



Schweizerische Eidgenossenschaft
Confédération suisse
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Embassy of Switzerland in Tanzania

CALL FOR PROPOSALS

“Tanzania Catalytic/Innovation Fund”

February 16th, 2021

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PURPOSE OF THE CALL

The call seeks concept proposals to set-up, run, or collaborate with existing set-ups to co-fund a Catalytic/Innovation Fund (henceforth, also simply called “fund”) that provides coaching/capacity building and catalytic capital towards impactful enterprises based in Tanzania. The applicant is invited to suggest a design of the fund and linked services to be provided.

Through this call, the Embassy of Switzerland to Tanzania through the Swiss Agency for Development and Cooperation (SDC) aims to identify a proposal to be supported with SDC grants of CHF 1.5 million per year for up to 10 years. The proposals should include clarifications how the applicant intends to mobilize at least CHF 1.5 million per year public and/or private matching funds, the private investments counted in accordance with the OECD DAC draft international standard for measuring the volume of private finance mobilized by official development finance interventions.¹

BACKGROUND

Tanzania is one of the fastest-growing economies in Africa and bears a lot of potential in many areas, one of them being innovation. This promising and dynamic area has seen rapid developments in the last few years as the country moved 26 places up on the Global Innovation Index, from rank 123 in 2013 to rank 97 in 2019. Most of these advances have been achieved despite a challenging overall business environment. However, while Tanzania’s innovation performance has been improving, upcoming innovators and start-ups struggle to scale up. The innovation ecosystem is still at an early stage and holds different challenges, such as limited entrepreneurial skills and funding for start-ups, as well as lack of coordination between stakeholders:

Limited funding: Start-ups and small and medium-sized enterprises (SMEs) lack access to relevant and appropriate funding mechanisms. There are two identified gaps in the financing funnel: one at an early stage, as start-ups are established, and a second one at a later stage, as start-ups and SMEs are scaling up and commercializing. There is further a gap between the investment readiness of start-ups/SMEs and the risk private investors are willing to take. There is also a mismatch between investors and start-ups/SMEs seeking funding: many investors aim for companies scaling up and SMEs are interested in investing at least USD 100’000, while a majority of start-ups in Tanzania requires early-stage financing, ranging around USD 25’000.

Limited entrepreneurial skills capacity building: Due to lack of coordination between different stakeholders as described below, founders of start-ups and SMEs do not receive structured and coherent support when it comes to key business-building areas. These areas include among others product/service commercialization, team composition, financial control or governance.

Limited coordination: Despite a big number of different stakeholders, the Tanzanian innovation ecosystem remains nascent and not well interconnected. For instance, there are currently around 50 innovation hubs in Tanzania, yet, gaps in systematic communication and coordination among hubs, and between hubs and the Government institutions that have innovation on their agenda remain significant. **Please note, however, that this call for proposals does not address the challenge of limited coordination, as it will be addressed through a different arrangement.**

1. GUIDING PRINCIPLES FOR THE PROGRAMME

1.1 Goals and objectives

SDC has identified the following key challenges in the Tanzanian social enterprise ecosystem: limited coordination in capacity building and limited funding available locally.

Through a foreseen “Innovation for Social Change Program” SDC seeks to strengthen the Tanzanian innovation ecosystem by supporting enterprises aiming for social impact at scale, thus delivering livelihood improvements to youth and women.

¹ <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/mobilisation.htm>, in particular <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-Methodologies-on-Mobilisation.pdf>

Innovation, defined here as the process of transforming a new idea into a product, service or business model that delivers significant economic, social and/or environmental value, holds the potential to address development challenges. However, innovation in itself does not guarantee inclusiveness and does not necessarily improve the livelihoods of the poorest.

For this reason, the program emphasizes innovation for social change, which implies that the goal for SDC is not an innovation in itself, but innovation is rather a means to accelerate progress on the priority areas of the new Cooperation Program 2021-2024: health, (self) employment, good governance, gender equality and climate change. Furthermore, the new Cooperation Program considers innovation, engagement with the private sector and technology as a vehicle to addressing development challenges.

The SDC “Innovation for Social Change Program” is looking to support setting up of a Tanzania Catalytic/Innovation Fund to provide coaching/capacity building and catalytic capital towards impactful enterprises in the region.

1.2 Tanzania Catalytic/Innovation Fund

To address the lack of access to relevant financial instruments by impact enterprises, and at the same time the risk-return-expectations and cost-restrictions of private investors, the program will support a Tanzania Catalytic/Innovation Fund or similar set-up.

The role of the fund will be to provide coaching/capacity building and catalytic funding to stimulate the flow of investment towards impact enterprises² and to incentivize social impact through the provision of matching grants or other appropriate funding mechanisms. Impact enterprises will thus have the funds and business support they need to scale up and commercialize their products and services.

SDC sees the fund as a valuable opportunity for public-private partnership. The private sector is expected to lead in developing and managing this fund, this is supposed to steer start-ups towards market demands and can thus expand their operations and be sustainable. The fund needs to be inclusive and gender-sensitive, promoting women participation and reducing gender inequalities through specific innovations in the mentioned priority areas of SDC in Tanzania.

SDC intends to enter a partnership with private sector actors for this fund. In the selection of partners, SDC will look at different criteria (see 3.3. Evaluation).

2. APPLICATION DETAILS

2.1 What is sought through the call

The call seeks proposals to collaborate with existing set-ups or to newly create and run a Catalytic/Innovation Fund that provides coaching/capacity building and catalytic capital towards impactful enterprises based in Tanzania. The applicant is invited to suggest a design of the fund and implement the services to be provided. The proposals should entail the strategy how the applicant intends to mobilize at least CHF 1.5 million of preferably private investment (in accordance with the OECD methodology, see footnote 1).

2.2 Who can apply

The call for proposal welcomes applications from single organizations, organizations with subcontractors, consortia or alliances of different stakeholder groups. SDC is looking for partners with proven experiences and competences in the mentioned fields, demonstrated capacity to develop and implement projects of similar volume and complexity and a good anchoring in and context knowledge on Tanzania. In case of a consortium, the composition of the applicants should ensure complementarity, coherence and competence in all related field.

² Impact enterprises are defined as those enterprises achieving an intended impact beyond profit, with impact being a contribution to the SDGs. As impact enterprise reflect a way of doing business more than a type or form of organization, different business models or legal structures exist.

2.3 Duration

The period foreseen to support financially potential programs is set at 10 years (starting January 2022) to take due account of the complexity and the long-term nature of the program's development objectives. The contractual agreement are foreseen to be split into two phases, each lasting 5 years. The respective phases will begin in January 2022 and January 2026.

2.4 Funding

In the framework of this call, SDC will choose one proposal for funding. For up to ten years, SDC will make annual grants to the fund of CHF 1.5 million. SDC is looking for a partner(s) who are able to mobilize at least CHF 1.5 million per year as described above.

From the proposals received through this call, SDC will choose up to a maximum of 3 proposals to be further developed before a final decision will be taken on which proposal(s) to be pursued. Therefore, it is still acceptable to apply if the potential partner has not confirmed the matching funding sources at the time of submitting the proposal, i.e. in-kind contribution, private investment or grant. However, first-stage proposals with clear and verified sources of the matching funding will receive priority consideration. Thus, all applicants must document how they intend to solicit matching fund.. The details would be part of negotiations of a full proposal.

There is no remuneration for the submission of a proposal in this call. Remuneration for the elaboration of the full proposal is subject to further negotiations.

2.5 Contractual aspects

The Swiss Federal Act on International Development Cooperation and Humanitarian Aid as well as the Swiss Federal Subsidy Act and the conditions of the Federal Department of Foreign Affairs regarding contributions are applicable.

3. SUBMISSION PROCEDURE

3.1 Contact and information

- Questions related to the call for proposals shall be submitted by email to ines.muganyizi@eda.admin.ch with copy to peter.sidler@eda.admin.ch with the subject: Tanzania Catalytic/Innovation Fund – Question until April 5th, 2021.
- The proposals have to be submitted by April 30th, 2021, 24:00 CET latest ines.muganyizi@eda.admin.ch with copy to peter.sidler@eda.admin.ch with the subject: Tanzania Catalytic/Innovation Fund.

3.2 Timetable

Date / Deadline	Activity
February 16, 2021	Call for proposals opening
April 05, 2021	Deadline submission of questions by email
April 30, 2021, 24:00 CET	Deadline for submission of complete proposals by email
May 01-10, 2021	Evaluation of submitted proposals
May 11-30, 2021	Negotiations with the potential partner(s) for Tanzania Catalytic/Innovation Fund
August 31, 2021	Development of a full proposal to be considered for funding by SDC
January 2022	Start of the program

3.3 Evaluation

SDC's evaluation is carried out in accordance with the following criteria factors:

1. Overall interpretation of SDC's "Innovation for Social Change Program" as outlined in this document
2. Investment experience

3. Local context understanding including legal and tax implications of setting up and running such a fund
4. Quality of business coaching/capacity building to support the entrepreneurs
5. Social impact concept
6. Evidence for gender lens approach
7. Concept to mobilize matching funds, in form of in-kind contribution, grant, and/or – preferred – investment

3.4 Elements to be provided in the proposal

The answers to the following questions have to be part of the proposal:

Business overview (max. 3 pages)

1. Please state the name, legal structure, headquarter, other offices, geographical presence and activity as well as date of creation of your organization(s). Please include most recent organizational chart
2. Please describe the organization's ownership structure
3. Please provide a brief history of the organization(s)
4. Please provide a short description of the core activities performed by your organization
5. (Optional) If applicable, please indicate your investing assets under management (AuM) and/or assets under advisory (AuA) (most recent available figures), together with a breakdown by sector, country and type of instruments (equity, loans and hybrid structures)
6. Please comment on current funding sources and any potential plans for future funding source. In particular, please share how the matching funds will be obtained and what form they will take (i.e. in-kind contribution/private or public investment/grant)

Investment process (max. 4 pages)

7. Please describe briefly your investment thesis (i.e. type of businesses you support – stage, sector focus, traction), sourcing process (access to investable opportunities), financial return objectives and impact objectives (if applicable). If you envision a different sourcing process for the purpose of this program, please describe it
8. Please briefly describe your organization's due diligence and investment decision-making processes
9. Please provide an overview of your existing and future mechanisms for gender mainstreaming and how do you apply it in your entire investment strategy

Performance and portfolio management (max. 3 pages, data and examples in Annex)

10. If available, please share the results (financial and impact outcomes) achieved so far since inception or over the last 3 years minimum
11. What are your key learnings from investments or investments mobilized?
12. Please provide a detailed description of your mentoring/coaching process to your investees or the process you plan to develop in reference to this program, together with the brief background and experience of people responsible
13. If available, please provide examples of 3-5 investments which you sourced and invested or offered advice, together with their following characteristics: business description, stage of investment, financial and impact outcomes achieved, any coaching activities provided

Future fund structure (max. 10 pages)

14. Based on your understanding of the challenges faced by Tanzanian social enterprise ecosystem and SDC mandate, please comment in detail on how you would structure the fund and the partnership. What would be the key steps towards implementing this program? What would be the key resources required for successful implementation of the program? How are you envisioning the split between funds covering costs of the implementers and funds available to catalyze private sector investment?

The answers to the proposal should not exceed 20 pages (Arial 11, normal margins) with some additional information provided in Annexes.

Language for offers: English.

3.5 Oral presentation and negotiation (remain reserved)

In case of high-quality proposals with similar scoring, SDC reserves the right to invite the concerned applicants (maximum of 3 proposals) for an oral presentation (phone or video conference) to a selection committee of SDC. The oral presentation will tentatively take place in May 2021.

4. COMMUNICATION ON SDC DECISION AND NEXT STEPS

4.1 SDC decision and full project proposal development

After the evaluation of all eligible proposals, SDC will officially communicate its decision at the beginning of May 2021. SDC will then support the elaboration of (a) full program document(s) with a maximum of 3 applicants to further develop their proposals for a final award decision to be taken end of August 2021 for approval by SDC HQ later this year (2021). The size and the content of this elaboration (preparation phase) will be negotiated. The full program document will be the contractual document for the first 5 years of the implementation phase. The signing of a contract is subject to final approval of the full proposal by the SDC directorate.