Start Up! - a proposed new DFID programme

Subject to funds approval, the Department for International Development (DFID) intends to publish a new tender opportunity in early 2014 where we will be seeking partners for a new programme to improve the in-country support for start-up companies in DFID focus countries. The indicative project value is approximately £40-£70 million and it is hoped that the programme will run for 10 years.

The aim of the programme is to create a local environment in which entrepreneurs can access the financial capital, skills and professional networks that they need to transform a business idea into reality. By targeting our support at these early stages, we hope that more start-up businesses will establish a solid basis from which to grow and therefore have a more positive and lasting impact within their communities.

The outcome we aim to achieve is to support the creation of high productivity jobs and improved incomes in key sectors of developing economies. We also hope that more high growth businesses can create jobs for poor people within the supply chain and/or can develop products and services that will have a beneficial impact on Base of the Pyramid consumers.

Context and need

1. Start-up businesses[1] are an important conduit to delivering **three core goals of private sector development** – a) generating jobs and wealth, b) boosting productivity and creating market competition and c) bringing innovative products and services to the market, particularly for Base of the Pyramid (BoP) communities. These three goals contribute both directly and indirectly to economic development and DFID's overarching objective of poverty reduction.

2. There is a desperate need to **create productive jobs** in the developing world where labour markets feature high under-employment[2] together with low productivity and earnings. This challenge is heightened by a growing youth population – a trend that will dominate these labour markets over the coming decades but also presents an opportunity to put the skills of a young and dynamic population to use.

3. Youth unemployment is more than 2.5 times higher than that of adults globally[3] and in South Asia and Africa alone, one million jobs must be created every month for the next 10 years just to keep pace with the demographic shift of youth entering the labour force[4].

    a. There is a unique window of opportunity to achieve faster economic growth and human development as the large young population enters the labour force in many developing countries. This large young labour force, coupled with low dependence ratios creates the opportunity of a 'demographic dividend', but is dependent on the capacity of economies to absorb and productively employ these additional workers.

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[1] 'Small' and 'young' private firms. In the UK this is conventionally defined as 0-3 years, but other definitions may segment firms based on the stage of growth or the number of employees. In this case, we are interested in growth-oriented firms that have a business concept, but limited revenues.

[2] Given the prevalence of poverty in many of these countries, a large proportion of the labour force is unlikely to be idle or fully unemployed for long durations, therefore the term 'underemployment' is more appropriate (World Development Report 2013)

[3] IFC (2012) IFC job study: Assessing Private Sector Contributions to job creation and poverty reduction

[4] World Development Report (2013): Jobs

b. Small firms and particularly young ones are the main contributors to job creation and productivity growth in developing economies[5]. However in many parts of sub-Saharan Africa, despite high levels of entrepreneurial activity, these entrepreneurs and small businesses are currently failing to contribute significantly to economic growth[6].

4. The introduction of new companies **increases market competition** and ought to encourage firms to adapt and succeed or be overcome by other players. This process of market competition and creative destruction - when it works well - drives ever increasing efficiency in the use of resources within an economy.

   a. In developed countries young enterprises (most of which are small) either close down or grow up. Competitive pressures reallocate resources to more productive businesses so enterprises tend not to stagnate for long. Evidence of this trend is weaker in developing countries with many small firms failing to demonstrate growth as they mature but also not closing down. A lack of better job opportunities means that when an individual's business fail to take off they tend to keep it going for lack of alternatives – thereby tying up valuable resources in unproductive businesses[7].

5. New private sector start-ups can find new and better ways to **deliver affordable products and services** to people living in poor countries, including those living at the base of the income pyramid.

   a. Many start-ups are based around a novel concept that enables products and services to be delivered more efficiently and/ or more productively. This may include entirely new products that have never been offered in the market or changes in the way that products and services are developed or delivered. In BoP markets, frugal innovation[8] is particularly crucial to ensure the affordability, the reach and the scalability of products and services required to improve living conditions over the longer term. This is particularly the case for the very poorest.

What are other donors already doing?

6. The diagram below illustrates the phases through which a new business typically evolves[9]. When starting a new business, entrepreneurs have a number of needs including early-stage patient capital, low-cost office space, technical skills, product testing, mentorship, advice, business planning, access to suppliers and distributors, market targeting and customer identification. This period is particularly risky for start-ups as they have not yet established a foothold in the market and may need to invest significant time and resources on validating their business concept.

7. A small but increasing number of initiatives[10] exist to meet the needs encountered by entrepreneurs and start-up businesses across developing countries during their

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[5] Meghana A., Dermirgüç-Kunt, A., Maksimovic, V. (2011) 'Small vs young firms across the world: Contribution to employment, job creation and growth'

[6] Global Entrepreneurship Monitor (GEM) data included in Monitor group study (2012) Accelerating entrepreneurship in Africa

[7] Hsieh, C-T and Klenow, P (2012) 'The life cycle of plants in India and Mexico'

[8] Frugal innovation is the process of reducing the complexity and cost of a good and its production

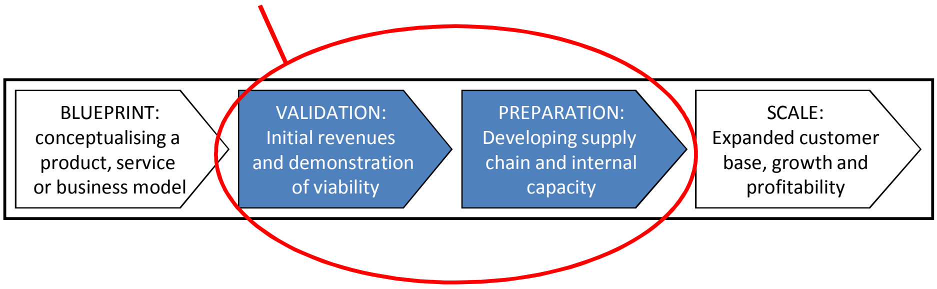
[9] These business phases are taken from the report "From Blueprint to Scale: The Case for Philanthropy in Impact Investing" by Koh, H, Karamchandani, A and Katz, R (2012)

[10] Organisations such as InfoDev (World Bank), the Indigo Trust and others have supported co-working spaces and some incubators across sub-Saharan Africa. There are also a number of business plan competitions (eg. YouWiN! Nigeria, Kauffman

early phases of growth. These include business incubators, mentorship programmes, technical assistance, and business development services. However, despite their importance, the phases of validation and preparation are relatively neglected by existing government and donor support, as outlined in the diagrams and paragraphs below.

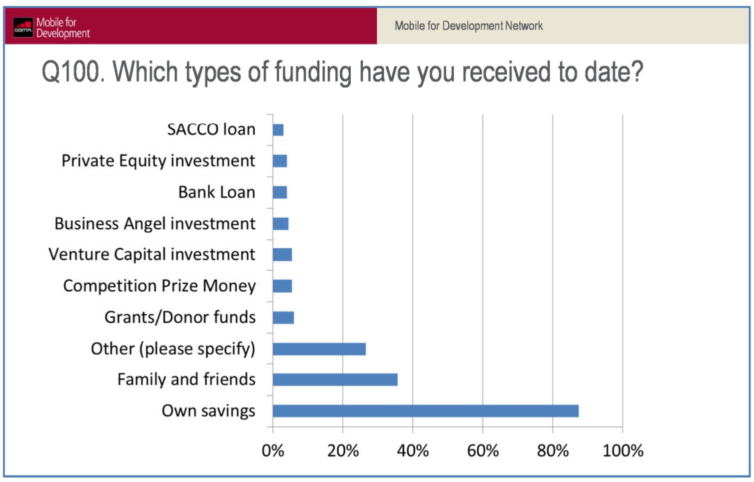
8. In designing this programme, we have undertaken analysis work in Ghana and in Kenya to understand the current provision of support for entrepreneurs and start-up teams during these validation and preparation phases. This is analysis was used to understand the challenges and constraints that are faced by entrepreneurs and the gaps in the service offering for these teams that are trying to grow their business.

Programme focus - The jobs challenge: how to get companies to the point where they will attract investment, create jobs and scale to maximise impact?



Existing financial support

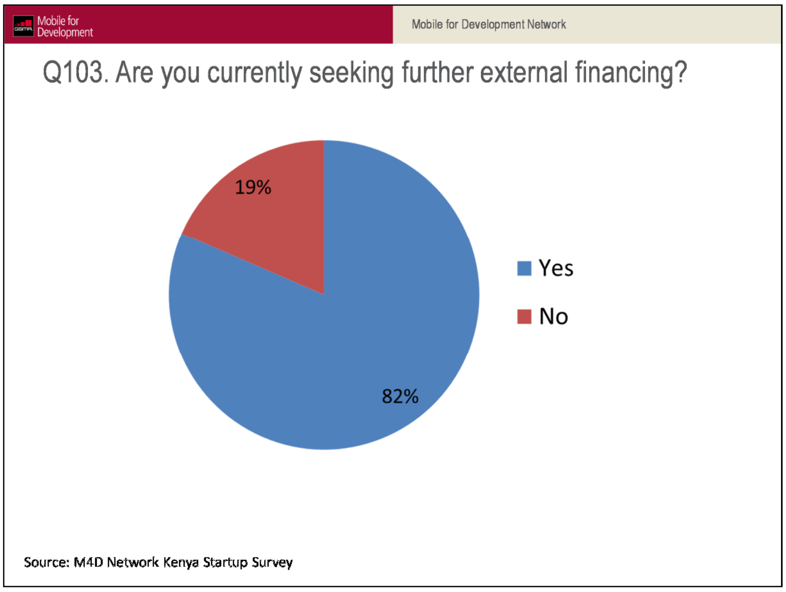
9. When starting a business, entrepreneurs commonly rely on their friends, family, personal networks and personal financial products such as microfinance for small amounts of capital. However, in developing countries and particularly for low-income entrepreneurs, this financing is generally unavailable or insufficient to cover the costs of starting a business. External financing will be required and – if available at all - is likely to be offered by micro finance institutions with lower collateral requirements and who are willing to serve businesses without a track record. However, these institutions are often inappropriate for long-term finance and limited in the level of funding they are able to offer.



Source: GSMA Survey: Mobile and ICT entrepreneurs study, Kenya

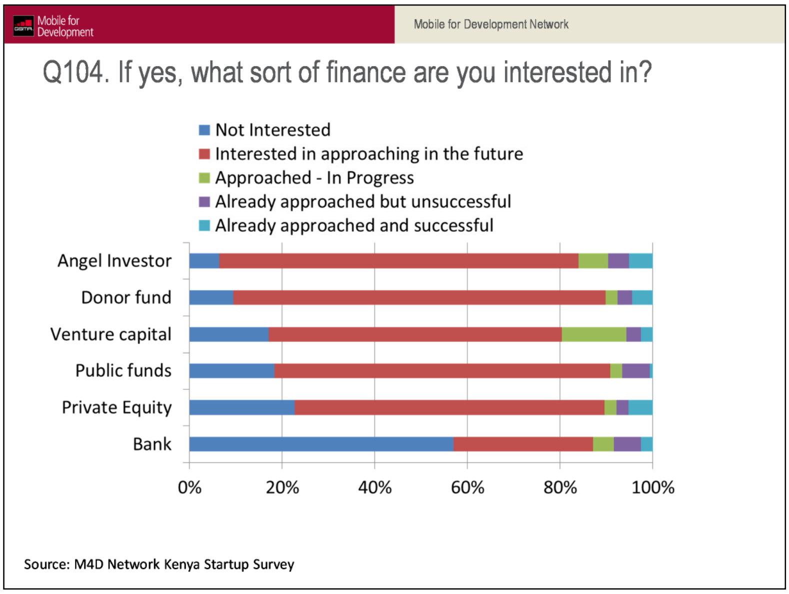
Foundation's Startup weekend, African Innovation Prize) and mentorship programmes (eg. Enablis International Mentoring programme)

10. Grant financing for start-up businesses is often available only for the design and prototyping of concepts (eg. research grants) prior to deployment and commercialisation (the '**blueprint**' phase shown above). This 'no strings attached' finance usually lacks a commercial-focus, and is often awarded as incentive prizes or one-off business plan competitions for an idea irrespective of whether it is appropriately implemented, iterated or actually deployed[11]. These one-off initiatives focus on identifying the star performers at a concept stage, but do very little for the businesses that narrowly miss out but have the potential to be commercial successes.
11. Challenge funds, impact investment funds, venture capital and private equity funds in developing countries tend to support mature firms or companies that have already started to scale ('**scale'** phase above) and reached profitability. Start-up companies cannot access these funds because they are unable to show the requisite track record or meet the operational capacity criteria to absorb large challenge fund grants and they represent too great a risk for debt or equity financing, even venture capital.
12. This leaves a 'missing middle' of early-stage financing that supports the development of a business concept into an investable proposition. The charts below show the results of the GSMA's survey of start-up firms in Kenya. The vast majority of start-ups interviewed were seeking external financing, but the majority had not yet been successful in securing capital from any of the various public or private sources.



Source: GSMA Survey: Mobile and ICT entrepreneurs study, Kenya

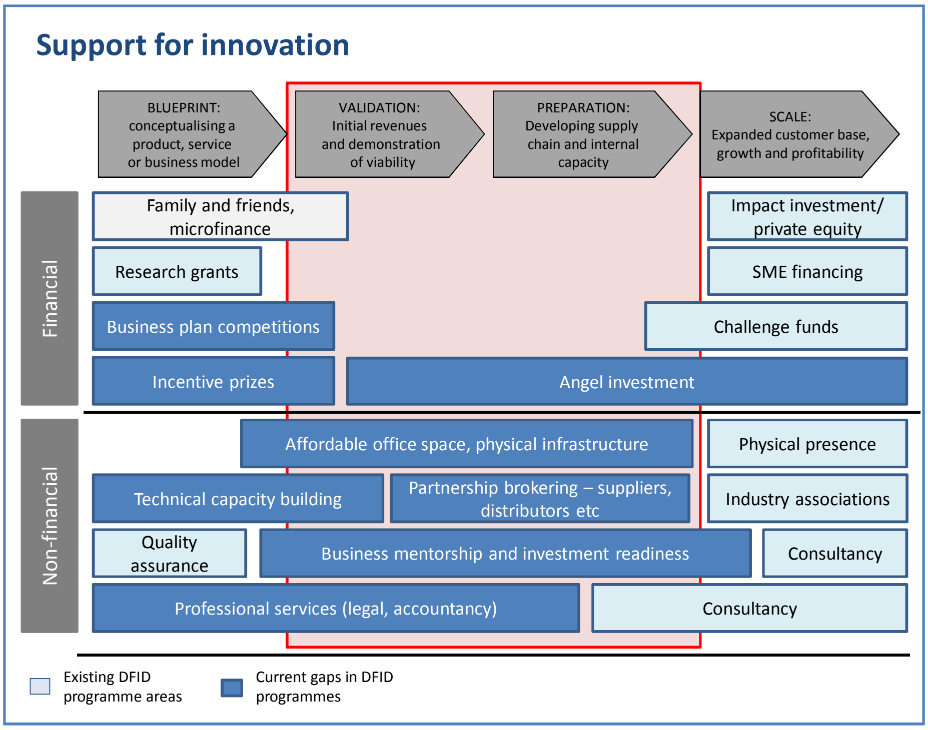
[11] GSMA mid-point report, Mobile and ICT entrepreneurs study, Kenya (August 2013)



Source: GSMA Survey: Mobile and ICT entrepreneurs study, Kenya

Existing non-financial support

13. Many entrepreneurs in DFID's focus countries recognise that the founding teams do not have the full complement of skills required to take a business forward. In Kenya, businesses developing mobile or ICT-enabled businesses tend to have heavily technical teams, with fewer complementary skills that are needed to build and grow the business. There is also a clear focus on developing a business idea, without an in-depth understanding of the target market for the end product.



14. In the analysis carried out in both Kenya and in Ghana by Koltai and Company, surveys and interviews indicated that many local institutions are considered to be under-delivering in terms of the support provided through mentoring, training and

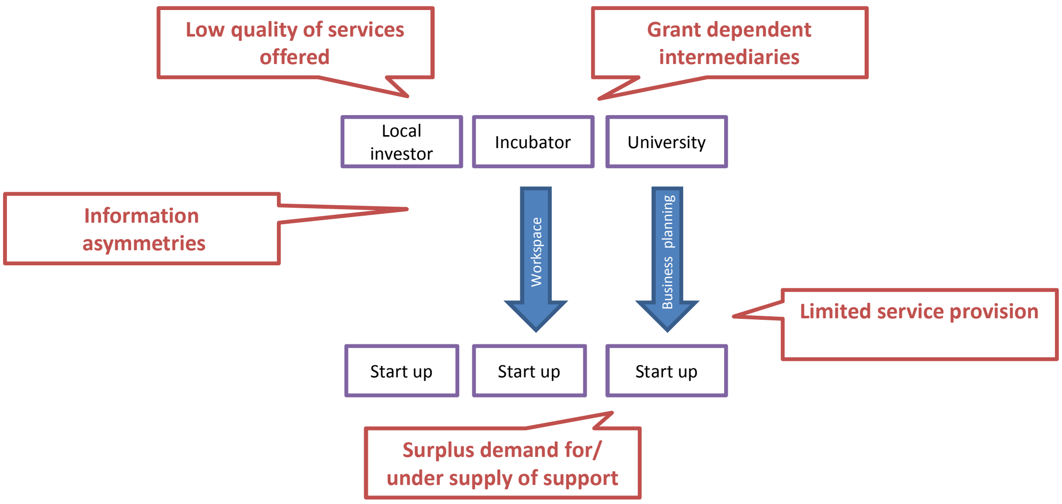
opportunities for peer review. 96% of entrepreneurs surveyed in Kenya[12] expressed the need for more mentorship in addition to what they already receive with a particular focus on the need for mentors that understand the region and the sector.

15. In Ghana, despite a propensity of business plan competitions[13] and a few nascent co-working spaces[14], there are only a few very new institutions that focus on helping entrepreneurs to transform business ideas into a reality. One of these institutions, the Meltwater Entrepreneurial School of Technology (MEST) has now developed support services to cover the whole business lifecycle due to a lack of alternative service providers.

16. Many entrepreneurs also suggested that more support is provided at the '**blueprint'** phase, but is less prominent at the later stages when entrepreneurs are seeking to move to the next level. Some interviewees of KolCo's study of the Ghanaian entrepreneurial ecosystem lamented that competitions were attracting people who appreciated the opportunity to receive training, but did not have a serious intention to take their business plans forward.

17. Many of the institutions[15] offering non-financial support services are reliant on grant funding and are not seeking to develop their own services into a sustainable commercial business model. In particular, the Business Development Services (BDS)[16] approach favoured by many in the development community in the 1980s and 1990s struggled to create financially sustainable services. The financial insecurity of service providers has limited support to only a handful of companies and grant-funding has tended to reduce the commercial discipline in their relationship with start-ups.

Current entrepreneurial ecosystem



[12] GSMA mid-point report, Mobile and ICT entrepreneurs study, Kenya (August 2013)
[13] KolCo's interim report (Sept 2013) lists a number of business plan competitions including those run by Technoserve, Enablis, Startup Cup, Startup weekend, Apps4Africa, Ghana's next young entrepreneur.
[14] KolCo's interim report (Sept 2013) lists Hub Accra, iSpace, Stanford SEED and Vodafone TechHub.
[15] Services may be offered as part of a grant-funded initiative or housed within incubators or co-working spaces that are themselves reliant on grant funding from donors or private foundations
[16] BDS typically included a wide array of non-financial services critical to the entry, survival, productivity, competitiveness and growth of small enterprises These services included training, consultancy and advisory services, marketing assistance, information, technology development and transfer and business linkage promotion(DCED, 2001).

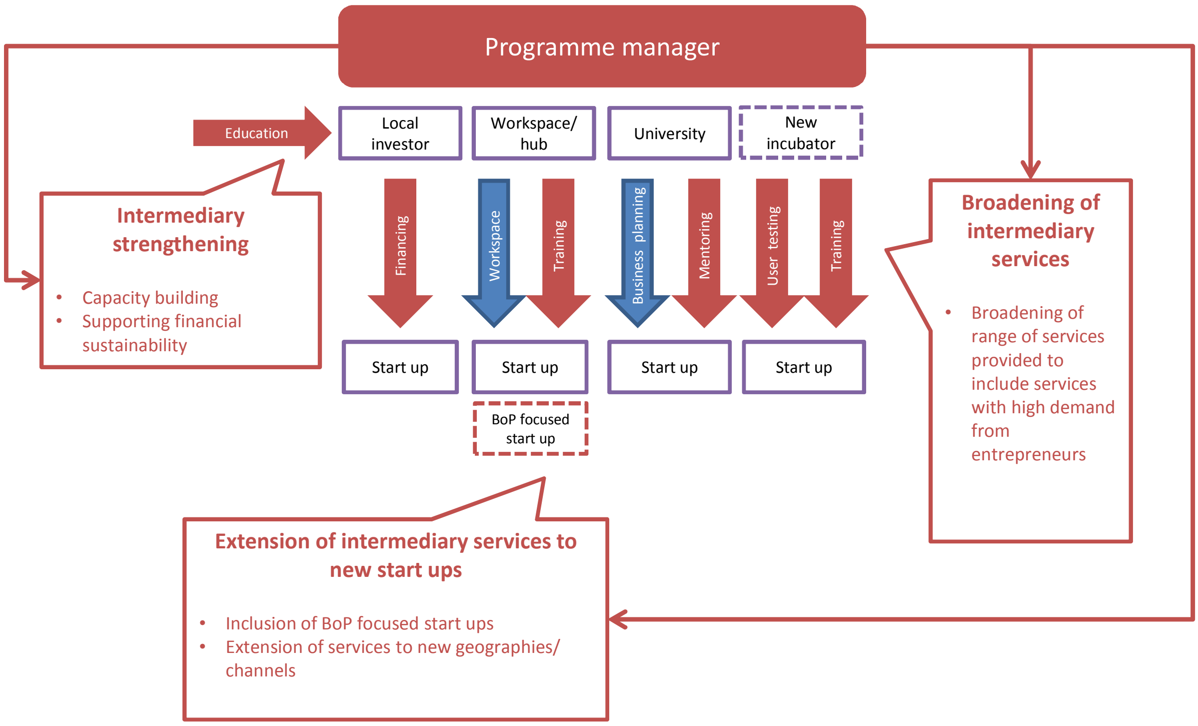
The Start Up! programme

18. Like many other donors that are active in this space, DFID is not currently supporting the validation and preparation phases of the business lifecycle. The "Start Up!" programme proposes to focus on these **under-served phases of the business cycle** in which start-up businesses are typically rapidly refining their business model, beginning to deploy their product/ service into the market on a small scale and demonstrating that they have a commercially viable value proposition. This process is crucial to lay a solid foundation from which the company can grow.

19. Nurturing entrepreneurs at this stage helps them to better understand their own business model and their target market thereby increasing the likelihood of developing a viable product or service, attracting investment and reaching the growth stage. Once a business enters the growth phase, the creation of jobs and income for employees or for other parties within the value chain is likely to increase, generating direct welfare benefits. Businesses that reach the growth stage also have an important role to play in demonstrating success to other small businesses in the ecosystem, increasing investor confidence and possibly coaching new businesses to flourish.

20. A 2012 report from Monitor-Deloitte and the Acumen Fund talks of a 'Pioneer Gap' stating, "while thousands of early-stage innovators seeking impact launch companies worldwide, very few are able to build teams, find the customer base or raise the investment necessary to scale"[17]. Analysis in Ghana and Kenya has shown a number of constraints within the intermediaries working with start-up businesses as well as in the ecosystem as a whole.

Entrepreneurial ecosystem within Start Up!



[17] Koh, H, Karamchandani, A and Katz, R (2012) "From Blueprint to Scale: The Case for Philanthropy in Impact Investing"

21. Additionally, focusing DFID support on these crucial stages of the business lifecycle should help to identify those businesses which are less viable, allowing entrepreneurs to 'fail fast and cheaply' rather than failing at a later stage when the loss of accumulated investment, jobs or incomes is much more costly. By embracing the idea of 'failing fast' more entrepreneurs have an opportunity to spend limited resources on iterating their business model rather than ploughing ahead with a business that is not viable.

22. The Start Up! programme could lay the foundations for a whole market of high growth and high impact companies that can then become the pipeline for not only donor challenge funds, DFID's new Global Development Innovation Ventures[18] programme or CDC investments, but also the wider impact investment, venture capital and private equity markets.

Financial support

23. There is a need for early-stage financing that supports the development of a business concept into an investable proposition. In some developed countries there are 'angel' investors who provide capital in exchange for an equity stake in business ideas that show potential for generating a future commercial return. In developing countries, these networks are very rare, often non-existent, leaving start-up businesses with nowhere to go for support meaning very few get off the ground.

24. In both Ghana and Kenya, where there is a nascent angel investor community, investments into less traditional sectors, such as ICT, are perceived as high risk and less favoured than investments in real estate and other long-established industries. This risk appetite is to some extent driven by a lack of visibility of the investable companies and limited understanding of the workings of the industry. Support to coordinate networks and educate angel investors about the opportunities in non-traditional sectors could help to catalyse more investment activity.

25. A mapping carried out by the GSMA of active investors in the East African ecosystem, demonstrates that there are at least 15-20 funds interested in investing in the \$10k to \$250k range, but that there is a large amount of raised capital (around \$500m) that has not yet been disbursed due to a lack of visibility of investable propositions. Interviews with investors have suggested that finding ways to mitigate risk using public subsidy in the short term would boost investments into companies with this financing gap.

26. In West Africa, the Ghana Angel Investment Network, which was launched in 2011 is yet to close a single deal. The network consists of 24 angel investors but when interviewed, the director of the network stated that there were insufficient investable propositions to attract the investors. In addition, the culture whereby wealthy individuals invest in companies in which they have little or no personal ties is not yet well established and there is not only a lack of visibility of potential investee companies, but also a lack of mutual trust between entrepreneurs and investors in the ecosystem.[19]

27. There is little or no experience of development agencies such as DFID seeking to nurture early-stage investor networks and making them work better for enterprises that are crucial to create employment, incomes, markets, products or services for poor people. Start Up! aims to develop and grow the early-stage financing market in

[18] Global Development Innovation Ventures programme is currently in design within DFID's Innovation Hub
[19] Koltai and Company surveys and interviews in Ghana

Sub-Saharan Africa enabling more start-up businesses to get off the ground and grow.

Non-financial support

28. As well as tackling problems with access to capital, it is important that more is done to improve the demand for capital by strengthening start-up businesses, making them more attractive and so creating a better pipeline for financiers. During the **validation and preparation** phases start-ups often need a range of non-financial support including training and skills development (technical and business management), technical assistance (accounting, legal services, business advisory), physical incubation (office space, facilities, product testing), mentorship (personal and professional) and market research.

29. A number of training programmes[20] focus on developing the basic skills and principles of entrepreneurship, but there is a need for more emphasis on validating specific business models, testing products and services in the market and refining the technical and commercial propositions. This process of designing and developing products and services and a business model is an iterative one and vital in order to ensure their local relevance and market take-up. Surveys carried out with entrepreneurs in Ghana and Kenya suggested that many entrepreneurs would benefit from one-to-one coaching and mentorship from entrepreneurs who have gone through the same experiences.

30. Furthermore, access to the distribution networks and target markets is particularly problematic, with many entrepreneurs struggling to identify potential partners and entry points into new professional relationships that would help them to take their product to market. In the mobile/IT sector, entrepreneurs are reliant on relationships with handset manufacturers and network operators in order to develop and then distribute their software. Therefore providing access to open-source technology (eg. handsets for testing, APIs) and encouraging collaboration and innovation on business models (eg. shared SMS shortcodes, provision of design support, shared billing system) could help to address these bottlenecks while also encouraging peer-to-peer collaboration and learning.

What makes the programme different?

31. The majority of existing donor-funded initiatives in this space tend to be independent, grant based activities. Start Up! will take an ecosystem wide approach and use market based interventions to ensure that any DFID funding brings about systemic change that will endure for subsequent generations of start-up businesses and entrepreneurs rather than provide direct support to a few selected individual start-ups.

32. In order to focus on the businesses that are most likely to create jobs, achieve productivity gains and increase competition and innovation, we will focus on start-ups in strategically-prioritised sectors of the economy. The start-ups will have technology at the heart of their business model and are likely to use technology to achieve one or more of the following ends:

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[20] Examples include programmes run by organisations such as Technoserve and Enablis and the ILO's Start and Improve Your Business (SIYB) programme

a. To increase the added-value of the business within the end-to-end supply chain;

b. To fundamentally change the cost structure of delivering a product or service to the end consumer (therefore potentially extending access to lower-income consumers)

c. To improve or recast the features of a product or service to establish a competitive advantage and end-user benefits.

33. Start Up! will build upon what already exists in country rather than replicating with the aim of ensuring that there is an ecosystem of highly-networked and high-performing local market institutions. The selection of companies to receive direct support would be made by the local institutions that are providing support to those companies and therefore better placed to understand their needs and potential. The programme will focus on funding interventions that are based within and owned by these institutions, potentially including:

    a. Improving the specific local institutions or efforts that have high potential to become major players in the ecosystem, but could use some support to help them to improve or refine their operating model, capabilities or effectiveness;

    b. Expanding specific local institutions or efforts that have been able to demonstrate good results to date and are ready for scaling up to serve even more businesses or providing even more services.

    c. Working with local investors, entrepreneurs and corporates that are active in other areas of the economy to go to new areas or to scale up the level of activity to support early-stage businesses.

34. While primarily focused on institutions supporting commercially viable, job-creating businesses, we will reserve some funding for those intermediaries that are able to extend their services to businesses and entrepreneurs that catalyse the delivery of infrastructure, products, services and information to Bottom of the Pyramid communities or to entrepreneurs who could otherwise not access support for location or income-related reasons. These institutions would be identified using criteria such as:

    a. Businesses that serve as a platform for further economic opportunities (including jobs and new entrepreneurial activities);

    b. Businesses that are part of a labour-intensive supply chain, particularly those including BoP communities;

    c. Businesses that offer a socially beneficial product or service.

What will the programme do?

35. The range of interventions that DFID might support are as follows:

- **Encouraging investment into promising start ups**

i. **Support with due diligence**: DFID will make more information publicly available so as to raise the profile and awareness of investments taking place in start-up companies and to address information asymmetries which may be preventing more investments from taking place. DFID will also consider covering a portion of the transaction costs for investors to incentivise smaller deal sizes.

ii. **Co-financing**: DFID will identify local or international angel investors or early-stage funds that are investing in businesses with high growth potential including impact investors with a particular focus on achieving social and economic impacts for Base of the Pyramid communities. DFID will consider co-investing alongside these investors in order to mitigate the risks for investors at these early-stages. In order to take advantage of risk diversification and operate at sufficient scale to cover overhead costs, DFID may choose to invest alongside private investors which cover a broader (regional) geographic scope in order to be economically viable.

iii. **Return on Investment enhancement**: Additionally or alternatively, DFID may consider investing to improve the potential upside to investors rather than mitigating their investment risk upfront. By 'paying' investors based on their investees' achievement of certain outcomes (eg. per job created or number of BoP customers reached) DFID could enable investors to reap greater levels of rewards for successful investments, therefore boosting their risk-return position. This could be delivered through a 'Development Impact Bond' instrument (outcomes fund) or another suitable mechanism.

iv. **Investor capacity building**: DFID will support the delivery of training to investors and entrepreneurs in order to educate all stakeholders about the benefits and risks of attracting private investment. This training will expose local and international investors to new sectors which show potential for increased investment and will also look to support investors by improving the due diligence and market intelligence that is available. DFID will also commit to supporting partners to showcase successful exits in order to catalyse more investment capital into the start up space. These capacity building initiatives will focus on existing and potential investors and will also aim to develop stronger networks and convening opportunities.

- **Strengthening of support services**:

i. **Provision of co-working space and equipment:** DFID will identify local institutions which are providing facilities and services for entrepreneurs and will support them to extend their offering to include the services for which there is most demand from entrepreneurs. In those countries where there is a lack of co-working spaces, DFID might consider supporting local groups to establish new facilities with commercially sustainable business plans. There will be a strong focus on helping these institutions to develop a sustainable business model so that they can operate independently of donor financing over the longer term.

ii. **Local mentorship and coaching programmes:** DFID will support the establishment of new mentorship networks and coaching affiliated with co-working hubs and workspaces to ensure that entrepreneurs have access to the expertise and advice that they require in the validation stages of their business lifecycle. Training programmes might also be offered to provide strategic advisory services to support entrepreneurs with business model issues such as pricing, marketing and distribution.

iii. **User testing and design support**: DFID will work with partners to provide equipment, information and platforms that will allow entrepreneurs to better understand their target market. In the case of entrepreneurs with businesses enabled by mobile phones, for example, this might be through technology sandboxes that allow for software testing and user experience trials or through improved access to information on subjects such as consumer purchasing power, distance to market, supplier and producer networks and demographic trends.

36. The programme must adhere to a number of guiding principles including:
    i. Creating a well-functioning local ecosystem for start-up companies in a number of countries, while remaining sensitive to the need to **adapt specific interventions to the country context** (ie. existing infrastructure, regulatory environment, level of entrepreneurial activity)
    ii. The ability to focus on technology-enabled companies in **priority sectors of the economy** to align with and add value to DFID country office's Wealth Creation and Economic Growth agendas.
    iii. **Working through local institutions** that support early-stage, growth-oriented companies to establish a solid commercial foundation upon which to grow.
    iv. Designing a programme with the **flexibility** to provide **both non-financial and financial** support to start-up companies as appropriate
    v. Ensuring that DFID funding is **non-distortionary, market-based** and supports the improvement of the ecosystem so that it can operate independently of donor support over the longer term

37. We are now looking to go to direct procurement to identify an organisation or consortium of organisations to manage this programme. Starting in three regional hubs, the programme would be informed by in-country analysis of the institutions providing capital, facilities, skills and networks to entrepreneurs in each focus country. This analysis would focus on the specific services offered to entrepreneurs in country and an assessment of any ongoing challenges and constraints experienced by actors within the ecosystem. The analysis would be followed by an intervention design phase at which point the implementation activities and budget for that country would be revised and approved.

38. As such, the specific expertise that is likely to be required from the consortium is:
    a. Identifying and engaging in-country stakeholders within the entrepreneurship ecosystem
    b. Partnership development
    c. Undertaking in-country analysis and designing interventions
    d. Facilitating knowledge sharing and linkages between country- and regional-level interventions
    e. Programme management and DFID reporting
    f. Procurement capacity (grant management and contracting)
    g. Monitoring and evaluation activities

Market consultation

39. We are now inviting feedback from suppliers on the programme design laid out above and on the delivery model suggested here. We invite interested suppliers to provide written feedback on this proposed programme by 29th November 2013.

40. On 15th November, we are holding a Supplier Information Day in London at DFID's offices on Whitehall. This day will run from 9:30am to 1pm and will provide potentially interested parties to hear more about the programme through a DFID led presentation and to participate in a structured Q&A session. Participants are invited to submit any questions in advance of the event by 8th November. There will also be an opportunity for networking at the end of the day. Any organisations interested to attend, but unable to be present in person are invited to join the session by videoconference and we will publish a full write-up of the event on the supplier portal.

41. The specific consultation questions for potentially interested parties are:

    a. **Delivery model**: there are two alternative direct procurement approaches that DFID has considered. The first is to procure an overall manager (or consortium) with responsibility for the entire programme; the second is to hire a programme manager (or consortium) to manage the activities in each regional hub (East Africa, West Africa and Southern Africa). The delivery model must meet a number of criteria including:

        i. **Timing**: the ability to move quickly to set up this programme so as to act on analysis already carried out in Ghana and Kenya and to start activities elsewhere.

        ii. **Management costs**: the ability to demonstrate excellent value for money, while recognising the need for a hands-on managing agent

        iii. **DFID resource cost**: the ability for DFID to have strategic involvement without a heavy burden on resources on a day-to-day basis

        iv. **DFID strategic alignment**: the ability to deliver strategic priorities including stimulating economic growth, job creation and building new markets in DFID focus countries

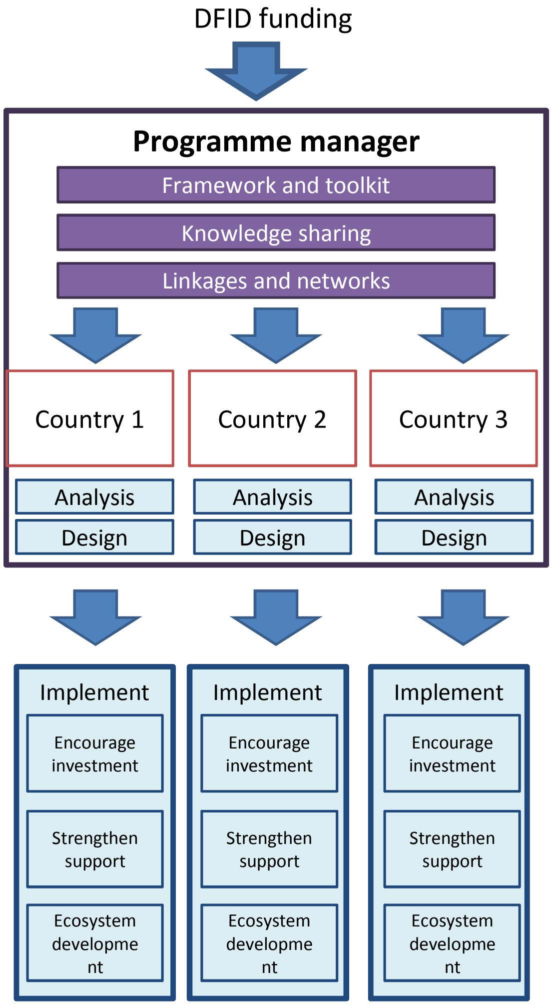
        v. **Delivery efficiencies**: benefitting where possible from economies of scale, cross-country knowledge sharing and evidence building

        vi. **Local market development**: designing need-driven interventions that will be non-distortionary and will build up a sustainable ecosystem that can support entrepreneurs.

Option A: direct procurement of a single over-arching programme manager (or consortium)

42. Procuring a single over-arching programme manager would give a single institution an overview of all activities across different geographies and sectors which would facilitate knowledge-sharing between partners undertaking analysis or implementing activities within the programme. This delivery model would also allow for a phased approach with country offices being able to join the programme at a suitable time for their country office programme and at an appropriate time to allow for the smooth running and manageability for the programme managers.

43. As analysis has already been carried out in Ghana and Kenya, these two countries would move straight to implementation at the beginning of the programme. The programme would initially continue in the two pilot regions: East and West Africa, with implementation activities starting in Kenya and Ghana. The addition of focus countries would be phased to allow for time spent on analysis and design prior to implementation. Monitoring and evaluating activities would be ongoing throughout the programme and for 3 years following the end of interventions in order to give sufficient time to understand the (potential) impact of the intervention.



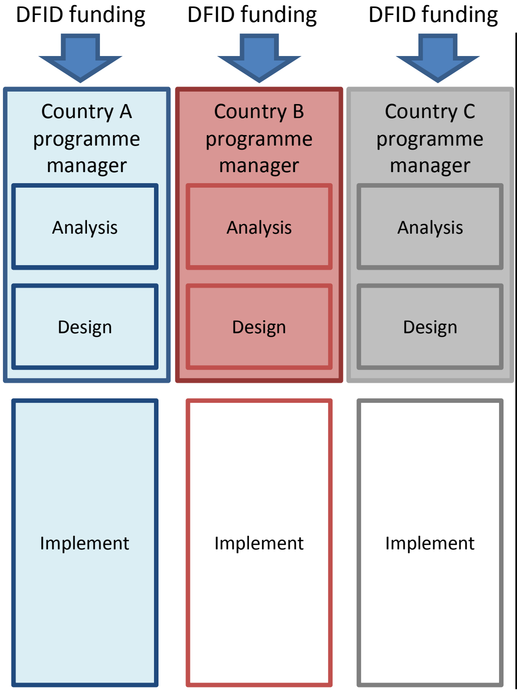
How would it work?

- DFID tenders for an overall programme manager or consortium through an open and competitive process
- Programme manager undertakes analysis to determine the nature of interventions to be carried out in country and submits a design report detailing the scope of appropriate interventions and the necessary budget allocation.
- A steering committee consisting of the Programme Lead from each country office and from DFID's Innovation Hub, together with a small number of technical advisers approves the design report and the annual workplans.
- Programme manager disburses funding to local institutions whose work can address the constraints identified in the analysis

Option B: Direct procurement of a programme manager (or consortium) for each regional hub

44. An alternative direct procurement option for delivering this programme is to allow each regional intervention to be managed by a separate programme manager that would carry out diagnostic analysis, design work and then manage implementation for countries within that region. Under this option, DFID would manage a number of contracts (3 initially) covering regional work.

45. The benefits of this model are that activities in each country would be managed by a specialist regional programme manager, which may facilitate our engagement with smaller and more specialist organisations.



How would it work?

- DFID tenders for regional programme managers and initially issues three contracts to bidders
- Design work begins immediately in the East Africa and West Africa regions, drawing significantly on analysis already carried out.Analysis work commences in Southern Africa.
- A regional steering committee is formed for each region and approves the design work and annual budgets

<u>What are the pros and cons of each approach from a supplier perspective and what are the cost drivers of each? Are there alternative delivery models that meet the following criteria, which we have not considered?</u>

a. **Contract flexibility and scale-up:** although starting in countries in 3 regional hubs, it is likely that other countries - both within those regions and in other parts of the world – might want to join the scope of this programme. We would envisage implementation in each country to extend to up to 8-10 years, which includes initial analysis and design work, a 5 year implementation period and an additional 3 years of evaluation activities.

   For this reason, we plan to launch the programme initially with a shorter, contract covering a pilot scope (2-3 years) with a view to extending the programme with two subsequent phases of (3-4 years each). <u>We would welcome views on this approach.</u>

b. **Costs and potential efficiencies**: potential suppliers will be asked to give guidance on the main determinants of programme costs. We recognise that the overall value of the programme is likely to be driven by the number of countries included in the scope and the level of 'need' for additional support institutions and services in each country. While some of these details will remain open until design work is complete, <u>we would welcome potential suppliers' views on possible efficiencies and areas where economies of scale might be attained.</u>

c. **Building on analysis from the design phase**: two organisations have been involved in the design work by carrying out analysis of the current ecosystem in Ghana and Kenya. A further grant has been provided to ANDE to develop a common analytical framework to identify constraints and challenges in the entrepreneurship ecosystem. We would like to discuss with other suppliers how we can best draw on their work to-date for the future implementation of a programme with a wider geographical and sectoral scope.

d. **Building up the development community:** we know that there are a number of initiatives already focusing on entrepreneurship and that some of them have a particular country or sector focus. As such, we are keen that this programme does not displace activities that are already ongoing or stifle the work of smaller players by supporting a single organisation to establish a monopolistic position in the marketplace. We hope to play a role in coordinating the donor and private sector community and finding a way to bring more efficiency and effectiveness to activities in this space.

Whilst we welcome a full discussion around these areas at the supplier day, bidders can use the dialogue function to submit feedback in writing through the supplier portal.