

Breaking down funding barriers for young entrepreneurs

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Access to finance is difficult for any entrepreneur. It is particularly difficult if you are very young, with deep credibility and trust factors at play.



Matilda Dibakwane, chief of staff for the Anzisha Prize

According to Dr Adesina Akinwunmi, the executive director at African Development Bank Group, “Young people face numerous institutional barriers when sourcing funding for their ventures. Often the funding arrives a little too late, particularly under the current turbulent economic conditions.”

The Young Entrepreneur’s Fund created by the Anzisha Prize is a “guaranteed follow” fund that will match investments into ventures led by pre-vetted graduates of African Leadership Academy programs. This Fund is designed to incentivise investments into young entrepreneurs in Africa through an innovative revenue-linked debt instrument.

In creating the Young Entrepreneur’s Fund, the program was intentional about designing an “age-appropriate” financing model with the following five key features:

1. **Simple Design** – We opted for a rules-based debt instrument designed to be easy to understand, coupled with legal agreements with minimal complicated jargon.

2. **Operate on “Borrowed Trust”** – the Fund issues a Letter of Guarantee to provide credibility to the young entrepreneur which they can use to “shop around” for funding. This Letter of Guarantee is given to high potential and pre-vetted graduates of the African Leadership Academy Programs and is a guarantee that the fund will match any co-investments of up to \$50,000
3. This revenue-linked fund is designed to be flexible, as the entrepreneur is not liable to make repayments in the months where there is no revenue. Conversely, the entrepreneur makes payments of at least 5% of revenues generated on the months where revenues pick up.
4. **Structured exists:** The Fund was intentional about offering a debt instrument as we did not want to grapple with the complexities of company valuation for equity deals. In addition, we found discussions about cash flow and debt servicing more helpful to early-career entrepreneurs.
5. **It takes a village:** Through collaborations within the ecosystem, aim to provide venture building support beyond the funding to improve the success rate of the young entrepreneurs.

One of the YEF fund beneficiaries is Andrew Mupuya of YELI Papers who used the funding to construct his own manufacturing warehouse. YELI is reportedly the first local registered paper bag and envelope producing company in Uganda. His business has grown to employ 22 people. Its customer base includes local hospitals, retail shops, roadside sellers, supermarkets, and major local flour manufacturer companies. In addition to managing his growing enterprise, Andrew has found time to train over 500 individuals, mostly young people, on how to make paper bags through which 16 other projects have been set up.

With this modest fund, we hope to make a contribution in minimizing the red tape young entrepreneurs encounter in sourcing funding. Navigating the funding terrain has not been an easy initiative. However, we are determined to keep failing forwards.

Lessons learnt in establishing the fund will be openly shared to support other leadership and education institutions to launch similar alumni funds. Importantly, this is a call to prospective investors to reach out to us by backing one of our pre-vetted applicants. Funding is currently available only to Anzisha fellows and African Leadership Academy Alumni.

This pioneering access to finance has been enabled by Imaginable futures and is managed by the Anzisha Prize.

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