PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE

Report No.: PIDC28188

Project Name	Digital Entrepreneurship Senegal
Region	AFRICA
Country	Senegal
Sector(s)	General information and communications sector (70%), General industry and trade sector (30%)
Theme(s)	Micro, Small and Medium Enterprise support (90%), Technology diffusion (10%)
Lending Instrument	Lending Instrument
Project ID	P156259
Borrower Name	CTIC Dakar (Incubator)
Implementing Agency	CTIC Dakar
Environment Category	C - Not Required
Date PID Prepared	04-Aug-2015
Estimated Date of Approval	02-Oct-2015
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Senegal has been in a low-growth equilibrium since 2006 and productivity in both the public and private sectors have been underperforming compared to the past and its peers. While from the mid-1990s until 2005, Senegal enjoyed a significant GPD and per capita GDP growth, it has declined since then. Overall, real annual GDP growth averaged 3.3 percent in 2006-12, below the SSA average of 4.9 percent, and only reached 3.5 percent in 2013.

Overall, the private sector's ability to stimulate the economy has been limited due to a weak investment climate and declining competitiveness, underpinned by weak governance systems and poor implementation follow up. Senegal's private sector activity has deteriorated since the mid-2000s, as evidenced by the country's export performance. Senegal is ranked 117 out of 144 countries in the 2012 Global Competitiveness Index as inadequate physical and human infrastructure, weak institutions (business environment), and governance continue to weigh on Senegal's growth.

The economy is struggling to absorb a growing labor force. It is currently estimated that at least 150,000 jobs must be created each year to absorb this growing labor force. Most of the much needed job creation will have to come from the private sector as the state cannot sustainably create stable and secure jobs. Senegal urgently needs to restore the competitiveness of its economy to meet its growth objectives.

To exit the low equilibrium growth trap, the new Government has developed an ambitious program to tackle these challenges. The Stratégie Nationale de Développement Economique et Social (SNDES) intends to reverse this downward trend by increasing the productivity of Senegal's whole

economy, public and private, both of which are underperforming compared to the past and to its peers.
The reform process accelerated in 2014 with the launch of the "Plan Sénégal Emergent" (PSE). PSE has triggered strong interest among the donor community and the international private sector allowing the GoS to secure financing pledges worth about $7.8 billion at a donor conference held in Paris in February 2014. The plan aims at boosting sustained and inclusive economic growth, making Senegal an emerging economy by 2035.

Sectoral and Institutional Context

The World Bank's twin goals to end extreme poverty and promote shared prosperity require sustaining high rates of inclusive growth. Private sector-led innovation and technological breakthroughs such as mobile, cloud computing and 3D-printing can be leveraged to achieve these goals because they create exciting new market possibilities to transform the way products and services are delivered and consumed especially to the poor and underserved communities.
Being at the forefront of disruptive technologies and innovative solutions, the digital economy (defined as telecommunications infrastructure, software, hardware and ICT service industries, and the numerous economic and social processes and activities facilitated by the Internet, cloud computing, mobile and social networks) is emerging as a crucial force for driving structural change, reducing inequality and strengthening social inclusion.
The digital economy contributes significantly to GDP in many countries: 8.3% in the UK, 7.3% in South Korea, 5.5% in China, 4.7% in Japan and US, and 4.1% in India. However, the fastest growth is occurring in developing countries that have made strategic investments in broadband infrastructure and digital literacy skills. In Sub-Saharan Africa, the mobile industry is expected to be valued at US$119 billion in 2020 (from estimated US$60 billion in 2012).

The digital economy can also have an important role in encouraging inclusion and alleviating poverty, for example, by reducing information asymmetries for poor or rural workers, and by fostering entry into the productive labor force of women and younger workers. Young people, consistently the earliest adopters and adapters of digital technologies, often seek employment in high-tech sectors and can be critical to developing a skilled workforce that is internationally competitive in an increasingly interconnected world. Finally, entrepreneurs with digital skills in developing countries are much more likely to export, to export to more destinations, and to survive in the marketplace.

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In 2011, according to ANSD, the Senegalese formal sector included about 7000 firms, with 44.9 percent in services, 33.6 percent in trade, 13.3 percent in industry and 8.1 percent in the construction industry. Although most service subsectors are making solid contributions to growth, Information and Communication Technologies (ICT) merits special attention. As per findings of Senegal-ICT Policy note (P152082), the potential impacts of recent advances in telecommunications and IT on the public and private sectors—encompassing education, health, agriculture, tourism and government services—are complex and extensive. Telecommunications alone represents about 11 percent of GNP and is currently the fastest growing services subsector, with an average growth rate of 15.2 percent since 2006. The sector contributes to about 12.6% of tax revenues of the country and it accounts for over 70,000 jobs. Thus calculated, the contribution of ICT to GDP ranks Senegal at the forefront of African nations.
Mobile telephony in Senegal developed rapidly in the 2000s to reach 108.8% mobile penetration as of March 2015 (ARTP, Telecommunication Regulator), significantly above Africa's average of

66%. Senegal is at par in the sub-region with Cape Verde (100.1%) and Ghana (108.2%). Incumbent operator Sonatel (under the brand Orange) is the market leader with 56.3% market share in mobile subscribers, Millicom (market entry in 1998, under the Sentel and subsequently Tigo brand) holding 23.5% and Sudatel (market entry in 2007, under the Expresso brand) 20.2%. Although such penetration rates count SIM cards rather than people with phones, most people today in Senegal either have, or have close access to, a mobile phone.
ICT is also one of the 6 key foundations of the Emerging Senegal Plan (ESP), with two out of 4 strategic actions aimed to (1) promote integration of digital technology in public and private sectors, particularly among businesses, and of digital culture within population; (2) develop digital business centers to create engine for growth, jobs and export.

Digital technologies are advancing quickly, but organizations and skills advance slowly. Many countries, including Senegal as outlined in the Emerging Senegal Plan (ESP), are seeking to improve the policy frameworks, technical programs, digital skills development, and financing initiatives that support entrepreneurship in the digital economy, in order to take advantage of the opportunity to improve competitiveness, attract investment, create jobs and grow markets domestically and globally.
However, countries and key institutions can be overwhelmed by the rapid pace of change in digital industries, for which a continuous evolution of approaches and methodologies is required.
There is a strong need in different type of interventions aimed to support both sector reforms and infrastructure projects, and relevant financial and technical assistance essential to effective support for digital entrepreneurs.

Relationship to CAS/CPS/CPF

The proposed project aligns with Pillar I of Senegal Country Partnership Strategy (CPS) for FY13-FY17 FY (Accelerating Inclusive Growth and Generating Employment) which includes topics of youth employment, growth and export development and improved access to finance for MSMEs. By promoting growth and the development of Senegal as regional hub for digital entrepreneurship, the project will introduce and implement a state-of-the-art approach to increase competitiveness, scalability and investability of digital entrepreneurs and will explore potential replication of the approach to other economic sectors. The project is likely to contribute to generating large positive externalities, fostering shared prosperity through entrepreneurship promotion among young people, and inclusive innovation.

The team will also explore possibilities for collaboration with Senegal Growth and Export Development (P146469) project team, specifically in the following areas:

1) Support the creation of MSMEs: strengthening and scaling up CTIC Dakar capacity to foster growth-oriented digital entrepreneurs might result in strengthening the deal-flow of innovative businesses for SGED Business Plan Competition sub-component
2) Improve access to export markets: implementation of regional acceleration program and identification of the most promising digital entrepreneurs might contribute to the increasing the number of potential applicants to Senegalese Export Market Access Fund component of SGED.

Indirectly, the proposed project activities can also contribute to the SGED's Component II. Improving tourism development, through surfacing and supporting digital entrepreneurs developing solutions for tourism industry.

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The team will also explore possibilities with other projects such as Senegal-ICT Policy Note team, and other endeavors on-going in the region such as the GH eTransform Ghana (P144140), eGabon (P132824) and the app competition of the Mauritania-ICT sector Dialogue project (P152061) and competitiveness activities in the Republic of Cabo Verde (P146666) and Côte d'Ivoire (P148295).

II. Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective: Fostering growth of digital entrepreneurs by scaling up Senegal's leading ICT focused business enabler (CTIC Dakar)

Key Results

The progress towards achieving the PDO would be monitored through the following indicators:

1) Intermediate objective: Client capacity increased

Performance Indicators:
- Business and sustainability model upgraded
- Monitoring & Evaluation framework and tools upgraded
- Staff trained
- Number of linkages with early-stage financiers increased (%)
- Number of partnerships with other business enablers in the region increased (%)

2) Intermediate Objective: Innovative approaches & solutions generated to foster the growth of digital entrepreneurs

Performance Indicators:
- Two rounds of regional acceleration programs implemented
- Number of businesses/entrepreneurs receiving services, out of which are women (%)
- Number of digital products/services developed/improved
- Additional sales revenue for businesses receiving services (USD)
- Number of users reached by developed/improved digital products/services
- Number of businesses who raised early/growth stage finance or received grants
- Amount of early/growth stage finance and grants raised by businesses (USD)

3) Intermediate objective: Knowledge deepened

Performance Indicators:
- Facilitated exchange of best practice w/ clients,
- Disseminated best practices.

III. Preliminary Description

Concept Description

The project is to extend CTIC Dakar (mLab West Africa) capacity and service portfolio to launch globally competitive, growth-oriented, mobile and digital technology businesses and further position it as a regional hub for the advancement of digital entrepreneurship.

The project activities build upon earlier projects of the Digital Entrepreneurship Program (formerly

Mobile Innovation Program), which has designed, tested and derived lessons from 13 mobile business enablers (mLabs and mHubs) in Asia, Africa, ECA and the Caribbean.
The impact evaluation of these earlier projects has demonstrated that there are still several gaps remained in relation to targeted business advisory expertise for digital enterprises, while the proliferation of activities aimed to assist tech entrepreneurs in Africa signals an enormous demand for entrepreneurship support.

The key gap relates to the ability of business enablers to identify and to meet the needs of digital entrepreneurs with the growth potential, which struggle to scale, build links to wider value chains, or to enter new markets.
To address this gap, the program will strengthen the institutional capacity of CTIC Dakar to provide quality services to growth-oriented digital entrepreneurs. Based on best practices around the world, the program aims also to test an innovative business advisory approach known as “acceleration” that takes growth oriented enterprises and start-ups through a rapid-cycle competitive curriculum, and matches them quickly to appropriate capital and business mentors.
Similar projects will be implemented in Kenya and South Africa targeting the East African and Southern African markets.

The following key activities will be implemented within the project scope:

1. Strengthening of CTIC Dakar institutional capacity to support growth-oriented digital entrepreneurs

Expected Deliverables: (1) improved business and sustainability models (including strategy on engagement with early-stage investors and enhanced services portfolio); (2) improved M&E framework and tools critical for tracking the progress of entrepreneurs and other business analytics.

2. Improving CTIC Dakar capacity to increase investability of digital entrepreneurs

Expected Deliverables: (1) staff trained via participation in "Master training" on increasing entrepreneurs investability; (2) up to 10 Access to Finance workshops for select group of investment-ready entrepreneurs organized; (3) links with early-stage financiers strengthened.

3. Implementation of Regional acceleration program

The core grant funding will be allocated to the piloting of Regional acceleration program aimed to identify prominent digital entrepreneurs in West Africa and provide them with intensive face-to-face and virtual support in order to link them with expertise, capital and markets they need to grow.
CTIC Dakar will run Regional acceleration program for West Africa, where it will be responsible for reaching out to the large network of technology innovation hubs and incubators and act as regional hub, facilitating a sub-regional program and addressing the issue with limited local deal flow individual business enablers typically face.
During each round of Regional acceleration program, 20 of the most talented entrepreneurs would be nominated by the participating business enablers (based on rigorous selection criteria) and cultivated by CTIC Dakar over a limited period of time c ombining both virtual and residential acceleration methods.
The program will introduce an advanced acceleration curriculum for the participating entrepreneurs.

The curriculum will include topics such as investment readiness and investor engagement, diaspora networks, and internationalization of digital enterprises, and will seek to create the capacity and networks necessary to take most potential entrepreneurs "up the ladder."

Two rounds of acceleration programs should be implemented within the grant scope. It is expected that the outcomes of the first round will inform on potential adjustments to the program design to ensure the most efficient approach. The overall objective is that the business enablers may adapt and replicate the program in future years.

It is also expected that CTIC Dakar will work closely with the task team and nominate entrepreneurs from regional acceleration program for a Pan-African Acceleration Program that will be implemented through bank-executed activities and aimed to bring around 20 star performers across Africa to scale through a rapid process of exposure to global capital and industry connections.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		×	
Natural Habitats OP/BP 4.04		×	
Forests OP/BP 4.36		×	
Pest Management OP 4.09		×	
Physical Cultural Resources OP/BP 4.11		×	
Indigenous Peoples OP/BP 4.10		×	
Involuntary Resettlement OP/BP 4.12		×	
Safety of Dams OP/BP 4.37		×	
Projects on International Waterways OP/BP 7.50		×	
Projects in Disputed Areas OP/BP 7.60		×	

V. Financing *(in USD Million)*

Total Project Cost:	0.45	Total Bank Financing:	0
Financing Gap:	0		

Financing Source	Amount
InfoDev	0.45

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