest in an SGB at precisely the moment before they go on a large hiring spree, this is very difficult to predict in advance: As one Intermediary put it "you can't possibly know that until you are deep in your due diligence process".

Current employment programme timelines and milestone structures tend to be calibrated to the improvement timescale, which is part of why improvement dominated the results across CFYE's Intermediary portfolio. If donors want to capture job creation outcomes from working with Intermediaries, they need longer measurement windows. The longer timeframe is based on the expectation that new jobs may only emerge several years down the line, after investment and TA support have translated into SGB growth (and hiring).

As discussed in Section 3, investment-focused Intermediaries need time to develop employment capability, and target-setting should differentiate expectations by starting point (see Theme 5 on *the employment-to-investment spectrum*).

Implications

- **For donors:**
  Design milestone structures that distinguish between improvement timescales (6–12 months) and creation timescales (2–5 years). Set differentiated Year 1 milestones for employment-focused versus investment-focused Intermediaries. Consider specific product innovations where job creation is the objective, such as expansion capital facilities or incubation programmes for growth-stage SGBs where hiring is a realistic near-term outcome.

- **For Intermediaries:**
  Be candid about adaptation timelines during programme design. Set realistic expectations about different types of employment outcomes to build trust with funders and investors.

The Case for "Improve": Reframing Job Improvement as a Fundable Outcome

One of this paper's core arguments is that the create-to-improve pattern observed across CFYE's Intermediary portfolio should prompt a broader rethinking of how the impact investment ecosystem values employment outcomes. Currently, most discussion of employment in impact and results frameworks privileges job creation. Jobs improved or sustained are often treated as a secondary outcome, welcome but less fundable than the creation of new jobs.

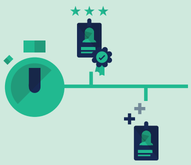
The evidence from this portfolio suggests that this hierarchy may be misaligned with what Intermediary models deliver. Across six diverse Intermediaries, improvement was the dominant pathway. If funders and investors recognised improvement as a primary outcome, it could reshape how Intermediary programmes are designed, funded, and evaluated. If the impact investment ecosystem adopted job improvement as a first-order metric, it could unlock investment in Intermediaries whose comparative advantage lies in workforce quality rather than workforce expansion. Part of the argument may lie in the secondary benefits of improved jobs, such as increased tax revenue from formalized contracts and wage increases, or household outcomes related to more stable income and access to health insurance.

Meaningful improvement should be clearly defined and rigorously verified. We still need to retain focus on the threshold question of "what counts as a genuine improvement versus a trivial adjustment?". CFYE's experience shows that it is possible to do this in a consistent manner while being flexible to local contexts. The key consideration is to define job improvement before funding is agreed, so the goal posts are clear for both funder and Intermediary.

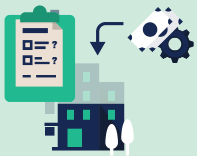
Looking Ahead: Implications for Future Intermediary Programming

Three priorities emerge for donors and investors seeking to work with Intermediaries on employment outcomes in the future.

First, invest in the evidence base for job improvement as a driver of business performance. Several Intermediaries observed that employment improvements correlated with stronger business outcomes. If this relationship can be established more rigorously, it could strengthen the case for employment-focused investment and help Intermediaries make a commercial argument for job quality to their portfolio companies.



Second, design Intermediary programmes around realistic employment timelines. The different timescales for improvement and creation should be reflected in milestone structures, target-setting, and evaluation windows. The tendency to assess both on the same timeline disadvantages job creation and incentivises the create-to-improve shift documented throughout this paper.



Third, strengthen methodologies for capturing indirect employment effects. The gap between what Intermediaries report and what they believe they achieve through supply chain and multiplier effects potentially leave significant value un- or under-reported. Developing proportionate, cost-effective approaches to indirect measurement would give a fuller account of Intermediary impact.

Underpinning all three priorities is a question about the bridge to commercial capital. CFYE's Intermediary portfolio has demonstrated that employment outcomes can be embedded in investment models — but the models that produced these results were largely subsidised by grant capital. The next test is whether the approach can attract investors on commercial or near-commercial terms.

Two Intermediaries are already moving in this direction. *Balloon Ventures* describes its lending model as prototyping a new asset class — employment-conditional small business lending — and is working to demonstrate the risk-return profile that would make it investable. *UGFS* is raising a standalone impact fund built on the institutional capabilities it developed through CFYE. If these efforts succeed, they would show that donor-funded experimentation can catalyse investment models that sustain employment outcomes beyond programme timelines.

Annexes

CHALLENGE
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Annex A
Methodology

Research design

A mixed-methods research design was used to provide a more complete understanding of the featured business models.

- Quantitative analysis measured the scale of impact – for example, how many jobs had been created, matched, or improved as a result of supporting these business models and IPs.
- Qualitative analysis explored the reasons behind these changes, particularly which factors might have contributed to success (e.g. financial performance and social impact), sustainability, and challenges.

Data sources

Secondary data (CFYE portfolio data and other secondary sources)

- Provided quantitative information on results and trends at an aggregate (business model) level and at the level of the individual IPs and projects.
- Provided qualitative insights (e.g. on labour market barriers for young people, success factors and challenges experienced by IPs, the effects of CFYE's support, etc.).

Primary research

- IP case studies provided insights into business models, the role of CFYE's support, challenges, and success factors. The cases combined quantitative data (e.g. financial and usage information) with qualitative insights, and the report included both within-case and cross-case analysis. Case study IPs had been selected for their innovative approaches to project design, scalability, targeted support to young women, early signs of commercial viability, and willingness to share data and learning with the CFYE team for the purposes of this study.
- Key informant interviews (KIIs): semi-structured discussions with IP representatives, employers, and investors/ecosystem support organisations generated insights on the inner workings of featured business models, the impact on employers of using these services, and the investment ecosystem and dynamics relating to these business models and IPs.

This learning initiative was led by an internal, multi-disciplinary learning team working on CFYE. The insights drew on diverse implementation experiences (geographically and across functions) to support joint learning across the Fund.

Annex B

The CFYE Fund Level Theory of Change

CFYE's Theory of Change (ToC) reflects a shared understanding of the project's intended impact and the pathways through which that impact will be delivered. The logic underpinning the ToC draws on available evidence about what works in youth employment and job creation programmes across the focus countries.

Moreover, the Fund ToC provides the basis for assessing the Fund's results and informs learning activities. Rather than a static hypothesis, the ToC is expected to evolve as the Fund generates new insights through implementation.

Impact

230,000 youth, at least half of whom are women, benefit from decent employment
in the Middle East, North Africa, Sahel, West Africa, and the Horn of Africa

Outcomes
Overall

Match
More youth hired into existent decent employment

Create
More youth obtain newly-created decent employment

Improve
More youth experience improved employment

Outcomes
Intermediate

Youth become more employable and resilient → Youth pursue opportunities

Entrepreneurs establish new or scale enterprises or youth become self-employed

Enterprises deploy strategies to support growth, improve working conditions and/or promote inclusion and development of youth/women → Enterprises grow, improve performance and/or resilience

Outputs
of the supported projects

Solutions targeting individual youth

Solutions targeting other businesses

Solutions targeting the IP's own business and/or supply chain

SUPPLY

DEMAND

Programme learning

Programme adaptation

Youth and gender-sensitive/targeted strategies embedded into all Fund activities

Co-funding and technical assistance balancing business needs with social impact provided to IPs to **implement solutions** that respond to defined challenges

Activities
of the Fund

Challenge formulation and specific calls for proposals in focus countries, regions, and sectors to drive youth employment → Pipeline developed, ideas elaborated and refined, and **implementing partners (IPs) competitively selected**

Across the Middle East, North Africa, Sahel, West Africa and Horn of Africa, CFYE issues a series of competitive challenges for private sector-driven, scalable solutions designed to address supply and demand constraints preventing youth—especially young women—from obtaining decent employment.

Challenge

Youth are unemployed, vulnerably employed, and underemployed in low- and middle-income countries.
Youth lack relevant information, skills and capabilities for today's job market.
Women experience specific barriers, especially to higher paid work.
Employers require capacity, capital, and targeted strategies to grow and hire young jobseekers with limited skills and experience, especially young women.

Annex C

CFYE Intermediaries Portfolio

Country	Project	Short Description of Project	CFYE Contract Value (€)	Achieved Jobs**		
				Created	Improved	Matched
Burkina Faso	Panafrican Microfinance Burkina Faso	Link young women entrepreneurs to finance and technical assistance through community-based financial inclusion mechanisms.	806,650	29	837	--
	La Fabrique	Accelerate and invest in growth-oriented startups to create and improve youth employment.	921,065	266	26	5
Egypt	Cash For Microfinance	Finance and entrepreneurship support to underserved youth-owned microenterprises through a microfinance network.	858,347	2,377	639	--
	Accept (Paymob)	Digital payments and small-business ecosystem development.	1,476,265	6,198	2,147	--
	Aman Holding*	Enable youth enterprise growth through access to financial services and entrepreneurship support.	802,655	3,198	3,524	--
	Edventures	Support education-focused startups and youth enterprises through incubation, investment and business acceleration.	650,289	776	41	--
Morocco	Station A	Support artisans and entrepreneurs through incubation, acceleration and entrepreneurial ecosystem-building.	751,400	313	431	62

Country	Project	Short Description of Project	CFYE Contract Value (€)	Achieved Jobs**		
				Created	Improved	Matched
Nigeria	Bakery Initiatives	Enable young entrepreneurs and bakery-value-chain businesses to start and grow enterprises through incubation and business support.	251,990	1,017	259	--
	Shecluded	Financing, business support and entrepreneurial development for women-led enterprises.	506,496	3,857	1,238	--
Senegal	WIC Capital SAS	Invest in and support women-led and youth-led SMEs through an impact investment and business development model.	1,000,000	168	3	--
	Startup bootcamp	Accelerate high-potential startups through mentoring, investment readiness and ecosystem support.	656,000	--	339	--
	Teranga Capital*	Provide growth capital and tailored technical assistance to SMEs.	800,000	--	1,047	--
SEM call	Mercy Corps (JobTech Alliance)*	Entrepreneurship programmes, ecosystem strengthening and catalytic finance.	5,000,000	9,988	8,270	13,821
	Acumen*	Build and finance impact-oriented enterprises that generate jobs.	5,000,000	1,089	23,045	--
	Hivos	Strengthen entrepreneurial ecosystems and support youth enterprise growth.	5,000,000	437	1,350	264
	Balloon Ventures*	Venture-building, business development support and access to finance.	3,831,010	850	4,607	--

Country	Project	Short Description of Project	CFYE Contract Value (€)	Achieved Jobs**		
				Created	Improved	Matched
Sudan	249 Startups	Build Sudan's startup ecosystem by incubating and accelerating youth-led businesses.	355,713	--	--	--
Tunisia	United Gulf Financial Services*	Expand youth employment through SME financing combined with business support services.	3,077,066	758	1,656	522

* Case study IP

** Reported job figures for ongoing projects are provisional and expected to increase at final reporting.

Case Studies

CHALLENGE
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YOUTH
EMPLOYMENT

Case study 1

Balloon Ventures

Case Study Author: **Mike Klassen**
Data Review: **Emily Waters and Anna Kiss-Pal**
Editors: **Nimrah Karim and Justin van Rhyn**

This case study is part of the Challenge Fund for Youth Employment's Pathways to Employment (PTE) Learning Series Paper 4: Intermediaries. The PTE series explores how different business models support youth employment outcomes, by creating new jobs, improving job quality, or strengthening pathways into work, based on evidence from CFYEsupported initiatives across Africa and the Middle East.

Key takeaways

Lending models are structurally stronger at improving existing job quality than creating new jobs: Balloon Ventures (BV) increased contract formalisation from 2% to 92% across its portfolio. Against latest annual targets, job improvement reached 125% versus 46% for job creation. The gap is partly structural, as new hiring depends on step-change investments that extend beyond short support windows, and partly a measurement issue, with evidence suggesting employment growth is undercounted. Early overperformance on job improvement also led CFYE to revise targets upward.

Financial sustainability follows a staged trajectory where grant funding plays different roles at each phase: Different forms of capital played distinct roles over time: early grants subsidised testing and losses, while later grants provided first-loss capital to crowd in investors. Even at operational breakeven, high cost of capital and currency risk mean concessional capital remains necessary until sufficient scale is reached.

The data infrastructure needed to lend to informal businesses creates a durable competitive advantage, but this takes years to build. BV's 500,000+ datapoint dataset enables credit scoring and pattern recognition across sectors. Banks are unlikely to replicate this because the segment is too small for their existing business model.

Key Details

Intermediary	Balloon Ventures (BV)
Geography	Uganda (5 branches), Kenya (2 branches), Tanzania (pending licence)
Intermediary type	Specialist lender with embedded business support
Staff	~75 across three countries (Uganda team ~50)
Support model	Secured business loans (avg. €26k–38k, 12–18 month terms) + 6 months 1:1 post-investment support (financial management, HR, growth planning)
Target sectors	Education, healthcare, hospitality, trade/retail, agri-processing
CFYE contribution	€3.83m (contracted) over three rounds

1 The problem

Small and Growing Businesses (SGBs) with 5–30 employees in East African secondary towns occupy a financing gap: they are too small and undocumented for banks, yet too large and formal for microfinance. Commercial lenders require audited records, land-title collateral, and charge 36–40% interest with rigid schedules. Most SGBs in BV's target segment maintain informal books, lease their premises, and lack the documentation banks demand.

Outside observers often misread the business behaviours of these "boring" brick and mortar businesses, such as keeping operations cash-based, employing family members, diversifying into unrelated revenue streams. Balloon's view is that these are, in fact, rational responses to the operating environment. Cash-based businesses employ family because they need people they trust handling large sums of money (some BV clients turn over $1m+ annually, almost entirely in cash). Diversification hedges against seasonal volatility, and staying informal avoids costs and obligations that the business cannot yet sustain. BV's model works because it builds from this logic rather than trying to override it.

"People see these businesses as slightly irrational — they diversify to lots of different revenue streams, they employ lots of family members, they keep things deliberately informal. But what we've learned over time is actually those are just rational responses to working in a complex business environment. You just have to understand the context of the rationality."

– **— Josh Bicknell, co-founder, Balloon Ventures**

The financing constraint translates into a hiring constraint. A school that cannot finance a new classroom wing cannot hire teachers; a clinic that cannot buy equipment cannot add nursing staff. These businesses are chronically underfunded. The estimated financing gap for this segment in Uganda alone runs into the billions of dollars, and the two barriers that keep them locked out are financial invisibility (lenders cannot see what they earn) and structural informality (even with capital, the business may lack the management systems to absorb it productively).

2 The Intermediary model

How it works

BV targets a very specific profile of enterprises: 1+ year operating history, monthly revenue of €4k–€150k, 4+ staff, and investment needs of €10k–€100k. It screens using a proprietary psychometric tool, market analysis, and financial review. Loans are disbursed directly to suppliers in tranches tied to milestones, eliminating fund diversion risk. BV then provides six months of 1:1 post-investment support covering financial management, HR practices, and growth planning, delivered in-house by its own portfolio managers.

The core employment-related innovation is the "Good Jobs" framework: loan disbursement is conditioned on SGB employees receiving written contracts, and access to lower interest rates is tied to meeting living wage benchmarks. Embedding advisory costs in the interest rate eliminates the need for separate grant-funded TA. This offers a structural basis for the model's commercial sustainability.

A distinctive operational feature is BV's investment in data infrastructure and AI. The organisation is currently building portfolio management tools that synthesise financial data from thousands of Excel files and qualitative engagement notes from 1,000+ client relationships. Portfolio managers will soon have access to AI-generated dashboards that prioritise client visits, produce meeting guides drawing on all previous engagements, and push cross-portfolio insights in near real-time. For example, a portfolio working with school clients could receive an alert about a regulatory change affecting the education sector.

BV frames this as the core of its thesis: the same loan, repeated across hundreds of similar businesses, generates a dataset that makes each subsequent loan smarter and cheaper to deliver. Intentionally, BV avoids "innovative" businesses in favour of traditional sectors where pattern recognition has the most leverage.

Employment pathways

Primary pathway	Improve dominant; create secondary.
Create mechanism	Capital investment in SGBs enables step-change growth — new branch, facility, or equipment — with hiring following over time, often outside the six-month support window.
Improve mechanism	"Good Jobs" framework: loan disbursement conditioned on written contracts; lower interest rates on follow-on lending tied to living wage benchmarks.
Attribution approach	Strongest for contract formalisation (clear baseline shift). Moderate for capital-linked job creation. Weakest for general revenue growth.
Inclusion mechanisms	Portfolio-level female participation targets. Sector mix (education, healthcare, hospitality, trade/retail, agri-processing) shapes gender composition.

While on track to meet overall targets, performance has been uneven across pathways, with job improvement driving results, while job creation remains behind. This pattern — stronger performance on improve than create — appears across multiple Intermediaries in the CFYE portfolio. The gap is narrower than it first appears: BV's early improve results exceeded its original targets, which led CFYE to revise them substantially upward when top-up funding was approved. BV suggests three explanations for the imbalance:

1. Creating formal, full-time positions is inherently expensive and slow. New hiring tends to follow step-change investments: a business opens a new branch or builds a hotel wing, which triggers job creation. These step-changes are not as predictable as the loans themselves, and may take longer than the six-month intensive support period to materialise.

2. BV's reporting systems struggle to capture the large number of casual and seasonal workers that many SGBs employ. An independent study[1] of 90 BV clients found average employment per business rising from roughly 15 to 20 workers — substantially more than BV's monitoring had recorded, likely because the independent researchers captured casual positions that formal reporting missed.

3. As a volume lender working with roughly 1,000 clients, BV is one step removed from the actual employment. Tracking job changes across the entire portfolio is harder than for a direct employer.

In terms of attribution of the employment figures, this varies by outcome type. For contract formalisation, it is strong: BV observes a 2–3% baseline rate across new clients year after year, so the shift to 92% is clearly driven by the intervention. For job creation linked to capital investments (e.g. a new facility), attribution is moderately strong — the investment funded something that would not have happened, or would have happened much more slowly, without it. For broader outcomes like revenue growth (averaging 15–20% annually across the portfolio), attribution is weakest, since businesses operate within complex economic systems and BV has no counterfactual.

Commercial sustainability

BV Uganda reached branch-level operational breakeven, with cost-to-income ratio falling from over 200% in FY2021 to below 50% by FY2025. Revenue grew 3.5x year-on-year and the gross loan portfolio grew 3.4x. Write-offs remain at approximately 2% and repayment rates near 95%. BV Kenya has not yet reached breakeven.

However, operational breakeven tells only part of the story. Borrowing from DFIs in US dollars at 8–10%, then hedging currency risk, pushes BV's effective cost of capital to 15–20%. At that level, the model needs first-loss or patient capital layered beneath the debt to remain viable — and to give debt investors the confidence to come in.

1 https://balloonventures.com/uncategorized/new-research-published/

"Sustainable means different things at different stages of the journey. Grant for us has played a different role at different stages — one was just we needed it to prove out the model. And then using it to be able to scale the model. A fully commercial model probably means you have to get to a $50 million loan book to be able to raise institutional money in Ugandan shillings. Until you get to that stage, you probably need some subsidy, whether it's subsidised debt or patient equity or some guarantee on FX."

— **Josh Bicknell**
co-founder, Balloon Ventures

BV has recently closed a €5.1m facility with a network of United States (US) family offices (through Ceniarth) and is in legal documentation on a €8.5m facility with a regional DFI. A €4.2m facility with the US Development Finance Corporation (DFC) was fully agreed on term sheets but collapsed when the Trump administration disrupted US development finance, a concrete illustration of how political risk affects Intermediary capital structures.

3 CFYE support and additionality

CFYE provided €3.83m over three rounds: an initial Uganda-only grant, the Scalable Employment Models (SEM) thematic call, and a top-up grant. Taken together, these grants were BV's largest by a substantial margin. Each round served a different strategic purpose. The first subsidised the pre-breakeven phase when BV was still testing the model, absorbing losses on early loans, and building the systems that now drive efficiency. The SEM round came as BV was confronting the cost-of-capital challenge and helped to demonstrate enough traction to attract debt investors. The top-up was designed as a bridge to full sustainability in Uganda.

Importantly, CFYE's Payments by Results (PbR) structure directly shaped how BV operationalised its employment standards. In the early contract period, BV's approach to the Good Jobs framework was still relatively loose: clients would commit to formalising employment, and BV would try to get it done over three months. PbR changed the calculus. BV became substantially more demanding, requiring contracts at the point of loan signing with no exceptions.

But the process also taught BV where its initial requirements were unrealistic. Insisting on a living wage at the point of the first loan, before the business had grown, placed an unsustainable burden on entrepreneurs. So BV adjusted its approach to requiring contracts at signing (achievable, low financial cost to the business) and waiting until the point of a follow-on loan to introduce minimum salary benchmarks (after the business has had time to grow).

"Money is very useful — you can really shift behaviours very quickly. We just had to get realistic on what was a reasonable behaviour to expect of a business. A reasonable behaviour is to move everyone onto contracts. But a reasonable behaviour is not to increase salaries 20% on day one. If you're paying something by results, the results have to be reasonable, achievable, and measurable at scale. Contracts work for us because they're simple and measurable — if there's thousands of jobs, you can't do something very nuanced. It has to be a bit blunt for this to work."

— **Josh Bicknell**
co-founder, Balloon Ventures

Over time, the organisation observed that formalisation also improved how businesses operate: employees turn up on time, have clear job descriptions and KPIs, and the business runs more efficiently. For enterprises employing 10–15 people, how those people perform matters enormously to the business's success. This means BV intends to maintain the Good Jobs framework after CFYE, for multiple reasons.

Finally, CFYE's grant also served as a signalling mechanism for other investors. The presence of first-loss grant capital gave the Dutch Good Growth Fund (DGGF) confidence to provide debt, which in turn gave Ceniarth and its family office network confidence to come in. Asked how BV would look without CFYE, Bicknell was unequivocal: "Very different."

4 Results

Indicator	Target	Achieved	% of target
Create	1839	850	46%
Improve	3694	4607	125%
Total	5533	5457	98%

Overall programme target: 8011 youth jobs (all 3 phases). Job figures and targets reflect the latest verified annual monitoring data, from July 2025. Female share: 40% (2199/5457). Final job reporting is expected in July 2026. Match is not a significant pathway for this model.

BV demonstrates strong overall delivery of employment results with a noticeable imbalance across pathways. With one reporting year remaining, BV reached 80% of the final target on job improvement and 38% on job creation. The 92% contract formalisation rate is a standout result across the CFYE Intermediary portfolio and offers an example of the effects associated with the Good Jobs framework.

On both pathways, raw numbers grew each year, but the gap to target widened as revised targets scaled up faster than delivery. The independent study of 90 clients suggests that actual employment growth is higher than formal reporting captures, particularly when casual and seasonal positions are included.

Durability of the employment improvements is the most important remaining evidence gap. BV reports a roughly 60% client retention rate for follow-on loans. For retained clients, contracts are checked and maintained. Among the 40% who do not return for a follow-on, the likely pattern is that contracts expire rather than being actively withdrawn, but this is not something BV tracks. The financial cost of maintaining contracts is low; the main burden is the commitment to paying agreed amounts on time, which represents a cash-flow discipline some businesses resist.

Gender participation held steady at 40%, below the 50% target but consistent across years. At the SGB level, portfolio companies report average revenue growth of 18.9%, and the education portfolio alone serves roughly 80,000 pupils — approximately 1% of all schoolchildren in Uganda and 3% of private school enrolment.

5 Challenges

Job creation targets were structurally mismatched to a lending model. Full-time job creation depends on step-change investments with timelines that extend beyond the support window, and the measurement systems, designed for direct employers, struggle to capture the casual, seasonal, and gradual employment growth that characterises SGB hiring patterns.

Post-investment durability remains unverified at scale. BV's intention to maintain the framework post-CFYE, underpinned by the insight that they are a performance driver for SGBs, is an encouraging signal of potential sustainability. But whether individual SGBs maintain formalised practices after the lending relationship ends, particularly those who do not return for follow-on loans, remains an open question.

Scaling quality depends on people. BV's model depends on staff-delivered, face-to-face support where trust and relationships are central. The organisation recruits young people and trains them for 9–12 months, with the Uganda team now large enough to offer four career levels (junior PM through regional lead). AI-powered process standardisation should help ensure consistency by flagging when key steps are missed, generating meeting guides, sharing cross-portfolio insights.

"Relationships and trust are really, really big parts of it. Clients being willing to share sensitive financial data, putting their home up as collateral, being honest and telling you what the problem is… We've tried to build a guide around how to create trust and stuff like that, and I don't think it really works. It's really about getting the right kind of people and supporting them."

— **Josh Bicknell**
co-founder, Balloon Ventures

Kenya and Tanzania remain unproven. Uganda had a multi-year head start, and the model was built and refined there. But Kenya also presents distinct challenges: higher default rates across the banking sector, more competitive commercial lending, and a tougher operating environment that has led BV to hold its Kenya portfolio steady while it focuses on improving repayment performance before pursuing growth. Tanzania is awaiting its final licence. Whether the bundled model reaches commercial viability in different market contexts on a similar timeline is an open question.

6 Lessons and implications

1. For funders and programme designers

Distinguish create from improve when setting employment targets for Intermediary models. Lending models are structurally better suited to improving existing job quality than generating net new positions. Aggregating the two pathways into a single metric obscures the model's actual contribution and makes it harder to design appropriate success measures. Funders designing Intermediary programmes should weight targets toward the pathways that lending models can most directly influence.

Plan for staged sustainability, with grant funding playing different roles at different phases. The BV experience suggests that the journey from grant dependence to fully commercial operation passes through several distinct stages — each requiring different forms of capital. Expecting grant-free operations within a standard three-year programme cycle is unrealistic for most Intermediary lending models. A more useful question is whether each phase of grant support is moving the Intermediary closer to the next stage of its capital structure.

Payments by Results (PbR) can shape Intermediary behaviour in productive ways, but require alignment on what is reasonable, achievable, and measurable at the scale of the portfolio. BV's experience shows the value of iteration: initial requirements that were well-intentioned but unrealistic were refined through practice into a sequenced approach that worked for both the Intermediary and its clients.

2. For Intermediaries and practitioners

Embedding employment standards in financial products works when compliance is tied to something entrepreneurs value. Lower rates for employers who formalise proved more effective at driving behaviour change than standalone advisory. The finding that formalisation also improves business performance strengthens the case for maintaining these standards beyond any single funder's programme period.

Understanding the logic of informality matters. BV's target businesses make decisions that look irrational from the outside but reflect rational responses to their operating context. An Intermediary that works with this logic, rather than demanding formalisation as a precondition, can sequence changes in a way that businesses can absorb.

Invest in post-investment evidence. The durability question is the biggest gap in the current evidence base. Intermediaries that can demonstrate sustained employment improvements after the lending relationship ends will have a substantially stronger case for funders and investors.

7 Future outlook

BV is scaling from $15m toward a $50m gross loan portfolio, expanding into Tanzania, and investing heavily in AI-powered operational tools. The organisation positions itself as a market catalyst: demonstrating that lending to formalising, cash-based SMEs is commercially viable so that mainstream lenders or other new entrants might eventually adopt the approach in other jurisdictions.

Balloon's Post-Investment Playbook, released under Creative Commons, is one step toward that goal. Whether the model replicates across markets, and whether the data advantage compounds as BV hopes, will depend on sustaining portfolio quality through a period of rapid growth while navigating a capital structure that remains exposed to currency risk and ongoing political shifts in development finance.


WORKS
YEBO'S No1
IFLY

Case study 2

Acumen Fund

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Data Review: **Emily Waters and Anna Kiss-Pal**
Editors: **Nimrah Karim and Justin van Rhyn**

This case study is part of the Challenge Fund for Youth Employment's Pathways to Employment (PTE) Learning Series Paper 4: Intermediaries. The PTE series explores how different business models support youth employment outcomes, by creating new jobs, improving job quality, or strengthening pathways into work, based on evidence from CFYEsupported initiatives across Africa and the Middle East.

Key takeaways

Employment impacts are driven by job improvement, with job creation emerging later: Patient capital investing in product-based Social Enterprises generates employment primarily through indirect supply chain improvement, with job creation concentrated in later-stage, well-capitalised companies. Programmes funding intermediaries of this type should set targets that reflect this pattern.

Capability-building grants can support lasting institutional change: Grant funding directed at building institutional capability — measurement systems, analytical frameworks, workforce expertise — can catalyse changes that outlast the programme. Acumen's integration of a workforce lens across its portfolio, and the subsequent MasterCard Foundation partnership it enabled, suggest that investing in an intermediary's capacity can have longer-term benefits.

Acumen's Ladders, Nets, and Dignity Framework offers a practical vocabulary for impact investors seeking to engage with job quality: Its adoption by peer organisations signals demand for accessible tools that help investors assess and improve the quality of work generated by their portfolios.

Key Details

Intermediary	Acumen Fund
Geography	Kenya, Ethiopia, Nigeria, Uganda
Intermediary Type	Impact investor (patient capital, primarily equity and convertible instruments)
Staff	136 (69% women, 38% under 35)
Co-funding	€10M+ (FCDO, Autodesk, IKEA Foundation, GAC Canada)
Target sectors	Climate-resilient agriculture, productive use of renewable energy, workforce development

1 The problem

Across East and West Africa, the scale of the youth employment challenge dwarfs the capacity of formal labour markets. With 10 to 12 million young people entering the workforce annually and only around 3 million new formal positions available, most youth are absorbed into informal livelihoods. A youth aspirations survey of nearly 2,500 young Nigerians, commissioned under the CFYE partnership, found that fair income was the most important element of decent work, followed by safety, flexibility, and social protection. Many youth actively chose informal work for its autonomy — the challenge was ensuring these livelihoods offered genuine pathways out of poverty.

The informal economy today is unstructured and unstable with harsh working conditions, no dignity. But you don't have to bring people outside of their realities and force them into a formal economy. What you need to do is invest in solutions that provide the missing pieces — bake them into the informal economy.

— **— Bowofade Elegbede, Investment Lead — West Africa, Acumen**

2 The Intermediary model

Patient capital and the two-layer pathway

Acumen has been investing patient capital in early-stage companies serving low-income communities since 2001, primarily across climate-resilient agriculture, renewable energy, and health. Before the CFYE partnership, impact measurement focused on poverty reduction and access to products and services. Employment outcomes were assumed to follow from business growth but were not systematically tracked.

Acumen's approach to youth employment is indirect by design. As a patient capital investor, it deploys equity and convertible instruments into early-stage social enterprises, typically at $200–500K, with an average engagement of nine years. Employment outcomes are generated at the portfolio company level through direct hiring, supply chain engagement, and customer-level livelihoods improvement. The model has two layers: CFYE's grant flows to Acumen, which invests in companies, which in turn create or improve jobs.

Under the CFYE partnership, Acumen launched the €15M Inclusive Work Initiative with €5M from CFYE and €10M+ from other funders. The portfolio reached 23 companies across Kenya, Ethiopia, Nigeria, and Uganda.

Employment pathways

Primary pathway	Improve dominant; create secondary.
Create mechanism	Patient capital enables portfolio companies to expand operations — new facilities, geographic expansion, scaled production — over multi-year horizons, generating new hires as growth materializes.
Improve mechanism	Equity and convertible instruments give Acumen a seat at the table for governance and standards. Portfolio companies adopt formal contracts, benefits, and wage structures as part of their growth path toward investor-ready scale.
Attribution approach	60 Decibels lean-data surveys with portfolio company workers capture self-reported job quality changes. Portfolio-company financial data tracks employment growth alongside investment milestones.
Inclusion mechanisms	Gender-lens investment screen at deal selection. Portfolio-level targets for female workforce participation. Sector focus (agriculture, renewable energy, workforce development) shapes the available worker pool.

The investment pathway

Acumen's investment process follows its standard lifecycle — sourcing, screening, due diligence, investment committee approval, and post-investment accompaniment — but the CFYE partnership introduced a workforce lens at every gate. Before the partnership, employment was assumed to be happening but was not systematically tracked. The workforce lens now shapes screening and diligence: a commercially appealing opportunity is no longer sufficient without evidence of attention to workforce conditions and supply chain engagement.

Portfolio composition

Fewer than half of the portfolio companies received CFYE investment capital directly. The remaining received investment through co-funding, but all count toward CFYE outcomes. The portfolio encompasses different business models, each generating employment through distinct pathways:

- BURN Manufacturing (cookstoves, Kenya): legacy investment at scale with 1,100+ staff and 1,300 agents. BURN drives a large share of employment numbers: 537 jobs created (49% of Acumen's CFYE reported outcomes) and 7,574 jobs improved (33%).
- SunCulture (solar irrigation, Kenya): outcomes flow through customer-level livelihood improvement as smallholders gain reliable irrigation
- CropSafe (shea processing, Nigeria): supply chain improvement through mechanisation, reducing manual labour and increasing output for women processors
- Loom Chocolate (cocoa, Nigeria): earlier-stage enterprise where direct job creation is more prominent

3 CFYE support and additionality

The CFYE grant provided €5M in investment capital enabling Acumen to reach earlier-stage, locally-founded enterprises, alongside research and learning that has reshaped its approach beyond the CFYE portfolio. Three formal learning deliverables were produced:

Y1: Gender lens investing and TA archetypes for investors

Y2: Six strategies for gender-smart business support, culminating in the Pathway to Scale report with Value for Women (October 2024)

Y3: White paper on decent work for youth, with BFA Global research into youth aspirations in Nigeria

The partnership also prompted Acumen to standardise sex-disaggregated jobs data collection across its entire global portfolio. This provides a more nuanced understanding and is built into the impact measurement system.

4 Results and the create-to-improve question

Indicator	Target	Actual	% of target
Youth jobs created	5,400	1,089	20%
Youth jobs improved	9,700	23,045	238%
Total youth jobs	15,100	24,134	160%
Companies invested in	21	23	
Capital deployed	$14.9M	$16.8M	112%
Co-financing (includes direct and indirect funding)	$10M	$72M	720%

Overall programme target: 25,000 youth jobs. Job figures and targets reflect the current reporting period, based on the latest verified annual monitoring data. Female share: 61% (14739/24134). Final job reporting is expected in July 2026. Match is not a significant pathway for this model.

The headline numbers

By Y3Q4, Acumen's portfolio had collectively created or improved 24,134 youth jobs (61% women) against a target of 15,100. The programme overachieved capital deployed ($16.8M vs. $14.9M target) and co-financing leveraged ($72M vs. $10M target). The co-financing figure was heavily concentrated: BURN alone accounted for over $40M through carbon finance, with SunCulture's Series B adding $13.5M.

> *Our assumptions around job creation were quite ambitious. The segment we invest in — early-stage companies with less than 10 or 20 employees — is not going to be huge in terms of job creation.*
>
> — **Magdalena Banishak**
> **Director of Development and Partnerships, Acumen**

The central tension

The most analytically significant result is the divergence between jobs created and jobs improved. Against a target of 5,400 jobs created, the programme achieved 1,089 (20%). Against 9,700 improved, it achieved 23,045 (238%). This means that 95% of youth employment outcomes came from indirect job improvement rather than direct creation. The gap reflects the mechanics of patient capital investing in product-based companies. Employment outcomes flow primarily through supply chains, distribution networks, and customer livelihoods rather than through direct hiring.

The Acumen team acknowledged that the original job creation targets were ambitious for their portfolio of typically early-stage enterprises with fewer than 20 employees. Job improvement outpaces creation because improving quality for existing workers happens faster than the business growth required to generate new positions. Disproportionate job creation came from later-stage, well-capitalised companies like BURN, consistent with evidence that businesses with 50-plus employees account for most of the employment.

The ladders, nets, and dignity framework

Acumen developed an analytical framework identifying three components of quality work.

- *Ladders are attributes driving economic mobility: income growth, skills, upward progression.*
- *Nets are stability mechanisms — savings, healthcare, micro-insurance — that protect against shocks; the retrospective evaluation found these were often missing.*
- *Dignity is the human experience of work: respect, safety, and voice.*

In practice, the framework has reshaped Acumen's diligence process. Investment proposals are now assessed against all three dimensions, and gaps identified during screening, particularly around worker protections and safety standards. This feeds directly into post-investment TA plans. As a condition of disbursement, Acumen now requires portfolio companies to establish employee stock option pools, embedding an ownership ladder from the outset. The retrospective evaluation found that nets (savings, insurance, pensions) were the dimension most often absent, particularly for workers in informal and semi-formal roles where such protections rarely exist

Gender outcomes

On jobs improved, women represented 62% of beneficiaries, exceeding the 50% target — driven by clean cooking and agricultural value chains that disproportionately reach women. On jobs created, women accounted for 40%, falling short. This reflects male-dominated labour force composition in productive use of energy sector.

5 Challenges

Measurement at two layers

Measuring employment outcomes in early-stage portfolio companies was difficult throughout. In Y1, only three of eight companies provided usable baselines. Acumen developed a tiered approach: 60 Decibels surveys at due diligence, an 18-to-24-month deep dive on workforce conditions, and standardised annual data collection.

Investees generally showed willingness to collect employment data but lacked the tools. Seasonal tracking poses issues: agricultural companies see predictable workforce spikes, but building internal capacity to capture this data consistently across seasons remains a gap.

Attribution across the portfolio

With less than half of companies directly CFYE-funded, and co-financing dominated by two mature companies, the line between CFYE-enabled outcomes and those that would have occurred anyway is difficult to draw. BURN, the most significant employment contributor, is a legacy investment predating CFYE by more than a decade. However, the CFYE partnership introduced workforce measurement, the Ladders, Nets, and Dignity Framework, and gender-focused TA across the portfolio — investments in institutional capacity that extend beyond CFYE's co-funding.

6 Lessons for intermediary programmes

Patient capital generates improvement, with job creation as a lagging indicator

Patient capital investing in product-based Social Enterprises generates employment primarily through supply chain and customer-level improvement rather than direct hiring. Creation concentrates in later-stage companies that have reached operational maturity. For programmes funding patient capital investors, targets that privilege creation over improvement may be poorly matched to the investment model.

Grant funding can catalyse lasting institutional change

The CFYE partnership catalysed a strategic shift within Acumen, embedding the workforce lens — including the Ladders, Nets, and Dignity Framework, the Decent Work Screening Tool, and youth-disaggregated measurement — across its entire operation. Training delivered to AVPA and ANDE has extended the learning into the broader impact investing ecosystem. Acumen has since secured a MasterCard Foundation partnership to expand its green economy workforce investment — a partnership that the CFYE-funded institutional capability made possible.

> *If we hadn't done this [employment] work beforehand, we wouldn't have been in a place to even pitch for that. It's really shifted the direction of travel for our Africa teams.*
>
> — **Magdalena Banishak**
> **Director of Development and Partnerships, Acumen**

Frameworks that travel beyond the portfolio

The Ladders, Nets, and Dignity Framework provides an actionable vocabulary for investors engaging with job quality. Its adoption by peer organisations suggests potential influence beyond Acumen's own portfolio.

Concentration risk is inherent in portfolio approaches

When a small number of companies drive the majority of outcomes, programmes are vulnerable to individual business performance. A single company, BURN, generated half the portfolio's job creation and a third of its job improvement. Donors and intermediaries should examine the distribution of outcomes, understanding that in patient capital models a small number of mature investments can account for a disproportionate share of employment numbers.

Case study 3

Jobtech Alliance

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Editors: **Nimrah Karim and Justin van Rhyn**

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Key takeaways

Ecosystem building and venture support are mutually reinforcing: The community events, research, and founder networks make Platform selection and intervention design effective.

Platform-based employment requires measurement approaches that depart from conventional job counting: Jobtech Alliance's job quality threshold (between €26 to €170 per month, set on a per Platform basis, representing at least 25% of a worker's income) offers a defensible floor. But only 1 in 5 of all Platform earners count as meaningful employment outcomes.

Concentrated results are a natural feature of early-stage venture portfolios in sectors where most companies are searching for product-market fit. For Jobtech Alliance, a handful of Platforms delivered the majority of employment outcomes.

Key Details

Intermediary	Jobtech Alliance (incubated within Mercy Corps; delivered in partnership with BFA Global)
Geography	Multi-country: Kenya, Ethiopia, Nigeria, Uganda, Senegal
Intermediary type	Ecosystem builder and venture support provider
Support model	Technical assistance (sprints and engagements at €10k–€80k per Platform), small grants, ecosystem building (summits, research, communities of practice)
Portfolio (CFYE period)	20+ digital employment Platforms supported across Growth Lab, Innovation Lab, and Angel Cohort tracks
Target sectors	Digital Platforms connecting workers to earning opportunities: logistics, domestic services, freelance digital work, creative industries, agent networks, care work
CFYE contribution	€5M grant (founding investment); co-financing from Hilton Foundation, CIFF, Gates Foundation, Small Foundation

1 The problem

Across Sub-Saharan Africa, a new category of digital Platforms have emerged: technology companies that connect workers to earning opportunities in sectors ranging from logistics and domestic services to freelance digital work and creative industries. These Platforms have the potential to dramatically expand access to income for young people, particularly in markets where formal employment is scarce and most work is informal, fragmented, and invisible to traditional labour market institutions.

Yet when Chris Maclay, Jobtech Alliance's Programme Director, joined one of these Platforms as COO in the mid-2010s, the sector barely existed as a recognisable ecosystem. There were no conferences, no WhatsApp groups for founders, no shared vocabulary for what these companies were trying to do. Each was operating in isolation, solving the same problems independently, and most were failing. The constraint was rarely the technology itself. In developed markets, Platforms like Uber or TaskRabbit solve for information asymmetry: matching a willing buyer with a willing seller who already has the tools, credentials, and purchasing power to transact. In African labour markets, the problem runs deeper. Workers lack formal qualifications, customers have limited willingness to pay, and the entire ecosystem of support that enables gig work in wealthier economies simply does not exist.

The founding insight behind the Jobtech Alliance was that these Platforms needed something more than capital. They needed an ecosystem: shared learning, peer relationships, business development support, and a space to develop viable models for a sector that investors and funders had not yet learned to value. Without that scaffolding, even promising Platforms were dying in isolation.

2 The Intermediary model

How it works

The Jobtech Alliance was incubated within Mercy Corps and launched in partnership with BFA Global, which had built the Catalyst Fund accelerator for fintech startups over the preceding decade. CFYE provided €5 million as a founding grant, which was one of the first substantial investments in Jobtech Alliance alongside co-financing from the Hilton Foundation, CIFF, Gates Foundation, and Small Foundation.

Jobtech Alliance operates through two interconnected workstreams:

- Venture support: identifying, selecting, and providing tailored technical assistance to digital employment Platforms at various stages of maturity.
- Ecosystem building: creating the events, research, networks and communities of practice that allow founders, investors, and policymakers to learn from each other and build a shared understanding of how digital Platforms create employment in African labour markets.

The venture support model evolved significantly over the three-year CFYE period. Jobtech Alliance originally designed two tracks: a Catalyst Accelerator for early-stage companies (approximately €150,000 in TA and grants per company) and an Innovation Lab for more mature Platforms requiring lighter-touch support (€30,000–80,000). In practice, almost all Platforms were still searching for product-market fit in some dimension. Very few were genuinely mature enough for innovation-stage support, and the heavy Catalyst model proved too expensive at such early stages when the team could not yet reliably pick winners.

Jobtech Alliance responded by introducing two new modalities.

- The Growth Lab became the core offering: flexible, tailored engagements of €30,000–80,000 focused on helping Platforms find and consolidate growth.
- The Angel Cohort, a lighter €10,000 engagement, was designed for very early Platforms where Jobtech Alliance wanted to learn about a sector or test a hypothesis without committing significant resources.

Opareta — thesis-driven selection at work

Opareta exemplifies Jobtech Alliance's shift toward thesis-driven Platform selection. The team had developed a hypothesis around the potential 'agent super apps' which offer shared digital infrastructure enabling workers to sell products and services from multiple companies through a single Platform. The thesis was that this could unlock meaningful earning opportunities in last-mile distribution, a sector where individual agent incomes were typically too low to sustain engagement.

Jobtech Alliance identified Opareta as a promising match for this thesis and provided support focused on the company's core constraint: sales capability.

Jobtech Alliance brought in a specialist sales coach for one-on-one work with the CEO, who subsequently retained the coach at the company's own cost. The company went on to raise a $3 million investment round. The founder has said publicly that the company would not have survived without Jobtech Alliance's intervention.

This tiered portfolio approach of angel, growth lab, and occasional deeper innovation lab engagements, allowed Jobtech Alliance to manage risk across a diverse set of companies while building knowledge about which sectors and models were most promising for employment.

"A Platform founder would say to me: I would swap one more customer for a 10k grant any day. If you can actually help them unlock demand or growth, that's what they care about. We're not where the money comes from — we're where the potential revenue growth comes from."

— **Chris Maclay**
Programme Director, Jobtech Alliance

How the selection process matured

An important operational evolution was how Jobtech Alliance selected Platforms. Initially, the team took an open approach: companies from across sectors were evaluated individually against criteria by an independent steering group. Over half of early applicants were rejected, most commonly on grounds of insufficient demand in their target market.

Over time, Jobtech Alliance shifted to a thesis-driven approach. The team developed sectoral analyses to understand where digital Platforms had genuine job-creating potential. This included domestic services, digital work, creative industries, cleaning and care, and migration. Rather than evaluating companies in isolation, they asked: which sectors have latent demand that a Platform technology can unlock? This led to more targeted sourcing and a sharper investment thesis. Also, the ecosystem work fed directly into selection: events and community engagement surfaced Platforms the team would never have found through traditional pipeline development.

Afriwork — when the thesis breaks (in a good way)

Afriwork, an Ethiopian job-matching Platform, became Jobtech Alliance's single largest contributor to employment outcomes. This was arrived at through the ecosystem rather than a thesis-driven search. The founder attended a Jobtech Alliance mixer in Nairobi and demonstrated a Telegram-based matching service that looked, at first glance, like dozens of failing Platforms across the continent. But the back-end data told a different story: massive organic engagement, driven by Ethiopia's first wave of digitisation and a new appetite for online job discovery in a market with limited social media history.

Afriwork had traction but no viable business model — it had earned roughly €855 in total revenue in the twelve months before engaging with Jobtech Alliance.

The intervention was intensively business-focused: helping the founder understand how to monetise the matching function and build a sustainable operation. Afriwork went on to account for all Jobtech Alliance's match outcomes and illustrates both the value of ecosystem-based sourcing and the unpredictability of where results emerge in a nascent sector.

Employment pathway

Jobtech Alliance's employment pathway is distinctive among CFYE intermediaries because the Platforms in its portfolio are themselves the mechanism through which young people earn income. The causal chain runs: CFYE funds Jobtech Alliance → Jobtech Alliance provides technical assistance to Platform → Platform grows and improves → more young people earn income through the Platform. This creates an employment model that is three layers removed from the funder.

Primary pathway	All three (create, match, improve). Match added mid-programme after discovering Afriwork's job-matching model
Create mechanism	TA to Platforms → Platform growth → new earning opportunities for workers. Approximately 20% of quality jobs are close to full-time; majority are part-time or gig-based contributions to a portfolio of income sources.
Match mechanism	Platforms whose business models connect jobseekers with employers (principally Afriwork in Ethiopia).
Improve mechanism	TA improves Platform operations → better terms, more consistent work, higher earnings for existing workers.
Quality job threshold	Per-Platform thresholds (€26 to €170/month) earned consistently over ≥3 months, representing ≥25% of the worker's total income (adjusted by geography and target user). Of ~95,000 earners across the portfolio, approximately 22% met this threshold.
Attribution approach	Platform-level data on earners, earnings, and consistency. Jobtech Alliance contributes at the Platform level; individual worker outcomes are an indirect effect of Platform growth.
Inclusion mechanisms	48% female across portfolio. Dedicated refugee employment component (Hilton Foundation co-financing) focused on Uganda and Ethiopia.

Commercial sustainability

Jobtech Alliance is funded through a patchwork of grants assembled and implemented as a single programme. The venture support side has a plausible path toward commercial sustainability: the team envisions a transition toward a VC-like model combining technical assistance with invested capital, building on the track record established through CFYE. Phase two planning includes a first pilot investment to test this approach before a potential phase three shift to a more commercially oriented structure.

The ecosystem building side is harder to sustain. Few donors are willing to pay for summits, research, and community infrastructure that cannot be directly linked to job numbers. Whether another actor could take on the ecosystem function, or whether it will require ongoing philanthropic support, remains an open question. The sector was still quite nascent when Jobtech Alliance started, and building it up requires patient, subsidised support.

3 CFYE support and additionality

CFYE's €5 million grant was a founding investment in Jobtech Alliance as an institution. Unlike the other intermediaries in this series, where CFYE funding supplemented existing operations, CFYE capital helped build Jobtech Alliance from the ground up. The team pursued CFYE funding from the very first week of Jobtech Alliance's existence within Mercy Corps.

Several features of CFYE's approach proved particularly important. First, CFYE allowed Jobtech Alliance to operate across multiple countries, which is a rarity among funders. This multi-market flexibility was essential for an ecosystem-level intervention: a job tech ecosystem confined to one country would have been too thin to build meaningful community or generate transferable insights.

Second, CFYE's results-based contract structure created useful pressure without micro-managing how the budget was spent. When Jobtech Alliance fell behind on job targets after year one, the pressure prompted a strategic recalibration including the introduction of the Angel Cohort and a sharpened selection process, rather than a retreat to safer, more transactional activities.

> *"It's always easy to say more flexibility is good, but the truth is that having those targets made us pivot. I came back from leave and said: guys, we're behind on the targets. We changed our work plan. We couldn't solve the numbers in three months, but we needed to position ourselves to be achieving results in six months, twelve months. Having targets does mean you work your way around them."*
>
> — **Chris Maclay**
> **Programme Director, Jobtech Alliance**

Third, CFYE permitted Jobtech Alliance to invest in ecosystem building alongside the more directly measurable venture support. CFYE's willingness to trust Jobtech Alliance's judgement that ecosystem work would ultimately improve venture support outcomes was a critical enabler.

4 Results

Indicator	Target	Achieved	% of target
Create	4,000	3,825	96%
Match	4,000	11,136	278%
Improve	4,000	6,139	153%
Total	12,000	21,100	176%

Overall programme target: 15,000 youth jobs. Job figures and targets reflect the latest verified annual monitoring data, from July 2025. Female share: 48% (10,121 of 21,100). Ethiopia contributed 58% of all youth jobs, Nigeria 24%, Kenya 13%. Final reporting is expected in May 2026.

By the end of year three, Jobtech Alliance had supported the creation, matching, or improvement of 21,100 youth jobs — 176% of the planned target for that period and well ahead of the overall programme target of 15,000. The strongest performance was in the match category, driven largely by Afriwork in Ethiopia.

Jobtech Alliance's support operates at the Platform level rather than the individual worker level, meaning that a successful intervention in one Platform can generate thousands of jobs. This creates a highly skewed distribution: 88% of quality jobs in year two came from just three Platforms. More recent data shows a somewhat more even distribution as earlier investments mature.

Jobtech Alliance consistently exceeded its output targets for Platform support, onboarding Platforms ahead of schedule across both Growth Lab and Innovation Lab tracks.

Portfolio Platforms collectively raised over €30 million in external investment during the programme period. Attribution for these investment outcomes is complex: Jobtech Alliance's contribution flows more through business improvement consulting than through direct investor introductions. The team facilitated some deals directly but acknowledged that clear-cut attribution cases were rare. Most of the time, Jobtech Alliance's value lay in helping Platforms become investable rather than directly connecting them to capital.

5 Challenges

Defining and measuring Platform employment is the central measurement challenge. The concept of a "job" does not map neatly onto how people earn through digital Platforms. Most Platform workers hold a portfolio of income sources, dipping in and out of earning opportunities. The $30 per month threshold that Jobtech Alliance adopted is defensible as a minimum meaningful contribution to livelihoods, but it means that most people earning through supported Platforms fall outside the counted results. Across the portfolio, approximately 95,700 young people were earning something, but the median monthly income was just $11.40.

Do the 75,000+ earners below the threshold represent a failure of the model or an early stage of a pathway toward more meaningful income? This is a question Jobtech Alliance is still working to answer.

> *"We ignored everyone under the threshold for fully two and a half years. We only cared about quality jobs. Then we started looking at the data and realised there was this huge number. And donors always want the big number. We were a bit cynical about it — but then we thought: when most programmes are just training people and no one's even earning anything, at least these people are earning. So, we did some research. And the consistent finding was that they almost always want more work. The constraint is demand."*
>
> — **Chris Maclay**
> **Programme Director, Jobtech Alliance**

Demand proved the most persistent barrier to scaling employment outcomes across the portfolio. Unlike in wealthier economies where Platforms solve for information asymmetry in functioning markets, African Jobtech Platforms frequently operate in markets where customer willingness to pay is low, formal employment relationships are rare, and the infrastructure to support gig work is weak.

Jobtech Alliance's experience with refugee employment in Uganda illustrated this starkly: despite dedicated effort and co-financing from the Hilton Foundation, refugee job numbers remained nominal for most of the programme, constrained by the fundamental economics of the markets in which refugees live and work. Late-stage redirection of the refugee component to Ethiopia, where existing portfolio Platforms offered stronger market conditions, produced results in nine months that exceeded three years of effort in Uganda.

Pipeline quality and concentration risk persisted throughout the programme. Finding quality Platforms was harder than anticipated. The steering group rejected more than half of early applicants. Even among accepted companies, a handful delivered most of the results. Jobtech Alliance's shift to thesis-driven selection and tiered engagement was designed to manage this risk, but the underlying challenge of thin pipeline in a nascent sector is unlikely to be resolved quickly.

The ecosystem work is perhaps the most consequential design decision for the initiative. Jobtech Alliance's ecosystem building work was seen by the team as foundational to venture support quality. But funding this work has proved difficult. Few donors are willing to pay for ecosystem infrastructure. This raises a broader design question for donors considering Intermediary investments: if the ecosystem work that makes venture support effective cannot itself be funded, intermediaries may be forced to choose between transactional, measurable activities and the systems-building work that creates long-term value.

6 Lessons and implications

For funders and programme designers

- Jobtech Alliance offers a different model of Intermediary from the fund managers and impact investors that dominate development finance portfolios. Where most intermediaries channel capital to SGBs, Jobtech Alliance channels knowledge, connections, and capability to an emerging sector of digital Platforms. Its theory of change is longer and less direct: build an ecosystem, support Platforms to find viable models, and employment outcomes follow as Platforms grow. The CFYE experience suggests this can work but it requires funders to accept several features that run against conventional programme design:

- Patience with early underperformance, since ecosystem and capability building take time to translate into measurable outcomes.

- Multi-market flexibility, since an ecosystem confined to one geography is too thin to generate the learning and peer effects that drive improvement.

- Comfort with concentrated results, since any portfolio of early-stage ventures will produce a skewed distribution.

- A willingness to fund events, research and community building activities that contribute only indirectly to the output metrics that results-based contracts are designed to incentivise.

For intermediaries and practitioners

- Thesis-driven selection substantially outperformed open pipeline approaches. Jobtech Alliance's shift to sectoral hypotheses about where demand exists produced better companies, better interventions, and better outcomes. The ecosystem work was essential to this: sectoral theses were informed by patterns observed across the community, and ecosystem events surfaced Platforms that traditional sourcing would have missed.

- Technical assistance proved more valuable than grant capital for Platforms that had already secured investment. Several of Jobtech Alliance's strongest portfolio companies cared more about help unlocking demand and growth than about the relatively small grants on offer. For intermediaries working with technology Platforms, this suggests that the comparative advantage lies in sector expertise and business consulting capability rather than in the size of the cheque.

7 Future outlook

Jobtech Alliance is planning a second phase with a view toward an eventual transition to a long-term institutional model. Venture support is expected to move toward a VC-like model combining technical assistance with invested capital, building on the track record and sector knowledge accumulated through CFYE. Phase two will include a first investment pilot to test this approach. The ecosystem building function is likely to continue requiring philanthropic support, though Jobtech Alliance is exploring whether parts of it can be taken on by other actors as the sector matures.

Whether the Jobtech sector in Africa matures fast enough to sustain commercially oriented intermediaries within the next decade remains to be seen. However, the sector is now showing vibrant signs of life. And potential Jobtech Alliance's experience offers a useful reference point for funders considering investments in ecosystem-level intermediaries, where the bet is less on any individual company and more on the conditions that allow a sector to emerge. This could be an interesting proposition for the growing group of DFIs who are becoming more interested in market shaping and market creation, not just individual deals.

Case study 4

Teranga Capital

Case Study Author: **Mike Klassen**
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Editors: **Nimrah Karim and Justin van Rhyn**

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Key takeaways

Equity-based intermediaries generate employment primarily through formalisation of existing jobs rather than creating new positions: Because Teranga Capital (TC) invests in established companies with existing workforces, its employment pathway runs through contracts, health insurance, employee training and governance improvements.

Working capital pre-financing reaches hundreds of smallholder farmers per portfolio company but creates measurement challenges: Verifying outcomes across the chain from fund to portfolio company to middleman to smallholder is difficult. Building the systems to do it required dedicated technical assistance.

CFYE's grant changed what TC was willing and able to invest in: The €800,000 changed the risk perception of TC's investment committee, enabling investments in higher-risk tech and green companies that would not otherwise have been approved, and helping TC raise an additional €2.2 million from other investors.

Key Details

Intermediary	Teranga Capital (TC)
Geography	Senegal (and The Gambia)
Intermediary type	Impact investment fund (equity and debt)
Staff	9
Support model	Capital (€150K–€1.5M, equity or debt) + formalisation toolkit (contracts, health insurance, board of directors, audited financials) + TA for digital/green (external consultants)
Fund structure	First close €3M. Investors: INP (pan-African anchor), Senegalese sovereign wealth fund, Sonatel/Orange, Société Générale, insurance company, HNW individuals
Portfolio (CFYE period)	5 existing portfolio companies + 2 new investments (CNC Shape €450K; Maraz, Dec 2025). 1 dropped investment (Clinique de Dakar).
Target sectors	Sector agnostic (excl. trade, real estate). ~50% agriculture, ~40% tech, ~10% services

1 The problem

Senegal's economy is dominated by small and medium enterprises, but SMEs face a persistent financing gap. Banks are unwilling to serve them adequately, and the country has limited investment fund infrastructure. The consequences are visible in the labour market: Senegal can absorb only around 10% of the young people entering the workforce each year, and less than 5% of the working population is employed in the formal private sector. Most people work in informal and precarious conditions.

This informality trap is particularly acute in sectors with high growth potential. Digital and green companies, despite strong impact potential, are viewed by most investors as high-risk. Qualified staff in technology relocate elsewhere due to low compensation, while agricultural value chains remain dominated by informal intermediaries. Senegal has a remarkably young population — an estimated 70–80% under 35, with roughly half under 18 — meaning that virtually any intervention reaching SMEs will affect young workers.

> *"Whether you want it or not, it's youth employment you're working on. When you look at the demographics, you have no option other than working on youth employment."*
>
> — **Mohamed Ngom**
> **Investment Manager, Teranga Capital**

2 The intermediary model

How it works

Teranga Capital was founded in 2016 as an impact investment fund dedicated to financing and supporting SMEs in Senegal and The Gambia. A group of individuals identified the SME financing gap and secured INP, a pan-African fund with subsidiaries across West Africa, as their anchor investor. TC subsequently brought in a diverse investor base including Senegal's sovereign wealth fund, the local Orange/Sonatel subsidiary, a French bank (Société Générale), an insurance company, and high-net-worth Senegalese individuals. This mixed capital structure — spanning institutional, corporate, sovereign, and private investors — positions TC as a commercial fund with an impact mandate, rather than a donor-funded vehicle.

TC targets existing companies with approximately €1 million in revenue. The fund is sector-agnostic but excludes trade and real estate. The portfolio currently splits roughly 50% agriculture, 40% technology, and 10% services. TC sources investments primarily through founder-to-founder referrals, with selection criteria centering on company potential, founder quality, and industry dynamics.

Investment ticket sizes range from €150,000 to €1.5 million (up from €80,000–€450,000 before CFYE), structured as equity, debt, or a blend depending on the company's growth profile. High-growth companies receive equity; steady cash-flow businesses receive debt.

Beyond capital, TC applies a standard formalisation toolkit to every investment. Within one year of investment, portfolio companies are expected to formalise all employment contracts, provide health insurance benefits, establish a board of directors, produce audited financial statements, and hold an annual general assembly. TC's in-house team of investment professionals delivers governance and financial structuring support directly, while more specialised needs (digital systems, green technologies) are addressed through external consultants funded by donor TA budgets, including CFYE's.

CNC Shape — illustrative portfolio investment

CNC Shape, a Senegalese startup specialising in 3D printing and laser cutting with iron and plastic, is TC's most substantial CFYE-period investment and illustrates the fund's approach in practice. TC invested €450,000 in a blended structure (50% equity for manufacturing equipment, 50% debt for working capital). The investment enabled CNC Shape to move into a larger production facility capable of meeting growing demand.

On the employment side, TC formalised all existing staff with contracts and enrolled 25 employees in health insurance through Sammenté, including 13 youth. The health insurance was funded through CFYE's grant for the first year as a demonstration of value.

CNC Shape subsequently hired additional employees to operate new equipment, and trains external individuals on 3D printing machines, creating an indirect employment spillover. TC is also providing technical assistance for AI-based 3D printing software.

CNC Shape was also the investment that most directly demonstrated CFYE's additionality. Despite a strong product and a promising industry position, the company was young, and its financial documentation was poor. Without the CFYE grant cushioning the risk, TC's investment committee would not have approved the deal (see Section 3).

Employment pathway

Primary pathway	Improve (100% of targets)
Direct mechanism	Investment in existing companies formalisation of contracts, provision of health insurance, governance improvements. TC uses the CFYE grant to pay for the first year of health insurance to demonstrate value; companies then continue at own cost.
Indirect mechanism	Working capital pre-financing for agri-sector portfolio companies supply chain contracts with smallholders via middlemen guaranteed purchase at 10% above market price. Reaches 300–900 farmers per portfolio company.
Typical job types	Direct: formal employees of portfolio companies (manufacturing, agriculture, technology). Indirect: smallholder farmers in supply chains, external trainees.
Attribution approach	Direct jobs verified through insurance contracts (employee lists). Indirect jobs tracked with support of CFYE-funded MEL consultant; very difficult due to multi-layer chain.
Inclusion mechanisms	Proactive gender strategy with 33% minimum women targets across portfolio and women on boards and in executive committees. TC is 2X Challenge compliant (an international standard for gender-lens investing that assesses women's representation in leadership, employment, and products/services). Youth employment implicit through demographics.

TC's all-improve target structure is a deliberate, model-consistent choice. Because TC invests in existing companies, its investment committee requires that prospective companies already have jobs as a validation signal. This reflects a narrower focus than intermediaries that seek to generate employment across all three pathways.

"We do not finance greenfield companies. We finance existing companies. That's why we focused on improvements. We've been doing it for ten years now, and we know that we are very good at improving jobs."

— **Mohamed Ngom**
Investment Manager, Teranga Capital

The indirect employment pathway through working capital pre-financing generates TC's largest numerical footprint. In agri-sector investments, TC pre-finances raw material procurement by providing capital (in cash or seeds) through a contracted middleman who manages the relationship with smallholders. After a production cycle of six to nine months, TC's portfolio company purchases the output at a 10% premium over market price. This mechanism addresses the situation where informal buyers, often from outside Senegal, routinely fail to honour purchase agreements. Instead, the model creates a structured, higher-income channel for smallholders.

Commercial sustainability

TC generates revenue from four sources: (1) interest income on loans to portfolio companies; (2) management and success fees charged on disbursements; (3) interest earned on bank deposits; and (4) proceeds from exits.

Exit proceeds are the fund's primary value-creation mechanism, but they are inherently lumpy and uncertain, particularly in a market where private equity remains a young asset class. The illiquidity of the West African exit market constrains TC's ability to realise returns and recycle capital into new investments.

TC operated for eight years before CFYE and can function without donor funding. But as an impact fund investing in riskier sectors, its current operations require a concessional layer. The rationale is mainly about reassuring investors: A first-loss or grant layer signals to the investment committee and to partners that the riskier investments in tech and green companies are partially cushioned. This is a common dynamic in impact investing, where blended finance structures use concessional capital to mobilise commercial investment.

3 CFYE support and additionality

CFYE provided €800,000 in grant funding as part of a €1.8 million project (€1 million from TC's own resources). The grant was structured across four output areas: digital and green training for portfolio companies, equity investment in new companies in underserved sectors, health insurance provision for portfolio company employees, and working capital pre-financing for agri-sector supply chains. TC also received technical assistance through CFYE's TA facility, with heavy initial focus on business case development and a later shift to in-country MEL support.

"New investors, or even existing investors, understand that some part of the risk is absorbed by CFYE, and they're really interested by that. When we did the audit on CNC Shape, the outcome was very bad — it was very difficult to reconcile the financial statements. Without CFYE, it would be very difficult to convince our investment committee that this is a company worth investing in."

— **Mohamed Ngom**
Investment Manager, Teranga Capital

The additionality of CFYE's support is threefold.

- Internal risk appetite expansion: CFYE funding enabled investments in higher-risk tech and green companies that TC's investment committee would not have approved without the grant buffer. The CNC Shape investment is the clearest example. CNC is a high-potential startup with poor financial documentation that TC would not have backed without CFYE's de-risking.
- Mobilising external catalytic capital: the €800,000 grant helped TC achieve a €3 million first close by changing the risk perception of other investors.
- Measurement capacity: the MEL technical assistance built TC's ability to track and verify indirect employment outcomes.

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Teranga Capital had been focusing on employment improvement for many years before partnering with CFYE. CFYE's additionality was primarily about scale and reach by enabling riskier investments and building new measurement systems.

TC described the TA for tracking indirect employment outcomes as transformative. TC knew it was generating indirect impact through supply chain pre-financing but lacked the methodology and capabilities to document it. Among TC's donors, CFYE was the only partner focused specifically on job improvement and on building the systems to track it.

4 Results

TC's portfolio performance during the CFYE period illustrates the unpredictability of fund-based employment programming. The project anticipated three new investments totalling €600,000; in practice, TC made two investments totalling €1.5 million — roughly 2.5 times the planned amount concentrated in fewer companies. A third investment progressed through the full due diligence process and received investment committee approval but was ultimately dropped due to unresolved risk concerns at the final stage. This mismatch between projections and actuals reflects the nature of investment fund operations: due diligence typically takes 9–12 months, and the actual capital needs of companies only become clear through that process.

Indicator	Target	Achieved	% of target
Jobs improved	1070	1047 (90% indirect)	98%
Women beneficiaries	33.3%	17%	51%

Overall programme target: 1500 youth jobs. Job figures and targets reflect the current reporting period, based on the latest verified annual monitoring data. Final job reporting is expected in July 2026.

Employment results show strong performance on job improvement, though challenges on gender (17% women versus the 33% target). The gender performance reflects the underlying demographic composition of the agricultural workforce and its supply chains, as well as TC's limited ability to influence this.

5 Challenges

1. Measuring indirect employment outcomes is TC's most significant challenge and the one with the broadest relevance for the intermediary discussion. The verification chain between TC and the ultimate beneficiaries passes through multiple intermediaries: TC finances a portfolio company, which contracts a middleman, who manages relationships with smallholders. Language barriers compound the problem, as many smallholders are illiterate or do not speak French. Direct job verification is comparatively straightforward as insurance contracts provide employee lists of who is receiving the benefit. The indirect pathway remains genuinely difficult to verify.

2. The investment timeline is at odds with donor reporting cycles. TC's due diligence process takes 9–12 months, during which significant staff effort is invested with no guaranteed outcome. Quarterly progress reports, designed for grant-funded programmes, struggle to capture this kind of activity. Months of pipeline work may show no outputs until an investment is completed.

   "It's incredibly hard. You have different parties between us and the smallholder — we finance the portfolio company, the portfolio company gives the money to the middleman, and the middleman contracts with the smallholder. When we call to measure the job improvement, the smallholder will be like: who is Teranga Capital?"

   — **Mohamed Ngom**
   Investment Manager Teranga Capital

3. The sustainability of employment improvements after exit is unclear. TC subsidises health insurance for the first year and reports that most companies continue paying once they see the value. But tracking whether these changes persist after TC exits a company is difficult. Companies tend to maintain health insurance while performing well but may drop it if they encounter financial difficulties. There is no systematic post-exit monitoring, which means the long-term durability of TC's employment improvements is uncertain.

6 Lessons and implications

For funders and programme designers

- Expect significant departure from the plan when working through investment funds. TC's experience — two investments at €1.5M instead of three at €600K, plus one dropped deal — is likely typical rather than exceptional. Funders should build flexibility into programme design, focusing on the quality and impact of investments made rather than adherence to original projections on number and size.

- Grant capital is most catalytic when it changes risk perception rather than simply providing additional funding. The €800,000 CFYE grant's most important function was signalling to TC's investment committee and other investors that the riskiest bets were cushioned. This enabled TC to raise an additional €2.2 million and to approve investments that would otherwise have been rejected. Donors seeking to influence investment funds should consider how grant structures interact with fund governance and investor psychology.

- Invest in measurement infrastructure for indirect employment pathways. Many intermediaries may generate indirect employment effects through supply chains but lack the systems to track them. Building this capacity early in a programme enables intermediaries to understand and strengthen their own impact pathways.

For intermediaries and practitioners

- In TC's case, the "demonstration effect" approach appears to have worked for health insurance. TC's strategy of funding the first year of health insurance to prove its value, then relying on companies to continue, creates a sticky change. Employees become accustomed to the benefit, making it reputationally costly for companies to withdraw. This is a more sustainable mechanism than ongoing subsidy, though its long-term durability depends on company financial health.

- Clarity of focus on a single employment pathway enables depth over breadth. TC's deliberate choice to target only improve, grounded in a model that requires existing jobs as an investment precondition, allows the fund to develop expertise in formalisation and working conditions.

7 Future outlook

Teranga Capital's trajectory after CFYE is one of continuity and maturation. The fund intends to keep raising capital, investing in innovative startups, and working toward exits. The CFYE period has not redirected TC's strategy but has strengthened its capacity (particularly in measurement) and its capital base. The key structural challenge looking forward is the illiquidity of the West African private equity market, which constrains TC's ability to realise returns and recycle capital. As the broader ecosystem matures, with more funds, more deal flow, and more potential buyers, TC's model has the potential to become more commercially viable. In the meantime, blended finance structures that combine grant or first-loss capital with commercial investment remain important for enabling the riskier bets that generate the strongest employment outcomes.

Case study 5

Aman for Micro Finance Case Study

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This case study is part of the Challenge Fund for Youth Employment's Pathways to Employment (PTE) Learning Series Paper 4: Intermediaries. The PTE series explores how different business models support youth employment outcomes, by creating new jobs, improving job quality, or strengthening pathways into work, based on evidence from CFYEsupported initiatives across Africa and the Middle East.

Key takeaways

There is a trade-off in Intermediary selection: Large institutions offer reach and built-in sustainability, but the depth of engagement per borrower is constrained by the standardised lending model.

Leveraging existing systems supports outreach at scale: Embedding a youth lending programme within a large financial institution allowed CFYE to reach thousands of micro-entrepreneurs by leveraging existing branch infrastructure, digital platforms and loan officer capacity.

De-risking underserved segments unlocks engagement: CFYE's primary contribution was de-risking a borrower segment that commercial incentives didn't prioritise. Grant funding and mandated targets gave loan officers a reason to engage first-time youth borrowers.

Data integration can shift institutional behaviour: CFYE supported loan/client data is now embedded in Aman MF's AI credit scoring model. The organisation's risk assessment systems now recognise a previously invisible borrower segment.

Key Details

Intermediary	Aman for Microfinance (Aman MF), a subsidiary of Aman Holding which is part of Raya Holding (listed on the Egyptian stock exchange)
Geography	Egypt (250+ branches nationwide, including Upper Egypt)
Intermediary type	Non-banking financial institution / microfinance lender
Staff	230 staff recruited (76% female; verified Y1Q4))
Support model	Micro-loans (~€170 – €4,600) + financial literacy and business training + non-financial advisory through loan officers
Target sectors	Micro-enterprises across retail, services, textiles, transport and other sectors (e.g. kiosk operators, hairdressers, garages, sewing operations, ride-hail drivers)
CFYE contribution	€802,655 grant + €580,000 co-funding + TA on credit scoring framework

1 The problem

Egypt's young micro-entrepreneurs face a structural barrier to entering the formal financial system. With no credit history or collateral, they sit below the risk threshold of most non-banking financial institutions. Even within organisations willing to serve micro-borrowers, the commercial logic of lending pushes loan officers toward higher-value clients. First-time youth borrowers represent high uncertainty and small returns. They never reach the front of the queue.

> *"There is a sweet spot where we finance businesses. You would rank your least risky players with the biggest ticket items, and you track down the ladder as you go to first entrants into the market with zero credit history. Our sweet spot is always going to be near the top. Business as usual, this youth segment probably would never have reached the point where we're financing them. CFYE made it part of the sweet spot, albeit with a push."*
>
> — **Mohamed Abuzaid**
> **Senior Director of Strategy & IR, Aman Holding**

This creates a self-reinforcing exclusion cycle. Without an initial loan, young entrepreneurs cannot build the credit history that would qualify them for future financing. Egypt has limited credit bureau coverage, an absence of open banking, and fragmented alternative data sources, particularly for youth and first-time borrowers. CFYE's partnership with Aman MF was designed to break this cycle by de-risking a borrower segment that commercial investors were willing to underwrite.

2 The Intermediary model

How it works

Aman Holding is one of Egypt's largest non-banking financial institutions, operating three verticals: payment aggregation (250,000 point-of-sale terminals deployed, 130,000 active POS across 100,000+ merchants), consumer finance, and business finance for micro-entrepreneurs. It is a subsidiary of Raya Holding, a listed conglomerate operating 11 portfolio companies across seven countries.

The CFYE-funded programme operates within Aman MF's lending cycle which delivers business finance to micro-entrepreneurs through a nationwide branch network. Prospective borrowers reach Aman MF through digital channels or through direct branch outreach. An initial screening is followed by document collection, credit assessment, and mandatory business training covering financial management and business planning. Upon completing the training, borrowers receive loans ranging from EGP 10,000 to 266,000 (approximately €170 to €4,600), with first-time borrowers typically receiving up to EGP 100,000 (€1,625). Throughout the repayment period, loan officers provide ongoing advisory support, functioning as a blend of account manager and business coach.

The model's defining feature is its integration within Aman's existing commercial infrastructure. CFYE's partnership layered youth-focused lending onto Aman MF's branch network, digital platforms, and operational processes. Aman MF recruited loan officers specifically for this segment, trained in youth-centred coaching and business advisory. These officers also serve Aman MF's broader client base, meaning the youth lending expertise is distributed across the organisation rather than siloed in a standalone project.

The Aman MF Business App supports approximately 40% of loan processing, with the remaining 60% handled through branches. In practice, the two channels blend: loan officers in branches frequently help digitally underserved borrowers, particularly in Upper Egypt, to complete app-based processes.

Employment pathway

Create	Each new micro-loan to a first-time borrower whose business is up and running for at least 4 months = 1 created job (self-employment).
Improve	Loan renewals where borrowers meet ≥2 of 4 indicators: (1) stable/improved credit score, (2) increased income, (3) new vendor or client contracts, (4) additional jobs generated.
Internal employment	New Aman MF staff hired (primarily loan officers) and existing staff promoted following CFYE-funded training.

The employment pathway for Aman differs from other Intermediary case studies in this paper. Where other intermediaries invest in SGBs that then hire employees, Aman MF lends directly to individuals who become self-employed micro-entrepreneurs. The causal chain is shorter (funder ⍰ intermediary ⍰ individual borrower) and each loan creates a single self-employment position such as a kiosk operator, hairdresser or ride-hail driver, rather than generating multiple jobs through business growth. The secondary pathway of existing borrowers who expand and hire others is tracked through improvement indicators but represents a smaller share of total outcomes.

3 CFYE support and additionality

CFYE's support comprised two main elements: grant co-funding to absorb the risk of lending to first-time youth borrowers, and TA focused on a credit scoring framework for borrowers with no financial history.

The credit scoring TA produced a hybrid framework: 80% based on structured surveys completed by loan officers (assessing business viability, cash flow projections, financial reputation in the borrower's community, and repayment affordability) and 20% driven by an AI model that cross-checks the loan officer's assessment. The dual structure guards against loan officers approving borderline cases purely to meet incentive targets, while also building a data asset that improves with each lending cycle.

The additionality case looks promising. Before CFYE, Aman MF had no structured youth lending programme. First-time borrowers with zero credit history were effectively excluded by the normal risk appetite of the business. CFYE funding created mandated targets, giving loan officers an explicit reason to engage this cohort rather than optimising exclusively for the safest clients.

The institutional effects extend beyond the immediate programme. Aman's AI credit scoring engine, which drives risk assessment across the entire business, has absorbed the data from CFYE-funded borrowers. The neural network weights have been permanently adjusted to recognise patterns in this previously unknown segment. Mohamed described this as irreversible: once the AI model has learned from this data stream, the learning cannot be removed.

"It's been embedded. It's like a tattoo — the needle leaves the skin, but the pigment is there to stay. There is a physical track record and there is also a perception change. People who have had mandates to approach this cohort have now actually built relationships with those people. And even if the whole employee set who worked with CFYE leave the organisation, it's still baked into the AI model for the future."

— **Mohamed Abuzaid**
Senior Director of Strategy & IR, Aman Holding

Sustainability and institutional embedding

So far, the youth portfolio has generated revenue at a very low default rates, but it is unlikely to become Aman's core business. CFYE's contribution of around €800,000 represents a fraction of Aman MF's annual revenues. The sustainability question is whether the youth lending segment specifically will persist without grant support.

Three factors suggest that it will:

- In a growing company, even a segment that stays at the same small percentage grows in absolute terms.
- The loan officers serve the broader client base and are not exclusive to the CFYE partnership, so there is no standalone cost to maintain.
- There is no commercial reason to dismantle a functioning revenue stream.

"You're never going to shut down a business that is making money. And you're never going to shut down a business that is not costing you money either. It's more important that it is embedded in a sustainable business than to have a business that will survive for a couple of years and then die out — even if it was a core focus."

— **Mohamed Abuzaid**
Senior Director of Strategy & IR, Aman Holding

4 Results

Indicator	Target	Actual	% of target
Youth jobs created	2100	2968	141%
Youth jobs improved	2200	3,524	160%
Staff recruited	150	230 (76% female)	153%
Female borrowers	60%	58%	97%

Overall programme target: 574 staff jobs, 13000 indirect jobs (self-employed entrepreneurs), Job figures and targets reflect the latest verified monitoring data, from Y1Q4. Final job reporting is expected in July 2026

Aman MF exceeded both job creation and job improvement targets in the verified Y1Q4 figures. The split is notable for being one of the more balanced create-to-improve patterns in the portfolio, against most Intermediaries skewing heavily toward improve. The level of results achieved is partly explained by the unique Cost Structure: Aman MF's cost structure reflects the benefits of embedding within a large institution. Fixed costs such asmarketing, branch network, IT, and compliance are already absorbed by Aman MF's core business, so the new loans segment incurs only minimal marginal cost. As Mohamed noted, take this outside of Aman's ecosystem and suddenly you need dedicated marketing, standalone infrastructure, and substantially higher per-borrower costs.

The gender results tell a balanced story. Internal hiring is strongly female (76%), andnew borrower loans reach 58% female participation against a 60% target. The Egyptian labour market context makes this structurally challenging, and Aman has deployed targeted products, including a sewing machine loan product for women entering the textile industry, to address the gap.

5 Challenges

The primary operational challenge has been loan officer attrition. Recruitment reached 500 loan officers by mid-Year 2[1], yet significant numbers of staff resigned early in their tenure, causing Aman MF to have to rehire to keep these positions filled. Rather than treating turnover as a failure, Aman MF has designed its workforce management around churn as a structural feature of the Egyptian fintech labour market. AI-driven predictive workforce models identify likely departures approximately two months in advance, triggering pre-emptive job shadowing so new hires overlap with departing staff.

A second challenge relates to the monitoring burden. Aman MF found the granularity of results verification required disproportionate effort including inputs from both the CEO and the Senior Director of Strategy. This is senior leadership bandwidth that, in a company of Aman's scale, would not normally be allocated to a programme of this size. The point is not that verification is unnecessary, but that a one-size-fits-all framework may inadvertently penalise scale.

1 Reported at Y2Q2, though not yet verified

"The level of detail that we need to articulate and punch in is on par with SEC-kind reporting. I recognise that as you go into different markets and you're trying to hedge against foul play, this might be a tool you need. But that drill-down and granularity probably hedges loss of funding to a foul player — it just makes the law-abiding citizen jump through many hoops that are not meant for them."

— **Mohamed Abuzaid**
Senior Director of Strategy & IR, Aman Holding

6 Lessons and implications

For funders and programme designers

- Aman MF represents a different Intermediary archetype from the specialist fund managers and impact investors that make up most of this paper's case studies. Where smaller Intermediaries work intensively with dozens or hundreds of businesses, a large institutional partner like Aman MF reaches thousands of individual micro-entrepreneurs through a standardised product at a fraction of the cost. The lesson for programme designers is that Intermediary sub-type matters enormously. The choice between a high-volume institutional partner and a specialist Intermediary involves a genuine trade-off between breadth of reach and depth of engagement.

- The case also offers a model for how donor funding can catalyse institutional change without creating dependency. CFYE's grant funded a strategic push that embedded new capabilities, data, and risk tolerance within a commercially sustainable institution. The youth lending portfolio is expected to persist within Aman MF as a small share of operations. Every first-time borrower who successfully repays now has a credit history visible across Egypt's entire financial system, making them eligible for financing from any institution. This multiplier effect is a significant long-term contribution, even though it sits beyond Aman's own measurement scope.

For Intermediaries and practitioners

- Integrating donor-funded programmes into existing commercial infrastructure produces cost efficiencies. Because marketing, branch networks, IT, compliance, and management oversight are already in place, the marginal cost of adding a youth lending programme is low. Intermediaries considering donor partnerships should examine where programme activities can layer onto existing operations rather than requiring dedicated resources.

- The loan officer model offers a practical insight on managing the relationship between scale and personalisation. Aman MF's loan officers function as a blend of account manager and business coach, building long-term relationships with borrowers through the repayment cycle and beyond. Critically, these officers serve the broader client base and are not exclusive to the CFYE programme, which means the youth lending capability persists even after programme-specific funding ends. Designing staff roles that serve both programme and commercial objectives creates a natural sustainability mechanism.

7 Future outlook

The youth lending portfolio is expected to persist within Aman MF, though it will likely remain a small share of the group's operations. More broadly, the AI credit scoring model will continue to shape Aman's lending decisions across its entire portfolio. As the company pursues growth across multiple countries and sectors, the youth segment is positioned to grow with it in absolute terms.

The question for future programmes is whether this institutional embedding model can be replicated with other large financial institutions in other markets? And can the breadth-depth trade-off inherent in the approach be partially mitigated through more structured post-disbursement support or linkages to other financial institutions as micro-businesses grow and need more and different types of capital and advice.

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