

Supporting innovation in Africa: The Role of ICT Enabled Business Incubation

Public and Private Sector Partnership
Forum in Africa: PPPF-Africa-2007

Steve Giddings
Regional Facilitator: Africa
infoDev Incubator Initiative
World Bank Group

Presentation outline

Three simple questions.....

- Why should innovation be important in Africa?
- Why should incubation be important in Africa?
- Why should “ICT enabled” incubation and innovation be important to Africa?

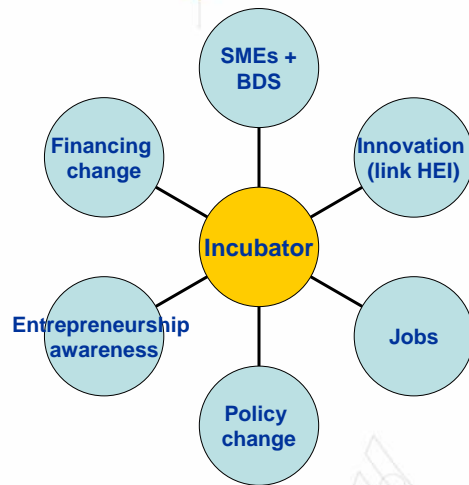


Why business incubation is important to Africa

Assistance to growth-oriented entrepreneurs through provision of:

- Infrastructure:** Office space, electricity, telecommunications, internet, lab facilities, etc. → Economies of scale decreases the cost of starting a business
- Business Services:** Registration, licenses, accounting, strategy advice, market research, export facilitation, etc. → Help with non-core business activities saves time and money
- Financing:** Brokering financial services and/or providing them i.e. equity, credit, guarantees, etc. → Leveraging the credibility of the incubator & the portfolio of entrepreneurs to overcome financing gaps
- “People Connectivity”:** Mentoring, coaching and interaction with fellow entrepreneurs (a micro cluster). → Learning, exchange of ideas, partnerships, business relationships, psychological support

Incubators as change agents

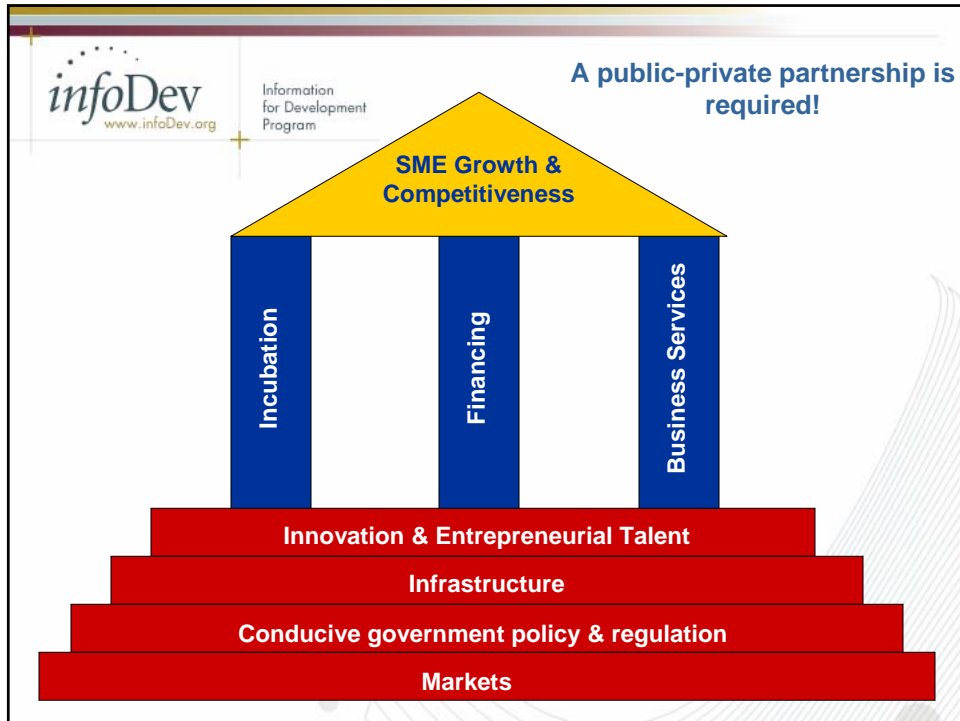


Incubators are a “hub” of co-ordination and can be a source of:

- information for **policymakers** on barriers to entrepreneurship and SME growth
- lower risk investment opportunities for **banks and financiers**
- new **linkages** between public, private and educational sectors

The Impact of Incubation

- Developing countries can ill afford an 80% failure rate of new opportunity focused SMEs (...social and economic consequences)
 - 80% of incubated SMEs survive after three years
- Fast tracking of development
- Commercialization of innovation
- Increasing tax revenues
- **Change** in:
 - Policy and regulations (i.e. involvement in innovation policy, lobbying for changes in regulation pertaining to use or import of technologies, etc.)
 - Financing practices (including creation of new funds for SMEs)
 - Entrepreneurship culture



infoDev
www.infoDev.org

Information for Development Program

ICT enablement...

How can ICTs enable innovation and growth businesses ...?

ICT enablement..

ICTs CAN

- reduce social and economic inequalities and support local wealth creation as they provide access to valuable information resources that can be applied across all areas of industry and service to increase efficiencies and inform business development.
- promote the dissemination of information and knowledge by separating content from physical location and geographic boundaries – linking remote communities to global networks.
- make information, knowledge and culture more accessible – allowing individuals and communities of all cultures to join a global economy.

ICT Enablement..

ICTs CAN ...

- radically reduce transaction costs as the 'digital' and 'virtual' nature of many ICT products and services allows for zero or declining marginal costs. Replication of content is virtually free regardless of its volume, and marginal costs for distribution and communication are near zero.
- enable the development of new products, services and distribution channels within traditional industries. They also enable the development of innovative business models and whole new industries.
- streamline supply and production chains and make business processes and transactions throughout the value chain more efficient

ICT Enablement..

ICTs CAN ...

- allow users to acquire products and services directly from source, reducing the need for intermediaries. This increases efficiency.
- ...and the flexibility of ICTs enables tailored solutions that can meet the diverse needs of individuals, communities, businesses and governments – in both developed and developing countries

UNDP, the Markle Foundation, and Accenture. 2001.

ICT enablement...

Why should ICT enabled incubation and innovation be important to Africa?

To answer this with the most comprehensive and up to date facts...we need to look at *infoDEV* who have just completed a study entitled:

Innovation and Entrepreneurship in Developing Countries: Impact Assessment and Lessons Learned from *infoDev*'s Global Network of Business Incubators

About *infoDev*

***A multi-donor consortium hosted by the
World Bank***

Mission:

*to enable effective use of information and communication
technologies to promote sustainable development*

Areas of Focus:

*Access – Mainstreaming
– **Innovation & Entrepreneurship***

Services:

Applied Research - Pilot Projects & Grants - Capacity Building - Advisory
Services - Monitoring and Evaluation – Donor Coordination

infoDEV Incubator Initiative

- Started in 2002 with funding from Japan
- Premise:
 - SMEs are key to social and economic development
 - Information and communication technologies represent a key opportunity for developing countries
- Focus:
 - Financing and technical assistance for start-up, capacity building and expansion of incubators focused on ICT-enabled entrepreneurship

**A growing network:
50+ incubators
50+ countries
3000+ entrepreneurs**



Join us at www.idisc.net !

Answering the question...

So... why should ICT enabled incubation and
innovation be important to Africa?

Some findings...

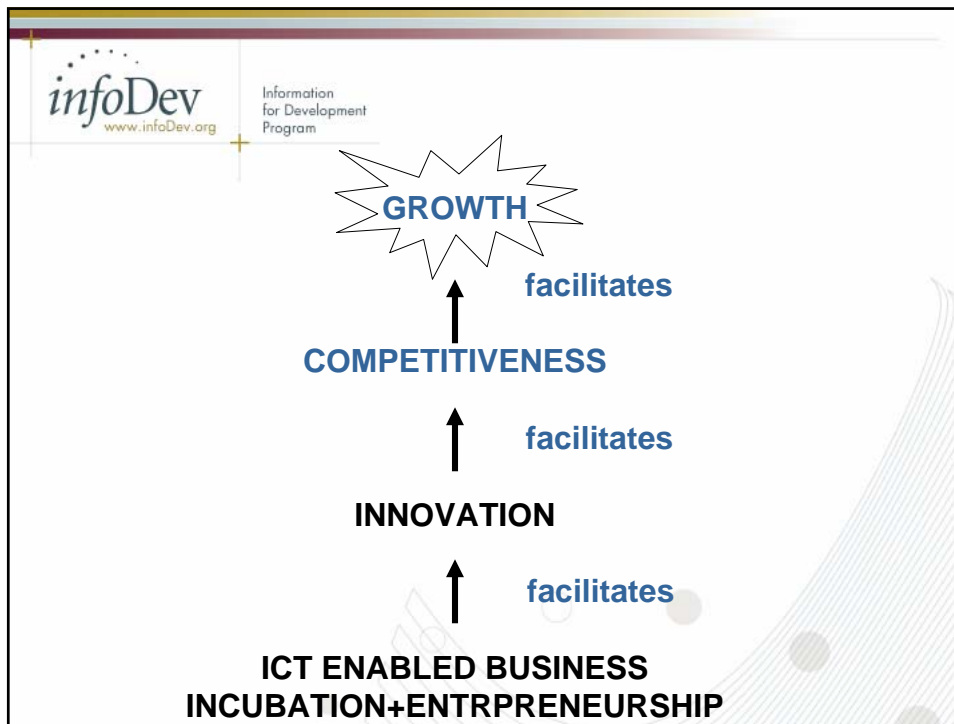
The research confirmed that business incubation can help entrepreneurs to leverage ICT as a tool for innovation and entrepreneurship, and ultimately, socioeconomic impact.

More specifically, it found that:

- business incubation indeed fosters innovation and entrepreneurship in developing countries by addressing weaknesses in its clients' business environment, including ICT access and capacity.
- in over 75% of incubators, clients were assisted to overcome local gaps in ICT infrastructure by provision of ICT access. The majority also complement these services with ICT capacity building. Clients regularly described ICT services as an important part of the incubator's offering.

Some findings...

- over 46% of new jobs created were enabled by ICT
- more than 50% of incubators define themselves formally as Public Private Partnerships (PPPs), and include a range of private sector, academic and public sector partners among their founders. This type of targeted support, designed to nurture small businesses in their early stages of development, is helping entrepreneurs to create businesses and jobs in their local environments.
- business incubation is generating important 'externalities' by creating a platform for leaders to influence the broader business environment for high-growth SMEs. These indirect impacts include guiding policy, legal and regulatory reform; increasing the supply of risk capital, and diffusing a culture of entrepreneurship and innovation.



infoDev
 www.infoDev.org
 Information for Development Program

Africa Incubator Network

The Africa Incubator Network (AIN) is an informal association of incubators and entrepreneur support entities in Africa. The network seeks to raise awareness of business incubation aims and impacts, develop cooperation between business incubators and technology parks, foster exchange of knowledge, and contribute to improved regulations and policies that enable innovation and entrepreneurship.

Current registration for incubators at www.idisc.net

Organisations/governments etc that support entrepreneurs in Africa and who might find value in linkages to incubators should email:

sgiddings@worldbank.org

Thank you !