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<u>THIS ACTION IS FUNDED BY THE EUROPEAN UNION</u>

<u>ANNEX 25</u>

to the Commission Implementing Decision on the financing of the multiannual action plan in favour of Sub-Saharan Africa for 2024-2025

<u>Action Document for Investing in Young Business in Africa – Invest (IYBA-Invest)</u>

MULTIANNUAL PLAN
This document constitutes the multiannual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the <u>NDICI-Global Europe</u> Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title **CRIS/OPSYS business reference** **Basic Act**	**Investing in Young Business in Africa – Invest (IYBA-Invest)** OPSYS number: ACT-62329 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	**Yes. Team Europe Initiative "Investing in Young Business in Africa" (TEI IYBA).** This Action contributes to the regional TEI IYBA and is being built around it to reinforce its transformational impact. The Action is complementary with the work carried out in the framework of the TEI.
3. Zone benefiting from the Action	The Action shall be carried out in Sub-Saharan Africa.
4. Programming document	Sub-Saharan Africa (SSA) - Regional Multiannual Indicative Programme (MIP) 2021-2027
5. Link with relevant MIP(s) objectives / expected results	The Action falls under SSA MIP, Priority area 5 (Sustainable Growth and Decent Jobs), Specific Objective 3 and Expected Results 3.1, 3.2 and 3.3 of the regional MIP for Sub-Saharan Africa
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	The proposed Action intends to contribute to Priority area 5, Sustainable Growth and Decent Jobs. Specific Objective 3: An investment climate in Sub-Saharan Africa conducive to private sector development and investments, and improved business capacities and access to finance for MSMEs. Result 3.1: Improved investment climate, regional market intelligence and identification of barriers to investments. Result 3.2: Regional support measures for MSMEs business capacities are enhanced at continental and regional level.

	Result 3.3: Improved access to finance and investment readiness at the regional/continental level.			
7. Sustainable Development Goals (SDGs)	Main SDG: - SDG 8: Decent Work and Economic Growth Other significant SDGs: - SDG 5: Gender Equality and women empowerment - SDG 9: Industry, Innovation and Infrastructure - SDG 10: Reduced Inequality - SDG 12: Sustainable Consumption and Production - SDG 17: Partnerships for the Goals			
8 a) DAC code(s)	32130 - Small and medium-sized enterprises (SME) development – 70% 24030 - Formal sector financial intermediaries – 20% 25030 - Business Development Services – 10%			
8 b) Main Delivery Channel	11000 - Donor government 61000 - Private sector in provider country 62000 - Private sector in recipient country			
9. Targets	☐ Migration ☐ Climate ☒ Social inclusion and Human Development ☒ Gender ☐ Biodiversity ☐ Education ☐ Human Rights, Democracy and Governance			
10. Markers **(from DAC form)**	**General policy objective @**	**Not targeted**	**Significant objective**	**Principal objective**
	Participation development/good governance	☒	☒	☐
	Aid to environment @	☒	☐	☐
	Gender equality and women’s and girl’s empowerment	☐	☒	☐
	Reproductive, maternal, new-born and child health	☒	☐	☐
	Disaster Risk Reduction @	☒	☐	☐
	Inclusion of persons with Disabilities @	☒	☐	☐
	Nutrition @	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Principal objective**
	Biological diversity @	☒	☐	☐
	Combat desertification @	☒	☐	☐
	Climate change mitigation @	☒	☐	☐
	Climate change adaptation @	☒	☐	☐

11. Internal markers and Tags:	**Policy objectives**	**Not targeted**	**Significant objective**	**Principal objective**
	Digitalisation @	☐	☒	☐
		YES	NO	
	digital connectivity	☐	☒	
	digital governance	☐	☒	
	digital entrepreneurship	☒	☐	
	digital skills/literacy	☒	☐	
	digital services	☒	☐	
	Connectivity @	☐	☒	☐
		YES	NO	
	digital connectivity	☐	☐	
	energy	☐	☐	
	transport	☐	☐	
	health	☐	☐	
	education and research			
	Migration @	☒	☐	☐
	Reduction of Inequalities @	☐	☐	☒
	Covid-19	☐	☒	☐
BUDGET INFORMATION				
12. Amounts concerned	Budget line(s): 14.020120: EUR 4 550 000 14.020121: EUR 4 550 000 14.020122: EUR 5 900 000 Total estimated cost: EUR 18 000 000 Total amount of EU budget contribution EUR 15 000 000[1] This Action is co-financed in joint co-financing by FMO, for an amount of EUR 3 000 000[2] Core members of the TEI IYBA include: • the European Commission • 11 EU Member States - BE, DE, ES, FI, FR, IT, NL, PT, MT, SE, SV • the European Investment Bank (EIB) • the European Bank for Reconstruction and Development (EBRD) • Association of European Development Finance Institutions (EDFI) The total contribution of EU Member States to the IYBA TEI is 4,6 billion euros.			
MANAGEMENT AND IMPLEMENTATION				

[1] EUR 2 000 000 are from the national MIP Madagascar

[2] The Action will leverage additional 90 M + of additional investments, both from international and investors and local co-investments.

13. Type of financing	**Indirect management** with the entity(ies) to be selected in accordance with the criteria set out in section 4.4.1. This contribution to the Regional Blending Africa Investment Platform shall be implemented in indirect management by the entities indicated in the Appendix 1 to this Action Document, in accordance with the Regional Blending African Investment Platform 's award.

1.2 Summary of the Action

This Action is fully in line with the approach of the flagship Team Europe Initiative - Investing in Young Business in Africa (TEI IYBA). The TEI seeks to facilitate the conditions in which early-stage businesses and entrepreneurs in Sub-Saharan Africa can thrive – especially women and young people.

The IYBA Invest programme aims to strengthen the supply of financial products and technical support for early-stage businesses through an innovative and impactful approach that supports entrepreneurs throughout their growth stages. It will particularly focus on what's called early-stage business, i.e., companies that have successfully gone through incubation/acceleration phases, that require initial (quasi-) equity financing and that are not yet completely mature.

IYBA Invest will be the first blended finance programme supported under TEI IYBA, providing catalytic capital as first loss cover to crowd-in investors and capacity building and technical assistance to support beneficiaries. It will aim at supporting, through a selected European Development Financial Institution (DFI).

The Action will not only have an impact on the access to finance for entrepreneurs, it will also support the creation or consolidation of local investment funds, mobilizing local private investors, which is one of the main hurdles in Africa to promote more effectively access to finance for entrepreneurs. The Action will support very early-stage businesses, a market where so far investors (public and private, including DFI) have not been very active since it is perceived as too risky and costly due to the nature of companies and the ticket sizes they need.

The Action will complement other initiatives under TEI IYBA such as IYBA Women' entrepreneurship for Africa (IYBA WE4A) (implemented by GIZ and the Tony Elumelu Foundation), the Business Incubators Technical Assistance Programme (BIC Africa) which provide support for early-stage (women-led) businesses and (female) entrepreneurs and the IYBA Support to Entrepreneurship Ecosystem Development programme (IYBA-SEED) which provides support to the entrepreneurship ecosystem.

It is expected that the EU funding will result in high leverage through the intermediary DFI, through the first-loss mechanism on the amount fundraised to catalyse additional investment from other institutional or private investors, resulting in MSMEs receiving equity investment and creating the conditions for increased access to bank loans as well as other type of financing. In addition, IYBA Invest will provide technical assistance and seed funding to help prepare SMEs for investment, make them investment-ready, and increase the likelihood that the most early-stage businesses will receive equity investment at a later stage.

The action is aligned with main policy objectives set-out in the 2020 Communication "Towards a comprehensive Strategy with Africa" and the "Europe-Africa Alliance for Sustainable Investments and Jobs" and will deliver upon the opportunities highlighted in the Global Gateway Africa-Europe Investment Package, the rolling out of the EFSD+ guarantees, and the EU Gender Action Plan (III). It will primarily contribute to SDG 5, SDG 8, SDG 13 and SDG 17. The Action will also seek to provide continuity to lessons learned from other similar and complementary projects and expand activities through a multi-layer approach.

It also contributes to the priorities of the Multi-annual Indicative Programme (MIP) for Sub-Saharan Africa 2021-2027, particularly priority area 5 "Sustainable Growth and Decent Jobs" and specific objective 3: An investment climate in Sub-Saharan Africa conducive to private sector development and investments, and improved business capacities and access to finance for MSMEs.

The **Overall Objective** of this Action is to increase inclusive employment in Sub-Saharan Africa.

The **Specific Objectives** of this Action are to:

- **SO 1**: Improved financial inclusion of young businesses including women-led.
- **SO 2: S**trengthen the capacity of investment vehicles at local level targeting young business

- **SO 3:** Improve entrepreneurship ecosystem

2 RATIONALE

2.1 Context

The Joint communication to the European Parliament and the Council 'Towards a comprehensive Strategy with Africa'[3] was approved in March 2020, providing a roadmap to elevate the EU-Africa partnership to the next level. It builds on the 2018 "Africa-EU Alliance for sustainable investment and jobs"[4] and on existing international, African and EU frameworks and policies, such as the United Nations Sustainable Development Goals (SDG), the African Union (AU) Agenda 2063[5], the New European Consensus on Development 'our world, our dignity, our future'[6], specifically with its priorities of promoting inclusive and sustainable growth and jobs.

It proposes five thematic partnerships, one of them being for sustainable growth and jobs. Under this partnership, the Strategy defines four priority work streams that are key to achieve the Sustainable Development Goals (SDG): (a) boosting trade and sustainable investments in Africa (b) improving the investment climate and business environment and (c) increasing access to quality education, skills, research, innovation, health and social rights; (d) advancing regional and continental economic integration.

The Strategy also clearly identifies the need to strengthen the capacity of entrepreneurs, including social entrepreneurs, while reinforcing capacity-building related to SME access to markets and finance, with emphasis on supporting women's empowerment by tackling discriminatory regulations and practices and making sure that they have access to knowledge, skills, microcredit, and finance for entrepreneurship.

This approach towards women entrepreneurship is also reflected in the Gender Action Plan III that prioritizes supporting women entrepreneurship and women-led businesses, including social entrepreneurship, and their access to finance by providing innovative investments schemes, thereby addressing the market's failure which affect women capacity to fully participate in the countries economy.

It will reinforce the EU's leadership in promoting gender equality and social inclusion, in full alignment with the European Consensus for Development and the transformative approach of the GAP III[7], while contributing to SDG 5 (gender equality).

In addition, the Joint Communication on Strengthening the EU's contribution to rules-based multilateralism[8] calls on the EU to 'deliver as one' to 'succeed as one'; hence, the EU is engaged with promoting a more efficient coordination mechanisms around joint priorities and initiatives, the European Commission and EU Member States in a 'Team Europe' approach.

Under the Global Gateway strategy released in December 2021[9], the EU supports partner countries in their economic, green and digital transition by boosting smart, clean, and secure links in the digital, transport, energy and climate-relevant sectors, and strengthens education, research and health networks. Global Gateway covers both hard connectivity and the enabling environment, regulatory frameworks and norms and standards. Implemented in a Team Europe approach, it aims to mobilise up to EUR 300 billion in investments between 2021 and 2027. It combines investments in hard infrastructure with investments in the enabling environment, regulatory frameworks, norms and standards, technology transfer, know-how.

The TEI IYBA and this Action which is one component of the TEI are part of the EU's Global Gateway 360° strategy, focusing on increased access to finance through the EFSD+, capacity building and support to regulatory and policy reforms, all working towards sustainable and inclusive development in partner countries.

Finally, the Action is contributing to the priorities of the Multi-annual Indicative Programme (MIP) for Sub-Saharan Africa 2021-2027, particularly priority area 5 "Sustainable Growth and Decent Jobs" and specific

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[3] JOIN(2020) 4 final of 9.3.2020.
[4] COM(2018) 643 final V.
[5] https://au.int/en/agenda2063/overview
[6] OJ C 210 of 30.6.2017.
[7] JOIN(2020) 17 final of 25.11.2020
[8] JOIN(2021) 3 final of 17.2.2021.
[9] JOIN(2021) 30 Final.

objective 3: An investment climate in Sub-Saharan Africa conducive to private sector development and investments, and improved business capacities and access to finance for MSMEs.

2.2 Problem Analysis

Short problem analysis:

The World Bank Africa Competitiveness Report 2017[10] indicates that failure to strengthen government institutions, improve infrastructure, and promote near- and long-term job creation in Africa will also lead to a widening gap between the growing population and available employment opportunities. The projection is that Africa's working age population should grow by 450 million people by 2035 but that the continent's economies, without significant policy reform, will likely produce only 100 million new jobs[11].

Private sector can play a key role in this context by creating employment and improved living conditions. Specifically Small and Medium-sized Enterprises (SMEs) and Micro, Small and Medium-sized Enterprises (MSMEs) play a key role in the economic and social development process and contribute to a substantial proportion of total employment and national income. At the same time, they remain a key factor for stabilisation of social situations: in fragile countries and conflict / post-conflict areas, where Foreign Direct Investment (FDI) is scarce, SMEs play a valuable role for job creation, for social stability, access to employment for citizens, for revenue creations for individuals, and eventually on peace building.

In the case of Africa, MSMEs represent more than 90%[12] of businesses and account approximately for 80%[13] of jobs, forming the backbone of the economy. However, gaps and deficiencies in the economic structure influence both formal and informal MSMEs capacity to grow and their potential to further contribute to job creation in a sustainable way. About half of formal SMEs do not have access to formal credit and the gap is even larger when micro-sized and informal enterprises are considered. They are also the most vulnerable segment of the economy and thus the ones that suffer most in economic crisis.

The economy of the Sub-Saharan Africa region (SSA) is recently facing a combination of shock and policy challenges, and the Russian aggression of Ukraine is creating further stresses for the global economy, weakening the post-COVID 19-pandemic recovery and putting socio economic development, financial inclusion, and stability at risk.

Looking beyond the pandemic and current geopolitical tensions, creating jobs, and meeting the Sustainable Development Goals will require strong, inclusive, and sustainable growth in SSA. To this end, decisive policy Action is needed to enhance economic diversification, unleash the private sector's potential, and address the challenges posed by climate change.

Now and over the next 30 years, 1 million young people will reach the job market every month in Africa. Entrepreneurs are essential to create more jobs and to innovate for a more sustainable future of the continent. Their contributions to building value-added, employment and innovation in the economy are considerable.[14] Still, young businesses and entrepreneurs, face four main hurdles: (1) lack of access to finance, (2) lack of technical support, (3) social and institutional exclusion, (4) a weak regulatory environment. Innovative solutions that can be scaled up are needed to ensure that both financing and technical support reaches this segment allowing them to become net contributors of decent job creation.

The need for financing early-stage businesses and SMEs is well documented. According to the International Financial Corporation (IFC), small and medium enterprises in low- and lower-middle-income countries face a USD 930 billion financing gap[15]. Early-stage businesses need funding at various stages of their development:

[10] https://www.worldbank.org/en/topic/competitiveness/publication/creating-jobs-for-africas-growing-population. Accessed 04-08-2021.

[11] https://www.worldbank.org/en/topic/competitiveness/publication/creating-jobs-for-africas-growing-population Accessed 06-11-2023

[12] https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=26881

[13] https://www.nepad.org/blog/unlocking-potential-of-africas-smes-using-emerging-technologies-africa

[14] JM Severino (2023), Des millions pour des milliards : Accélérer l'émergnce entrepreneuriable africaine pour une croissance accélérée, durable et riche en emplois, FERDI WP 325. Des millions pour des milliards : accélérer l'émergence – Ferdi

[15] Collaborative for Frontier Finance's analysis of the 'MSME Finance Gap' (IFC 2017). This analysis focuses on the credit gap only in lower- and lower-middle-income countries and excludes microenterprises.

seeding their early-stage development, financing their entry to market and growth, expanding their existing operations, funding their working capital, and expanding and acquiring new assets or production capabilities.

Several initiatives and networks of incubators and accelerators have flourished in the last decade on the African continent to support start-ups and early-stage businesses. In parallel, domestic, and international commercial investors typically have investment thresholds above EUR 7-8 million. This leads to a so-called 'missing-middle' and a resulting need to encourage instruments that bridge this financing gap. Indeed, entrepreneurs and businesses in Africa which are at the early-stages in their financing needs – normally pre-seed, seed, series A and series B (targeted by the TEI IYBA) – typically require around EUR 50,000 to EUR 500,000. Even more established SMEs need 'only' a few million euros to experience new phases of acceleration of their growth. They are very often perceived to be riskier and harder to reach than later-stage businesses by local or international development banks, commercial banks, and other investors (including pension and social security funds that could play a stronger role in reaching early-stage business in Sub-Sharan Africa). In addition, they are often undercapitalized for initial investments, started up in poorly structured markets and in uncertain and moving environments (legal, tax, competitors). These factors result in very high transaction costs for domestic and international commercial investors who target most structured part of the African economic fabric.

Simultaneously, there is more and more African capital available that could finance early-stage businesses and SMEs with the right support and right incentives.

The Action seeks to strengthen the supply of financial products and technical support for early-stage businesses through an innovative and impactful approach that supports entrepreneurs throughout their growth stages. It will particularly focus on the 'missing middle', i.e., companies that have successfully gone through incubation/acceleration phases, that require initial (quasi-)equity financing and that are not yet completely mature.

It will aim to catalyse more support from African investors towards early-stage businesses and SMEs, prepare more of them for investment through African investment teams based in the field.

Finally, because women represent up to 40% of the world's workforce and women's economic empowerment is among the highest priorities and opportunities to achieve poverty reduction (estimates suggest that gender parity could increase the global GDP by between USD 12 trillion and USD 28 trillion by 2025), the Action will seek direct complementarities with the IYBA-WE4A Action to be implemented from 2024-2027.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the Action:

Final direct beneficiaries of the Action will be the Sub-Saharan African businesses and investment funds actively benefiting from both financial and technical support. Within this group, especial attention will be paid to women-led business. The Action will be initially sectoral agnostic due to the complexity associated to mobilizing financial investment towards this type of businesses and the need for a flexible approach.

Other stakeholders will be:

- Entrepreneurship Support Organizations that play a key role in ensuring that support services are available for the business to grow; business support organizations, business incubators, accelerators, chambers of commerce, including women's business organisations and networks, sectoral or geographic business associations.
- Relevant line ministries and government institutions involved in coordination or support for entrepreneurship as well as on policy and regulatory reforms impacting SME development.
- Investment promotion agencies responsible for ensuring investment attraction and retention in benefiting countries that can play a role in linking business with further investment opportunities.
- Private investment funds and commercial banks (with the support of DFI or not), or any other financial actor such as pension funds, that are potentially interested in further supporting the business once after the initial funding from the programme.
- EU Member States closely involved in the design and implementation of IYBA interventions to ensure synergies and complementarities in a Team Europe approach.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective of this Action is to increase inclusive employment in Sub-Saharan Africa.

The Specific Objectives of this Action are to:

- **SO 1:** Improved financial inclusion of young businesses including women-led.
- **SO 2:** Strengthen the capacity of investment vehicles at local level targeting young business
- **SO 3:** Improve entrepreneurship ecosystem

The Outputs to be delivered by this Action contributing to the corresponding Specific Objectives are:

- **Output 1:** Increased access to financial services and products, such as equity investments, that support innovative and sustainable investments by African young business, including women led entities.
- **Output 2:** Improved business, managerial, technical capacities of portfolio companies and investment vehicles.
- **Output 3:** Strengthened financial ecosystem actors' capacities to enable innovative and sustainable investments

3.2 Indicative Activities

Activities relating to Output 1: Increased access to financial services and products, such as equity investments, that support innovative and sustainable investments by African young business, including women led entities.

- Support in increase capabilities fundraising for country investment vehicles.
- Provide equity financing to selected MSMEs/start-ups with promising impact to prove their potential and grow.
- Provide capacity building to MSME to improve their business model.

Activities relating to Output 2: Improved business, managerial, technical capacities of portfolio companies and investment vehicles.

- Support existing locally domiciled country investment vehicles managed by African investment teams in selected countries.
- Establishment of new Country Investment Vehicles managed by African investment teams in selected countries.
- Provide technical assistance to fund managers, i.e., train country investment vehicles teams, organize seminars, provide hands-on support.
- Provide capacity building to the governance bodies and decision-making including investment committees.
- Promote regional and national peer to peer learning activities[16].

Activities relating to Output 3: Strengthened financial ecosystem actors' capacities to enable innovative and sustainable investments.

- Provide seed capital to local portfolio companies to support the creation of pipeline of investments.
- Support local portfolio companies' investment readiness, including on how to raise capital, engaging with financiers, preparing bankable projects, developing pitching exercises, linking them to other financial instruments.
- Catalytic capacity building and technical assistance for local portfolio companies on topics such as finance, links to European / national sustainable financer taxonomies, sales, management HR, marketing, IT, for direct and indirect beneficiaries under Output 1 through seminar, consultancy, missions, trainings etc.
- Support portfolio companies in the identification of new investment opportunities.
- Identify and address potential constraints than limit the interest for investing in funds, in entrepreneurs and early-stage business of local and international investors.

[16] The activities under this output targeting the entrepreneurship ecosystem actors will be coordinated with the activities under the IYBA-SEED and IYBA-WE4A programmes that will be also working on entrepreneurship ecosystem development.

- Determine the positive effects of the model used in this programme and possible limitations to scale up the model.

3.3 Mainstreaming

Environmental Protection & Climate Change
Outcomes of the EIA (Environmental Impact Assessment) screening

The EIA (Environment Impact Assessment) screening classified the Action as Category C (no need for further assessment). The Climate Risk Assessment (CRA) screening concluded that this Action is low risk (no need for further assessment).

All transactions and underlying support will be required to comply with European DFI Environmental and Social (E&S) Policies. As an example, DFIs apply E&S guidelines is the Exclusion List which includes the requirement that a DFI and its clients not finance any activity or production involving, among others, the following: (i) Forced Labour or Child Labour; (ii) [the] Destruction of High Conservation Value areas; or (iii) any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans (i.e., unsustainable fishing methods, wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora, etc.). DFIs also requires all its partners to adhere to local environmental and social legislation, including that for OHS. Compliance with IFC PS1 and PS2 is also a prerequisite for all FIs working with a DFI, meaning that the client is expected to have good working conditions, and an Environmental and Social Management System (ESMS) commensurate with the E&S risk of its portfolio. If a client does not have an ESMS commensurate with the E&S risk of its portfolio, TA can be made available to support the client with its development and implementation.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this Action is labelled as G1. It implies that it will specifically aim to reduce gender gaps and to promote women's economic and social empowerment, addressing gender discrimination and its effects on women's opportunities to access financial and technical resources. Women's economic empowerment is critical to achieving gender equality and eliminating persistent gender gaps. It is essential to achieve economic and social development, as well as globally agreed international policy frameworks such as the United Nations 2030 Agenda for Sustainable Development and its SDGs. The action will ensure an integral approach that will consider the specific elements that determine limited access to finance for women. Women should not be considered as a uniform group but formed of individuals with varied backgrounds and need such as women with different economic and education profiles, with disabilities, belonging to different age groups or living in urban or rural areas.

Human Rights

The proposed action will abide by the 'do no harm principle' to avoid unintended negative impact in terms of human rights and will be implemented following the rights-based approach working principles (all rights, participation, non-discrimination, accountability, and transparency). The proposed actions will develop the capacities of the stakeholders as 'rights-holders' to claim their rights and 'duty-bearers' to meet their obligations. Since the action targets vulnerable segments of the economy, it will pay special attention to ensuring that rights are consolidated and when possible expanded.

Reduction of inequalities

Most African economies grew at an outstanding pace between the turn of the century and the pandemic. Ethiopia and Rwanda, for example, saw some of the fastest expansions in the world: more than 7.5% per year on average over the past two decades. However, this growth did not equally spread among countries, regions, different segments of the society or the different actors of the business community.

Supporting early-stage business, traditionally excluded from both access to finance and technical assistance, will have a direct impact on reducing inequalities in the beneficiaries' countries. Small-scale businesses form the backbone of most economic activity across the continent. By supporting them with financial resources and capacity building, the Action will be providing them with opportunities to expand their business, create more job creation and increase revenues for employees which in itself, under the right policies, could have a redistribution effect.

Additionally, early-stage business is often owned by women and young people, both groups traditionally excluded from the economic activity of most African countries. Finally, the action will focus on fragile, and conflict affected countries, in the Sahel region, in Central Africa and East Africa.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood	Impact	Mitigating measures
Risks related to the external environment	**Available capital**. Fundraise for a fund of funds could take long or even end up with a low level of capital raised mainly due to low attractiveness of investing in young business in Africa.	Low	High	Through the 1st loss mechanism, the Action will substantially reduce this risk. Additionally, a wide range of potential investors will be considered during the fundraise that could be incentivise by the 1st loss mechanism.
	Reduced Pipeline. Since the Action will be operating in many cases in Fragile countries and focusing on women-led business, it might be difficult to identify a pipeline of investments that comply with the criteria of local investors.	Low	High	The bulk of African businesses are very early-stage businesses of small size and limited turnover. The level of risk of these very early-stage businesses is however high especially in Fragile countries. Through the pipeline building activities and technical assistance activities of IYBA- Invest, the most promising businesses will be identified and supported and will eventually become ready for investment.
Risks related to planning, processes and systems	**Adequate investments teams**. Knowledgeable and experienced personnel that can manage investment vehicles is not easy to find, becoming the main operational risk for the investment activity.	Low	Medium	The implementing partner will be selected considering their experience working with local human resources in actions like this one. Additionally, the investment teams will be designed to ensure, if needed, they can compensate for non-performing colleagues. Finally, the teams will receive training and will be provided with tools and support documents to help them deal with the day-to-day processes.
Risks related to legality and regularity aspects	**Unstable and volatile political economy**. Changing political context in beneficiaries' countries can have an impact on the creation of new funds or supporting existing ones.	High	Medium	The Action will use a flexible model that will consider as potential beneficiaries a wide range of countries allowing to quickly reassess options for deployment in case a country becomes too difficult to invest in.
Lessons Learnt: Several lessons learned can be drawn from past experiences in the creation of country investment vehicles, raising capital from local investors and investing in equity in small businesses:				

- Fundraises always take time and this should be factored in from day one in order to have realistic timeframes. Several fundraise phases could take place at the same time in case one of them takes longer than expected due to political context reasons.
- Identifying the right team members, and especially the right CEO for a newly formed vehicle, always takes time. This position is extremely hard to staff due to the very large range of skills required to lead this position. An opportunistic approach is the best way to increase chances to find the right candidates.
- Deployment is also usually longer than expected and financial modelling should take this into account in the forecasts, including the exit strategy for the investments.
- Access to seed capital is a key success factor to accelerate the identification of the most promising SMEs and entrepreneurs and help build pipeline. It allows to take risk and accelerate the growth pace of the SMEs.

3.5 The Intervention Logic

This regional Action will directly feed into the TEI IYBA logic by developing a new blended finance programme, providing access to equity finance to the riskiest investments of IYBA; support for businesses and entrepreneurs with seed capital needs, series A and B.

The Action is part of a wider IYBA strategy that seeks to support innovative instruments that can provide cover to the three areas of intervention of the Team Europe Initiative. The IYBA-SEED programme, is focusing on entrepreneurship ecosystem development, the EFSD+ financial guarantees, being designed and negotiated right now, will potentially target IYBA investments with bigger ticket sizes, and the Action will mostly focus on financial products for early-stage businesses in the 'missing middle', i.e. companies that have successfully gone through incubation/acceleration phases, that require equity (or quasi-equity) financing of EUR 50,000 - EUR 500,000, and that are not yet completely mature.

IYBA Invest will mainly focus on supporting, through a selected European Development Financial Institution, a fund of funds, to further create, develop and sponsor impact funds in several Sub-Saharan African countries. These locally domiciled funds will be managed by local teams, have a size of EUR 2-7 M and the majority will be fundraised locally.

The EU contribution to the IYBA Invest programme will consist of several components:

a. Catalytic capital as a first loss cover for all investors up to a maximum amount to de-risk and crowd-in DFIs and other investors
b. Capacity building and technical assistance for the African investment teams (funds) and portfolio companies on topics including sales, marketing, HR, finance, IT and management.
c. Pipeline development with seed funds to allow SMEs/start-ups with promising impact to prove their potential and grow.

This innovative approach will not only have an impact on the access to finance for entrepreneurs, but it will also support the creation or consolidation of local investment funds which is one of the main hurdles in Africa to promote more effectively access to finance for entrepreneurs.

The Action will seek to mobilize DFIs to support early-stage businesses (early-stage, seed, and series A), a market where so far DFIs have not been very active since they perceive it too risky and costly due to the nature of companies and the ticket sizes they need. The blended finance Action will be a complement to the EFSD+ guarantees under the MSME Window since the latter, due to the nature of the financial guarantees, will be, in most cases, supporting the next financing cycle of MSME with higher ticket sizes.

It is expected that the EU funding will result in high leverage through the intermediary DFI, through the first-loss mechanism on the amount fundraised, through the local fundraises in African funds and through the MSMEs receiving equity investment unlocking their access to bank loans.

The underlying intervention logic for this action is the following:

IF access to equity investments increase for early-stage business (Output 1.1.), and country investment vehicles and portfolio companies receive capacity building (Output 2.1), and the financial ecosystem actors is strengthen (Output 3.1.) THEN the number of young businesses with access to formal financial services and technical support will increase (Outcome 1), the capacity of local investment vehicles will be strengthened (Outcome 2) and the entrepreneurship ecosystem will be improved (Outcome 3), PROVIDED THAT local and international investors remain committed to increase their financial support to young businesses (Assumption 1) and that the economic and financial context remains stable over the duration of the Action (Assumption 2).

3.6 Logical Framework Matrix

Results	Results chain (@):	Indicators (@):	Baselines[17]	Targets [16]	Sources of data	Assumptions
Impact	**OO**. Increased inclusive employment	1. Unemployment rate disaggregated by (GERF 1.11): Sex, Age and Persons with disabilities.	1. TBD	1. TBD (2039)	• Final report for the EU-funded intervention, • Final evaluation of the EU-funded intervention	*Not applicable*
Outcomes	**Outcome 1.** Improved financial inclusion of young businesses including women-led.	1.1 Number of early-stage business[18] that have access to equity financing disaggregated by owners' sex and age, country/region where the business is legally established and disability when possible. 1.2 Number of indirect full-time jobs supported disaggregated by workers sex and age, country/region place of work, and disability when possible. 1.3 Number of supported businesses, social enterprises and cooperatives reporting increased turnover (because of direct support of the investment), disaggregated by target group, sex, age (15-30) of leader where relevant.	1.1 0 (2024) 1.2 0 (2024) 1.3 0 (2024)	1.1 TBD (2039) 1.2 TBD (2039) 1.3 TBD (2039)	• Country Investment Vehicle reports. • Pre-and-post number of employers per business. • Pre- and post-sale records.	Country investment vehicles remain committed to financing and proving technical training for the growth and development of targeted youth-led businesses and innovative initiatives
	Outcome 2: strengthen the capacity of investment vehicles at local level targeting young business	2.1 Number of new country investment vehicles established. 2.2 Number of existing country investment vehicles that have increased their assets under management. 2.3 Number of supported entities that adopt business innovative processes/products.	2.1 0 (2024) 2.2 5 (2024) 2.3 0 (2024)	2.1 TBD (2039) 2.2 TBD (2039) 2.3 TBD (2039)	• Legal registry of an investment funds in a new beneficiary country. • Country Investment Vehicle reports.	

[17] Will be defined once the countries of interventions are discusses with the implementing entity and no later than December 2024.
[18] For this Action, early-stage business will be considered any of the business benefiting from equity financing of between 50.000 and 500.000 euros.

	Outcome 3: Improve entrepreneurship ecosystem	3.1 Number of early-stage business accessing capacity building and training in the acceleration phase disaggregated owners' sex and age. 2.4 Number of local portfolio companies supported. 2.5 Number of relevant public policies revised, and/or under implementation with EU support. Disaggregated by policies that include gender equality objectives, in line with GAP III.	3.1 0 (2024) 3.2 0 (2024) 2.4 0 (2024)	3.1 TBD (2039) 3.2 TBD (2039) 2.4 TBD (2039)	• Country Investment Vehicle reports. • Approved business plan from beneficiary business. • Fund of funds activity report.	
Output	**Output 1.1.** Increased access to equity investments, that support innovative and sustainable investments by African young business, including women led entities.	1.1.1 Number of MSMEs provided with access to equity, disaggregated, by owners' sex and age. 1.1.2 Volume of new equity invested in relevant early-stage business. 1.1.3 Ratio between the total investment (from IFI, public and private investors) against the EU contribution.	1.1.1 TBD (2024) 1.1.2 TBD (2024) 1.1.3 TBD (2024)	1.1.1 TBD 2039) 1.1.2 TBD 2039) 1.1.3 TBD 2039)	• Country Investment Vehicle reports. • Approved business plan from beneficiary business. • Fund of funds activity report.	The economic and financial context remains stable over the duration of the Action, allowing to support and build the country ecosystem, both at the business level and at the entrepreneurship support organization level.
	Output 2: Improved business, managerial, technical capacities of portfolio companies and investment vehicles.	2.1.1 Number of investment officers trained disaggregated by new investment vehicles and existing ones and disaggregated by owns sex and age. 2.1.2 Number of capacity building products developed by the EU-funded intervention for new country investment vehicles. 2.1.3 Number of regional studies on investment opportunities supported.	2.1.1 TBD (2024) 2.1.2 TBD (2024) 2.1.3 TBD (2024)	2.1.4 TBD (2039) 2.1.5 TBD (2039). 2.1.6 TBD (2039)	• Fund of funds activity report.	
	Output 3: Strengthened financial ecosystem actors' capacities to enable innovative and sustainable investments	3.1.1 Number of improved tools and products developed and/or adopted by sector institutions and operators (of which number of those gender-responsive). 3.1.2 Number of financial ecosystem actors supported, disaggregated whenever possible and relevant, by type of actor, type of strengthening, by served area/ sector/ region. 3.1.3 Number of country studies identifying constraints for investors.	3.1.1 TBD (2024) 3.1.2 TBD (2024) 3.1.3 TBD (2024) 3.1.4 TBD (2024)	3.1.1 TBD (2039) 3.1.2 TBD (2039) 3.1.3 TBD (2039) 3.1.4 TBD (2039)	• Fund of funds activity report.	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement with the partner country

4.2 Indicative Implementation Period

The indicative operational implementation period of this Action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 180 months from the date of adoption by the Commission of this Financing Decision.
Extensions of the implementation period may be agreed by the Commission's responsible authorising officer in duly justified cases.

4.3 Implementation of the Budget Support Component

N/A

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the Action with EU restrictive measures.

4.4.1 Contribution to Regional Blending Africa Investment Platform

This contribution may be implemented under indirect management with the entities, called Lead Finance Institutions, identified in the appendix to this Action Document, that will be selected by the Commission's services using the following criteria: (i) wide geographic coverage and pertinent experience in implementing similar actions; (ii) experience building partnership to support entrepreneurship initiatives; (iii) extensive experience in implementing innovative blended finance instruments working in fragile states or with vulnerable populations; and (iv) ability to increase aid effectiveness and transparency.

4.5. Indicative Budget

Indicative Budget components	**EU contribution (Amount in EUR)**	**Third-party contribution, in currency identified**
Specific Objective 1: Increased access to financial services and products, such as equity investments, that support innovative and sustainable investments by African young business, including women led entities, composed of	9 000 000	3 000 000, EUR
Indirect management with Lead Finance Institutions - cf. section 4.4.1	9 000 000	3 000 000, EUR
Specific Objective 2: Improved business, managerial, technical capacities of portfolio companies and investment vehicles, composed of	4 000 000	
Indirect management with Lead Finance Institutions - cf. section 4.4.1	4 000 000	
Specific Objective 3: Strengthened financial ecosystem actors' capacities to enable innovative and sustainable investments, composed of	1 800 000	

Indirect management with Lead Finance Institutions - cf. section 4.4.1	1 800 000	
Evaluation	100 000	
Audit	50 000	
Contingencies	50 000	
Totals	15 000 000	3 000 000

4.6. Organisational Set-up and Responsibilities

The Action will be implemented through one contract with the following organizational structure:

- **To achieve Specific Objective 2,** the Action will be implemented through a Lead Financial Institution, taking advantage of their expertise but also bringing on board their financial resources to ensure a wider scope of intervention of this objective. Because of the nature of the intervention, the organizational set-up will need to be done at three levels:

Steering Committee:

- To ensure an adequate, decision-making process and technical follow-up (including active participation of the EU (HQ and EU Delegations)), the intervention will have a **steering committee** which will meet twice a year to discuss the implementation and validate the overall direction and policy of the project in all its activities.
- The EU will co-chair the steering committee together with the Lead financial Institution. Other relevant stakeholders (including those part of the wider TEI IYBA platform and investors actors involved) will be invited to participate as observers.
- The Steering Committee for the Action will ensure the strategic overview of the IYBA-INVEST programme, oversee and validate the overall direction and strategy of the programme (for the target countries, and for the components) and ensure adequate institutional coordination between all organisations involved[19].
- Additional roles and responsibilities are to: Monitor the progress of the Action to ensure that objectives are met in a measurable and verifiable manner; Oversee the synergies between all partners globally, with other existing programmes (cf mapping) and with the overall TEI IYBA; Review and approve reports, work plans and monitoring and evaluation; Address and settle strategic issues (policy, administrative, coordination and financial matters) related to the implementation of the Action; Issue meeting minutes with details of attendees, an overview of outputs/arbitrations, a summary of progress, constraints and outstanding issues.
- Steering Committee meetings: are prepared and organised by the lead financial institutions and chaired by relevant Commission service in its role as financier. The Steering Committee will meet, at least, twice a year (every 6 months) in Brussels (more meetings can be called if unforeseen circumstances suggest the need for a meeting)

Project implementation at country level:

- At country-level will engage on a regular basis to coordinate all actions with the EU Delegations following the co-creation logic that embeds the Team Europe approach.

Project implementation at HQ level:

- From an operational point of view, and for the day-to-day implementation, a project management unit (PMU) will lead the technical execution of the activities as well as ensure coordination between IYBA programme and wider IYBA TEI platform members to ensure alignment with other existing or new initiatives. Regular communication and coordination will take place between the PMU and the EU offices in Brussels to ensure alignment throughout implementation. The Project Management Unit staff may be recruited from the staff of the Lead Financial Institution or specifically hired for the project under the recruitment rules of the implementing agencies.

Internal operational rules for the Steering are to be developed in a further stage in order to manage the project effectively and adhere to contractual obligations.

[19] The steering committee will ensure coordination and alignment with other EU programmes and will develop the necessary connections to ensure that programmes that are supporting pipeline development can also inter-act with IYBA-Invest. e.g. the Indian ocean commission is currently implementing a project called Enhancing Entrepreneurship and Business Cooperation, aiming at contributing to increasing economic opportunities for entrepreneurs in the Indian Ocean Commission region in a context of sustainable development. The specific objective is to enhance the competitiveness and trade readiness of Small and Medium Enterprises, with a special focus on SMEs headed by women and youth, with a transition to a green economy. The action also targets potential business operators. This project is complementary to the proposed action since the supported MSMEs will be bankable and thus potential beneficiaries of IYBA-Invest.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this Action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the lea financial institution shall establish a permanent internal, technical, and financial monitoring system for the Action and elaborate regular progress reports (annual) and final reports. Every report shall provide an accurate account of implementation of the Action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the log frame matrix (that will also need to be updated in Opsys)

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis, and monitoring:

In collaboration with the relevant EU Delegations and Commission services, the lead financial institutions will regular exchange with all local partners to ensure timely implementation of activities and strategic steering.

Some of the proposed indicators will require additional studies/surveys in order to collect baseline and final data. In view of the multi-country nature of the Action, this will mean that during the inception phase, once a first selection of potential Countries is agreed upon, for each country, availability of relevant public statistics will be researched by the implementer to be used as baseline and subsequently to measure progress at the end of the Action. Where such public data is not available the implementers might launch specific surveys at start and end of the Action to measure progress. The cost associated to these possible surveys will be integrated in the financing agreement.

All monitoring and reporting shall assess how the Action is considering the principle of gender equality, human rights-based approach, and rights of persons with disabilities including inclusion and diversity indicators shall be disaggregated at least by sex. The Action will monitor and report on the gender equality results achieved by the project in the evaluation phase.

5.2 Evaluation

Having regard to the nature of the Action final evaluation(s) will be carried out for this Action or its components via independent consultants via an implementing partner.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this Action, the Commission may, based on a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 "Communicating and Raising EU Visibility: Guidance for External Actions", it will remain a contractual obligation for all entities implementing EU-funded external Actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the Actions concerned. This obligation will continue to apply equally, regardless of whether the Actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, Action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility Actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure Action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy Actions with sufficient critical mass to be effective on a national scale.

Appendix 1 –listing of the lead finance institutions.

AECID	Agencia Espanola de Cooperacion Internacional al Desarrollo, Spain
AFD	Agence Française de Développement, France
AfDB	The African Development Bank
BGK	Bank Gospodarstwa Krajow
BIO	Belgian Investment Company for Developing countries
CDB	Caribbean Development Bank
CDP	Cassa Depositi e Prestiti
CEB	Credit Europe Bank
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
EBRD	European Bank for Reconstruction and Development
EDFI MC	EDFI Management Company
EIB	European Investment Bank
Eximbanka	Export - Import Bank of the Slovak Republic
FinnFund	Finnish Fund for Industrial Cooperation Ltd.
FMO	Financierings-Maatschappij voor Ontwikkelingslanden
IDB	Inter-American Development Bank
IFC	International Finance Corporation
KfW	Kreditanstalt für Wiederaufbau
Nefco	Nordic Green Bank
Proparco	Subsidiary of the AFD Group
Sida	Swedish International Development Cooperation Agency
World Bank	Word Bank

Appendix 1 REPORTING IN OPSYS

A Primary Intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance.

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e., audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each Action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the Action document.

The intervention level for the present Action identifies as (tick one of the 4 following options);

Action level (i.e. Budget Support, blending)		
☒	Single Action	Present Action: all contracts in the present Action