Technology and Business in Africa – What's the Next Big Thing?

Developing Africa's ICT Sector

World Bank/ IFC Financial & Private Sector Development Forum
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The importance in supporting ICT Entrepreneurship in Africa

ICT in Developing Countries

- In developing countries, for every 10 percentage point increase in mobile penetration, there is an increase in economic growth of 0.8 percentage points
- In developing countries, For every 10 percentage point increase in internet penetration, there is a growth effect of 1.1 percentage points
- Household incomes are expected to increase with a 5% compound annual growth rate from 2008-2020

Entrepreneur-ship in Africa

- At an inflection point where youths are taking risks and running start-ups versus going into traditional employment sectors
- Formal sector job growth is not rising fast enough to absorb African youths
- Diversifying beyond on natural resource revenues to a successful 21st century Africa
- Critical to development and retention of skills in the Continent, and for development sustainability

Entrepreneurial Obstacles Facing SMEs

Key issues

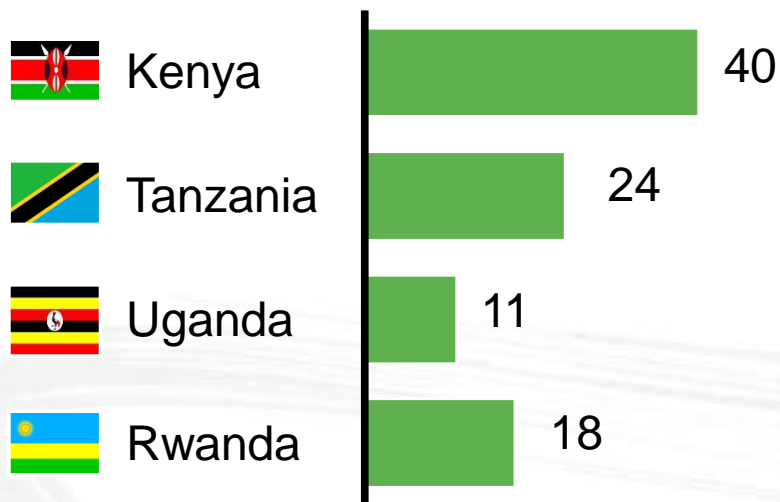|	
Access to networks	Access to technical skills
Access to business skills	Access to finance
Access to markets	Supportive business environment

To address this situation, InfoDev, Hivos, and UKAid jointly developed the East Africa ICT SME Strengthening Project

- To gather feedback from entrepreneurs in the region
- Identify best practices and potential partners in East Africa
- Flag gaps in delivery and impact and design a set of interventions to address these areas

Profile of the ICT entrepreneur participants
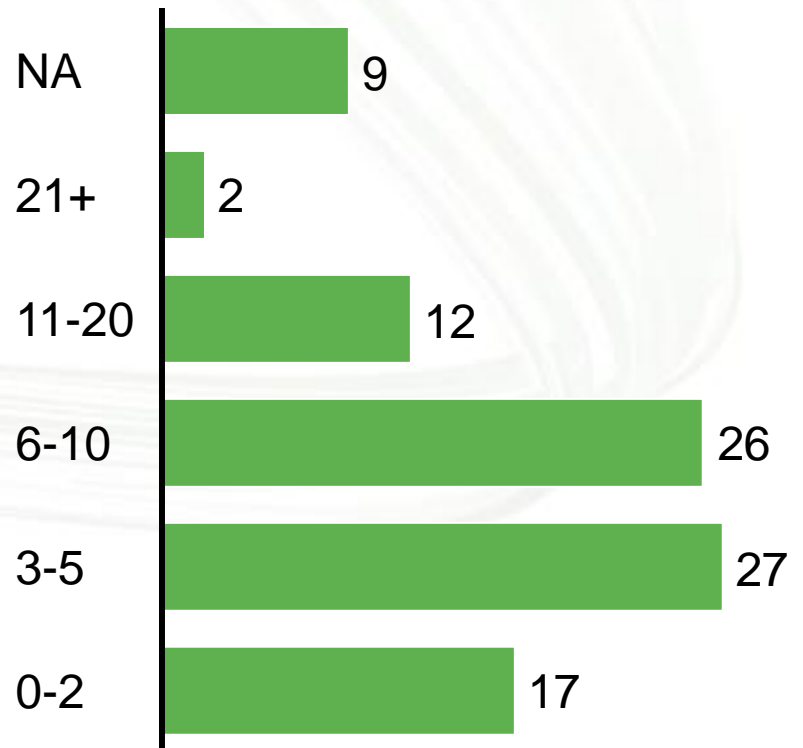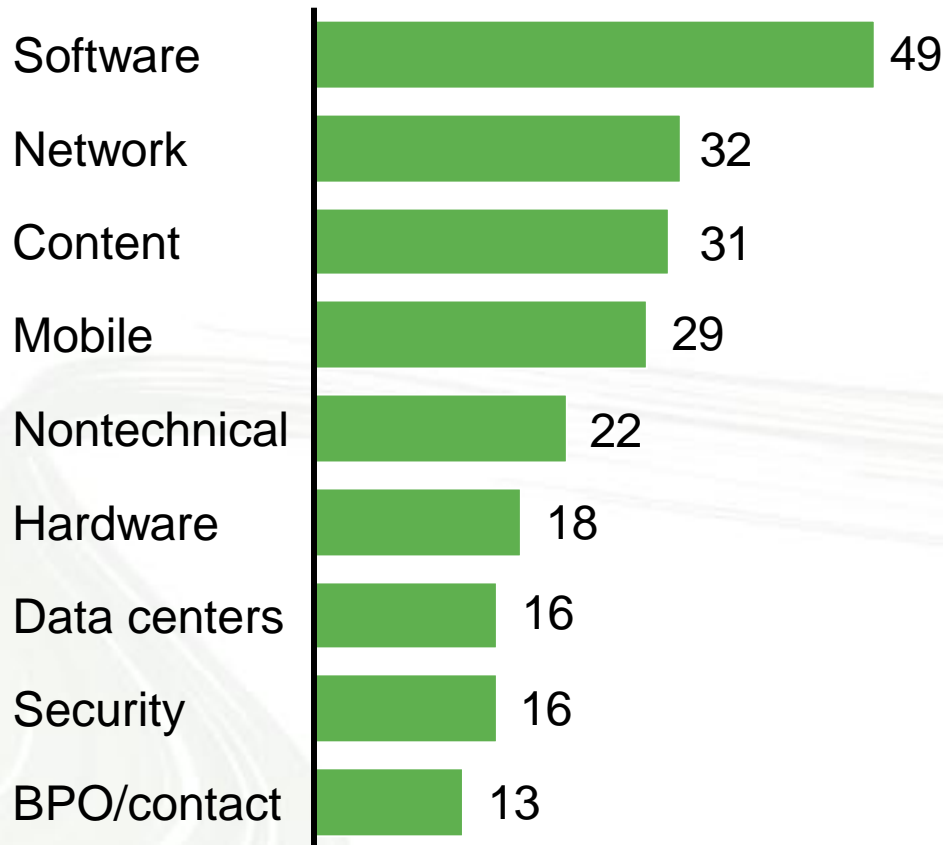
Survey participants
Number

	Number
Kenya	40
Tanzania	24
Uganda	11
Rwanda	18

ICT experience
Years

	Years
NA	9
21+	2
11-20	12
6-10	26
3-5	27
0-2	17

Profile of the ICT entrepreneur participants

Type of ICT services provided
Number

	Number
Software	49
Network	32
Content	31
Mobile	29
Nontechnical	22
Hardware	18
Data centers	16
Security	16
BPO/contact	13

Company size
Number of employees

	Number of employees
NA	12
50+	2
26-50	4
11-25	10
6-10	13
2-5	31
1	21
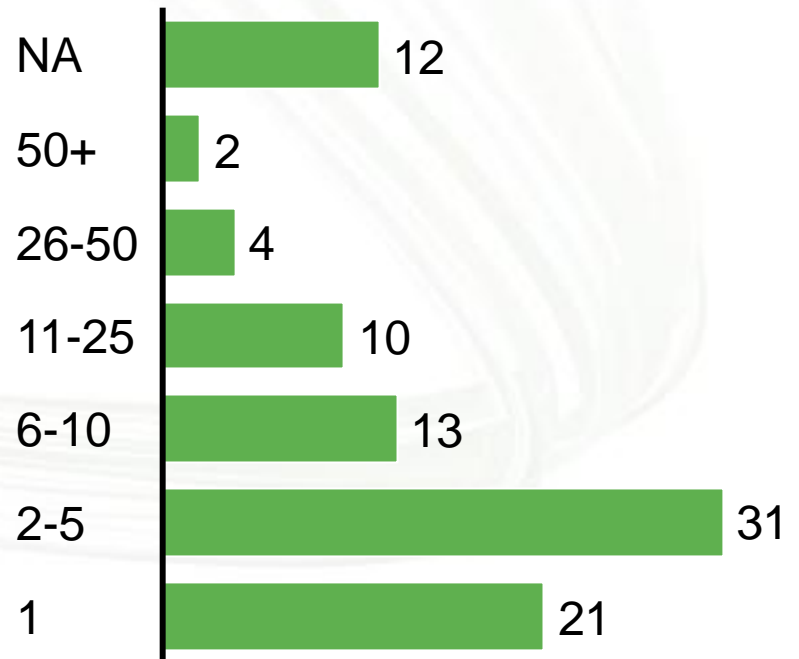
Feedback sessions: Key takeaways (1/2)

Issues	Participant comments
Access to business skills	• "We're geeks. We need people who can market and communicate." • "At university we learned how to code, but our professors don't know other things we need in the real world."
Access to financial resources	• "The banks don't understand my [technology business] so they will not lend to me." • "I know I need some money, but I don't know exactly how much."
Access to markets	• "The government and the big companies would rather outsource to foreign companies than have locals do the work." • "There is no place for people to find my work."

Common themes

• Need to partner with business professionals

• Need practical advice

• Need connec-tions to funders

• Need mentors to review business plans

Feedback sessions: Key takeaways (2/2)

Issues	Participant comments
Access to technical skills	• "The schools teach computer science using theory – on the chalkboard and from books – we don't get practice."
Access to business networks	• "These networking opportunities are priceless." • "If we worked together we could have capacity for big jobs." • "I need to talk to someone who has done it before." • "We need some mentors … techie or non-techie." • "I wouldn't tell someone my idea, because they might steal it."
Supportive business environment	• "There is no legal protection for intellectual property."

Common themes

• Need forum for discussing and publicizing ideas

• Need to develop trust to encourage idea sharing

• Need inter-mediaries for rating, referring, and validating products and services

East Africa ICT Vision

Vision

An East Africa with a robust and dynamic ICT sector that creates jobs, companies, and innovation that benefit all sectors of society and are globally competitive

Required Interventions

1. Develop a Fully Connected Network
2. Launch Skills 2.0
3. Support Innovators
4. Enable Job Creators
5. Upgrade the Business Environment

Realizing this vision will require a coordinated program of interventions and the cooperation of organizations across the region.

Activities facilitated by a Program Management Office that will coordinate common tasks and drive stakeholder alignment (e.g., community databases, marketing, knowledge sharing)

Session feedback (1/2)

	Feedback	Quotes
Vision	• Overall agreement with vision • Considerable opinion that benefits for ICT sector to impact East African broadly, not strictly individuals and organizations directly involved in industry	• "Could we add something about ICT 4D?" • "We need to do something in ICT for the villages." • "This effort leeds to benefit all of [East Africa] including the poor."
Interventions **1** Fully connec-ted network	• Broad consensus across countries on importance of physical space and networks linked to that space • iHub was commonly cited example as best-in-region currently • Importance placed on independence of space and network from institutional agendas • Mentors will need training and clear responsibilities as well • *Some existing networks are too broad for ICT SMEs (e.g., RICTA?)*	• "We have good networks, they just need support to reach more people and do more physical meetings. Everything cannot be done in a virtual network." • "Let's not duplicate our [existing] networks, but build capabilities within them" • "We are funding the meetings and talks out of our own pockets; knowing there was a solid source of funding would increase the perception of our networks."
2 Skills 2.0	• Bias to partner with corporations for training and internships, with access to latest technologies; however more meaningful opportunities to learn must be developed • Create training opportunities in the rural areas as well • *Push back in Rwanda and Tanzania on whether academic institutions are right institutions to lead "practical" trainings*	• "Universities need to focus on hands-on." • "Colleges are academic places and not the right places to learn the practical [side of development]." • "Internships are great, but give us the opportunity to practice on real problems; not made up items." • "Universities do not know the latest software, they are teaching ones that are very out of date."

Session feedback (2/2)

Interventions	Feedback	Quotes
3 Innovator support (Small enterprises)	• Consistent feedback that financial community does not understand ICT industry business models, funding needs, and risk profile, so seed capital and working capital availability are thin at best • Mentorship and mix of business network, business skill and financing was attractive to participants • *Chamas* (indigenous savings co-ops) mentioned as a potential indigenous solution; but similar risk and industry gaps may limit impact	• "There is money for the local restaurant and for the established business, but not for mine" • "The banks don't understand ICT at all" • "It took us 9 months to get our financing from the bank" • "We need to educate the bankers and investors." • "Chamas could be an answer, why don't we look into that?"
4 Job creator support (medium enterprises)	• Positive response, if a bit out of scope for some session participants	• "We need the support to get to medium stage companies and also to be part of their supply chains"
5 Business environment	• Positive, though acknowledgement that results will take time. • Address specific ICT issues including domain name squatting and short-code allocation	• "Getting an SMS short code is very hard for a small business and it takes very long. It creates a major delay to test and launch a product."

Potential partners – by countries as suggested by workshop participants

Interventions	Kenya	Rwanda
1 Fully connected network	• iHub – already has physical space and critical mass of activity; structure required to formally build out the networks • Tandaa – as a network • Other organizations mentioned included USIU, Strathmore	• No dominant physical space or network although KIST was an opportunity • Government/Rwanda Development Board supportive of private organization creating a space
2 Skills 2.0	• Strathmore Entreprise Development Programme • University of Nairobi • Jomo Kenyatta University • Kenya ICT Board	• RDB engaged on in setting standards for training and providing funds for training (although current participation is low) • Academic institutions, both internal (KIST), and external (e.g., Carnegie Mellon)
3 Innovator support (Small enterprises)	• Chama as a partner – though no specific Chama or Chama network was mentioned; Institute of Electrical and Electronics Engineers; KICTANet	• Business plan competitions; RDB organizing business skills retreat
4 Job creator support (Medium enterprises)	• Government procurement managers • Large multinational IT firms	• Government – freedom of information efforts are early but expected to yield results in terms of content (e.g., GIS); donor/ government assistance with procurement
5 Business environment	• Kenya ICT Board	• Rwanda Development Board – marketing on new efforts will be improving in the early 2011

Potential partners – by countries as suggested by workshop participants

Interventions	Tanzania	Uganda
1 Fully connected network	• Business network – Enablis, eThinkTank (as organized by some session participants), British Council, Costech, Tanzania Marketing Association • Physical space: no clear dominant space; group sought independent leadership, e.g., not academic and government affiliated	• Physical space: Hive CoLab as a physical space, with additional resourcing to improve attendance • iNetwork • Linux User Group – fairly active, if specific topic area
2 Skills 2.0	• University Computer Center – considered good at building hands on skills • Business skills – potential partners include British Council, University of Dar es Salaam Entrepreneurship Center, Tanzania Entrepreneur Forum	• Makerere University; Kampala International University; Uganda Communications Commission Universal Service Fund
3 Innovator support	• infoDev incubator coming on-line in Q1 2011 • No clear financing partners – a lot of "vulture capital" currently	• Hive Colab, Makerere University National Software Incubation Center
4 Job creator support	• Not discussed in detail in this session	• Government procurement managers; large multinational IT firms
5 Business environment	• Advocacy partners include National Business Council, Costech, Tanzania Private Business Council, Tanzania Chamber of Commerce, and Tanzania Investment Authority	• Not discussed in detail in this session

1 **Connect Entrepreneurs: Develop a networked community of trust that collaborates as well as competes, and provides its members advice, mentoring, financing, skills, and representation**

Activities	Objectives
a. Support the establishment of SME-focused ICT business associations, networks, and clubs	a. Foster a business culture that breeds innovation and collaboration
b. Support the establishment of spaces that encourage convening and collaboration	b. Create a shared knowledge base
c. Develop and disseminate case studies and how-to guides	c. Cultivate sustainable angel investor network
d. Introduce angel investing and provide angels low-risk opportunities to invest	

What might iHub version 2.0 look like?

Programs

Mentorship program

- On-going, structured program with assigned mentors and mentees at manageable ratios (e.g., 1:5)
- Clear responsibilities and time commitments for both groups
- Defined business roadmap to drive progress and milestone achievement

Active feedback from the community

- Periodic surveys and focus groups to all stakeholder categories to ensure events, programming and skills development meets expectations

Creative collaborator matching

- Links to other professional and academic networks to provide a full compliment of business and technical skills (e.g., accountants, lawyers, marketing professionals)
- Also links to potential collaborators outside of specific geography (e.g., Afrilabs as a connector)

Knowledge warehouse

- Key data sources required to every early tech enterprise
  - Business start-up guide, tailored at the country or locality level
  - Access to basic data sources to complete business plans (e.g., census)

Strong community norms and mechanisms

- Clear and communicated code of conduct
- Mechanisms to resolve disputes within the community

❷ Launch Skills 2.0: Cooperate with academic and training institutions to ensure that young East Africans have the full range of skills they need to be Ready for Business

Activities

a. Support upgrading university computer science curricula: incorporate hands-on experiential learning; include exposure to business concepts; teach project management skills

b. Provide broad access to industry standard training and certification programs

c. Provide business skills training and business plan development support

Objectives

a. Create business savvy technologists

b. Produce university computer science graduates with upgraded skills

c. Fast-track the proliferation of standard certifications (Make MCM, MCITP, CCIE, CCDE, etc. as common as CPA and CA)

❸ Support Innovators: Support the start-up and growth of companies that create innovative solutions to business and development challenges in the region and beyond

Activities	Objectives
a. Provide business plan development assistance b. Provide capacity building support and training targeted to meet the needs of the business c. Provide donor subsidized funding for startups and other companies requiring less than $100k	a. Increase the number of successful start-ups b. Increase the number of successful innovative firms

4 Enable Job Creators: Support the development of stable service companies that generate employment opportunities for large numbers of knowledge workers

Participants

Entrepreneurs, small companies

Activities

a. Provide capacity building support and training targeted to meet the needs of government clients
b. Provide capacity building support and training targeted to meet the needs of the domestic private sector
c. Provide business development support
d. Develop financing tools to support companies pursuing existing markets
e. Support the BPO/CC segment in pursuing international clients

Objectives

a. Increase the number of local companies that implement government IT initiatives
b. Increase the number of local BPO/CC and system implementation companies that serve the domestic private sector
c. Become an offshoring destination of choice

⑤ Upgrade the Business Environment: Improve business conditions in tangible ways that enable citizens and international investors to build strong ICT businesses in the region

Activities	Objectives
a. Streamline business registration and make the process available online	a. Make starting and registering a business simple and speedy
b. Develop national and regional software, security and other standards	b. Enhance industry and regional credibility and transparency
c. Address policy, regulatory, and administrative barriers to ICT businesses (e.g. SMS short code allocation)	c. Support business startups and small enterprises
d. Support tax holidays for new businesses	