Entrepreneurship funds in Africa: distinguishing the good from the bad

By Aubrey Hruby

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Entrepreneurs have a pivotal role to play in Africa s unemployment crisis. Today over a third of the continent s young workforce (those aged 15-35) are unemployed. Another third are in vulnerable employment. By 2035, Africa will contribute more people to the workforce each year than the rest of the world combined. By 2050 it will be home to 1.25 billion people working aged.

To absorb these new entrants, Africa needs to create over 18 million new jobs each year. Governments need to put in place policies that drive economic growth and competitiveness. These in turn, will enable the growth of small and medium-sized enterprises (SMEs). This is important because they currently play a significant role in low-income countries, representing nearly 80% of jobs. They are also responsible for 90% of new ones created each year.

The challenge for countries is how to support the growth of SMEs. Various African governments have experimented with ways to help address the US$140 billion funding gap for startups and SMEs. For example, one approach has been to set up entrepreneurship funds.

Based on my experience of watching their performance over the past 18 years, I would issue some words of caution. Some entrepreneurship support models work better than others. And how they are set up particularly the governance structures put in place to manage them is key to their success, or failure.