



A Team Europe initiative

TEI | YBA

Investing in young
businesses in Africa



Team Europe Initiative **Investing in Young Businesses in Africa**

A quick overview

June 2022

1. Why the TEI IYBA?

- The **pace of job creation** on the continent isn't keeping up with population growth:
 - The World Bank predicts that Africa's working age population should grow by **450 million people** by 2035.
 - But the continent's economies are set to produce only **100 million new jobs**.
- The International Labour Organization (ILO) estimates that micro, small and medium-sized enterprises or MSMEs represent more than **70% of global jobs** and 50% of global output (GDP).
- And the entrepreneurial spirit is ever-present in Africa. **1 in 5 working-age Africans start their own businesses**. But those businesses and entrepreneurs simply aren't creating enough jobs, because of four hurdles in particular:
- Young African businesses and entrepreneurs should be bridging much of this gap.
- But they're struggling to do so because:
 - it's hard to get finance...
 - ...and business mentoring and technical support
 - women and young people face additional hurdles
 - in some cases the state can be weak, have poor infrastructure, impose burdensome red tape and/or lack transparency.



2. What is the TEI IYBA?

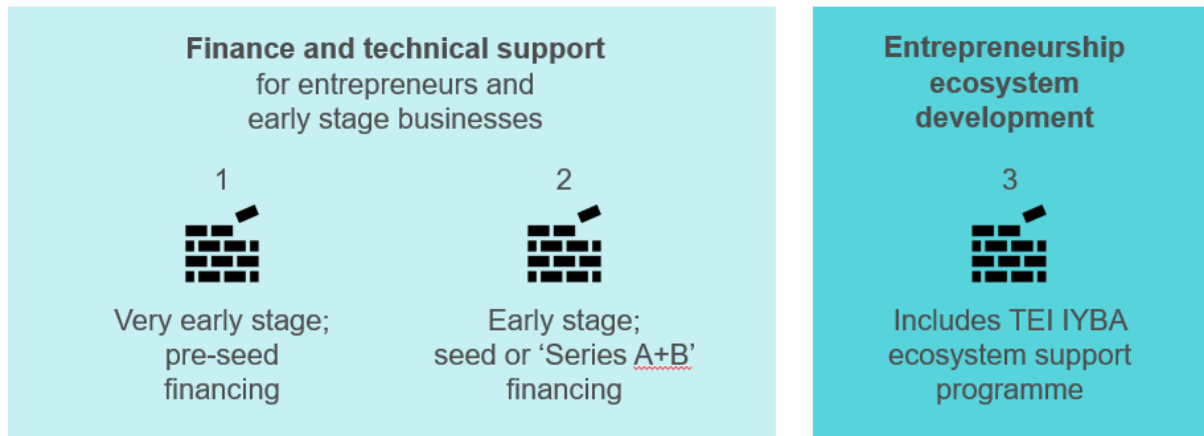
- A Team Europe initiative to help **early stage businesses** and **young entrepreneurs** in Africa to launch, consolidate and grow sustainable, strong and inclusive businesses and create decent jobs.
- It does so by extending **financial and technical support** at the early stages of those businesses' development.
- President von der Leyen announced the TEI IYBA at the Financing for African Economies Summit in Paris in May 2021.
- Since its launch at the 18 May Summit, progress has been made in:
 - consolidating the **joint commitment** from EU MS
 - identifying issues on which we'll work together in new and existing programmes.

3. How much is involved?

Value of programmes falling within the TEI IYBA		
EU	9 EU Member States	Total
€1.9 billion	€2.7 billion	€4.6 billion

EFSD+ guarantees and regional/country allocations will increase these amounts.

4. How is the TEI IYBA structured?



- Building blocks 1 and 2 are about providing more **financial and technical support** to businesses.
 - Building block 1 focuses on entrepreneurs and micro and small enterprises:
 - at the **very early stage** in creating a business
 - typically looking for '**pre-seed**' funding - **up to EUR 200 000**
 - together with technical support.
 - Building block 2 focuses on small businesses and entrepreneurs:
 - at the **early stage** in the business process
 - looking for '**seed**' or '**Series A**' funding - **EUR 200 000 to EUR 5 m**
 - as well as technical support.
- Building block 3 is about fostering **entrepreneurship**.
 - Several initiatives are already underway to support organisations in the entrepreneurship ecosystem.
 - Further initiatives are helping governments to develop regulations and policies that have a positive impact on young entrepreneurs.
 - DG INTPA and several European development agencies are also putting together a **new €20 million programme** to strengthen the business ecosystem.



5. Which countries are involved?

- On the Team Europe side, nine countries: BE, DE, ES, FI, FR, IT, LU, NL, PT.
- In Africa:
 - Senegal is the first country to implement the TEI IYBA
 - Other countries are set to follow or are being discussed, including Benin, Togo, Nigeria, Rwanda, Comoros, Kenya, and South Africa.



6. What kinds of programme does TEI IYBA cover?

Widening access to finance

Across Africa, the EU-backed NASIRA Risk-Sharing Facility, which is a financial guarantee of up to €100 m, addresses the risks, both perceived and real, involved in lending to entrepreneurs who currently have limited or no access to finance. It encourages local banks to lend to people they would usually consider too risky, notably women.

In Sub-Saharan Africa, the €180 m Boost Africa blended finance programme, a partnership between the AfDB and the EIB (the EU has contributed €61 m) is enhancing entrepreneurship and innovation in a commercially viable way. It will support seed funds, incubators' and accelerators' follow-on funds, and business angel, social innovation and venture capital funds.

Empowering women

The EU together with the OACPS and BMZ financed a €20 m Women Entrepreneurs 4 Africa Programme (WE4A), implemented by GIZ and the Tony Elumelu Foundation (TEF), supporting young African women entrepreneurs. It has offered entrepreneurship training and seed funding of USD 5,000 to 2,500 African women entrepreneurs, as well as

access to an extensive alumni network. The next stages of the program include acceleration and growth programs with access to second stage funding to help the entrepreneurs navigate through start-up and early growth phases.

Providing know-how

The €200 m FMO Ventures programme is enabling more young people and entrepreneurs to access business networks and acquire the skills and knowledge to start, run and grow their own businesses. It also enables local entrepreneur support organizations to offer more and better targeted programmes. These in turn promote local innovation and the development of a pipeline of early-stage businesses in which to invest.

Harnessing private equity and venture capital

The €221 m FISEA+ programme is promoting economic growth by investing in start-ups and MSMEs throughout Africa, especially in more fragile countries. It operates mainly through private equity and venture capital funds which have a significant impact on development.

Attracting more investment

The €12 m Investment Climate Reform (ICR) Facility, implemented by DE (GIZ), FR (Expertise France), and NL (SNV), funds short-term technical assistance for initiatives to improve the business environment and investment climate, based on requests from public and private stakeholders. It also funds capacity development for local public development banks in Africa.

Investing in young people

In South Africa, the EU is contributing to a Youth Challenge Fund (YCF) and a Basic Package of Support for Youth. The YCF is a start-up support programme to boost the establishment and growth of youth-owned businesses and promote digital skills. It provides business development support and mentoring to people under 35 who are involved in the day-to-day management of a business and have a commercially viable business idea.

