



*Empowered lives.
Resilient nations.*

Concept Note Phase 2: Scaling-up GameChangers: 2016 – 2019

A private sector approach to solving PNG's development challenges through impact enterprises

Summary

The GameChangers Initiative (GCI) is a development sector initiative implemented by UNDP and supported by the Australian Government, aims to influence the inclusive development discourse through our work with entrepreneurs, impact investors and inclusive businesses. By linking PNG entrepreneurs to global entrepreneurship trends, and by accelerating their access to value-added networks and strategic patient capital in a variety of sectors, GCI aims to unleash creative private-sector led solutions to Papua New Guinea's development challenges. The Kumul GameChangers widely known as the KGC was a branding used by the implementing partner of UNDP Kumul Foundation to execute the objectives of the pilot phase.

In the pilot phase (2014 – 2015) of the Supporting Social Enterprise identified the combined market opportunity was **valued at USD\$ 1.1 billion**, for impact enterprises across six key sectors in PNG. With 200 for-profit enterprises enrolled in GCI, over 30 corporate leaders from GCI's partnership with four business peak bodies, and participation of GoPNG Department of Commerce, Trade and Industry, CGI's pilot phase explored new partnership and framework models to re-imagine the roles of relevant stakeholders.

As GCI scales-up (post the pilot stage), UNDP will focus on long-term service offerings for entrepreneurs by unlocking capital, supporting partnerships and leveraging impact to drive inclusive private sector development through developing and supporting high impact enterprises. This will be delivered through a 3.5 year to 4 year programme, with an anticipated budget of USD\$7 million.

Situational Analysis

Despite huge natural resource earnings, PNG's inequality has increased due to lack of broad based economic and social economic opportunities for the majority of its population. These structural problems present serious challenges for equitable and sustainable development. Further, an estimated 85.6% of the population lacks access to basic financial services, and PNG's Human Development Index is among the lowest in the world (158th out of 188 countries), thereby limiting their ability to capitalize on economic opportunities, smooth household income flows and weather economic shocks. Therefore a key challenge PNG faces is not only aggregate growth, it is the quality

of that growth and its ability to transform the economic and social structure across the whole country. Another challenge is how to capitalize on the natural resources boom to create local jobs and economic opportunities for local entrepreneurs, producers and Small Medium Enterprises (SMEs).

The World Bank survey 2014 on *Ease of Doing Business* ranked PNG 113 (out of 189 Countries) compared to 108 in 2013 and 53 in 1975 (out of 175 countries) while Tonga, Samoa, Fiji and Vanuatu are ranked 46, 61, 62 and 76 respectively in 2014. It takes 53 days for starting a business in PNG with a minimum of 6 procedures and cost 13% of the per capita income.

An ADB study (2012) identifies the main constraint to inclusive economic growth in PNG as (a) weakness in governance and institutions; (b) poor infrastructure (transport, electricity, and water supply); shortages of skilled human capital and poor and unequal access to affordable and quality education; and (d) lack of and unequal access to affordable and good quality health services. Service delivery in PNG has been poor, which itself increases the cost of doing businesses. Yet the private sector can itself contribute significantly to filling this gap particularly through public private partnerships. The Government's National Development Plans – the Vision 2050, the PNG Development Strategic Plan 2010 – 2030 and the Medium Term Development Plan 2010 – 2015 all attest to this financial sector and business development as an essential element to the growth and prosperity of Papua New Guinea.

Support Social Entrepreneurship for development – The Pilot Phase

Social entrepreneurship and innovation is about creating transformational change in under-served, underrepresented, and disadvantaged communities. Social enterprises find smart answers to resolve their operational challenges, refine and introduce innovative solutions to market needs. In other emerging markets, like India and Kenya, entrepreneurship has emerged as a probable solution to their many development challenges, backed by patient and long-term impact capital.

PNG has a few a social innovations taking place, but not enough to nurture new ideas or for iterative prototyping of solutions that are rooted in motivating connections between the problem and those living it. There is a need for risk-venture approaches that open avenues for budding entrepreneurs to take up the challenge of solving social problems.

The GameChanger Initiative (GCI)



The GCI was designed to achieve three activities:

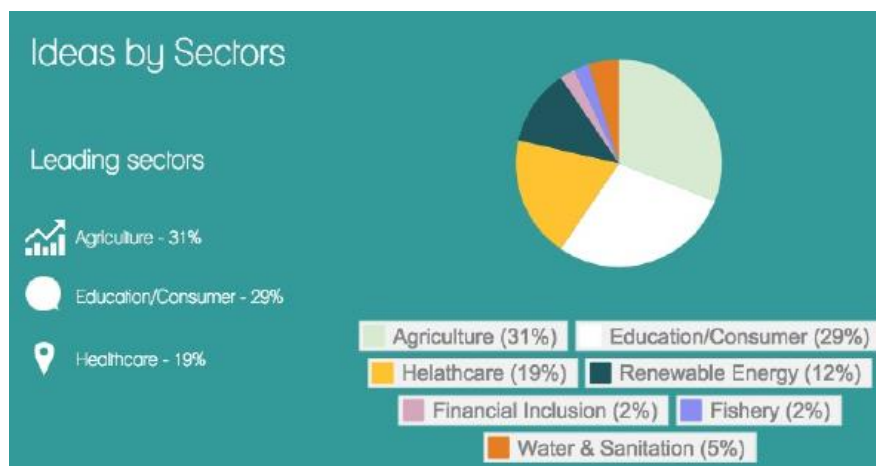
- **An annual Business Plan Competition** - supporting local entrepreneurs and innovative solutions to development challenges;
- **Training of Entrepreneurs** - to prepare their ideas into workable solutions through business and financial training using national and international expertise;
- **A Knowledge Product on Social Entrepreneurship in PNG** - highlight market potentials in key sectors

Business Plan Competition (the Kumul GameChangers)

The Kumul GameChangers (KGC), implemented by the Kumul Foundation, was to build an enabling ecosystem for ideas or early-stage businesses, help channel investments, and engage stakeholders through collaborative year-round initiatives through the structure of a Business Plan Competition.

With over 680 ideas originally registered, the campaign culminated in 328 submissions. The support of an expert panel from UN and Kumul Foundation, 42 submissions were shortlisted. These 42 selected entrepreneurs were supported with:

- A week's start-up training with Mr. Henrick Scheel. Training focused on ideation, prototype design, user validation, pitching, fundraising, and scaling up, each entrepreneur received a certificate for the training.
- Entrepreneurship training by IBBM focussing on identifying markets, financials and basic accounting
- Mentoring & Stakeholder support to encourage, motivate and provide relevant advice. A notable ambassador for the programme Sir Kostas Constantinou played an extremely outstanding role, providing contacts and educational material to further assist the GameChangers.



Source: CGI survey

Of the 42 entrepreneurs, 12 were identified to show case their products and share their experiences in a day day conference on Supporting Social Enterprise and pitching session, to present to a Panel of Judges made up from Industry and the UN. Finalists developed further contacts from the event and some received financial support from investors, business houses and the government after the pitch. This was a good achievement for the pilot project.

The KGC initiative demonstrated the latent demand and opportunity in the niche segment of domestic entrepreneurship.

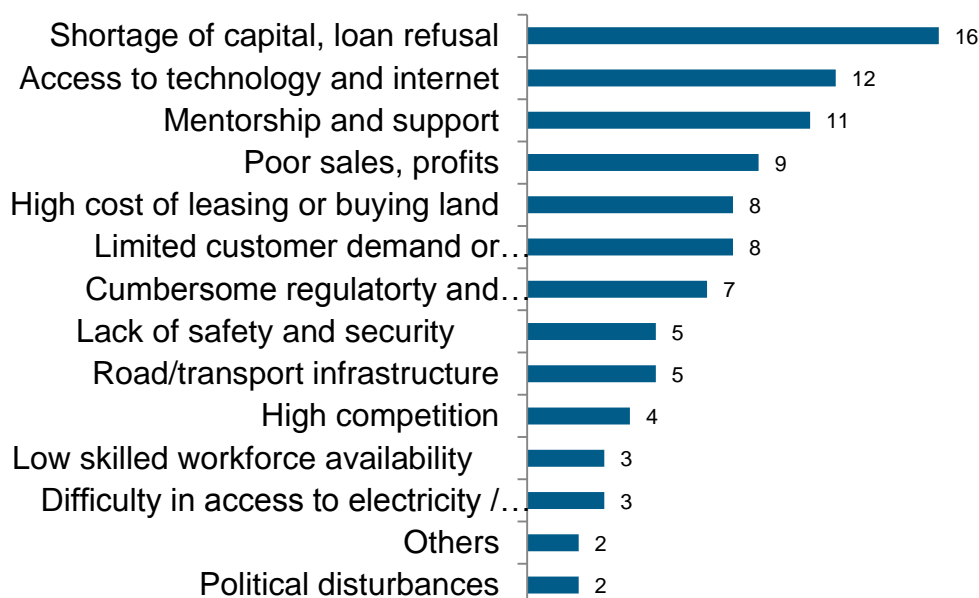
Seeding Social Enterprise

To identify the opportunities for Social Enterprise in PNG Intellectap was commissioned to prepare a report, “*Seeding Social Enterprise in Papua New Guinea*”¹. The publication highlighted the market potential, opportunities, challenges, and spaces for impact enterprises in PNG across six key sectors: agriculture, clean energy, education, financial inclusion, healthcare, and water and sanitation.

The report also presented findings from a survey of 80 social enterprises operating in PNG and discusses case studies of successful social enterprises from Africa that address similar challenges and can be replicated in PNG. In summary, the analysis shows that there is enormous market potential for social enterprise activity in each of the six key sectors with an **estimated market potential for impact enterprises of USD\$1.1 billion**.

By compounding this value with the multiple bottom line returns that impact enterprises can create in employment generation, gender equality, and essential service delivery, supporting Social Impact Enterprises can have a large impact on Social Development. In addition, the report also identifies some of the key challenges that need to be overcome and proposed recommendations of how these can be achieved.

Some of the Key Challenges experienced by entrepreneurs



Source: CGI survey

Some of the key areas requiring further support include:

- Setting up incubator platforms,
- Improving access to finance, encouraging seed and crowd funding possibilities, and
- Improving governance.

¹ http://www.pg.undp.org/content/papua_new_guinea/en/home/library/democratic-governance/seeding-social-enterprise-in-papua-new-guinea/

Lessons Learnt Review, Findings and Recommendations

To review the Business Plan Competition, identify the strengths of the programme and areas of improvements, UNDP commissioned IBBM to conduct a Lessons Learnt Review of the programme.

The review is based on interviews with key stakeholders: DFAT, Sir Kostas Constantinou (Lamana Group), Anthony Smare (Kumul Foundation), sample of finalists (GameChangers), and representatives from the private sector, including Helen Hamilton-James (Deloitte), Monica Salter (Realtor/Investor) and Desmond Yaninen (PNG National Development Bank).

Overall, the review concludes the Business Plans Competition was a success. Its main objectives were achieved despite facing some challenges. The concept was well promoted; interest from various sectors including potential entrepreneurs was garnered and was evident. Impact and innovative ideas were identified and supported. Ideas were developed and presented to the investor community and some achieved support from investors, business houses and the government.

However, in order to better support Social Entrepreneurship in PNG, going forward the review recommends:

- An incubation and acceleration centre be established to assist entrepreneurs to be innovative and provide necessary support for these ideas to be further developed to prototype products;
- Seed funding be provided to all finalists to make sure they develop their business ideas into real business as this will provide an incentive for this project to succeed in future; and
- Support structures be in place to help prepare the finalist for the pitch as what they present in order to convince investors and financiers. This should include tailored training, mentoring/coaching and advisory programs that are suited to meeting the needs of the entrepreneurs.

Proposed Second Phase



Rational

The experience and results from Phase 1 of the Business Plan Competition, highlight the huge market potential and **the latent demand and opportunity in the niche segment of domestic entrepreneurship** as well as the need to provide additional activities to further support social entrepreneurship.

A second phase will be designed to mobilize and amplify PNG entrepreneurial spirit by fostering, nurturing, accelerating required connections and celebrating entrepreneurship; provide end-to-end entrepreneurship support for entrepreneurs and building on the recommendations from the Intellecap report and the IBBM lessons learnt review, to include:

❖ **An Incubator:**

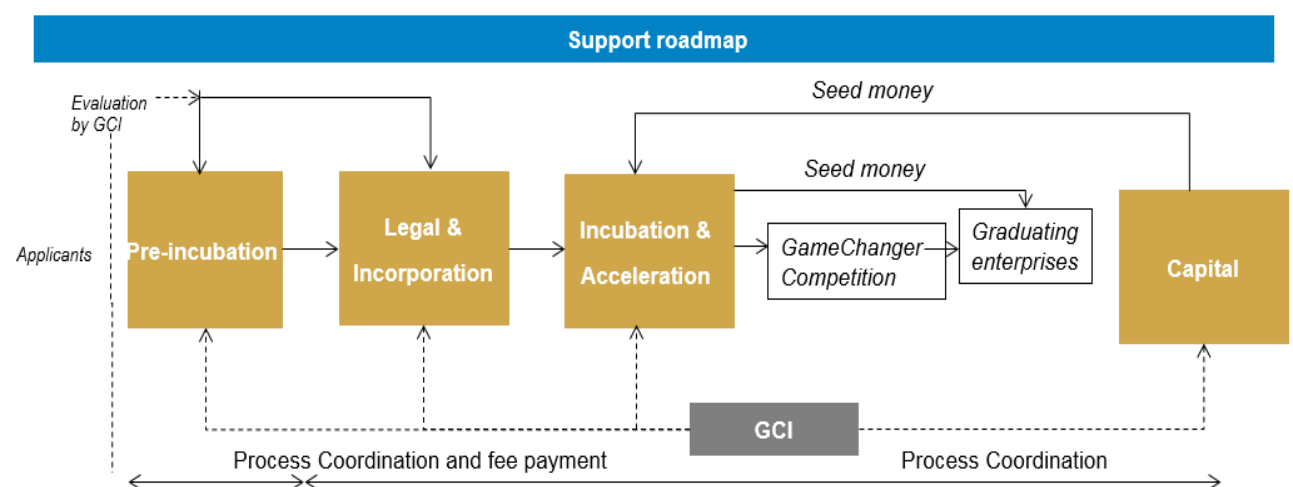
A key constraint identified from the review was access to an incubation and acceleration centre to assist entrepreneurs with their innovations, access necessary support and provide a platform for technical discussions and mentoring, for these ideas to be further developed to prototype products; this will be achieved by providing an incubator. This will also include support services for pre-incubation.

❖ **Access to finance:**

A key barrier to success recognised in the first phase was *access to finance* preventing entrepreneurs from pilot testing their ideas this can be improved by creating a dedicated capital source.

The second phase is designed to run for three years, from 2016-2019

Program Design 2016 – 2019



The second phase entails that:

- GCI will conduct an outreach program to source entrepreneurs. This program will consist of advertising about GCI through social media, public events and free workshops for interested entrepreneurs.
- GCI will evaluate the applications to direct entrepreneurs to pre-incubation or incubation support directly.
- Graduates of pre-incubation support that are eligible for direct incubation support will be provided legal support to incorporate their businesses.

- Upon graduation from the incubation/acceleration support, successful enterprises will get seed funding. This funding can be made available through a dedicated capital source.
- Each cycle of incubation support to Potentially Scalable Businesses (PSBs) will take about one to two years from sourcing to capital raising for entrepreneurs.

Support	Description	Role of GCI
Pre-incubation	Pre-incubation support through online platforms and/or space incubators- <ul style="list-style-type: none"> - Validating the business ideas and articulating the business models of PSBs - Bridging the current knowledge gap of entrepreneurs through making resources available to them - Providing basic mentoring and training to refine their business plans 	Identify pre-incubation partners and facilitate access to support
Business incorporation	Legal advisory through (freelance) corporate lawyers: <ul style="list-style-type: none"> - Bridging the knowledge gap and lack of awareness of legal structures under which the enterprises can incorporate - Providing assistance with paperwork 	Co-ordinate with corporate lawyers to provide incorporation support
Incubation and acceleration	Incubation and acceleration support through space incubators- <ul style="list-style-type: none"> - Refining the business plan - Providing infrastructure and linkages to mentor and technical advisory - Connecting to capital sources/providing capital - Connecting to market 	Identify incubation partners and facilitate access to support
Capital linkages	Linkages to capital sources like VC Funds, Debt Funds, etc.- <ul style="list-style-type: none"> - Procuring seed funding - Securing grants - Accessing debt 	Identify sources of equity and debt funds and partner with them

Outcomes and outputs

- Over a span of 3.5 year to 4 years GCI is expected to provide incubation support to about 50 PSBs and pre-incubation support to 200 PSBs, of which 30% will be women-run.
- GCI will connect about over 200 entrepreneurs with seed funding, of which 30% will be women.
- Annual GameChangers Conferences & year-round events/knowledge generated around GCI Entrepreneurship Hubs
- Partnership with established private sector peak bodies in PNG and globally for south-south cooperation

Estimate Budget

- GCI will require a funding of USD\$5 Million to provide the above support.
- GCI will also need to accumulate funds for capital investments in its enterprises to help acceleration. The amount estimated for investments in first 3 years is USD\$2 million.

	Budget (USD)
<i>Human Resources & Technical Assistance</i>	2 M
<i>Acceleration Support</i>	2 M

<i>GameChangers Conference & Knowledge</i>	<i>0.5 M</i>
<i>Marketing & Communication</i>	<i>0.5 M</i>
<i>Capital Leverage Support</i>	<i>2 M</i>
Total 2016 – 2019	7 M





Sustainability, risks and mitigation matters

Category	Risks	Steps to mitigate risks
Entrepreneur pipeline	<ul style="list-style-type: none"> Targeted number of enterprises do not join GCI Lack of adequate time and commitment from the entrepreneurs 	<ul style="list-style-type: none"> Continuous engagement with entrepreneurs by conducting events, webinars etc. Monitoring of performance of entrepreneurs by GCI team and incentivization of well-performing entrepreneurs
Pre-incubation	<ul style="list-style-type: none"> For online pre-incubation, slow uptake from enterprises in Tier II and Tier III settlements due to language and accessibility to technology constraints 	<ul style="list-style-type: none"> Focus on pre-incubation models which provide greater handholding like space incubators or local mentors to support entrepreneurs for online pre-incubation
Incubation	<ul style="list-style-type: none"> Lack of sufficient number of partnerships with incubators Lack of customised incubation support for the diaspora 	<ul style="list-style-type: none"> Strong incubator outreach program with sufficient incentives for the incubators to support GCI entrepreneurs Detailed assessment of wide range of mainstream incubation programs before selecting the partner incubators
Funding	<ul style="list-style-type: none"> GCI is not able to mobilize enough funding for the program 	<ul style="list-style-type: none"> Design program with smaller team and provide support to lesser number of enterprises. Conduct a full fledged funding outreach program to secure required funding.

Crosscutting issues

Cross-cutting issues such as gender-based violence, youth involvement, HIV and AIDS, social justice, promotion & protection of human rights, and child protection and climate change will be addressed throughout the cycle of the program where relevant. This will be done through consultations with partners and stakeholders during the inception phase of the project and during monitoring intervals including the drafting of the annual workplan for the programme each year.

Annex 1: Overview of a selection of KGC panellists and progress to date

	Education	Business idea	Progress
<p>Allegiance health</p> 	MSc.	<ul style="list-style-type: none"> Medical Diagnostic Testing (Digital X-Ray Imaging) Local and International Reporting through our Teleradiology network Electronic Medical Records; accessible anytime, anywhere, through any device with bank-level security Medical Research for Development and Planning (Disease Control) Training of Rural Healthcare Workers 	<ul style="list-style-type: none"> Abau district development authority DSIP funding - MP, sir Puka Temu (central province) ehealth pilot project proposal funding confirmed. The Pilot will take place at the Kupiano Health Centre (4 hour drive outside of Port Moresby). Exxonmobile interested in project and requested proposal Met with Deloitte and Marsh Risk
<p>PNG Nannies</p> 	Degree	<ul style="list-style-type: none"> Provide quality care services to the middle class and expat community. Nannies will be trained and certified to an internationally recognised standard of child care. 	<ul style="list-style-type: none"> 12 requests for the service Two nannies placed in the month of September with national/expat Part time nanny in the month of October to an expat family. 40 interested applications for nanny positions hr/admin officer tasked with screening, certification, placement, supervision and monitoring. Department for Community development has given us the approval to run the nanny and housekeeping services plus directions of needed legalities and minimum requirements in relation to welfare and rights.
<p>PNG Hire</p> 	Degree	<ul style="list-style-type: none"> Online asset and rental service for industrial equipment. Business to provide efficiencies in the construction market, by bringing together those that need equipment and those that have equipment for hire. 	<ul style="list-style-type: none"> Server set up in Manila & Sydney set-up for support and back up Meetings with Sir Constantinou / other experts in similar industry 10 x clients signed up for advertising equipment currently available
<p>Culture Consulate</p> 	PhD.	<ul style="list-style-type: none"> Commercialise PNG Culture by providing a market for tourists and corporations; to create a one-stop destination for nationals (citizens) and tourists (visitors) to experience Papua New Guinea's exotic and diverse culture. 	<ul style="list-style-type: none"> Provided traditional bilums for the first APEC ministerial meeting – the Third APEC Meeting of Ministers Responsible for Forestry (MMRF3) Invited as one of the selected service providers for ABAC PNG. In discussions with a potential investor

Qumul Solutions



Degree

- Online platform that will help businesses effectively expose their products to thousands of potential customers using a simple mobile phone application and at the same time give buyers an opportunity to find and compare all products available on the market

- **Secured more clients through contacts collected during the conference and pitching session.**

Angel Womb



Degree

- Provide ante-natal support through specifically designed pregnancy kits.
- The kits will provide awareness and guidance materials to educate mothers on the pregnancy cycle and recommendations on how to ensure a healthy lifestyle during pregnancy.
- kits will also supply vitamin and mineral supplements and cleansing cosmetics for the mother's hygiene.

- **Investigating distribution channels. Met with Marie stopes – they will discuss proposition in board meeting**
- **Referred to Susu Mama.**
- **Collecting data on costings. To do a cash flow. Before requesting financing.**
- **Once costings are completed will meeting with city pharmacy**

