Terms of Reference

Development of a Sustainable & Replicable ICT Business Incubation Model

Including an assessment of implementation opportunities in Africa
and the development of an investment framework for evaluating ICT business incubators

1. Background
Developing countries, including many of the world’s poorest countries, are increasingly embracing innovation and entrepreneurship as a key component of their social and economic development. In addition, information and communication technology (ICT) is creating new and affordable means for small and medium-sized enterprises (SMEs) to gather market information, interface with suppliers and customers, and in general, become more competitive both locally and globally. However, in many developing countries, the resources necessary to support the development of SMEs are often scarce. These include the following:

1. **Infrastructure** – affordable access to connectivity, office space and business services such as printing and copying.
2. **Business Advice and Mentoring** – advice from seasoned business professionals, which can help an entrepreneur navigate through the early stages of his or her firm’s development and better assess and target market opportunities
3. **Networking** – to interact with other entrepreneurs who are facing similar challenges and with potential customers and partners
4. **Financing** – in order to scale up beyond the initial investment of the founders and their friends and family, start-ups will need access to additional financing that meets their needs (both debt and equity)
5. **Security** – SMEs often lack secure premises to develop their business.

In order to explore how these issues could be effectively addressed using business incubators as a tool, infoDev launched its business incubator initiative in 2002 (infoDev is multi-donor facility housed in the Global ICT Department of the World Bank Group - www.infodev.org). Through this initiative, infoDev has directly supported more than 70 business incubators in 50 developing countries by providing financial and technical assistance. A comprehensive impact assessment of this initiative completed last year found that business incubators were having a significant impact on the sustainability of SMEs that were incubated (roughly 75% of SMEs that were incubated were still in operation three years after leaving the incubator) and that there is strong interest in supporting business incubators as tool for SME development (70% of the business incubators supported by infoDev have raised additional resources from both private investors and the public sector).

Based on these five years of experience, infoDev and the International Finance Corporation (IFC) have begun to explore how specific business incubator models that have shown to be effective and sustainable could be adapted and implemented in other markets. For instance, infoDev and the IFC have recently completed a joint feasibility study and business plan for establishing an ICT Business Incubator in Maputo, Mozambique, which has drawn lessons from incubators across the region, including BusyInternet in Ghana.
Through its business incubator program, infoDev has witnessed how the concept of business incubation can be adapted and applied through a variety of effective models and for many different sectors. For the purpose of this assignment, infoDev is focusing on ICT Business Incubators, which incubate primarily ICT-focused SMEs with significant growth potential.

2. Objectives

The objective of this assignment is two-fold:

1. To develop a replicable and sustainable ICT Business Incubator model that draws on proven models globally and could be implemented at scale in Africa. The incubator model should focus on generating high-growth ICT enterprises.

2. To develop an investment framework for evaluating prospective and existing ICT business incubators

3. Scope of Work

Many business incubators and other types of business development service organizations have high cost structures and cannot be sustainable without significant public support. However, there are promising examples of privately funded and sustainable incubators. This assignment aims to draw lessons from these business incubator models to develop a model that could be sustainable and implemented at scale in developing countries, particularly in Africa.

The Consultants will identify sustainable ICT Business Incubators globally and select at least four for onsite analysis. Based on the evaluation of these models, the Consultants will develop a “good practice” ICT Business Incubator model, including an analysis of how this model could be implemented at scale. In order to assess the ICT Business Incubator model developed, the Consultants will evaluate how the model would be adapted and implemented in two African countries. One of these countries will be Senegal and the other country will be determined in collaboration with infoDev.

The Consultants will develop an investment framework for evaluating prospective and existing business incubators that focus on high-growth, ICT enterprises. This framework should identify the key criteria to be evaluated when considering an investment opportunity in an existing business incubator or to invest in the development of new business incubator.

The Consultants will identify potential private sector investors in Africa (e.g. banks, telcos, real estate developers) interested in implementing the ICT Business Incubator in multiple African countries. In collaboration with infoDev and IFC, the Consultants will consider existing infoDev and IFC partners/clients, as well as a range of potential investors in order to identify the most promising investors. The Consultants, in partnership with infoDev and IFC, will invite these prospective investors to a Stakeholder Meeting in Africa to present the ICT Business Incubator model and a recommended approach for implementing such a model in Senegal and the other African country to be determined.
The assignment includes **four components:**

**Component I: Develop a sustainable and replicable ICT Business Incubator model**
- This component will begin with desk-based research to identify sustainable ICT Business Incubator models and to select at least 4 incubators for site visits in order to gather information/lessons about each model.
- Desk-based research should also include an analysis of business incubation in Africa in order to determine from the outset of the assignment the business environment, including market demand for services and infrastructure.
- Perform onsite evaluation of at least 4 of the top performing ICT Business Incubators globally.
- A “good practice” ICT Business Incubator model, which incorporates the lessons from the site visits and also provides details on how this model would be adapted and implemented at scale. The “good practice” document should include an analysis of the methodology utilized to select the tenant companies (i.e. the enterprises to be incubated).

**Deliverable:** Fully edited and desktopted report outlining the “good practice” ICT Business Incubation model, including the onsite assessment of at least four models. Following the site visits and evaluation of Senegal and the other African country, the recommendations for how the model would be adapted and implemented in these countries, as well as the region more generally are to be included in the report. The report should clearly describe the model and how the model can be adapted and implemented at scale.

**Component II: Evaluate how the model will be adapted and implemented in Africa**
- Determine the modifications to the model that are required to deploy the model in Africa. These modifications should take into account the business environment issues identified in Component I.
- Perform two onsite assessments to evaluate how this model would be implemented in Senegal and in one other African country to be determined in collaboration with infoDev.

**Deliverable:** Recommendations for how the model would be adapted and implemented in Senegal and the other African country to be developed and included as part of the report.

**Component III: Develop an investment framework for evaluating potential and existing ICT business incubators**
- Based on the evaluation of various sustainable business incubators, the Consultants’ will develop a detailed investment framework for evaluating prospective and existing business incubators.
- The investment framework should be designed to help investors effectively evaluate a business incubator for a potential investment opportunity.
- The investment framework should identify the critical success factors for a business incubator and indicate how these factors should be evaluated as part of the due diligence undertaken by a prospective investor.
- Present the model at a workshop organized by infoDev in Washington, DC in order to encourage comments from IFC, World Bank and other infoDev donors and partners.

**Deliverables:** An Investment framework. Also, prepare a presentation of the model for a workshop to be organized by infoDev in Washington, DC.

**Component IV: Identify potential investors and organize a stakeholder meeting in Africa**
- Identify potential investors in Africa (e.g. banks, telcos, real estate developers) who would be interested in implementing the ICT Business Incubator model in Africa.
• Organize a Stakeholder Meeting in Africa to present the ICT Business Incubator model to prospective investors along with the results of the implementation evaluation in Senegal and the other African country to be determined.

• Consultants are responsible for arranging the logistics for the workshop, including the conference facility and related costs with its rental

**Deliverables:** Identify potential investors for implementing the ICT business incubator model in Africa, as well as organize and deliver a stakeholder meeting in Africa. Prepare a detailed summary of the Stakeholder Meeting, including follow up recommendations with potential investors.

4. **Reporting and Time Schedules**

The Consultants shall submit all deliverables and other required information to infoDev. The assignment is expected to start by the end of May with the contract period not exceeding 6 months. The approximate schedule of deliverables under the assignment will be as follows.

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Detailed work program, including the results of desk-based on sustainable ICT Business Incubators and the selection of the 4 (at least) site visits</td>
<td>contract signature date + 1 week</td>
</tr>
<tr>
<td>2. Draft ICT Business Incubation model, including critical success factors from the site visits, as well as details on how the model could be adapted and implemented at scale (Draft of Component I)</td>
<td>contract signature date + 6 weeks</td>
</tr>
<tr>
<td>3. Evaluation of the potential implementation of the model in Senegal and the other Africa country. (Draft of Component II)</td>
<td>contract signature date + 11 weeks</td>
</tr>
<tr>
<td>4. Draft Investment Framework along with the list of prospective investors in Africa, as well as the draft presentation for the workshop in Washington, DC. (Draft of Component III)</td>
<td>contract signature date + 13 weeks</td>
</tr>
<tr>
<td>Workshop in Washington, DC to present the ICT Business Incubation model.</td>
<td>contract signature date + 13 weeks</td>
</tr>
<tr>
<td>5. Revised ICT Business Incubation model (based on feedback from presentation in Washington, DC)</td>
<td>contract signature date + 16 weeks</td>
</tr>
<tr>
<td>7. Draft agenda and presentation along with the invitation list for the Stakeholder Meeting in Africa (Draft of Component IV)</td>
<td>contract signature date + 16 weeks</td>
</tr>
<tr>
<td>8. Stakeholder Meeting held in Africa</td>
<td>contract signature date + 20 weeks</td>
</tr>
<tr>
<td>9. Submission of the final versions of Components I, II, III, and IV incorporating feedback received from the Stakeholder Meeting (Final Versions – Component I, II, III, and IV)</td>
<td>contract signature date + 23 weeks</td>
</tr>
</tbody>
</table>
5. Qualification and Experience

The consultants should be a firm with proven experience and expertise in the area of business incubation, SME development and investment analysis, particularly in the ICT sector. The team for this assignment should be led by an acknowledged expert in the area of business incubation and supported by colleagues with strong investment analysis skills and familiarity with SME development in Africa, particularly in the ICT sector. Key team members should include: (i) Business incubator expert; (ii) Investment/Financial expert; and (iii) Private sector development expert with extensive experience in SME development in Africa.

6. Budget and Payment Schedule

The available fixed budget for this assignment (inclusive of fees, travel and reimbursables) is USD $145,000. The following payment schedule is proposed:

10% upon signing of the contract
50% upon acceptance of Draft of Component I
20% upon acceptance of Draft of Component II
10% upon completion of the workshop in Washington, DC
10% upon acceptance of Final Deliverables – Components I, II, III and IV

8. Support to be provided by the Client

infoDev will:

- Facilitate access to reports, preliminary studies and concept papers, information and data as appropriate, and in a timely manner
- Facilitate interactions with ICT Business Incubators in its Global Network
- Recommend potential investors for consideration in Africa with input from IFC. However, Consultants are expected to explore investors beyond those recommended by infoDev and IFC

9. Request for Expression of Interest Deadline:

May 9, 2008 by 11:59pm (EST)

10. To Submit an EOI for this Assignment:


The Selection Number for this assignment is: 100016670