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Responding to the Global Crisis:

Building the EU-Africa SME Support Instrument (EASSI 2020)

The funding instruments to support SMEs in the field of research, innovation and development have been developed throughout the past 15 years in the EU, in particular with the **SME Instrument**, the **European Innovation Council**, and more recently with the programmes **Pathfinder** and **Accelerator**. The instruments provided **grants** for prototyping and piloting an innovative business idea. They gave importance to innovation and R&D in Europe, to make sure that the competitiveness of Europe's economic backbone remains high and dynamic. Unfortunately, the approach and means are different when it comes to address the needs of SMEs which are aiming at investing in Africa and cooperate with African partners. Each European company, and SMEs in particular, must consider a higher risk of failure when investing in Africa, comparable to products and services trying to use emerging technologies and experimental innovation. For a start-up in Europe we assume that the first 2-3 years are the so-called "valley of death" period where the company can fail. This is equally true for SMEs investing in African markets, where the adaptation to cultural, technical, infrastructural and economic conditions requires more time and bears many practical risks. If we want European SMEs - in partnership with African counterparts - to become much more active players in Africa than today that period must be reduced and the risk minimized.

The present crisis which is also fundamentally affecting business cooperation between Europe and Africa is demanding a reinvigorated approach to supporting SMEs and to establish an **EU-Africa SME Support Instrument (EASSI 2020)** urgently.

European Entrepreneurs CEA-PME since 2017 has been working constantly on the establishment of a funding scheme to address the specific needs of European and African SMEs in cooperating and to build "shared value business" specifically in emerging economies. At their workshop on September 6th, 2018 in the European Parliament discussing the NDICI proposals, and on March 20th, 2019 at the EU Africa SME Summit in Brussels, European Entrepreneurs CEA-PME proposed repeatedly to establish a new instrument for SMEs to support job creation in African economies.

European Entrepreneurs CEA-PME as the major European confederation of **voluntarily organised** SMEs is representing via its 24 national associations more than 2.1 million enterprises all over Europe. Our call to establish **EASSI 2020** is not only based on the present global crisis where the European economy is also heavily affected. Yet it is not fully sure that African countries will be hit with even greater force not having in place the existing EU-mechanisms to support EU member state economies. It is obvious that economic cooperation between Europe and Africa on the SME level for these two reasons is dramatically weakened. Moreover, the recent months also showed that the existing EU financing mechanisms do not meet SMEs needs in pursuing their attempts to building jobs jointly with African partners. This is specifically true for the European Investment Plan which fails to cover the essential funding and support during the highly risky start-up and piloting phases for European SMEs in Africa. Without **EASSI 2020**, economies in African countries will undergo massive losses and European SMEs will lose their interest in economic cooperation with and job creation in African countries.



European Entrepreneurs CEA-PME - Confédération Européenne des Associations de Petites et Moyennes Entreprises
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The aim of *EASSI 2020* is

- to establish a stand-alone instrument specifically supporting SMEs intending to operate in African countries and with African partners to pursue Shared Value objectives
- to address the needs of European SMEs to really invest in Africa in light of the new challenges resulting from the global pandemic and related economic crisis
- to develop and adapt ideas successfully implemented in SME support inside Europe
- to support job creation in African countries, addressing climate change and digitalisation
- to introduce *EASSI 2020* and its elements into the plans and programmes for “A Stronger Europe in the World”, such as **NDICI**, as part of the **Multiannual Financial Framework (MFF) 2021-2027** and a tool to invest into a **comprehensive partnership with Africa**.

The *EASSI 2020* should support

- small and medium-sized enterprises having the potential and are willing to develop cooperation with African partners, while pursuing shared value objectives (linked to SDGs)
- SMEs exploring and assessing the technical feasibility and commercial potential of a product or service in an EU-African cooperation, allowing to secure the **prototyping and piloting phase** of a business, with a 50-70% public grant, like the SME-Instrument offered, capped at a certain max. amount, e.g. 100.000€ for 1 year, 200.000€ for 2, or 300.000€ for 3.
- With the scale-up phase, maybe after 1, 2 or 3 years, the currently offered EIP Bank guarantees might be useful to further boost the business, especially in terms of job creation.

The *EASSI 2020 grant* should include costs for:

- Co-framing of the idea: shared value business labs in Europe to learn about challenges and needs, and to formulate business ideas contributing to the Sustainable Development Goals
- Prototyping of a business idea, finding potential partners in Africa and co-creation
- Business pilot implementation, with staff costs, market tests and feasibility assessment
- Business coaching to enhance the company’s cooperation capacity and performance towards a scale-up, including other business acceleration services for access to finance

The *EASSI 2020* proposal will be presented to a variety of stakeholders and decision makers in the EU and in Africa to advance the details of the instrument and to create procedures and mechanisms taking into account the needs of the present crisis and long-term demands. The instrument should be launched by the EU and BSOs in **October 2020 at the EU-AU Summit** and Business Forum.

The „Shared Value“-Approach for SME investment in Africa

