Business Incubation
as a Tool for Promotion of Entrepreneurship and Innovation

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About infoDev

A multi-donor consortium hosted by the World Bank

Our Mission:

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

Areas of Focus:

Access – Mainstreaming – Innovation & Entrepreneurship

Our Services:

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

Realizing the potential
“India alone generated export revenues of USD23.6 billion in 2005-06 and employed nearly 1.3 million people in the ITES industry. According to some estimates each job in the ICT and ITES sector creates 3-4 jobs in other sectors…Only 10 percent of the addressable market for global off-shoring is estimated to be realized so far.”
A growing global network:
80+ incubators
50+ countries
3000+ entrepreneurs
Regional Networks

• Allow for discussion of challenges and practices specific to the region
• Greater opportunity for collaboration due to language and closer proximity
• Active networks in Africa, Asia, Eastern-Europe and Central Asia, Latin America and the Caribbean, and the Middle East
A virtual knowledge and networking platform
Participants Call for Action:

- Enhancing policy-maker’s knowledge, understanding and support for Business Incubation and its crucial role in facilitating the creation and growth of innovative SMEs for social and/or economic benefit
- Addressing the financial and fiscal needs of growth enterprises, SMEs and Business Incubators by providing established and innovative solutions
- Building capacity, leadership and management of incubator managers through training, mentoring, exchanges and secondments
- Maintaining and enhancing quality of incubators to enable continuous improvement
- Facilitating regional, national and global networking among incubation stakeholders
Innovation & Entrepreneurship Program

80+ Incubators
50+ Countries
3000+ entrepreneurs

Financing (grants) to catalyze start-up of incubators, and strengthen the capacity of existing incubators

M&E

Research

Regional Networking

Global Networking

I&E Action Learning Program

How do you
• design government policy and programs to support technology entrepreneurship and ICT sector development?
• provide appropriate financing to technology entrepreneurs?
• start and operate an incubator that yields competitive and sustainable enterprises?

2003 2004 2005 2006 2007 2008

infodev.org
idisc.net
Some observations from our experience…
What is business incubation?

Business incubation is about nurturing start-up enterprises to grow and become sustainable competitive companies.

Incubation intends to:

• increase commercialization of ideas
• increase the survival rate of promising start-ups by building capacity and networks, and reducing the risk and cost of starting a new business.
Core Components of Incubation

**Infrastructure**: Office space, electricity, telecommunications, Internet, lab facilities, etc.

**Business Services**: Registration, licenses, accounting, strategy advice, market research, export facilitation, etc.

**Financing**: Brokering financial services and/or providing them i.e. equity, credit, guarantees, etc.

**“People Connectivity”**: Mentoring, coaching and interaction with fellow entrepreneurs (a micro cluster).

- **Economies of scale** decreases the cost of starting a business
- **Help with non-core business activities** saves time and money
- **Leveraging the credibility of the incubator & the portfolio of entrepreneurs** to overcome financing gaps
- **Learning, exchange of ideas, partnerships, business relationships, psychological support**
The Impact of Incubation

- SMEs nr. and survival rate
- Jobs
- Commercialization of innovation
- Products and services with social and economic impact i.e. software for monitoring water security, administering hospitals, extending cash to underserved areas.
- Tax revenues and export earnings

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

Direct and indirect impacts
Long-term return on investment

Examples:
- Jordan: USD 500 to create one new job
- Romania: 30 clients paid USD 150,000 in taxes
- Brazil: 28 incubatees created 765 jobs
Incubators can be a source of:

- Information for policymakers on barriers to entrepreneurship and SME growth
- Potential lower risk investment opportunities for Banks and financiers
- Innovative ideas for larger companies
- Clients for technology parks
- An environment for professors and graduates to start a business
A public-private partnership is required

SME Growth & Competitiveness

Incubation

Financing

Business Services

Innovation & Entrepreneurial Talent

Infrastructure

Conducive government policy & regulation

Markets
Incubation Business Models

Focused on one sector i.e. information technology
Leadership

• A key to success is leadership with an entrepreneurial mindset
• Preferably the manager of the incubator has experience in starting, running a business – hopefully also in failing..
• Where it is difficult to identify such managers, introduce entrepreneurial mentality through board members/mentors/advisors
• Stakeholders must allow incubator management the necessary flexibility to be entrepreneurial…
Partnership

• Promotion of innovation and entrepreneurship is a partnership effort

• Incubators cannot do it on their own, but they are an important player in what some call the innovation eco-system

• Leadership is required at all levels – government, financial institutions, academic, incubators, private sector

• All benefit from a strong, innovative, thriving small business sector

• It is about leadership – not only in the incubator, but across the board
Thank you

and

Welcome!