

Terms of reference

for

Appointing a service provider that will assess business plans application and provide business development services and funding to selected small enterprises submitted by young entrepreneurs to the UNDP Youth Entrepreneurship Challenge Fund

Project: Youth Employment

Application Deadline: 10 October 2019

Type of Contract: Institution

Languages Required: English

Starting Date: On signing the contract

Expected Duration of Assignment: Maximum of 3 months

1. Background and Introduction

Slow growth and external vulnerability have characterised the sluggish economic growth in South Africa since 2012 (Statistics South Africa). The average GDP growth from 2012-2018 is estimated at 2.2% and the IMF expects GDP growth to average 2.2% in 2020. The economy continues to be held back by many factors including low business confidence, policy uncertainty, market regulations that favours big companies at the expense of small businesses and low foreign direct investments which remain very low compared to other emerging economies. This issue is being addressed by a new investment drive launched by the President in 2018 that targets to attract about \$100 billion into the economy in the next five years.

According to Statistics South Africa, approximately 8,2 million (40,3%) out of 20,4 million young people aged 15-34 years, were not in employment, education or training. Youth unemployment among the age group 15-24 years has increased up on a quarterly basis, to 56.4% in Q2. 2019, from 55.2% in the first quarter. The employment outcome is worse for females than for males; however, the gender-employment gap has been closing. About 60.3% of all the unemployed youth are in long-term unemployed. Long term unemployment is deeply demoralizing to youth, the majority of whom have ceased to continue seeking for job opportunities.

To address youth unemployment, three challenges need to be prioritised. First and foremost, there is a need to increase the competitiveness of the South African economy and special emphasis and support must be given to small businesses especially those owned by women and young people. Secondly, there is a need to strengthen enforcement of policies and improve implementation of programmes that promote SMMEs like supplier development and enterprise development. Thirdly, provision of quality business development support services and affordable financial services would allow for a shift towards a stronger SMMEs.

Stronger SMMEs are crucial for an inclusive economy: they drive job creation, economic growth and contribute to a stable social environment. SMMEs also inspire an entrepreneurial spirit and innovation, thus being key to fostering competitiveness and employment in modern economies. However, SMMEs continue to face several barriers and market failures that pose obstacles to their

success and sustainability. Two of the most cited problems facing SMMEs in South Africa is market access and difficulties to access finance due to high collateral requirements and limited sources of funding.

In view of the high youth unemployment rate and the deficient labour market, youth entrepreneurship becomes critical for tackling youth unemployment. Given enough support, young entrepreneurs can establish viable and sustainable businesses that would contribute to both inclusive growth and employment creation. However, lack of technical skills, limited access to finance, markets and information, and regulatory barriers all hinder the development of SMMEs.

To reach growth levels that will make sure that there is high labour absorption rate, SMMEs will require a package of support that includes training, advice and financial investment.

2. Youth Entrepreneurship Challenge Fund

One of the hallmarks of the UNDP Strategic Plan (2018-2021) is to help countries address systemic or structural challenges in sustainable development – “wicked problems” – that would otherwise remain unresolved. Youth unemployment in South Africa is one of the structural and wicked problems that require approaches that put emphasis on development cooperation, collaborative networks, innovation and scale-up and scale-out efforts.

UNDP has established a Youth Entrepreneurship Challenge Fund. This Fund will support young entrepreneurs that require support to grow their businesses. At the centre of this approach is to give young people the freedom to design and develop solutions to their problems on a small-scale with a view of scaling the efforts for a larger impact.

The Fund aims to provide catalytic funding and business development services support to small enterprises owned young entrepreneurs.

3. Objective

UNDP seeks to appoint an experienced business development service provider to assess business applications and provide tailored made services selected small enterprises. The support will consists of business training, business advice, mentoring, market access and information, and financial investment.

4. Scope of work.

- Assess all business plans received and shortlist those that have potential to be commercially viable.
- Identify the business needs of all small enterprises that submitted business plans.
- Facilitation of access to finance and markets for small enterprises.
- Providing relevant and effective training to small enterprises.
- Provide advice on viable business models to selected small enterprises.
- Facilitate mentoring and incubation programme for small enterprises that require the service.
- Provide suitable workspace for small enterprises, if required.
- Link them to the market and the value chains (public, community and private sectors)

5. Deliverables and Schedules

Milestone	Payment Schedule
1. Submission of a methodology and workplan.	50%
2. Assess and select all applications and submit assessment report and disburse funding.	40%
3. Progress Report	10%

6. Governance and Accountability

- The service provider will directly report to the Head of Inclusive Growth Programme in UNDP.
- The service provider will provide weekly report to the Head of Inclusive Growth.
- Monthly progress report will be presented to the UNDP, National Youth Development Agency and Gauteng Economic Development Department.

7. Expected duration of the contract/assignment

- Phase 1 which include assessment of business plans and disbursement of funds will be completed by the 31st December 2019.
- On-going business support to small enterprises will continue into 2020 and is expected to be completed by August 2020.

8. Duty Station

- The service provider must have offices Gauteng and at least field offices in at least three other provinces.

9. Professional Qualifications of the Successful Contractor and its key personnel

9.1. A company profile detailing previous work history and experience must be attached to the proposal.

9.2. *For the purpose of this project, a service provider should have the following competencies:*

- Strong background and understanding of entrepreneurship, innovation, strategy formulation, preferably in the public and private sector environment will be an added advantage.
- Sound knowledge of economics, finance, entrepreneurship and SMME development
- Experience in developing business plans and financial models.
- Successfully mobilized funding for small enterprises (demonstrate proven record)
- Experience in Monitoring and Evaluation, and Report Writing.
- Experience in developing or implementing supplier and enterprise development programmes for big private sector players or parastatals.
- Sufficient knowledge of government policy as it relates to small enterprises and youth entrepreneurship.
- Ability to identify and liaise with key role players and stakeholders;
- Experience of implementing similar projects/programme in the region.
- Project management skills;

9.3. Key Experts

All experts who have a crucial role in implementing the contract are referred to as Key Experts. The appointment of the service provider will be based on the strength of key experts' curriculum vitae that will contribute to the successful execution of the project. It is therefore imperative for the service provider to ensure that the Project Team comprises

of individuals that will contribute to the successful execution of the project. All team members should have a proven track record of involvement in similar projects. The proposal should provide a detailed description of the Team composition and CVs of all Project Team members should be submitted.

9.4. The profiles of the key experts for this contract are as follows:

- **Project Manager/Team Leader**

- A seasoned entrepreneur with Bachelor degree in Entrepreneurship, Business Economics or Accounting, MBA will be an advantage.
- Over 7 years' experience mentoring entrepreneurs in South Africa/ Region.
- Over 7 years of experience as a business consultant.
- Good knowledge of business plans and strategy development.
- Knowledge of conducting financial analysis and due diligence.
- Good knowledge of the South African and Global entrepreneurship and/or Innovation fraternity.
- A list of similar projects undertaken in South Africa.
- Thorough knowledge of national, provincial and local government.
- Excellent communication and writing skills.
- Strong and proven management and leadership abilities.
- Strong networking experience and available for the duration of the project.
- Project management and presentation skills.

- **Entrepreneurship / Innovation Strategist**

- A Bachelor degree in entrepreneurship or any business management related degree.
- Over 5 years experience as a business consultant.
- Over 5 years experience in developing business plans and business strategies.
- Over 5 years business mentoring experience.
- Over 3 years experience conducting financial statement analysis.
- Good knowledge of the South African economic environment and entrepreneurship and/or innovation.
- Project Management and presentation skills.

- **Small Enterprise Finance Expert**

- Bachelor's degree majoring in Business Finance, Banking or Accounting.
- Over 3 years experience as a Financial Analyst in Private Sector or in a Development Finance Institution.
- Over 3 years experience in entrepreneurship and/or innovation.
- Good knowledge of the South African economic environment and entrepreneurship / innovation.
- Project Management and presentation skills.