TERMS OF REFERENCE

Piloting virtual incubation in Vietnam – Grant Award

Trust Fund: TF071399 – Creating Sustainable Businesses in the Knowledge Economy

Application deadline: May 31, 2011

1   Background

*info*Dev, a donor-funded ICT for development agency hosted by the World Bank, has formed a public/private partnership with the Ministry of Foreign Affairs of the Government of Finland and Nokia to undertake a joint program on **Creating Sustainable Businesses for the Knowledge Economy**, worth some €13 million, that will run from 2010 – 2012.

This request for proposal (RFP) concerns Project ASP5 of the program, on **catalyzing virtual incubation in the developing world** and in particular **the development of a pilot to test virtual incubation in Vietnam as a tool for reaching growth oriented entrepreneurs outside the major cities.**

As the implementing agency for the program, *info*Dev seeks proposals from business incubators in Vietnam for a grant of up to US$210'000 to pilot virtual business incubation. The pilot will need to be completed by April 2013.

2   Virtual Business Incubation

While business incubators have grown in scope to play an important role in stimulating enterprise, they generally remain geographically limited in their range and often end up reinforcing existing imbalances between urban and rural areas by offering opportunities primarily in major cities. However, there are now a number of pilot programs across the world that have attempted to extend the geographical range that an incubator can serve beyond its in-house clients, by supporting clients who are not locates in an incubator's premises. For the purposes of this pilot, virtual business incubation refers to providing business incubation services beyond the confines of a physical business incubator, for instance by using outreach, extension workers and especially online tools and consultancy.

Virtual Business Incubation is to be piloted in Vietnam, as a way to extend the reach of business incubation beyond Hanoi and Ho Chi Minh City and into rural areas. Important objectives of the pilot are to assess the impact and cost-effectiveness of virtual incubation and, by way of a strong Monitoring & Evaluation (M&E) component, to derive the necessary lessons for potential future potential future scaling-up in Vietnam and/or replication in other countries.

To complement this work *info*Dev is undertaking analytical work to draw lessons from existing experiences with virtual incubation at a global level. This study has been commissioned from Triodos Facet (Netherlands) and is expected to be available around the time of the award of this grant. It is critical to get an understanding of what is required for effective virtual incubation so that the incubation process is efficient and can succeed in nurturing innovative companies, especially in their early-stages, to become competitive businesses. Lessons drawn from this analytical exercise will be shared with the selected grantee and reinforced with technical assistance from *info*Dev and its partners.

3   Objectives, partners and measures of success

The four objectives of the pilot are to:

1. Pilot virtual incubation in Vietnam, to take the benefits of business incubation beyond the major cities to rural populations.

2. To explore the use of different tools and business models that can lead to future sustainability for virtual incubation initiatives.

3. Assess the impact and cost-effectiveness of virtual incubation and, by way of a strong M&E component, to derive the necessary lessons for potential future scaling-up in Vietnam and other countries.

4. Build upon and leverage the mobile applications laboratory (mLab) being established in Vietnam by infoDev, with funding from the Government of Finland, at the Saigon High-Tech park, and from the mobile social networking grant awarded by infoDev to TOPICA, as well as the work of Vietnam's existing business incubators.

This project will benefit from the experience of the "*Creating Sustainable Businesses in the Knowledge Economy*" program partners, notably:

- *info*Dev's experience in incubation of ICT enterprises, the regional Incubation Networks, the global ICT business incubation working group, and the agribusiness entrepreneurship working group. *info*Dev helps to animate a network of more than 330 business incubators in more than 90 economies around the globe (iDisc.net).

- The Ministry of Foreign Affairs of the Government of Finland, which is a thought-leader in the global development community, bringing specialist skills in the field of agricultural and rural development and forestry as well as in the application of mobile phone technology.

- Nokia, which is the leading mobile communications equipment vendor and supplier worldwide, and brings to the program its immense experience in the development of mobile content and applications.

One measure of success of the pilot is that it should aim to support 10-15 non-resident incubation clients over the course of the pilot.   The pilot should also involve extensive M&E to derive relevant lessons about the applicability of the service model, including on-line and other services, sustainable business models, impact and cost effectiveness.

4   Selection process

*info*Dev, as the implementing agency for the program, is looking to award a grant for the virtual business incubation pilot in Vietnam. With only limited funding and time, rather than setting up a new business incubation organization, *info*Dev envisages proposals from existing incubators or comparable organizations, either on their own, or in consortia with other incubators and complementary organizations. The grant award is open to any organization that wishes to bid, but grant should be applied in Vietnam, and therefore if non-Vietnamese organisations apply, it should be in partnership with a relevant organization physically located in Vietnam.

The selection process is taking place during a sequence of phases:

- May 2011 (closing date Tuesday May 31, 2011, at 11.59 pm ET). advertised call for expressions of interest (EOI) is published on the *info*Dev website, on the iDisc.net website and via incubators and related networks in Vietnam to identify potential organizations interested in competing for the grant award.

- June/July 2011. Following an evaluation of the EOIs, a more detailed Request for Proposals (RFP) will be issued to shortlisted organisations.

- August 2011, a **grant of up to US$210'000 will be awarded** to the selected organization(s), with disbursement in two tranches, depending on performance and the achievement of an agreed set of milestones. However, *info*Dev reserves the right to modify the arrangements for the grant awards, depending on the outcome of the RFP process. <u>The aim is to commence the virtual incubation pilot in Vietnam in September 2011.</u>

- 2011 (Q3) – April 30th 2013. The grant is intended to cover:

    1. The immediate start-up and running costs of the virtual business incubation pilot. *In the period beyond 2013, when this project is due for completion, it is anticipated that* ***the business virtual business incubation pilot should aim to become self-sustaining*** *from revenues raised through their operations, and through possible grant awards from other donors. Even though sustainability might not be achievable in the funding period, the submission by potential organizations of a business model that can achieve sustainability is an important criterion for success in the RFP process.*

    2. Monitoring and evaluation to assess the potential impact, cost effectiveness, sustainability and lessons for potential scaling up and replication. This should be carried

out independently of the organization receiving the grant, by an individual or organization selected jointly by *info*Dev and the grantee.

5   Evaluation criteria

It may be difficult for a single organization to meet all these objectives or to provide all of these functions alone. Therefore, potential host organizations are encouraged to seek partnerships, and form consortia, (a "cluster approach") when responding to this Request for proposal. Applicants should address the following criteria:

1. The successful applicant must be able to demonstrate a **strong spirit of innovation and entrepreneurship experience working with early-stage growth companies**, such as links to business mentoring processes, to trade facilitation, to private sector development to SME finance, to providers of technical expertise and to other networking opportunities. For instance, a successful track record in bringing innovations to market, and/or in supporting innovators and entrepreneurs and/or in seed and later stage venture financing. In the event that the potential host organization cannot provide these services directly, an indication should be provided of how you will partner with other organizations specialized in this field. The successful applicant must understand the differences between supporting SMEs generally, most of whom do not grow, and supporting growth oriented firms through the stages of their growth, which is the proper focus of business incubation and its intensive support.

2. The successful applicant must be able to demonstrate **strong experience and linkages with SMEs**, including knowledge of opportunities for financing SMEs, ranging from start up to growth and expansion. Clients will need help that is appropriate to their stage of the growth cycle, and will rely upon the experience and linkages of the body implementing the incubator. Appropriate financing experience may involve helping clients at the start and seed stages, as well as later stage finance and venture capital to support firm growth post incubation.

3. The successful applicant must be able to demonstrate the **capability to spread the benefits of incubation beyond the major cities of Hanoi and Ho Chi Minh City, including rural areas**, with a model that either directly supports growth oriented entrepreneurs, or which indirectly benefits and creates opportunities for micro and small enterprises in rural areas by linking them with city based entrepreneurs, technology, innovation and sustainable business models. The successful applicant must demonstrate understanding of the opportunities and barriers in rural areas and with agricultural supply chains and associated value adding opportunities.

4. The successful applicant **will demonstrate effective coordination to leverage the services offered by the mLab and mobile social networking hubs** already supported by *info*Dev.

5. The successful applicant will put forward **a strong methodology to deliver a virtual business incubation pilot that is both innovative and effective,** to support a minimum of 10 to 15 virtual incubation clients over the course of the pilot.

6. A strong **leadership and a clear governance framework,** with institutional autonomy and good financial management along with an approach oriented to the private sector, will be required to implement the incubator and support new and emerging firms. The incubator will need strong private sector leadership, complementing the work of other organizations by aligning with a range of stakeholder interests – including private sector, government, academic and grassroots/community groups – and bringing in skills from other stakeholders that are not available in-house. Where possible, potential host organizations should demonstrate the support of other stakeholders in their local market.

7. The successful applicant should be able to demonstrate **their understanding of how to monitor and evaluate the impact** of the virtual incubation pilot and to draw relevant lessons.

8. The successful applicant will have **an effective business model that can lead to future sustainability**, noting this might not be achievable in the pilot period. Candidates should demonstrate a realistic financial plan**,** showing how the grant (up to US$210'000) would be allocated. *info*Dev realizes that donor funding for less than 2 years only might not be entirely adequate to achieve financial self sufficiency and that additional funding for another 4 or 5 years might be needed. Therefore *info*Dev is interested in using its limited resources as a multiplier that will leverage other sources of funds and candidates should indicate what additional sources of funding might be available

All project proposals must comply with the eligibility criteria and eligible project activities as listed above. Specifically, proposals will be evaluated according to the following score sheet:

Evaluation Criteria	Implementing Virtual Incubation Pilot in Vietnam
Strong innovation spirit and entrepreneurship experience working with early-stage growth companies	10
Strong experience and linkages with SMEs, including financial experience	10
Capability to spread the benefits of incubation beyond the major cities of Hanoi and Ho Chi Minh City, including to rural areas	15
Effective coordination to leverage the services offered by the mLab and mobile Social networking hubs	10
A strong methodology to deliver a virtual business incubation pilot that is both effective and innovative	15
A strong leadership and a clear governance framework	10
Understanding of how to monitor and evaluate the pilot	15
An effective business model that can lead to future sustainability, including a realistic financial plan	15
Maximum Points Possible	**100**

6   Who is eligible to respond?

Organizations are encouraged to respond to this request for proposals even if they do not offer a perfect match for all the requirements shown above, for instance by forming partnerships with other organizations, or indicating how they might seek to fill gaps in required experience.

In addition, the following requirements apply:

• Lead proponents and beneficiaries should be legally established and based in developing countries eligible for borrowing, technical assistance, or grants from the World Bank.

• Collaboration with institutions in different countries is possible, including organizations in developed and developing countries. However, the primary recipient and beneficiaries should be in Vietnam.

- Proponents should mobilize and demonstrate whether counterpart funding will be available. Co-funding, whether cash or in-kind will be viewed favorably. Counterpart and other financing arranged by the proponent organization should be clearly indicated. Such counterpart funding can come from the proponents own funds, from government support, or from co-financing arranged with other partner organizations or donors. Co-funding can come from domestic or foreign institutions.

- Endorsement letters from participating organizations should be attached to the proposal and state their level of participation and their financial and/or in-kind support to the project.

- Proponents should be members of *info*Dev's global incubation network, or confirm their intention to become a member, and commit to active participation in the knowledge exchange activities coordinated through the *info*Dev incubator support center (iDisc).

7   Qualifying Expenses

Qualifying categories of expenses as determined in accordance with World Bank disbursement and procurement policy, practice and procedure under a grant include staff, consultants, training, project monitoring and evaluation, strategic research, knowledge generation and dissemination, and limited support for overhead, travel, and infrastructure .

Note: Grant funds can not be utilized to pay for salaries of government officials or public servants.

8   Proposal Guidelines

Application Process:

Proposals for the initial call for expressions of interest should be submitted to *info*Dev no later than May 31st, 2011 at 11.59 pm ET.

- The proposal must be presented in English, in MS Word or PDF, formatted for Windows, and submitted electronically by e-mail as a single attachment (all necessary material should be included in a single document). The subject line of the e-mail and all subsequent e-mail related to your proposal should include the following: **Vietnam Virtual Incubator Pilot**. The e-mail should be sent to tkelly@worldbank.org, with a copy to info@infoDev.org .
- A panel of international experts will undertake the evaluation of all complete proposals. Funding will be negotiated for a successful proposal on the basis of the proposed budget and its overall review. In ranking the proposals, the review panel will consider the evaluation criteria described above. Other factors such as geographic balance, sector diversity, overall potential development impact of the

project, and the likely distribution, replicability and scalability of societal and business benefits of the activities funded through the grant will be taken into account.