



FROM PILOTS TO SCALE

Bridging the missing middle in
financing resilience innovation



GLOBAL
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AUTHORS

Simone Verkaar
Programme Director
Global Resilience Partnership

Corina Angheloiu
Head of Strategy and MEL
Global Resilience Partnership

PHOTO CREDIT

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Back page: Jjumba Martin / Mountain Harvest



Bridging the missing middle

GRP and **Trafigura Foundation** have been convening impact investors, fund managers, philanthropic foundations and grantmakers, development finance and blended finance actors, as well as ecosystem builders and innovation intermediaries to explore the challenge of the “missing middle” in scaling resilience innovation.

While the market for resilience solutions is growing, for-profit Global South innovators and entrepreneurs continue to face significant barriers to scale. These include limited access to early-stage capital, high transaction costs, and fragmented support across the innovation lifecycle. Traditional financing approaches often leave a gap in the middle: grant-funded calls for proposals tend to stop at proof-of-concept, while investment funds require de-risked, investment-ready opportunities with a demonstrated track record, leaving a stretch of the journey where neither instrument is well suited to the needs of innovators and entrepreneurs. In parallel, investors and funders are facing a very limited pipe of investable opportunities, and there are very few successful exits compared to other markets and sectors to help justify additional capital being made available. In short, the value propositions, both financial and impact, remain elusive.

The financing conditions surrounding the missing middle have shifted materially in the last two years. As official development assistance from the largest DAC donors has fallen sharply, donor governments are reorienting away from grants-based aid toward investment-oriented instruments intended to crowd in private capital. The ocean, valued at USD 24 trillion, receives under 1% of global climate finance despite offering some of the most cost-effective climate returns available; and as of 2025, 84% of impact investors still target market-rate returns, meaning the financial system that early-stage ventures must eventually enter is built around expectations their businesses cannot yet meet. The missing middle sits inside much larger, cross-sector financing challenges.

Our working definition treats the missing middle as the financing and support gap between the idea-stage grants and the commercial or institutional capital that flows to enterprises that have already proven traction and de-risked their model. It corresponds roughly to the USD 50,000–250,000 seed tier plus early growth capital: the stage at which a resilience enterprise has validated its concept but cannot yet attract commercial investment.

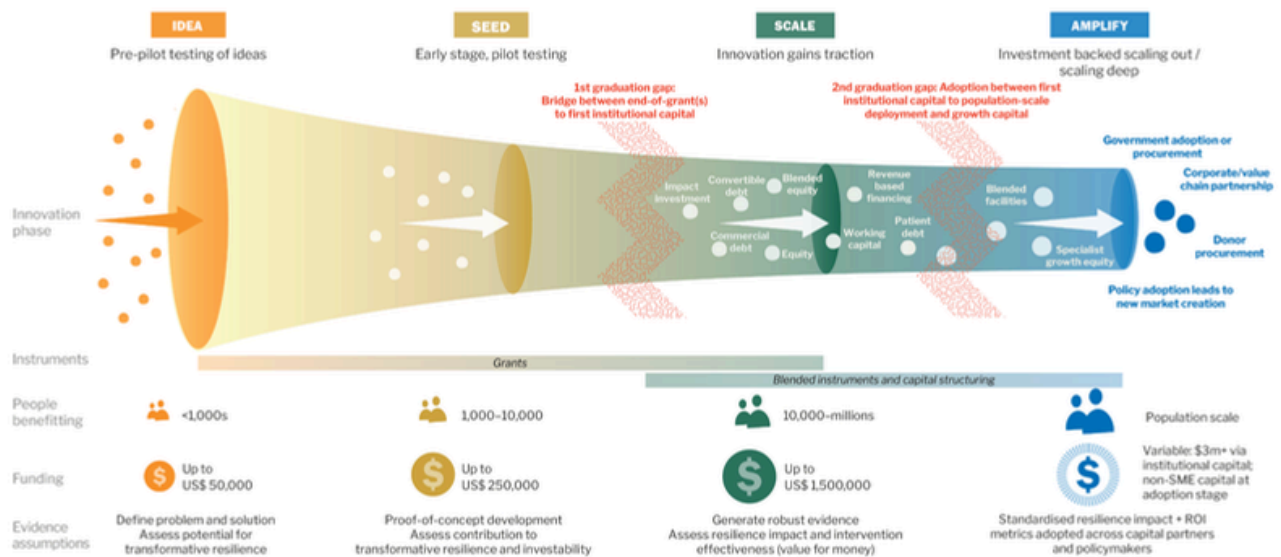


Fig. 1. Innovation Graduation Funnel, based on [GRP's Innovation Model](#).

The image above depicts GRP's Innovation Model, and layered onto it, two graduation pitfalls that bookend the missing middle. The model traces a resilience venture's journey across four stages (Idea, Seed, Scale, and Amplify) each defined by the number of people reached, the funding envelope usually available, and the evidence expected before capital moves to the next stage. At Idea (under 1,000 people reached, up to US\$50,000) and Seed (1,000–10,000 people reached, up to US\$250,000), grants dominate and the task is to define the problem, prove the concept, and assess contribution to resilience and investability.

From Scale onward (10,000 to millions of people reached, up to US\$1.5m), blended instruments and capital structuring become available, moving through an increasingly diverse mix through impact investing, using instruments such as convertible debt, blended equity, commercial debt, equity, revenue-based financing, working capital loans, and patient capital (including both debt and equity) before Amplify, where population-scale deployment draws on blended facilities, specialist growth equity, corporate or value-chain partnership, donor procurement, and government adoption or policy-driven market creation.

Two graduation gaps sit along this path, and the model depicts them as distinct problems rather than one continuous funding shortfall. The first graduation gap bridges the end of grant funding and first institutional capital, between Seed and Scale – the point at which a venture has proven a concept but has no track record that a commercial lender or investor can underwrite. The second sits between Scale and Amplify, bridging first institutional capital and population-scale deployment and growth capital – the point at which a venture that has already attracted investment must still find its way to government adoption, corporate partnership, or growth capital that only arrives once enterprises have had enough time to build ROI metrics that can be shared.

In our experience, there are two factors that influence it: firstly, enterprises must demonstrate a number of factors (such as governance and financial reporting capacities, founder track record, customer concentration, revenue diversification, currency and macro exposure, market size, competitive positioning, and potential for scale) to qualify for investment, yet they need investment to scale in the first place. Secondly, capital in fragile and frontier geographies is perceived (and therefore priced) as high-risk, with collateral demands beyond the reach of micro-enterprises.

We have witnessed the missing middle not only as a financing gap but a graduation gap; as the absence of a structured pathway of bridge funding, investor brokering, and tailored business support that enables a grantee to move from grant-dependence toward business viability. Crossing it is neither automatic nor universally desirable as not every innovation needs to scale out commercially.

What next?

Over the coming months, GRP will publish different graduation journeys and lessons learnt from across our portfolio, as well as a framework for how grantmakers, funders, and investors can design graduation into their programmes and portfolios.

We are building an action learning agenda, and we will next convene a follow-on closed-door session **in Nairobi**. There we will explore the following strategic questions and action areas:

- **How might we help accelerators and incubators prepare innovators to become investor-ready?**
- **How might we redesign grant practice around graduation and scale?**
- **How might we redesign follow-on capital around graduation, spanning institutional, impact-first, and patient capital alike?**
- **How might we blend resilience measurement expertise with investment expertise into a common language?**
- **How might we design shared graduation infrastructure as an ecosystem service?**

Get in touch

If you are a resilience and adaptation grantmaker, impact investor, fund manager, blended finance/bilateral/multilateral funder, an ecosystem builder, or innovation intermediary and would like to join us in person in Nairobi - [please get in touch](mailto:challenge@globalresiliencepartnership.org).

challenge@globalresiliencepartnership.org



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