



# The Kenya Catalytic Jobs Fund Business Innovation Challenge Call for Proposals

## SECTION 1 – INTRODUCTION & BACKGROUND

### 1.0 Background

Kenya is undergoing a profound demographic transition. Decades of high fertility rates, coupled with declining mortality have created a population age structure that is dominated by young people. If harnessed, this youthful population can catalyse accelerated social and economic development. However, it can equally pose a critical developmental challenge. A large and disenfranchised youth population has the potential to increase the risk of insecurity and undermine human development.

Jobs are the principal route out of poverty through boosting living standards, raising productivity and fostering social cohesion. However, at present, the formal labour market is not creating enough jobs to absorb much of the youth seeking work. Where jobs do exist, they are often low productivity and/or in the informal sector and productivity growth in agriculture and manufacturing has been relatively stagnant over the last two decades. Youth – particularly women, the rural poor and people living with disabilities are particularly disadvantaged compared to the rest of the workforce. Unlocking barriers to productivity in the formal and informal sectors is therefore a key route to increasing the number and quality of jobs for Kenya's young and marginalised.

### 1.1 Programme Overview

Through the Kenya Catalytic Jobs Fund, the UK's Department for International Development (DFID) is looking to test and support innovations with the potential to stimulate large-scale job creation. The Kenya Catalytic Jobs Fund is a **£5m, 4-year** catalytic jobs fund that will, through a mix of technical assistance and grant support, test competitively selected innovations that have potential to unlock market constraints and create jobs, including for the most vulnerable, e.g. people living with disability. The programme will contain a strong emphasis on learning and evidence. It will seek to generate knowledge, data and evidence on ways of addressing barriers to job creation and disseminate findings to relevant stakeholders, including potential investors.

### 1.2 Sector Focus

The fund will focus on three broad thematic areas as outlined below: agriculture/manufacturing sectors, informal sector and increasing income for marginalised groups and geographies.

**i) Agriculture/Manufacturing sectors** – The fund will support innovations aimed at increasing international competitiveness. This thematic area would for example, support agribusiness/manufacturers to innovate, test new technologies and provide evidence to key state actors to address market distortions and unlock policy constraints holding back key sectors. It could help companies to integrate more horizontally (through associations) or vertically (in supply chains) as well as scope out international markets. It could help attract anchor investors into the new Special Economic Zones (SEZ) in close collaboration with (and not in duplication of) other economic development initiatives run by DFID and other development partners.



**ii) Informal sector** – The fund will support innovations aimed at raising productivity and/or supporting shifts into the formal sector. This thematic area could for example use technology to link up clusters of informal microenterprises with formal firms (e.g. aggregators) and connect them to local or regional value chains. It could also pilot initiatives which enable youth entrepreneurs in the informal sector to find ways to build up savings; diversify risks and access larger, longer duration loans in order to grow microenterprises.

**ii) Improve incomes and livelihoods for marginalised groups and geographies** - To ensure no one is left behind, this thematic area will aim to catalyse sustainable change in sectors and geographies that have the potential to create employment and increase incomes for disadvantaged groups, including women and people living with disabilities. This could include levelling the playing field for women-run businesses, e.g. around market positioning and access to finances. It could also include focusing on Arid and Semi-Arid Lands and leveraging DFID Kenya’s county-level investment climate work as well as engaging in dialogue and advocacy with county governments. However, as minimum levels of technology access, infrastructure or spatial proximity of firms are often needed for innovations to be optimally tested, the proposals would need to focus on areas where catalytic and scalable solutions remain feasible.

### 1.3 Impact Focus

The intended program Impact is increased or improved productive employment opportunities for poor young men and women in target sectors and geographies.

The intended programme outcomes are:

- Increased number and quality of jobs for young and vulnerable people;
- Expanded innovative solutions or new technologies unlock barriers to productivity in formal & informal sectors, and;
- Improved enterprise performance in the selected sectors (via productivity gains, investment and/or growth).

## SECTION 2 – ELIGIBILITY

### 2.1 Eligible Recipients

The Kenya Catalytic Jobs Fund is able to support an array of enterprises including early stage enterprises, mature enterprises testing new innovations, and non-profit organisations. Government organisations, political parties and organisations that advocate, or espouse anti-democratic policies or illegal activities are not eligible to receive funding from the Kenya Catalytic Jobs Fund.

The fund will target initiatives that are **post proof of concept, innovative, scalable, sustainable** and that have **demonstrated substantial impact**.

### 2.3 Eligible Costs

Grant funds provided under the Kenya Catalytic Jobs Fund can support any activities that directly contribute to the desired impact, which is to increase income for youth in target sectors and geographies associated with increased or improved productive employment opportunities.

Eligible activities include but are not limited to introduction of new tech based solutions, expansion to new markets for products, value addition and micro-level processing, and provision of educational and/or skill building services.

## SECTION 3 – AWARD PROCESS

### 3.1 Size of the Award

The Business Innovation Challenge Winners will receive grant funding and technical assistance worth, in total, up to £100,000. The exact size of the grant funding will be determined by DFID and disbursement will be milestone-based. In subsequent phases of the programme, additional funding may be available based on learnings from the pilot phase and on DFID's approval.

### 3.1 Application Process

This is a call for proposals for the Business Innovation Challenge. The applications will be evaluated by a team of reviewers who will select 10 finalists. The finalists will present their innovations to a team of judges who will then select up to 5 winners.



#### Step 1: Proposal Submission

To enter the Business Innovation Challenge, applicants must complete an online application on the Kenya Catalytic Jobs Fund website: <https://kenyacatalyticjobsfund.org/application/>, providing all the requested information. All applications must be submitted on or before 11:59 p.m. EAT on **Monday 8<sup>th</sup> April 2019**.

#### Step 2: Initial screening

All submitted proposals will be evaluated on a rolling basis by the review team against the selection and eligibility criteria outlined below.

- 1) **Impact:** Demonstrated ability to substantially create large numbers of new jobs, significantly improve job quality and/or contribute a relatively large increase in income generated by youth.
- 2) **Proof of concept:** Demonstrated evidence showing that the design, concept and business proposal has a clear and practical application.
- 3) **Innovation:** Demonstrated clear differentiation of product, process, technology or business model from current standard practice.
- 4) **Sustainability:** Demonstrated viability of business model that does not require ongoing grant funding for long term sustainability.
- 5) **Scalability:** Demonstrated potential for replicability of the business model across different geographies and market and/or expansion of existing model to serve more beneficiaries within the same context.
- 6) **Positive externalities:** Demonstrated positive externality i.e. how the impact of the project will go beyond private commercial interests.
- 7) **Additionality:** Demonstrated need for grant funding i.e. It should be evident that the innovation would not otherwise take place (at all, or in the same way, extent or time) without the grant.
- 8) **Co-investment:** Demonstrated level of co-investment from the grantee. This can include in-kind investments.

The 10 applications that receive the highest overall scores, will be selected to participate in a pitch event. Successful applicants will receive an email communication message indicating that they have been invited to the pitch event.

Shortlisted applicants will be required to submit additional business and compliance documentation. The requested documents will include: Business plan, marketing collateral, partnerships/ contracts with suppliers and customers, shareholding structure, audited financial statements, financial projections for the next 3 years, disclosure of any grant funding, Term sheet/ legal documents on debt/equity financing into the company, and Tax compliance information.

### **Step 3: Pitch Event**

The shortlisted candidates will pitch their innovations to a panel of selection judges at a pitch event in Nairobi. Applicants participating in the pitch event will be required to prepare a maximum of 10 slides for a pitch session lasting ~ 15 minutes each. Although not prescriptive, it is recommended that these slides highlight the constraint the innovations are solving; description of the solution; market overview; competitive landscape overview; traction to date; team; impact to date and the funding request.

The selection judges will evaluate each pitch based on the eligibility and selection criteria. Up to 5 applications, will be selected as the Business Innovation Challenge Winners and announced at the Pitch Event and on the Challenge Website.

### **Step 4: Due Diligence and contract design**

The Kenya Catalytic Jobs Fund review team will conduct financial, legal and operational due diligence on the Business Innovation Challenge Winners. The team will also conduct an in-depth needs assessment to determine the type and extent of technical assistance required.

### **Step 5: Grant Award**

The Business Innovation Challenge Winners will receive grant funding and technical assistance worth, in total, up to £100,000.