

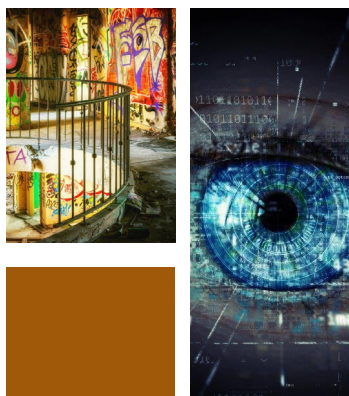
Youth Challenge Fund




small business
development

Department:
Small Business Development
REPUBLIC OF SOUTH AFRICA

Introduction



The Youth Challenge Fund follows a commitment by the President in his 2021 State of the Nation Address to support 15,000 youth start-ups by 2024. This programme seeks to contribute to the target.

OVERALL TARGET:	2021/22	2022/23	2023/24
 15 000 Youth start-up supported	5000	5000	5000

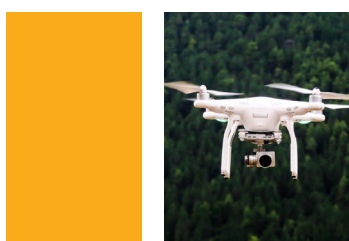
Programme Aims and Objectives

The Youth Challenge Fund (YCF) was developed as a key intervention in response to:

- The growing importance of investing in the country's youth as a precondition for accelerated inclusive growth and sustainable development.
- Prioritised support of youth owned enterprises as a response to the challenge of youth unemployment in the country.
- Responding to the negative impact of the COVID-19 crisis and the reduction of the creation of businesses, challenging their survival, and limiting their growth.
- The primary objective of the programme is to provide support to promising young entrepreneurs intending to scale-up and growing their businesses.
- The intervention is intended to increase capacity to access economic opportunities and enhance their competitiveness by supporting access to finance for youth-owned start-ups and enterprises improving their overall survival rate.
- The programme aims to address the significant funding gap in the market for start-up, youth-owned enterprises as existing instruments available do not adequately address their needs, resulting in high failure rates of youth start-up.
- Support youth start-ups to promote technology and innovation enabling these businesses to acquire digital skills.
- Supporting entrepreneurs with any required adjustments to their business model, improving the viability and competitiveness of registered youth enterprises scale up.

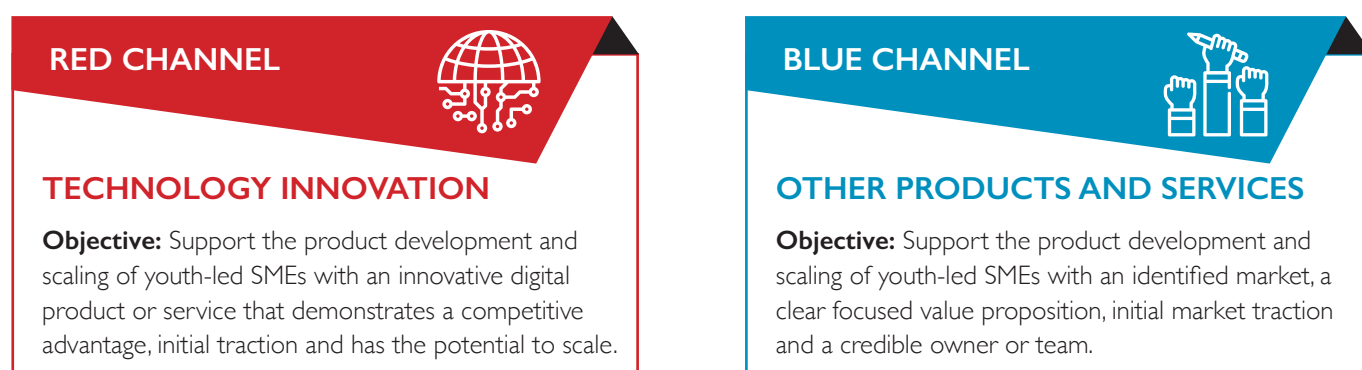


YCF aims to **stimulate innovative businesses** in response to **youth unemployment**, described as a major national challenge that needs urgent and coordinated response.

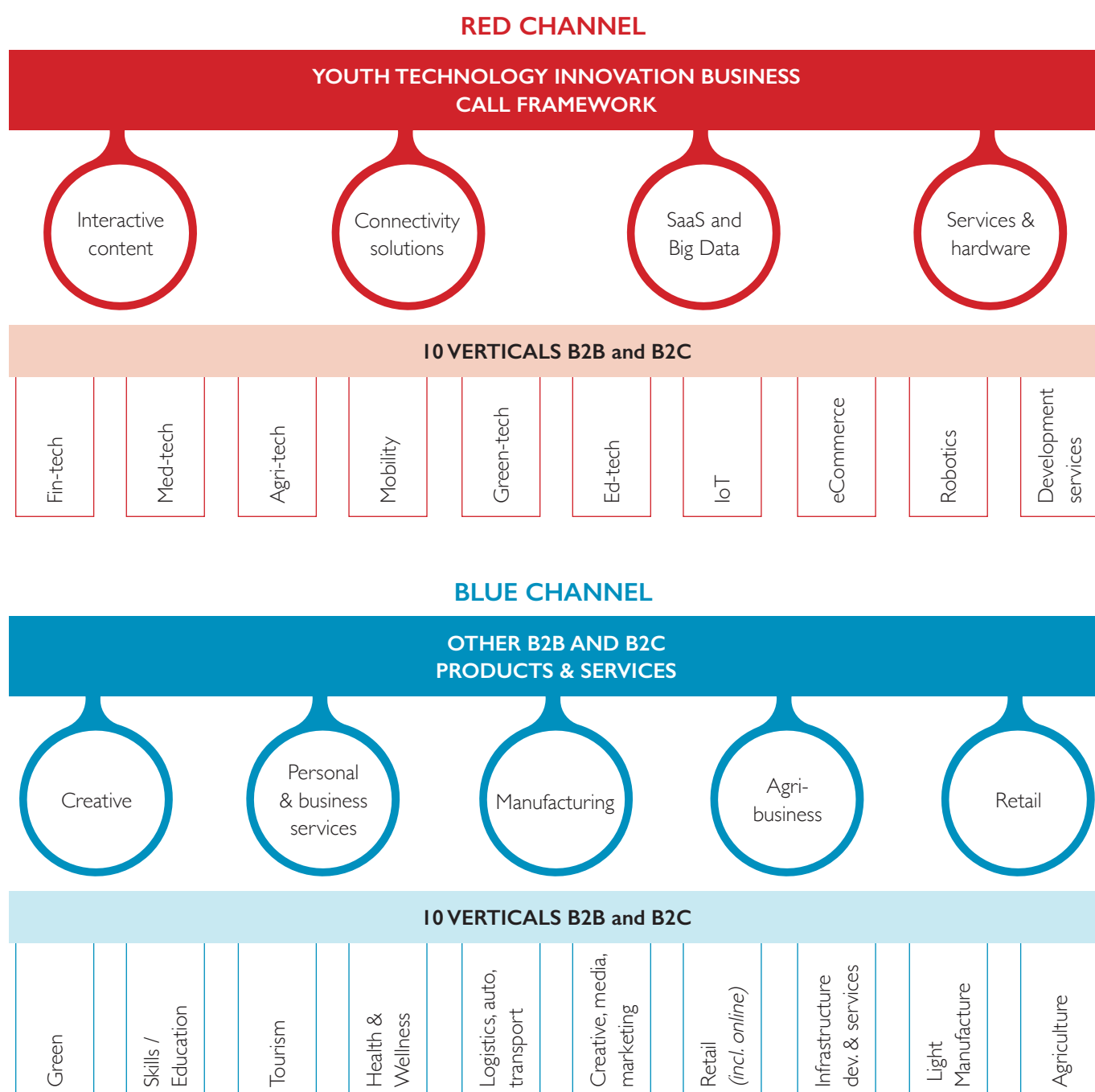


Sector focus and rationale for approach

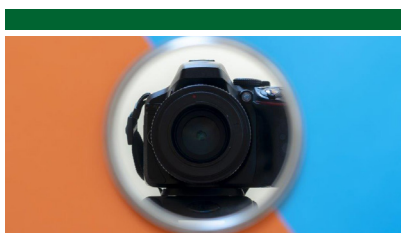
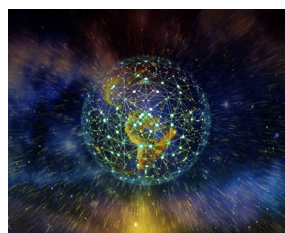
The focus is on two broad channels, each channel has a combination of vertical and transversal sectors.



Channel sub-focus areas



YCF Programme Offering



01. The Youth Challenge Fund seeks to provide financial and non-financial support.

02. The programme will offer non-financial support through Business Development Support services (BDS); and financial support through grant and loan funding.

03. The funding for the Youth Challenge Fund is a blended funding model combining a grant and loan – blended finance.

04. sefa will be responsible for administering the grant portion as well as managing the loan component.

05. The loan with interest rates limited to 5%.

06. Pre investment support provided to youth owned enterprises by Seda assisting enterprises that are not investment ready to address gaps identified and package their funding applications.

07. The programme will also provide post investment support customised Business Development Support based on the needs of the small enterprises.

YCF - Funding Requirements

	Red Channel	Blue Channel
Focus of Channel	Technology & Innovation	Other Products & Services
Percentage of Budget	30%	70%
Total Allocation	R84.81mil	R197.89mil
Start-up Maximum per Enterprise	R2mil	R2mil
Start-up Blended Finance	40% grant / 60% loan	30% grant / 70% loan
Growth Maximum per Enterprise	R15 mil	R15mil
Growth Blended Finance	20% grant / 80% loan	20% grant / 80% loan





YCF Qualifying Criteria

The YCF will be providing start-up businesses/enterprises with support who meet the following criteria:

- Are between the age of 18 to 35 years.
- Registered with CIPC and be prepared to register with SARS & UIF.
- 100% South African owned.
- Are adequately involved in the day-to-day operation and management of the business with at least one or more of the members being a fulltime employee of the business, especially the main applicant.
- Prepared to participate in business development support and mentorship (pre and post)
- Commercially viable, sustainable and feasible business idea.

The fund shall not consider the following applications for approval:

- Funding towards a debt owed by the applicant with another lending establishment.
- Government and SOEs are excluded, as well as gambling, pyramid schemes, loan sharks and/or operations considered as illegal activities, guided by credit policy and grant policies of the entities.

YCF Implementation – One Blended Offering

- Applications are submitted to YCF@sefa.org.za. Online applications can be made on www.sefa.org.za
- Funding queries can be directed to 0860 663 7867/ 012 748 9600 or info@dsbd.gov.za/ helpline@sefa.org.za
- Completed applications are subjected to due diligence exercises.
- Follow ups are made with small enterprises whose funding applications are incomplete to submit the outstanding information.
- Small enterprises that require non-financial support are referred to the Small Enterprise Development Agency (Seda) for further handling.

REACH OUT



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Small Enterprise Finance Agency

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