

Firms, Growth and Equity

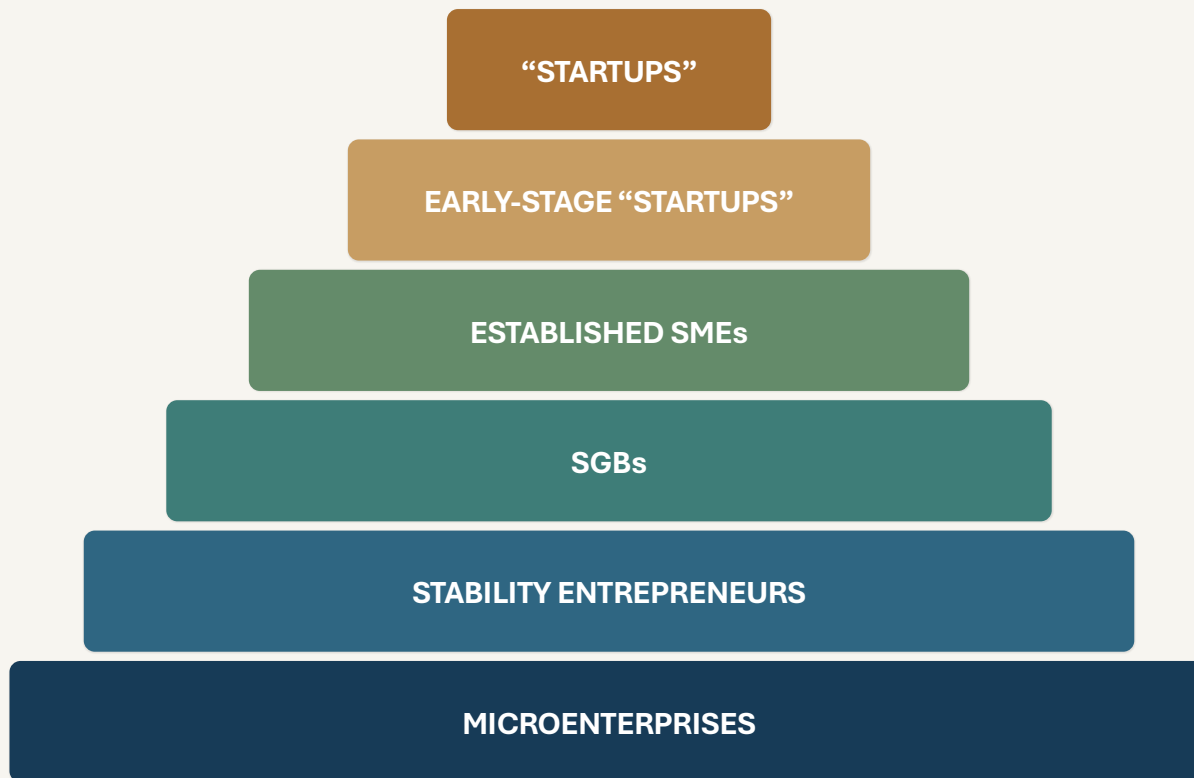
Chris Woodruff, University of Oxford and IGC

Tenth High-Level Economic Growth Forum

Kampala, Uganda, August 27-28, 2026



The Private Sector Pyramid

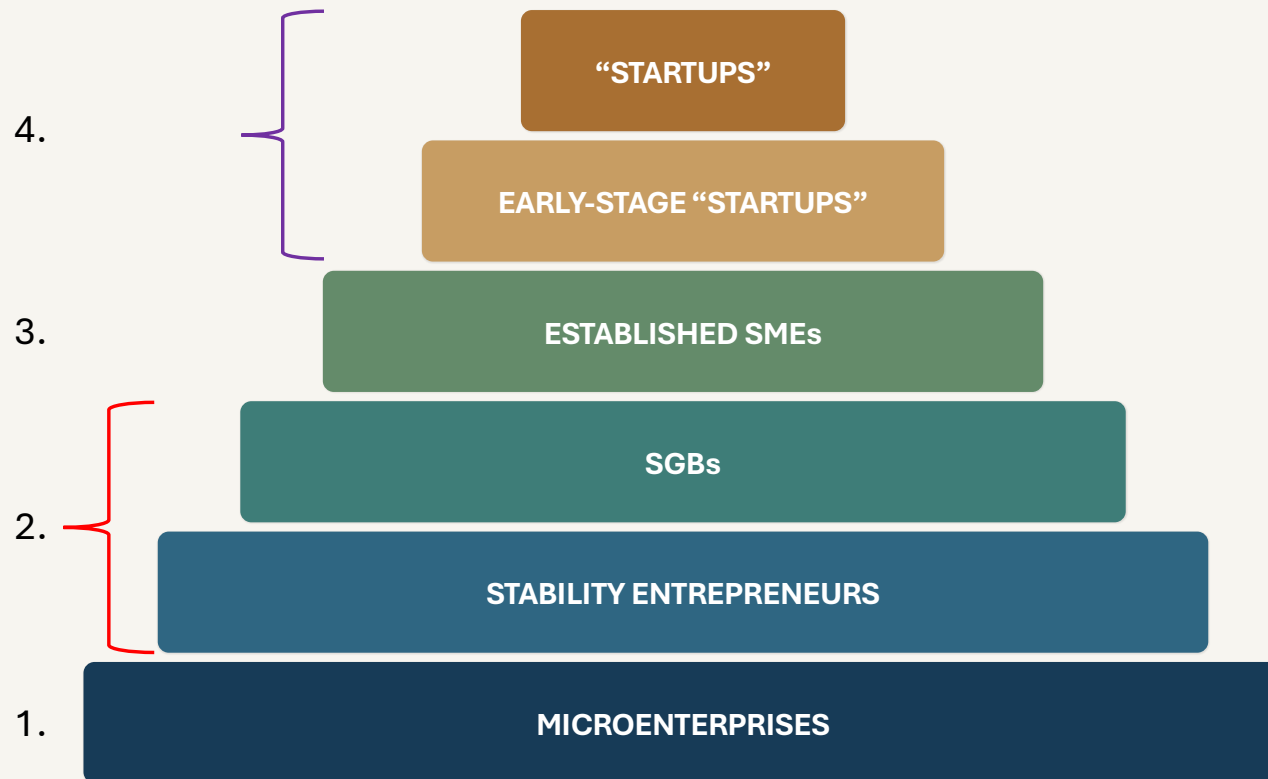


The ladder is ordered by firm size and growth potential—not by a precise estimate of population shares.

Moving upward generally means:

- larger financing needs
- greater capacity to absorb risk capital
- broader markets and growth potential

The Private Sector Pyramid



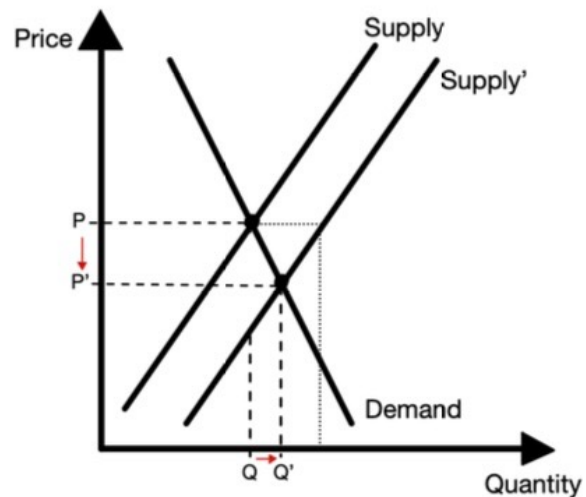
The ladder is ordered by firm size and growth potential—not by a precise estimate of population shares.

Moving upward generally means:

- larger financing needs
- greater capacity to absorb risk capital
- broader markets and growth potential

I'll start with two points related to the markets firms operate in to frame our thinking.

A. Jobs or something more interesting?



(a) Domestic markets

When should we expect interventions to lead to job creation?

Interventions lead to productive or allocative efficiency gains

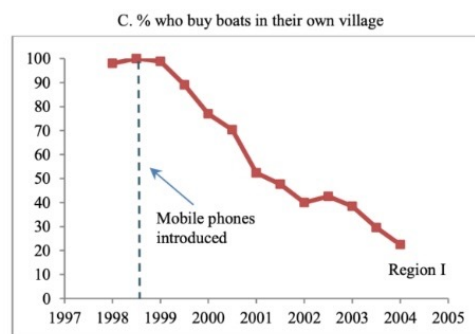
- Supply curve shifts out
- Demand displacement
- Gains to consumer welfare, not so much to total employment.

B. Market integration (or a nice example of A.)

Jensen and Miller (2018) is an excellent example of market integration driving allocative efficiency. The story in five pictures:



(a) Mobile phone rollout



(b) 'Boat-buying behaviour

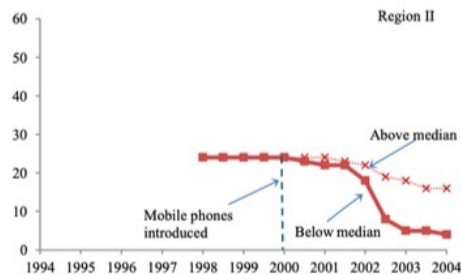
Figure: Market Integration: Mobile phones and learning about “distant” suppliers

When should we expect interventions to lead to job creation?

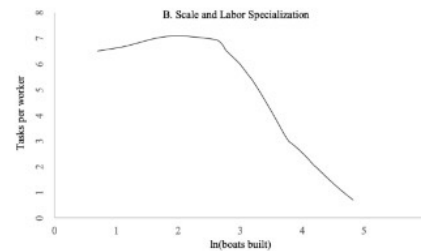
Interventions lead to productive or allocative efficiency gains

- Supply curve shifts out
- Demand displacement
- Gains to consumer welfare, not so much to total employment.

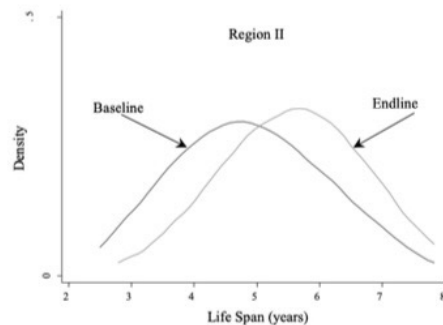
B. Market integration (or a nice example of A.)



(a) Allocative efficiency



(b) Productive efficiency



(c) Quality (not quantity)

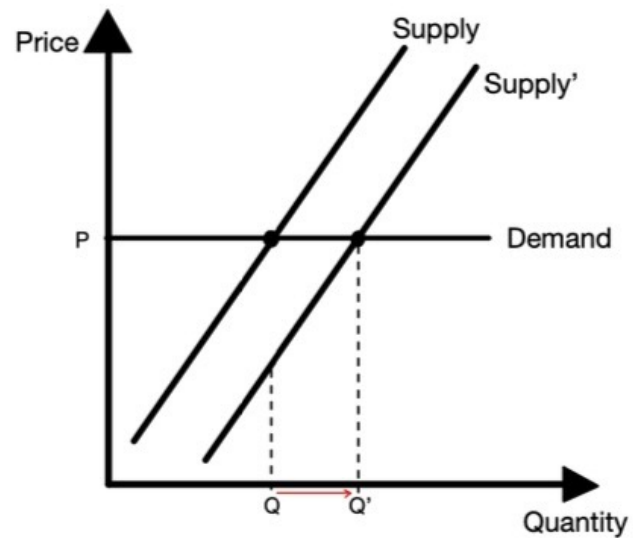
When should we expect interventions to lead to job creation?

Interventions lead to productive or allocative efficiency gains

- (Quality-adjusted) Supply curve shifts out
- Demand displacement
- Gains to consumer welfare, not so much to total employment.

Source: Jensen and Miller 2018

C. Jobs *and* something more interesting?



(b) “export markets”

When should we expect interventions to lead to job creation?

Interventions lead to productive or allocative efficiency gains

- Supply curve shifts out
- Demand is vast world demand
- Gains to employment, no gains to consumer welfare.

C. Jobs *and* something more interesting?

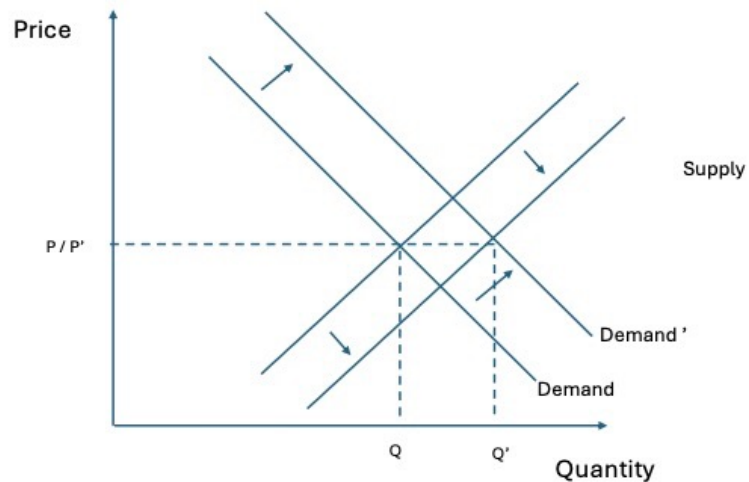


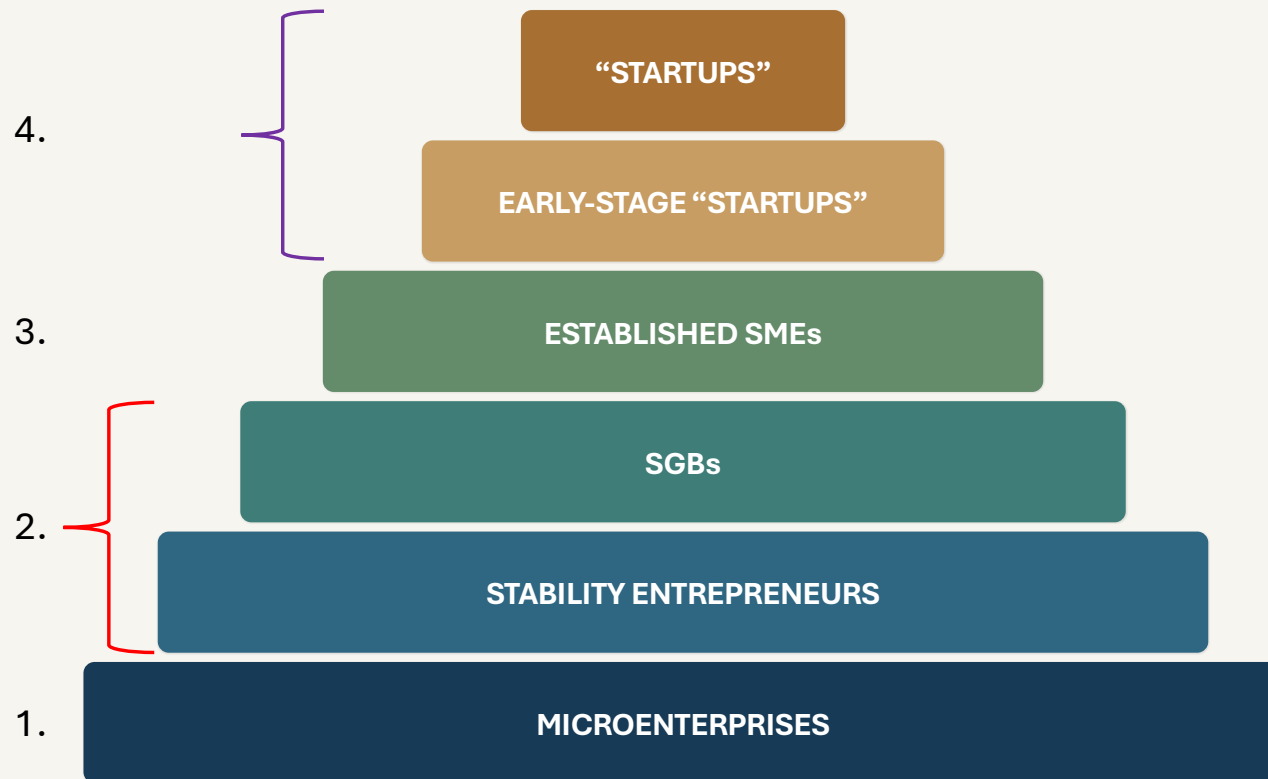
Figure: New connections → Innovation

When should we expect interventions to lead to job creation?

Innovation creates new domestic markets.

- Both supply *and* demand curves shifts out
- Gains to employment *and* to consumer welfare.

The Private Sector Pyramid



The ladder is ordered by firm size and growth potential—not by a precise estimate of population shares.

Moving upward generally means:

- larger financing needs
- greater capacity to absorb risk capital
- broader markets and growth potential

1. A lot of research and evidence.
4. A roadmap
2 and 3. A lot of work to do.

1. Microenterprises: The Bottom of the Pyramid

“STARTUPS”

EARLY-STAGE “STARTUPS”

ESTABLISHED SMEs

SGBs

STABILITY ENTREPRENEURS

MICROENTERPRISES

Source of livelihoods for a very large share (>50%) of workforce; < \$5k

Livelihoods

- Production / consumption smoothing
- Not employment, but income growth
- Grants or loans?

1.

1. Microenterprises: The Bottom of the Pyramid

How the Literature Describes Microenterprises

Word cloud based on 15 highly cited academic articles in economics, development, and entrepreneurship (see sources below)



Sources: 15 Highly Cited Articles

1. de Mel, S., McKenzie, D., & Woodruff, C. (2008). *QJE*, 123(4), 1329-1372.
2. McKenzie, D., & Woodruff, C. (2004). *JDE*, 80(2), 367-414.
3. Fafchamps, M. (2004). *JDE*, 72(1), 1-29.
4. Karlan, D., & Valdivia, M. (2011). *RFS*, 24(8), 2991-3018.
5. Bruhn, M., & McKenzie, D. (2009). *JEP*, 23(5), 1329-1348.
6. Guner, N., Ventura, G., & Xu, Y. (2008). *JPE*, 116(5), 1802-1844.
7. Banerjee, A. V., & Duflo, E. (2007). *JPE*, 115(4), 1041-1069.
8. Ayyagari, M., Beck, T., & Demirgüç-Kunt, A. (2007). *WB Policy Research Working Paper* 4308.
9. Hidrobo, M., et al. (2014). *JDE*, 106, 336-353.
10. Gindelsky, M., & Newhouse, D. (2014). *JDE*, 170, 197-219.
11. Boucher, S. R., et al. (2016). *JDE*, 121, 327-344.
12. Naudé, W. (2011). *Small Business Economics*, 36, 1-22.
13. Fields, G. S. (2009). *Journal of Economic Inequality*, 7, 139-158.
14. ILO (2019). *Women and Men in the Informal Economy: A Statistical Picture*.
15. Verheud, L., et al. (2012). *Entrepreneurship: Theory & Practice*, 36(5), 953-971.

Note: Many papers use overlapping terminology. Variants (e.g., "own-account" and "self-employed") are shown separately when both appear in the literature.

Source of livelihoods for a very large share (>50%) of workforce; < \$5k

Livelihoods

- Production / consumption smoothing
- Not employment, but income growth
- Grants or loans?

1.

MICROENTERPRISES

1. Microenterprises: The Bottom of the Pyramid



Figure: Cost Effectiveness Categorisation with adjustments for loan recycling

Source of livelihoods for a very large share (>50%) of workforce; < \$5k

Livelihoods

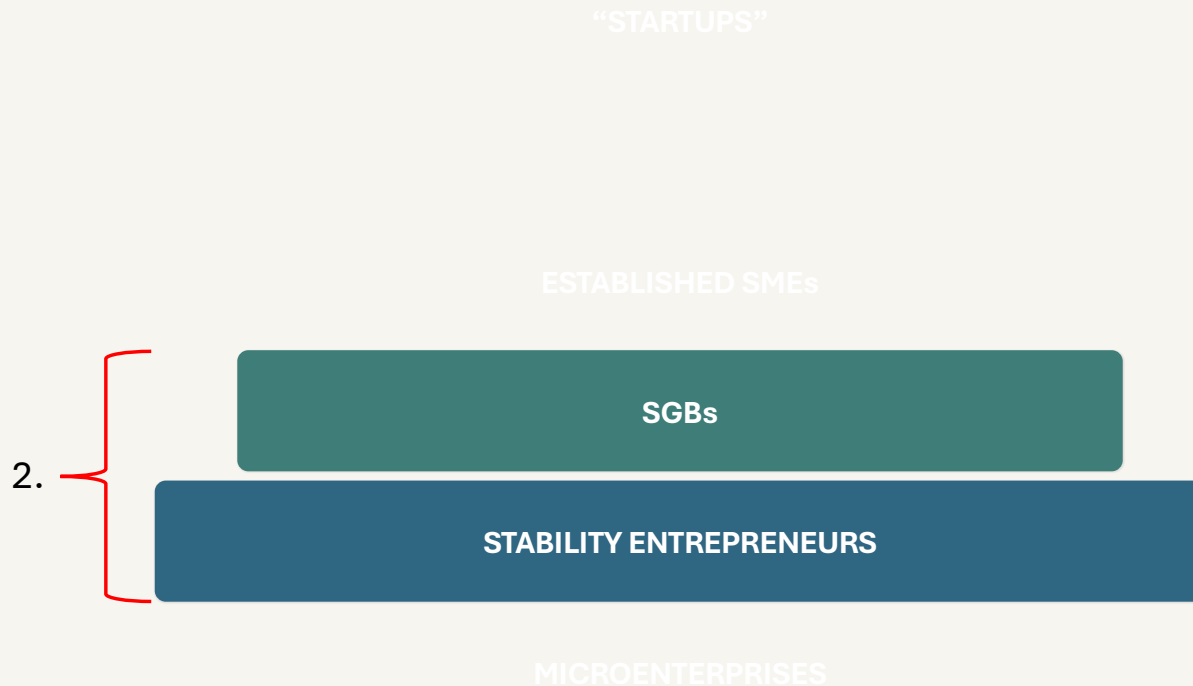
- Production / consumption smoothing
- Not employment, but income growth
- Grants or loans?

1.

MICROENTERPRISES

Source: Woodruff and Mahon: "SME Promotion for Jobs and Growth", 2025

2. Small firms, stable and growing



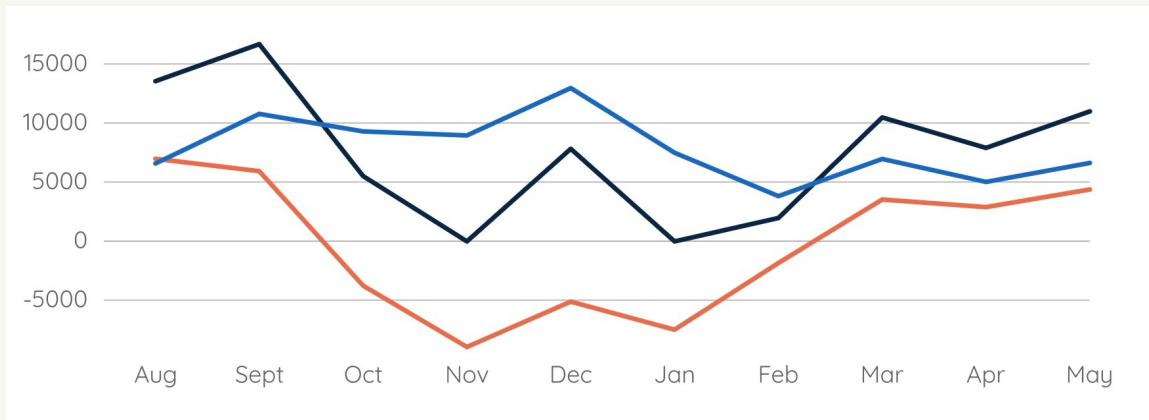
Employers; Not net jobs, but “good” jobs? \$5k-\$100k

Stability and growth

- Mostly serve local markets
- On the cusp of formalization
- Growth may displace demand served by informal, own account workers.

References: NYU: “Small Firm Diaries” project.
Argidius:

2. Small firms, stable and growing



2.

SGBs

STABILITY ENTREPRENEURS

MICROENTERPRISES

Employers; Not net jobs, but “good” jobs? \$5k-\$100k

Finance needs to solve two problems: Stability and growth

- High variance in sales + Desire to grow
- Capital is challenging: Opacity means banks struggle to serve; need risk sharing.
- Innovation needed:
 - Fintechs (working capital);
 - Shona / Inua Capital (growth capital);
 - Local currency.

References: Graphic from Freschi et al. “Big Challenges for Small Firms”, NYU 2025

3. Established MEs

3.

EARLY-STAGE “STARTUPS”

ESTABLISHED SMEs

Needs: Patient capital and market integration; \$250k-\$5M

Moving upward generally means:

- Eslava and Haltiwanger: Firm dynamics are weaker in lower-income countries
- More competitive markets (complicated!); Bigger markets: market integration / exports
- TLG Africa; GIP Ghana / Zambia

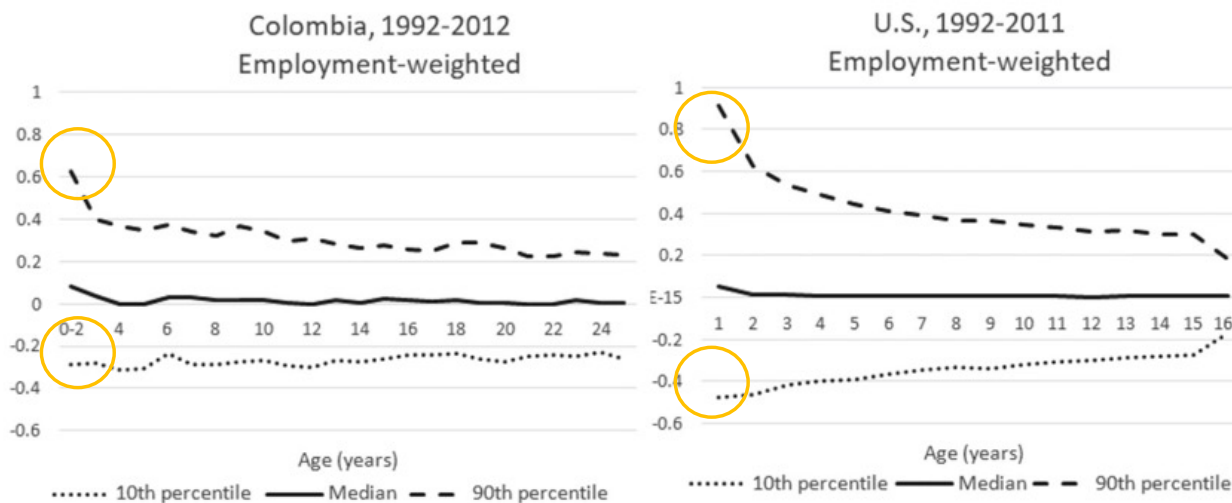


FIGURE 4. Distribution of employment growth rates for continuers. *Notes:* Appropriate caution is need in comparing

Source: Eslava, Haltiwanger and Pinzon, 2022 *Economia*

3. Established MEs

“STARTUPS”

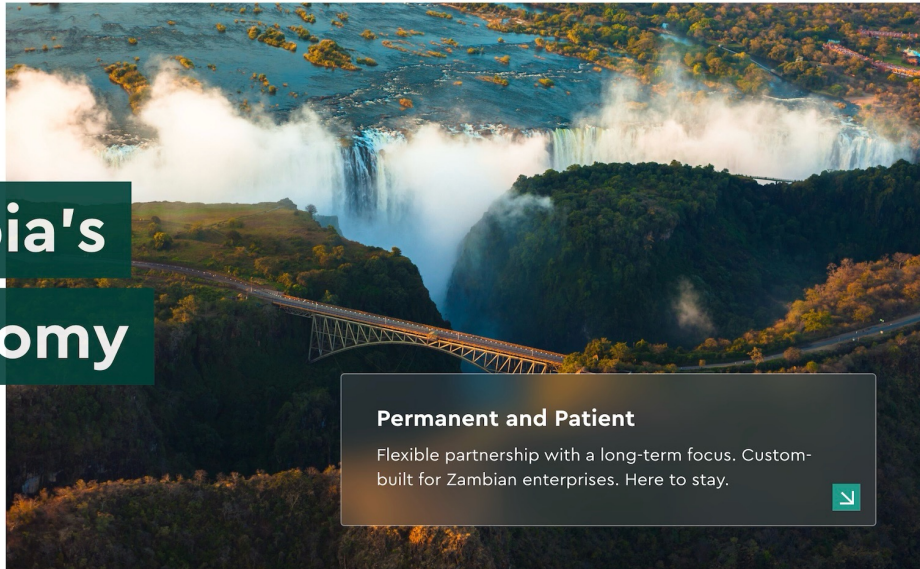
3.

ESTABLISHED SMEs



HOME WHAT WE DO ABOUT US PARTNER WITH US NEWS CONTACT

Driving Zambia's
Growth Economy



Permanent and Patient

Flexible partnership with a long-term focus. Custom-built for Zambian enterprises. Here to stay.

Needs: Patient capital and market integration; \$250k-\$5M

Moving upward generally means:

- Eslava and Haltiwanger: Firm dynamics are weaker In lower-income countries
- More competitive markets (complicated!); Bigger markets: market integration / exports
- TLG Africa; GIP Ghana / Zambia

Source: Eslava, Haltiwanger and Pinzon, 2022 *Economia*

3. Established MEs

“STARTUPS”

3.

ESTABLISHED SMEs

Needs: Patient capital and market integration; \$250k-\$5M



HOME WHAT WE DO ABOUT US PARTNER WITH US NEWS CONTACT



Driving Zambia's
Growth Economy



HOME WHAT WE DO ABOUT US PARTNER WITH US NEWS CONTACT

Moving upward generally means:

- Eslava and Haltiwanger: Firm dynamics are weaker In lower-income countries
- More competitive markets (complicated!); Bigger markets: market integration / exports
- TLG Africa; GIP Ghana / Zambia

JAN2020

Incubation

BII & Founding Management team partnering to frame the problem and design the institution's blueprint

JAN2021

Design

Creating a business operating model built for the Ghanaian business landscape

NOV2022

Creation

Co-creation of products with input from 300 Ghanaian businesses and establishing foundation of the business

JUL2023

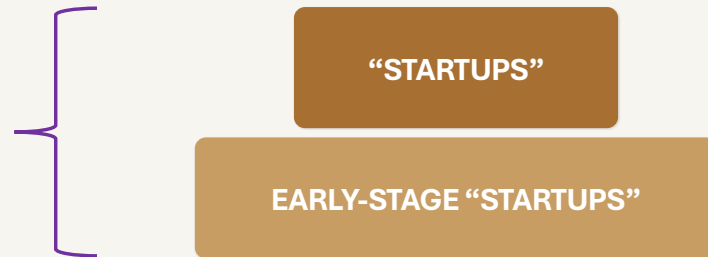
Launch

GIP is licensed by the SEC in June 2023 and is launched as a business

Source: Eslava, Haltiwanger and Pinzon, 2022 *Economia*

4. VC-backed firms: Selection, Selection, Selection

4.



The importance of Angels: Bundle knowledge and financial capital

Local knowledge and local capital

- Hellman and Thiele (2019) on building an angel community.
- Start-up Fund of Funds (e.g., India)
- Local capital (e.g., pension and insurance funds)

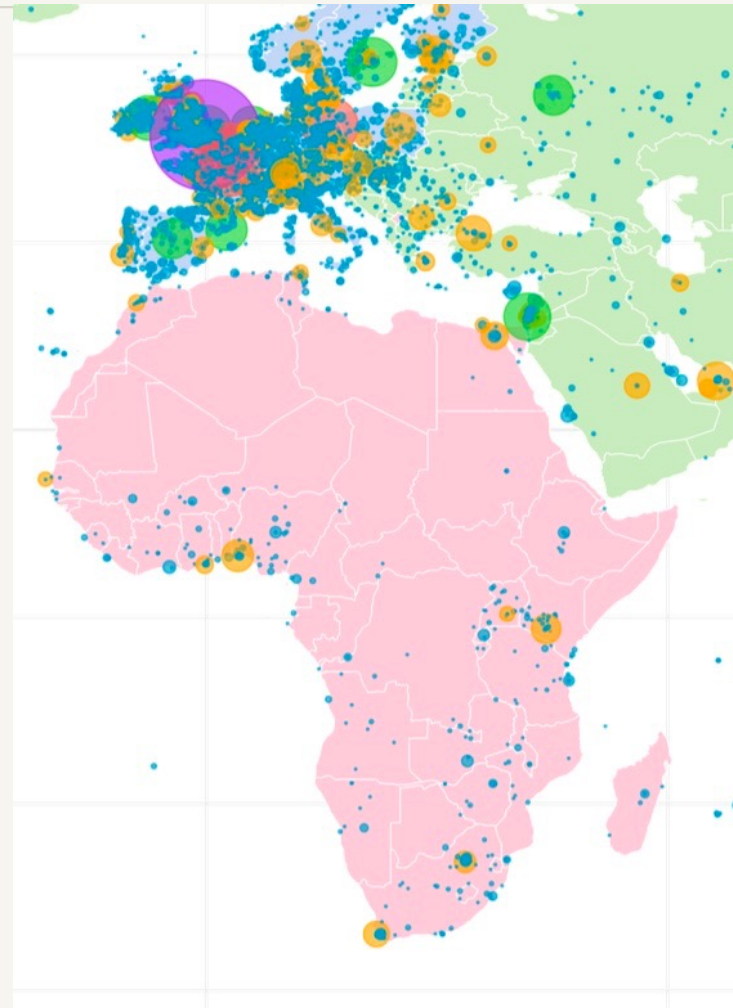


4. VC-backed firms: Selection, Selection, Selection

4.



Uganda has a fairly active startup ecosystem



Source: Colonnelli et al. “Startups in Africa” 2026.
Data from Pitchbook, Briter Bridges.

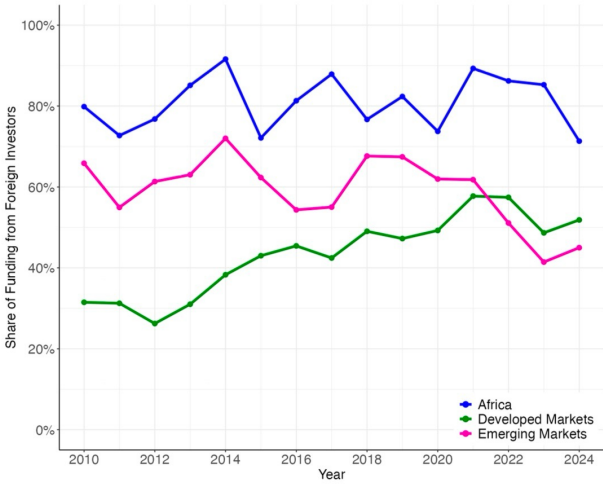
4. VC-backed firms: Selection, Selection, Selection

4.

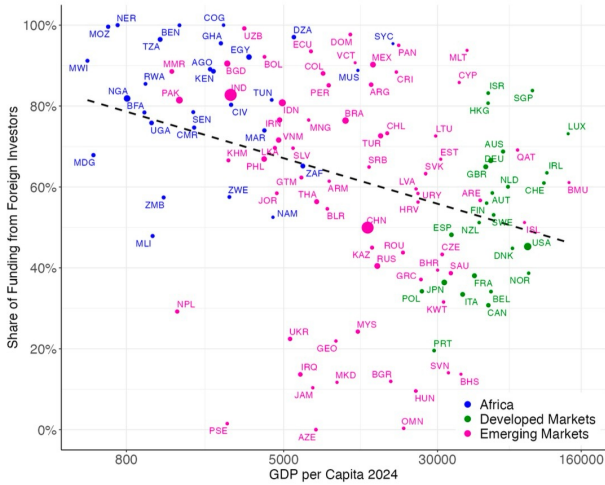
“STARTUPS”

EARLY-STAGE “STARTUPS”

But investment capital is almost all foreign



(A) Share of Funding from Foreign Investors



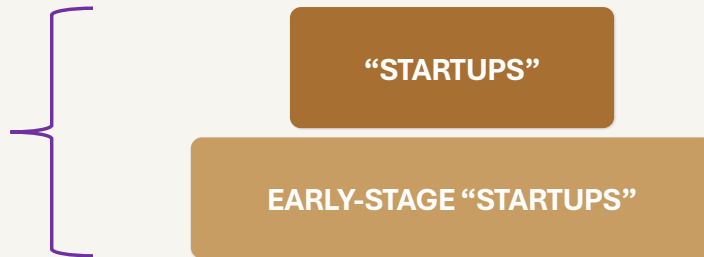
(B) Share of Funding from Foreign Investors vs. GDP

FIGURE 8. The Dominance of Foreign Capital

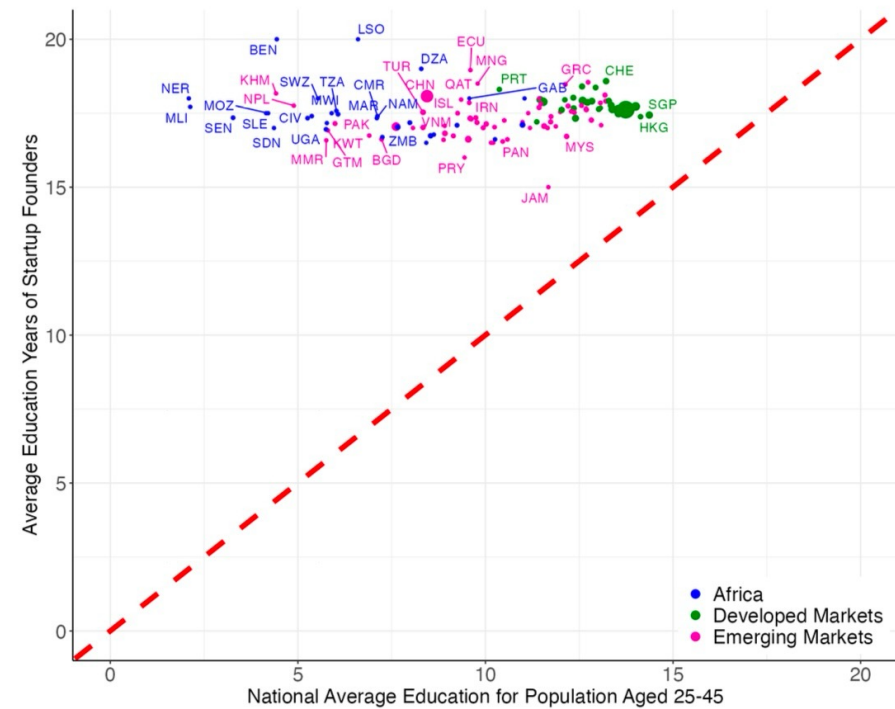
Source: Colonnelli et al. “Startups in Africa” 2026.
Data from Pitchbook, Briter Bridges.

4. VC-backed firms: Selection, Selection, Selection

4.



VC founders are very highly educated.

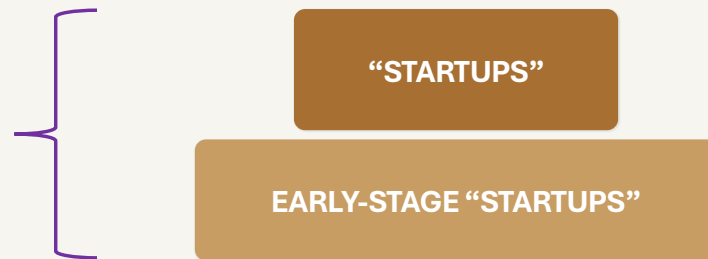


(A) Education: Startup Founders vs. National Average

Source: Colonnelli et al. "Startups in Africa" 2026.
Data from Linked-In, surveys

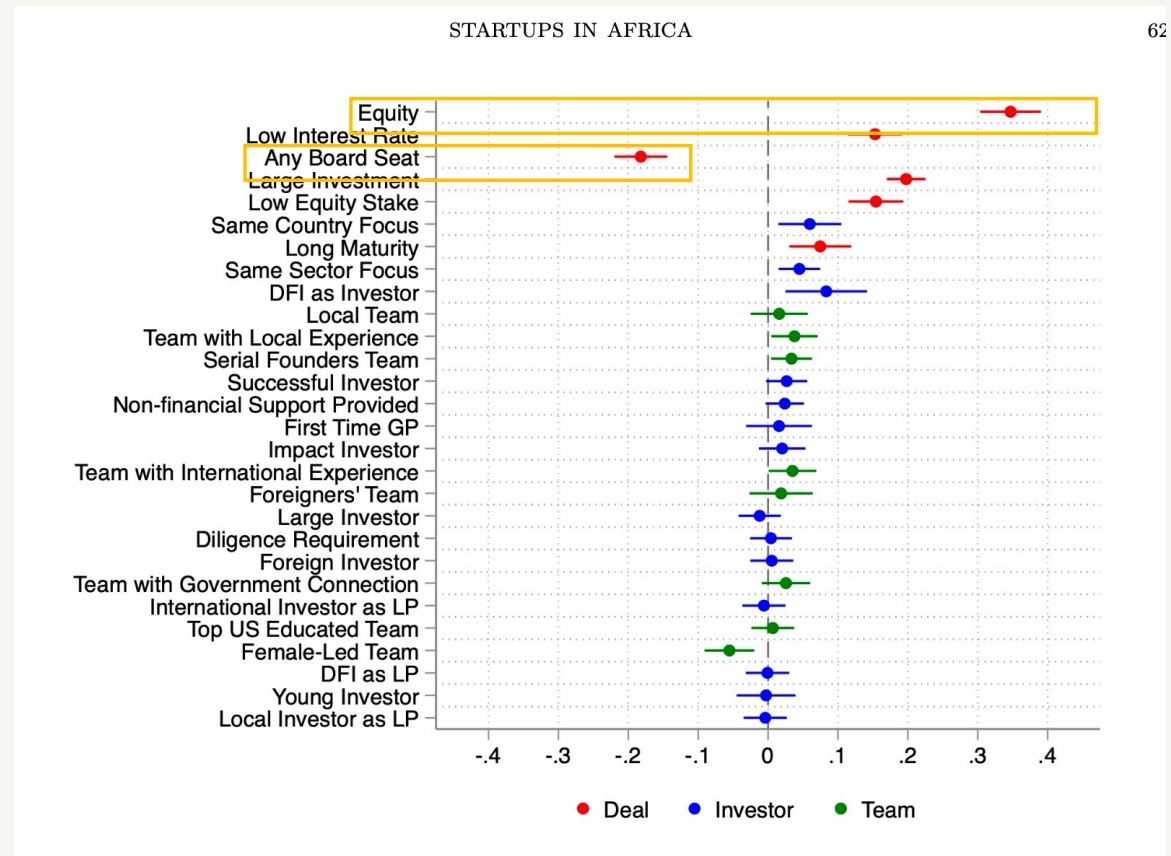
4. VC-backed firms: Selection, Selection, Selection

4.



What Founders want:

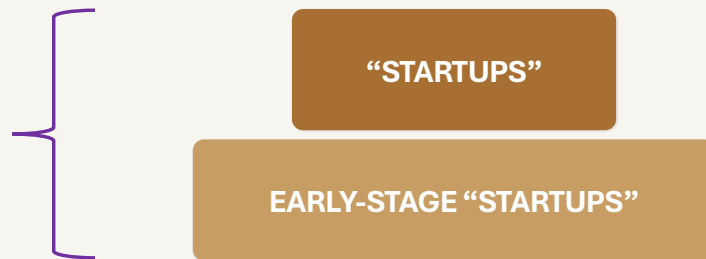
Large equity investments - without giving up control. A cry for risk sharing, but not really equity.



Source: Colonnelli et al. "Startups in Africa" 2026.
Data from Linked-In, surveys

4. Angels: Increasing the stock of experienced entrepreneurial capital

4.



Example from India:

- * 2013: Created Angel Investment funds as fund type of AIF.
 - Strict standards for who could invest
- * 2016: Committed \$1.5B to a startup fund.
 - Around half of the GOI's commitment was ultimately invested - and that very slowly over time.
 - Required at least 1:1 match
 - Commitments to ~150 Alt Inv Funds
 - These funds invested in ~1200 startups
- * Re-upped in 2026

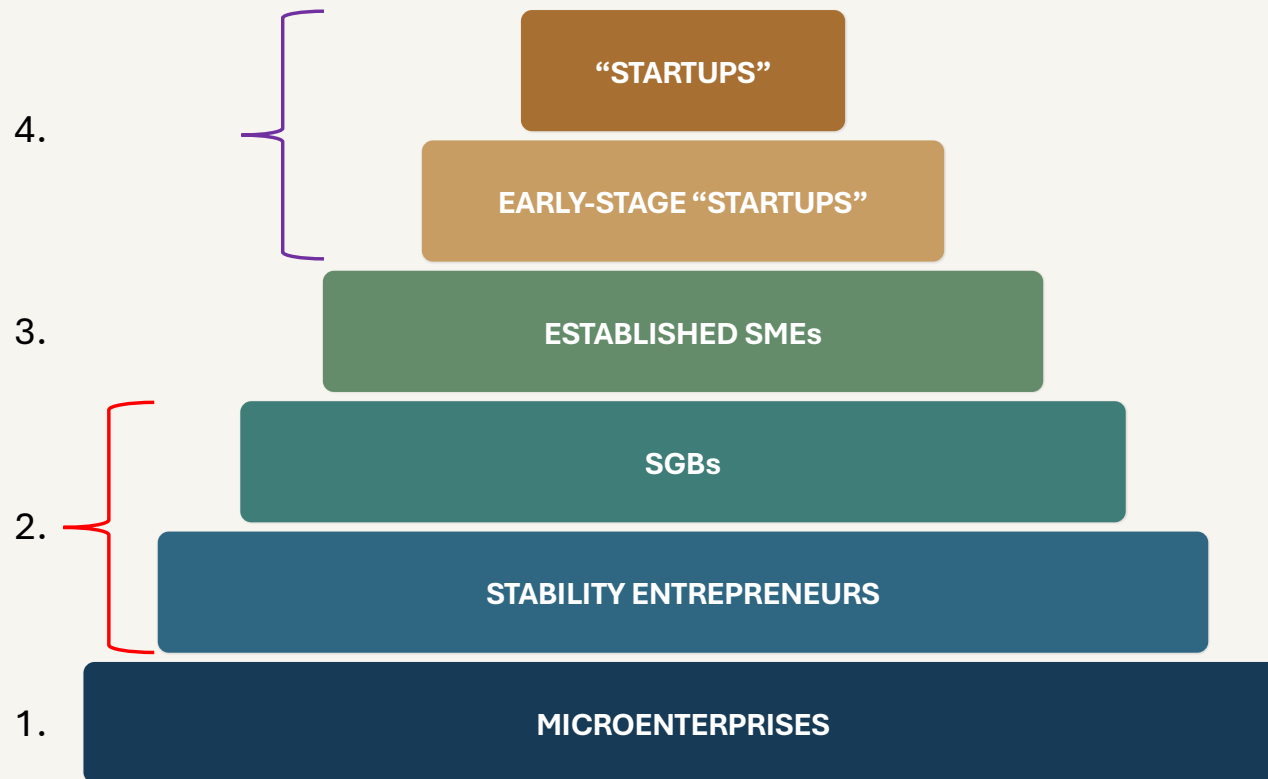
Hellman and Thiele: Subsidizing supply of capital rather than demand leaves founders in a stronger bargaining position → allows them to become angels after exit.

The importance of Angels: Bundle knowledge and financial capital

Local knowledge and local capital

- Hellman and Thiele (2019) on building an angel community.
- Start-up Fund of Funds (e.g., India)
- Local capital (e.g., pension and insurance funds)

Financing the Private Sector Pyramid



Two organizing ideas:

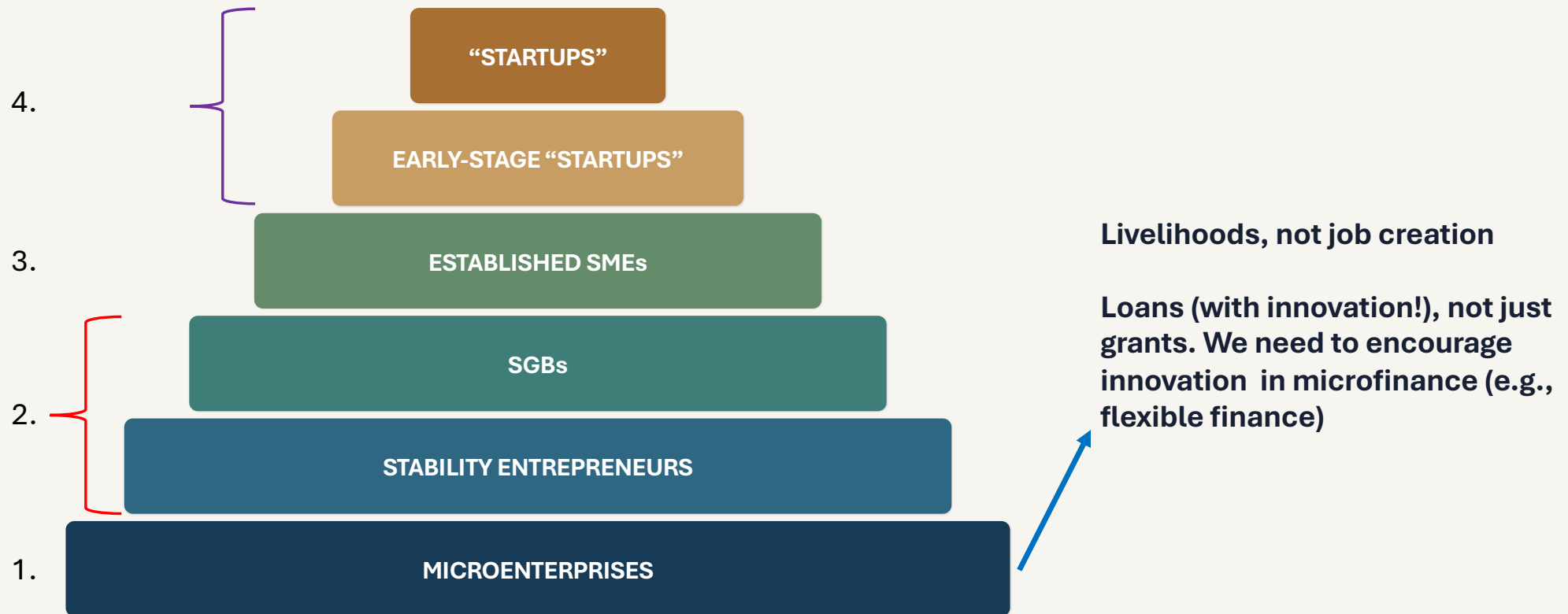
A. Where firms serve local markets, firm growth both creates and destroys jobs. This process can still leave consumers and workers better off.

B. Market integration:

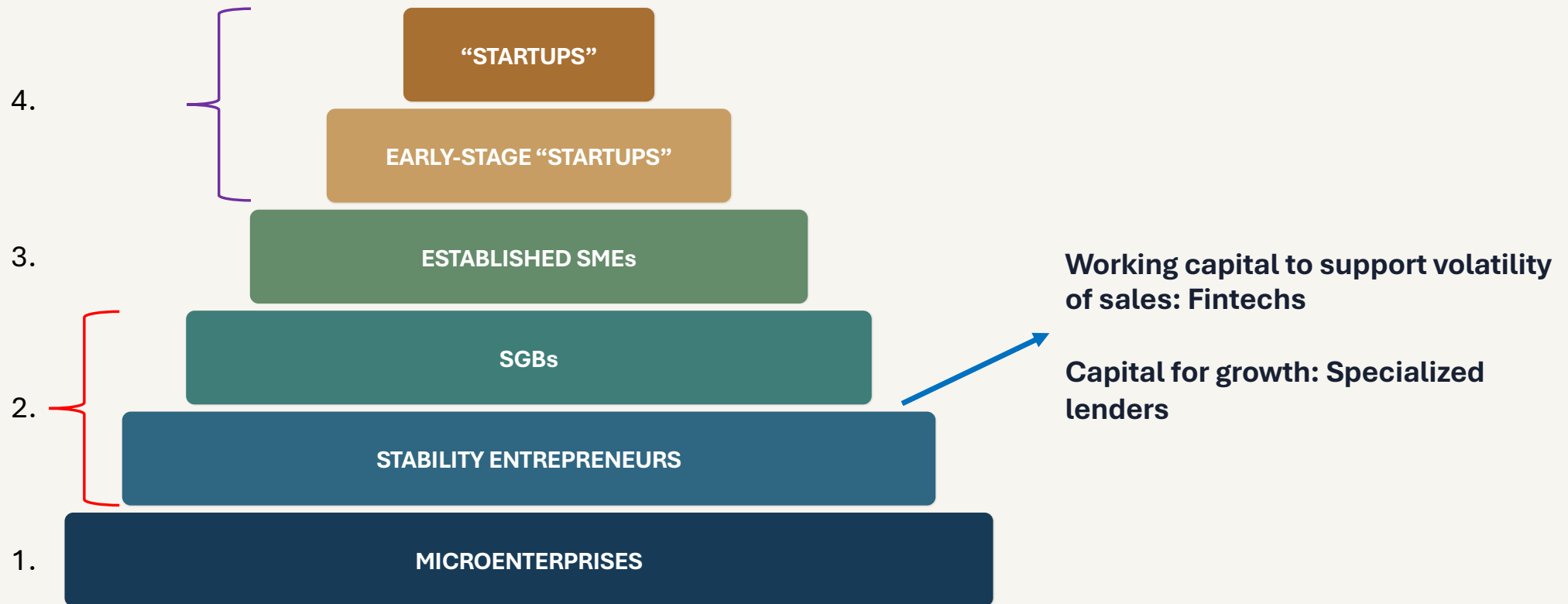
- * Allows the most productive firms to grow (allocative efficiency)
- * Increases competition and productivity (productive efficiency)

Finance is necessary to support firm growth.

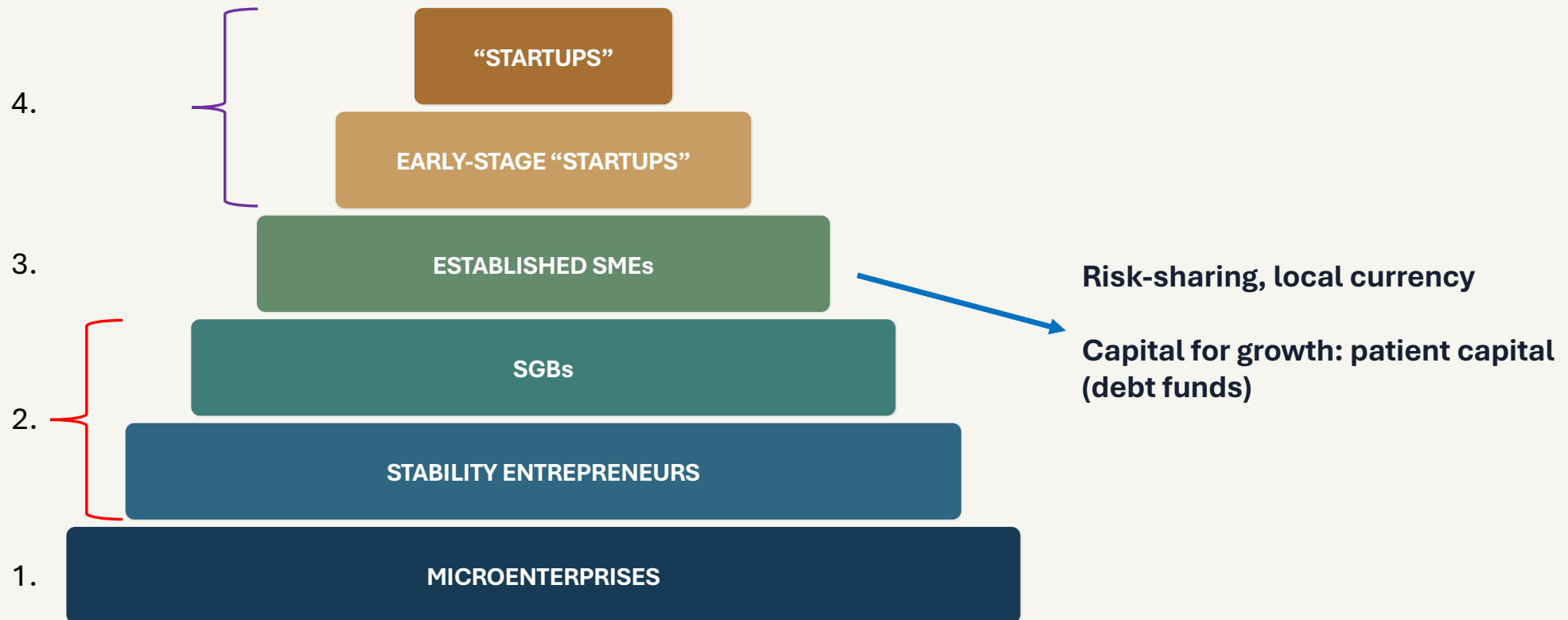
Financing the Private Sector Pyramid



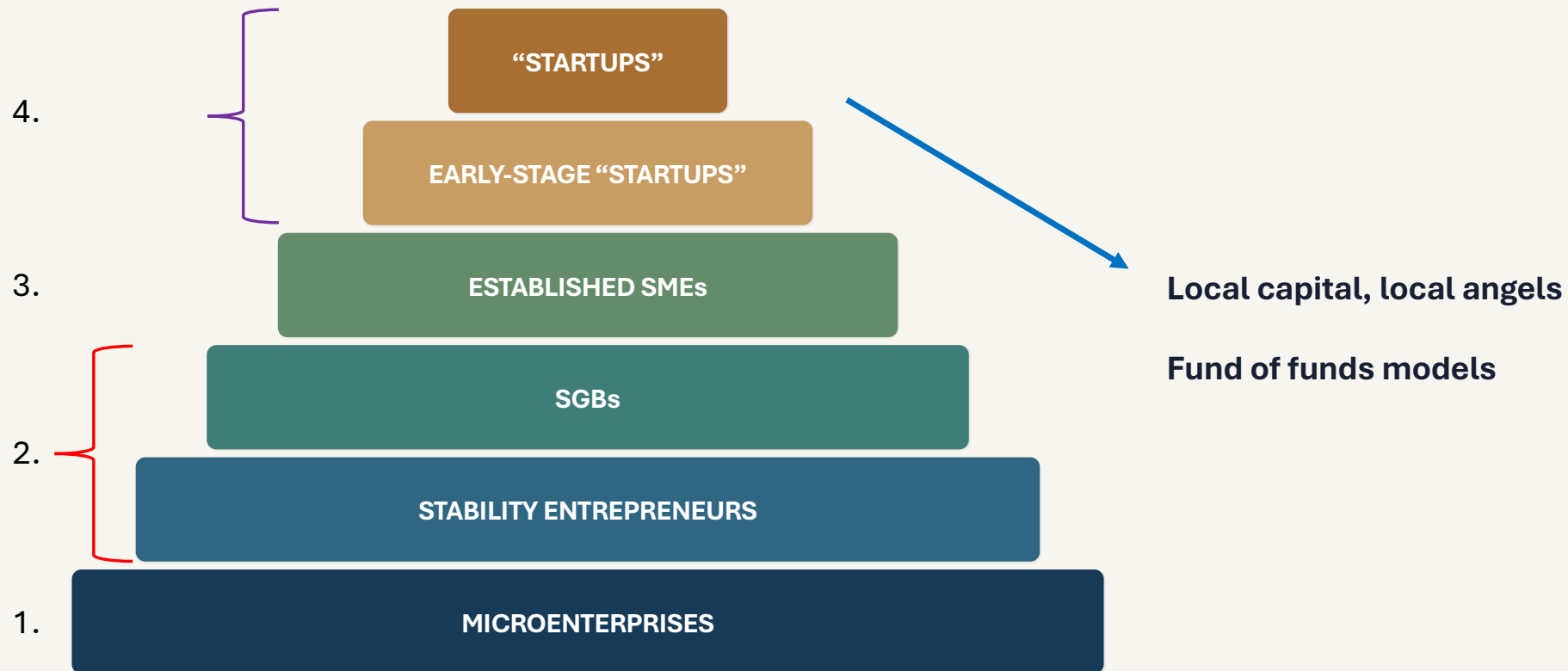
Financing the Private Sector Pyramid



Financing the Private Sector Pyramid



Financing the Private Sector Pyramid



A few closing thoughts

Localize everything

There is more innovation at the top of the pyramid, but it may be “tech heavy”. Uganda needs fast-growing firms in the “real economy”. The financing challenges are greatest there.

So...

Digitize everything – accounting standards, financial records, credit records, etc.

A few closing thoughts

Localize everything

There is more innovation at the top of the pyramid, but it may be “tech heavy”. Uganda needs fast-growing firms in the “real economy”. The financing challenges are greatest there.

So...

Digitize everything – accounting standards, financial records, credit records, etc.

Finally, there is a wall of funding coming from philanthropic donors. We need to make a case to direct that beyond cash grants to developing these financial instruments. That is where the leverage is.

And last finally: BII and the PEDL research program will co-host a conference on startup finance on 18 September. There is an online option. Search for “**Research and practice conference: The start-up ecosystem in Africa and Asia**”

Skype network visualised

950

companies

50

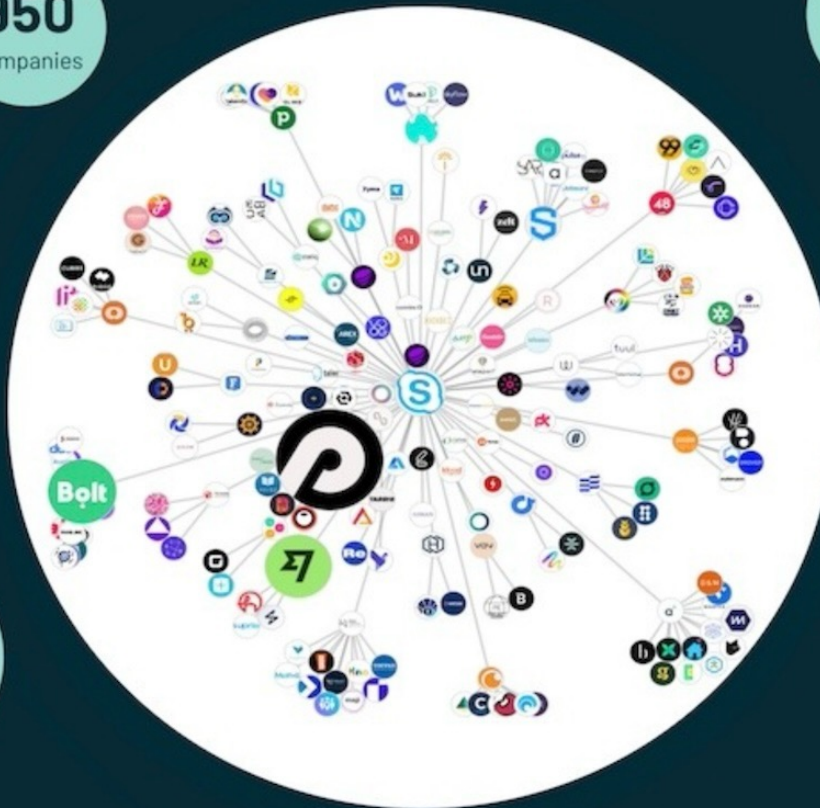
countries

65K

employees

\$3T

ecosystem
value since



Source: **atomico°** powered by  **dealroom.co** **crunchbase**

Notes: Based on public LinkedIn profiles only and companies defined as "tech" as per Atomico's proprietary taxonomy model. Nodes' size represent total capital raised by companies, VC funds are not sized according to their AuM. Data as of 20th of September 2023.

**STATE OF
EUROPEAN TECH23**

Thank You!

Skype network visualised

950

companies

50

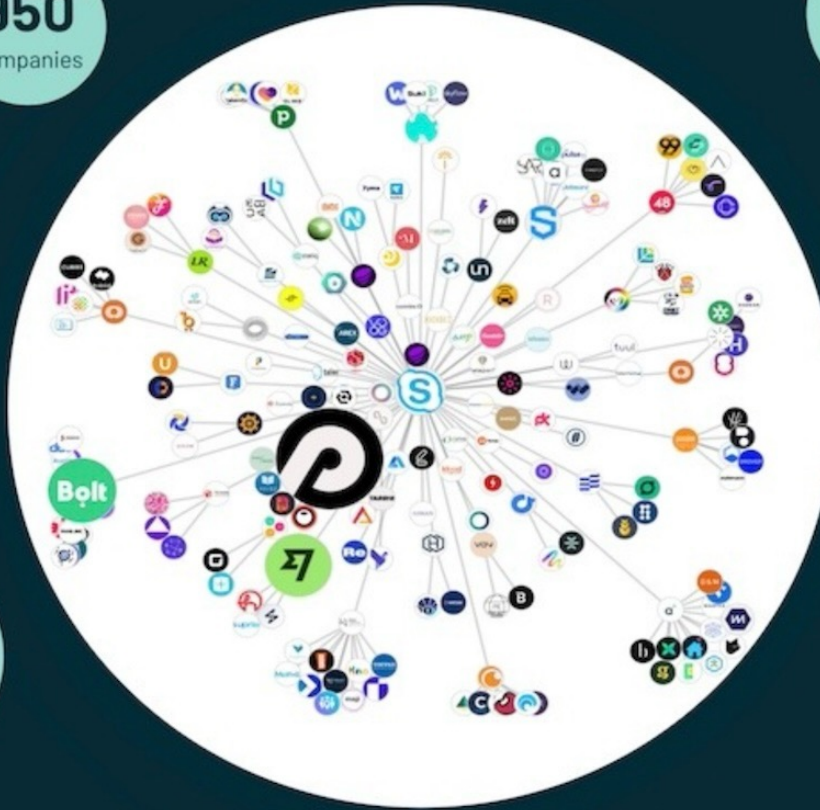
countries

65K

employees

\$3T

ecosystem
value since



Source: **atomico°** powered by  **dealroom.co** **crunchbase**

Notes: Based on public LinkedIn profiles only and companies defined as "tech" as per Atomico's proprietary taxonomy model. Nodes' size represent total capital raised by companies, VC funds are not sized according to their AuM. Data as of 20th of September 2023.

**STATE OF
EUROPEAN TECH 23**