Creating Sustainable Businesses in the Knowledge Economy

May, 2010
Knowledge Economy Forum, Germany
Creating Sustainable Businesses in the Knowledge Economy

- A public-private partnership, launched on Dec 17 2009
  - Ministry of Foreign Affairs, Finland
  - infoDev / World Bank
  - Nokia
    - Other partners include Mobile Monday, Korea ICT4D Fund, Ministries

- Three key areas of focus
  - Agribusiness
  - Mobile communications
  - Innovation, SME creation and supporting technology entrepreneurs

- Three regions
  - Africa
  - Asia
  - Eastern Europe, Caucasus and Central Asia (ECA)
infoDev’s regional business incubation networks: Promoting the start-up and growth of technology SMEs

300+ incubators and 20,000 SMEs in over 80 developing countries

Sectoral Focus

- Mixed Use, 29%
- Manufacturing, 22%
- ICT, 46%
- Agriculture, 20%
- Biotech, 3%
- Clean Tech, 4%
- Agriculture, 20%
- Textile, 6%

Social Inclusion Targets

- Rural Poor, 20%
- Urban Poor, 20%
- Youth, 36%
- Women, 24%
1. Establishing an ECA regional mobile applications lab
2. Extending mobile apps by working with Mobile Monday to establish mobile social networking hubs
3. Create, scale an internationalize SMEs in ECA
   a) Scaling business incubators and strengthening the Innovation and entrepreneurship eco-system in 3 Countries
   b) ECAbit projects on SME financing and impact assessment
4. Enhancing the competitiveness of broadband networks
5. Regulatory capacity building on broadband and mobile applications
ECA 1+2: Mobile Applications

Assisting Mobile Applications Entrepreneurs to Start and Scale their Businesses

• Regional service hub for ECA
• Delivered in collaboration with Nokia, leveraging an existing organization in the host country
• Service offering to include:
  • Training and Testing facilities
  • Identification and piloting of potential applications
  • Incubation of start-ups
  • Business and financial services
  • Linkages with operators
• Entrepreneurs to be “recruited” through incubation network and mobile social networks

10 new applications launched with viable business models by 2012

Join us tomorrow at 7pm to discuss the Future Lab
Why Mobile Applications?

- High growth market in a high growth sector
- Relatively low barriers to entry, esp for localization
- Strong possibilities for SME internationalization

ICT subscriptions in the CIS, 1998-2008

Source: ITU World Telecommunication/ICT Indicators database.

www.infodev.org
Business Incubators worldwide: ~4’000
ECA estimate: ~200-300

Country examples:

- Romania: 20 incubators, started in 1992-1994, donor support
- Russia: 120 incubators (estimate), started in 1995 by donors, new government-supported program started in 2005
- Belarus: 8 incubators, started in 1998
- Azerbaijan: 1 incubator in planning stage, university based with donor support

“Officially, there are 70 incubators operating in our country, but in practice there are 12.” (incubator manager, ECA)
Kharpch elo product Ltd. Kharkov

• Incubatee of Kharkov Technologies Incubator.
• Honey and wax producer, honey and wax production instruments producer. Aircraft technologies engineer by profession.
• 2004: Four employees, focus on local market.
• Incubation impact (incubatee perspective): IT application and international marketing.
• 20 full and 40 seasonal employees in 2007.
• Sales increased 40-fold.
• Network of 100 local honey producers.

For more details on this and other success stories, go to www.idisc.net.
42Gradusi

- Incubatee of BII.GE Business Incubator Initiative Tbilisi (Georgia)
- Software development (B2B sector)
- Clients in Georgia and Germany.
- Incubation impact *(incubatee perspective)*: Vision and strategy development, management, contacts to clients.

For more details on this and other success stories, go to www.idisc.net.
Rationale:
- Increased impact can be achieved through larger scale
- An eco-system is required to effectively enable start-up of technology enterprises

Program:
- 3 countries from Eastern Europe, Caucasus and Central Asia
- 2-year program of technical assistance and grant financing

See Tim or Stefan to set up a side meeting
ECA 3b: Impact Assessment of Business Incubators

Key questions:

- What are the growth rates of incubated enterprises after they leave the incubator?
- What size have the enterprises reached in terms of sales and employees?
- How many of them have an innovative product, service or business model?
- What is the effect of the incubated companies on the overall innovation eco-system and the competitiveness of a particular city, region or sector?
- Is the incubator sustainable? How is the it financed?
- What lessons can be derived?

Join us for a discussion tomorrow at 7pm to discuss the questions you would like answered
ECA 4+5. Enhancing Competitiveness and providing capacity-building

The problem:
- Generally low-levels of international internet bandwidth
- This results in high-priced broadband services and poor quality networks
- Network architectures reflect historical links

Towards a solution:
- Increase the level of competition and choice in international bandwidth
- Ensure cost savings are reflected in lower prices to end-users
- Research the connectivity requirements of SMEs
- Provide tailored capacity-building and awareness raising for regulators

International Bandwidth per user in selected ECA countries, 2008

Source: TeleGeography/ITU.

Graph showing the international bandwidth per user in selected ECA countries, 2008.
Invitation to Partner

It's an ambitious program

We are interested in forming partnerships with entities that can help make the program a success

Success will be measured by our ability to promote the start-up and growth of technology enterprises
Creating Sustainable Businesses in the Knowledge Economy

infoDev

MINISTRY FOR FOREIGN AFFAIRS OF FINLAND
NOKIA Connecting People
Enabling Value Added Agribusiness Entrepreneurship

Value Chain

Input Industry → Farmers → Processors → Wholesalers

Objective

- Increasing access to know-how markets through mobile applications
- Enabling innovative, value added business growth through business incubation
- Global community of practice on agribusiness incubation
- Agribusiness incubation good practice assessment and training for incubator managers
- Good practice handbooks on leveraging ICT and innovation in agriculture

Competitive SMEs
Trade
Jobs
Expanding Market Access for Technology SMEs

Why expand internationally?
• Domestic markets are often small and limit opportunities for growth
• International expansion extends the benefits of new technologies to a larger population

What hinders international expansion?
• Cost
• Lack of market linkages abroad
• Limited know-how on:
  • international market conditions,
  • business practices,
  • tools for internationalization,
  • regulatory requirements
3. Building Capacity in Business Incubation

A state-of-the-art training program designed for business incubation stakeholders in developing countries and emerging economies

- Business Incubation Models
- Planning an Incubator
- Marketing and Stakeholder Management
- Financial Aspects of an Incubator
- Facilitating Access to Finance for Incubatees
- Developing a Mentoring Program
- Monitoring and Evaluation for Business Incubators
- Business Incubation and Technology Commercialization
- Virtual Business Incubation

www.infodev.org
The SME Internationalization Program

Leveraging infoDev’s global network to help technology SMEs gain access to foreign markets

- SME Internationalization Training for Incubators
- Incubators nominate SMEs for internationalization program
- infoDev matches SME needs with foreign incubator
- Foreign incubator assists SME
- SME growth through access to new markets
MHSWARE

- Incubatee of Timisoara Software Incubator, Romania.
- Computer system design, hardware and software development.
- Founded in 2004 by three university graduates.
- Incubation impact (incubatee perspective): “One of the most important benefits is the possibility to work within a community of similar and like-minded start-up companies.“
- In 2010, serving clients in Romania, Italy, Switzerland, Canada, Germany.

For more details on this and other success stories, go to www.idisc.net.
Incubation success stories (IV)

AdvertSMS

- Incubatee of YES Incubator Skopje, FY Macedonia
- Mobile application based marketing services.
- Founded in 2008 by a 21 years old student.
- From university business plan competition to market.
- Incubation impact (*incubatee perspective*): Networking, knowledge and infrastructure.
- Reached break-even after one year of incubation.
- In 2010, market innovator and leader in the country.

*For more details on this success story and on more success stories, please visit [www.idisc.net](http://www.idisc.net).*
infoDev’s Program Offering

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<thead>
<tr>
<th>Country</th>
<th>Regional</th>
<th>Global</th>
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<tbody>
<tr>
<td>For incubators and technology parks and their stakeholders:</td>
<td>For incubators and technology parks:</td>
<td>For incubation and IT Park professionals and policymakers:</td>
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<tr>
<td>Tailored package of services including</td>
<td>Regional networks and knowledge exchange.</td>
<td>• Good practices, models</td>
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<td>• seed &amp; innovation funding</td>
<td>Training</td>
<td>• Toolkits</td>
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<tr>
<td>• capacity building</td>
<td>For policymakers:</td>
<td>• Monitoring and evaluation tools and analysis</td>
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<td>• feasibility and replication</td>
<td>Regional roundtables and awareness raising</td>
<td>• South-south working groups</td>
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<td>• assistance with strengthening the national eco-system</td>
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<td>• Bi-annual Global Forum for all stakeholders</td>
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New:
- Internationalization and access to finance for technology entrepreneurs
- Expansion to climate technology and value added agribusiness

Competitive SMEs
Jobs
Innovations
Empowerment
Sustainable development
75 percent of graduated enterprises survive for at least 3 years following graduation.

Upon graduation, the enterprises have on average 10-15 employees and USD 200,000 in annual turnover.

More than 50 percent are public-private partnerships.

Business incubation is cost effective when it:
- targets high growth potential enterprises
- is designed on the basis of a proper market assessment
- is run with a business mindset
- assumes a brokering role in the innovation and entrepreneurship eco-system
- focuses on business incubation as a process – not a building

Donors are expecting incubators to reach financial sustainability – it is doable…
Thank You

www.infodev.org/innovation

www.idisc.net

www.idisc.net/eca

www.infodev.org