Boost Africa Initiative

Frequently Asked Questions
1) **What is Boost Africa?**

Boost Africa is a partnership between the African Development Bank and the European Investment Bank to enable and enhance entrepreneurship and innovation across Africa in a commercially viable way, leveraging on a blending mechanism with the European Commission.

Boost Africa Investment Program is a co-investment arrangement between the African Development Bank and the European Investment Bank that will make equity investments in seed funds, business angels co-investment funds, accelerators’ follow-on funds, venture capital funds, etc. that invest in innovative start-ups and high-growth small and medium enterprises (SMEs).

Boost Africa as a broader initiative is, apart from the investment side, also a capacity building and laboratory vehicle. The capacity building will support funds and incubators and accelerators who provide early stage SME pipeline. The Lab will strengthen the entrepreneurship ecosystem and support ‘innovation’ of early stage SMEs.

2) **Does Boost Africa invest in start-up SMEs directly?**

No, Boost Africa will invest through intermediaries such as venture capital funds, angel co-investment vehicles, business enterprise incubators/accelerator funds and other non-bank financial intermediaries, both existing (second or later funds) and commercially viable ‘greenfield’ funds. Intermediaries will be selected based on their potential to successfully manage investments in innovative, high growth enterprises. These specialized intermediaries will have a dedicated focus to provide capital to high potential growth enterprises.

3) **Who is eligible for the Boost Africa Investments?**

Venture Capital Funds, Angel funds, accelerator and incubator funds, which invest in start-ups and early stage small business with an innovation focus are eligible for the Boost Africa Investment. Incubators with the ambition to operate in a commercially viable manner and establish funding mechanisms for the SMEs they host, may also be eligible. AfDB and EIB staff will scrutinize every proposal and choose fund managers with best propensity to succeed within specific selection criteria and balanced geographic coverage.

4) **Who is eligible for Boost Africa technical assistance and Lab support?**

Funds in which Boost Africa could potentially invest, because they focus on innovative youth-led enterprises, may be eligible for technical assistance to strengthen their operations and offer ‘best of class’ support to SMEs. Incubators and Accelerators may receive technical assistance to strengthen support and offer a ‘pipeline’ of SMEs to funds in which Boost Africa may invest. AfDB and EIB staff will scrutinize every proposal and choose beneficiaries with best propensity to succeed.

The Lab will provide support to various local entrepreneurship ecosystem players so that young entrepreneurs can succeed in their ventures. The Lab will also directly support young entrepreneurs with their innovative business ideas, such as by linking them with more established businesses that can assist in the scaling up of their innovations.

5) **Is Boost Africa ready to engage with parties in Africa?**
Boost Africa has been launched but is still preparing and is currently busy finalizing resources for investments as well as grant for technical assistance and the setting up of the Lab. Additional information regarding eligibility, forms of support and methods of operation and control are still being determined. It is expected that Boost Africa will be operational in 2017.

6) Who are the current Boost Africa investors? Who can invest into Boost Africa?

The AfDB will commit €50 million equity risk capital for investments. The EIB contribution of €50 million will come from the Impact Finance Envelope of the ACP Investment Facility (a revolving fund established under the Cotonou Agreement, which is managed by EIB and is funded out of contributions by EU Member States through the European Development Fund). The European Commission’s contribution of €50 million junior tranche investment is being currently appraised by the Commission along with its conditions and amount.

Boost Africa will be looking for additional funders including other development finance institutions, governments, institutional investors, foundations, including partners who can provide (cash or in-kind) donations for the Technical Assistance Facility and the Innovation & Information Lab and/or who can contribute to junior tranche investments.

7) In which sectors does Boost Africa invest?

Boost Africa is sector agnostic, but preference will go to sectors that can leverage innovation and have the potential to create jobs and deliver superior economic impact such as agribusiness, ICT, financial services, health, education, and renewable energy. Boost Africa will support ecosystem builders that ultimately support commercially sustainable ventures with a high propensity to promote job growth and reap a significant economic, social, and environmental impact. There will be a particular emphasis on intermediaries that focus on youth (up to 35 years) and women as final beneficiaries.

8) In which countries will Boost Africa operate?

Boost Africa Initiative intends to operate across all of Africa. AfDB and EIB staff are currently sourcing the needed ‘junior tranches’ for different African regions based on which the Program can invest in the countries supported by such junior risk cover.

9) Where do beneficiary funds and others need to be based?

Every fund needs to be domiciled in Africa with operational capacity in the countries of its deal flow.

10) Who manages the Boost Africa investments?

The investment officers of the AfDB and EIB will make the investment decisions and choose the funds for investment, including officers based in the AfDB HQ and regional offices and at EIB offices.

11) What is the targeted size of Boost Africa Investment Program?

The anchor investors will be looking for additional partners to raise the total commitment to €200m through a balance between junior and senior investments.

12) What is the investment ‘ticket size’?
Boost Africa Investment Program can invest a minimum of €1 million to a maximum of €10 million (in various currencies) in an individual fund from each of the different anchor investors. The average investment size is expected in the order of around €4-5 million from each investor hence a total of, on average, around €12 -15 million invested in an individual fund. The margin is wide as the Program aims to focus and support funds and businesses of various sizes, and will assess the viability of the total fund size, fund manager capacity and the pipeline in each case. Boost Africa investment partners will normally invest around 20% of the total fund commitment, usually as ‘anchor investors’. The Boost Africa partners may provide certain assistance in resource mobilization efforts by the fund manager in certain cases. The technical assistance support to fund managers will be decided on a case by case basis.

13) **What kind of investment will Boost Africa make: equity, debt, guarantee?**

Boost Africa will invest equity which is what is most needed for start-ups and early stage businesses. Banks do not traditionally finance these businesses and it is believed that debt is not the right instrument for the funds Boost Africa will invest in.

14) **How does Boost Africa expect to leverage other investment?**

Using the initial investment funds of Boost Africa Investment Program, the anchor investors anticipate that their commitments will attract additional grants and investments to Boost Africa (from other DFIs and other grant/equity investors/donors), ultimately resulting in a total available capital of up to €200 million. When this is invested in the local fund vehicles, and on the premise that Boost Africa will invest on average 20% in these fund vehicles, this may catalyze local investments of up to €1 billion to the benefit of the underlying early stage businesses throughout the continent.

15) **What is the targeted size of the Technical Assistance Facility and the Innovation & Information Lab?**

The targeted size for the Technical Assistance Facility and Innovation & Information Lab is total €30 million.

16) **How will the TA be delivered? Will TA be given in cash to beneficiaries?**

The standard approach will be that the AfDB and EIB will recruit highly specialized consultants who will provide the required technical assistance to the selected funds, incubators and accelerators. The TA funds will then be used to pay for these experts. In most cases, money will not be given directly to the intermediaries. Joint agreement between the intermediary and Boost Africa would be established on the TA / capacity building to be provided. Fund managers may be asked to make contributions to the TA as well.

17) **How do interested parties contact AfDB or EIB?**

Potential clients/beneficiaries operating in Africa should be either 1) angel, venture, seed, accelerator or incubator funds supporting innovative start-up / early stage SMEs, or 2) incubators and accelerators with a focus on innovative start-ups / early stage SMEs. These organizations can contact AfDB or EIB by email and share summary information their project outlining background, operational model, financial sustainability plan which AfDB and EIB will then review. AfDB and/or
EIB will respond by email after an initial review, and maintains all rights to consider inclusion, or not, in a possible ‘pipeline’ of projects under Boost Africa depending on whether the project meets eligibility criteria under the Boost Africa initiative and aligned with the geographical priorities at the time. Please send relevant information to Mr. Robert Zegers r.zegers@afdb.org and Ms. Laura Sennett l.sennett@afdb.org.