

ENTREPRENEURSHIP POLICY TOOLKIT

PART 5.3: SUPPORT



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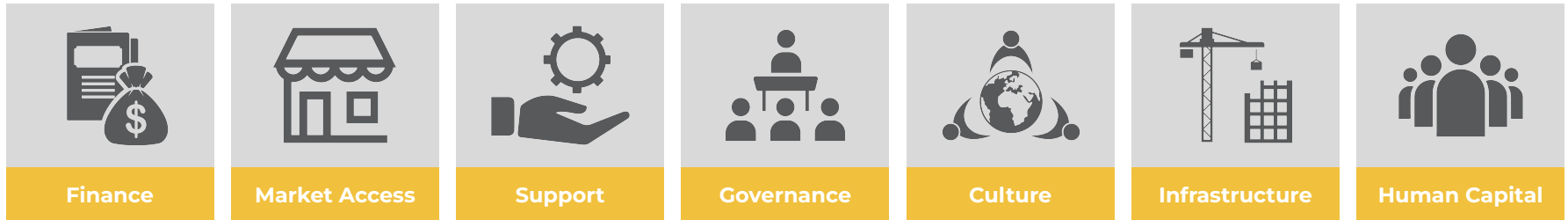
**Make-IT
in Africa**

How to read Part 5 of the toolkit?

Part 5 of the Entrepreneurship Policy Toolkit addresses the main challenges faced by entrepreneurs across the continent.

In the previous part of the toolkit, i4Policy analyzed the challenges covered by fourteen entrepreneurial ecosystem diagnostic tools. We concluded that, despite wide variation in sources, the evaluative approaches are relatively consistent and seven challenges are considered the main categories in most of the methodologies reviewed.

These seven provide us with a well-researched typology of challenges faced by entrepreneurs across the world:



How to read Part 5 of the toolkit?

Part 5 of the Entrepreneurship Policy Toolkit is divided into seven sub-sections, tackling each of the challenges mentioned in the previous slide, as follows:

1. **Finance**
2. **Market Access**
3. **Support**
4. **Governance**
5. **Culture**
6. **Infrastructure**
7. **Human Capital**

It is up to you to read through the sub-sections as you desire. You can either download or read the entirety of Part 5, if you want to have a broad understanding and bird-eye view of all challenges faced by entrepreneurs. However, if only a specific challenge is of interest to you, feel free to go through one (or several) sub-sections.

Each subsection contains policy interventions, focusing first on the objectives the policy must meet in order to effectively tackle a challenge, then on the policy's expected impacts and KPIs. Throughout all subsections, examples of successful national policy interventions will be provided per challenge.

What will I learn?

Part 5.3 - Support

In this section, we will explore how business development service providers can help SMEs and Startups improve productivity and quality of service. You will learn:

- Who the business development service providers are and how to identify them;
- How to increase the demand and the supply of business development services in your country;
- Ways in which to use regulation, coordination and monitoring to improve the quality of services provided;
- How programs that support Research & Development can accelerate the development of products and technologies.

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Only 4 out of 10 women entrepreneurs across 10 African nations are aware of the existence of local incubators. Just 25% of this group stated that they received a form of business support.

The most common form of support received was training (57%), followed by finance (27%), encouragement (25%), co-working space (14%) and equipment, including software (10%). In some cases, the women benefited from more than one of these services.



Part 5.3

Part 5.3 - Support

- 5.3.1 Growth Support
 - 5.3.2 Operation Support
 - 5.3.3 Research & Development
 - 5.3.4 Collaboration within Ecosystem
-

5.3.1 Growth Support

Many business development service providers such as incubators, accelerators, business upgrading agencies, chambers of commerce/industry are not well equipped, unsustainable, and often lack the visibility required to identify or assist entrepreneurial firms with the potential to scale and increase local productivity. At the same time, entrepreneurs themselves often do not know the value of business support or where to find help.

Policy Objectives Addressed

- Increasing the supply of business development services
- Increasing demand for services by SMEs
- Improving the quality of services provided through regulation, coordination and monitoring of service providers

Expected Impacts

- Increased number of SMEs who survive the growth stage
- Improved quality of service to SMEs

KPIs

- Availability, accessibility and quality of incubators/ accelerator programmes
- Availability, accessibility and quality of commercial BDS providers
- Networks, platforms and associations
- Budget allocated for support of incubators, accelerators etc
- Sustainability metrics of SMEs after going through support programs e.g. years in existence, success or growth metrics
- Mentoring programs



5.3.1 Growth Support

1. Increasing the supply of business development services

Within the entrepreneurship ecosystem both government and private actors offer business development services through physical and virtual centers e.g. incubators, accelerators, business resource centers, co-working and makerspaces designed to support business growth.

- **Incubators** - These are targeted at helping early stage entrepreneurs develop their ideas and business models. Incubators are often accompanied by training programs and mentorship and may not offer significant capital injection. They may be funded by academic institutions, civil society, private entities, government and others.
- **Accelerators** - Adapted from traditional Silicon Valley models, accelerators are targeted at existing companies who are ready to scale. They are selective, time-bound programs that aim to prepare companies for investment, offering seed funding, and mentor networks.
- **Co-working Spaces, Makerspaces & Tinkering Labs** - These are physical spaces that provide entrepreneurs with low-cost working space consisting of shared access to internet, desk space and prototyping services (in the case of makerspaces/tinkering labs). They are often combined incubators, accelerators and other business development services.
- **Business Development Centers (government led)** - Some governments have also put in place business centers that provide entrepreneurs with access to training, expertise, mentorship and other resources.

5.3.1 Growth Support



2. Increasing the demand for business development services

- Some SMEs are unaware of their need for these services or the presence of business development services to support them. This can be addressed through sensitization and awareness campaigns.
- Others are unable to access these services due to funding constraints. This can be addressed by providing financial support either directly to SMEs or to service providers to offer this support.

Morocco's Innov Invest Fund managed by the CCG, is a \$2 million facility of entrepreneurship support that was established in partnership with local incubators and accelerators in order to aid the continued development of the nascent Moroccan startup ecosystem. More specifically it aims to continue improving the quality and quantity of entrepreneurial ventures that are able to be funded by the project's financial component.

The funding supports business development services to deliver mentoring and investment-readiness programs to approximately 100 entrepreneurs and build the business angel community. Ecosystem organizations selected under this component are required, where applicable, to prepare their programs in partnership with VC funds.

5.3.1 Growth Support



3. Improving quality of services through regulation, coordination and monitoring of service providers

- **Regulation of Service Providers**

In Nigeria, this includes accreditation processes for Business Development Service Providers to ensure the availability of data for planning and quality control on services delivered to MSMEs. To improve monitoring, the policy proposes the development of a comprehensive, database (directory) of MSMEs in Nigeria. This also includes monitoring and evaluation and of their Business Development Centers by SMEDAN post-training.

- **Streamlining procedures and institutional support**

Mauritius set out to improve the institutional support framework and streamline regulatory procedures for SMEs by consolidating three organizations - SMEDA, Enterprise Mauritius and National Women Entrepreneur Council into one organization. It incorporated as a parastatal organization: SME Mauritius, with a board constituted equally of public and private sectors' representatives with a clear mandate to provide targeted and differentiated support to SMEs.



5.3.1 Growth Support

3. Improving quality of services through regulation, coordination and monitoring of service providers

Key performance indicators must assess the quality of service provided. Examples of such indicators might be:

- Number of startups that were supported by incubators
- Increase in skills/technical capacity after incubation or acceleration
- Number of Startups/SMEs receiving financing after incubation/acceleration
- Types of capital acquired
- Jobs created by SMEs after services rendered
- Number of years in existence post incubation/acceleration

5.3.2 Operation Support

In addition to growth support, measures can also be taken to provide direct support to the operations of businesses. These interventions are generally aimed at starting and small businesses, for example by providing accounting, legal, banking, and technical advisory services and equipment.

Policy Objectives Addressed

- Supporting starting businesses to focus on innovation
- Enabling small businesses to utilize operation support services and comply with business standards (e.g. accounting, HR)

Expected Impacts

- Consistent growth of innovative businesses
- Improved efficiency of provided operational support because of economies of scale

KPIs

- OECD SME Policy Index
- Access to information for SMEs
- Costs of accountant
- Costs of legal aid

5.3.2 Operation support



- **Providing free or subsidized work spaces**

Nigeria's Startup Act stimulates the establishment and operation of startup innovation clusters, hubs, physical and virtual innovation parks in each state of the Federation. One of their responsibilities is to provide free or subsidized work spaces to starting businesses.

- **Administrative support for starting businesses**

In Ethiopia, the draft Start-up Business Proclamation (2020) introduces an Innovation Fund, which can be used for, amongst other things, administrative support for starting businesses. Such support includes the provision of legal support (during registration), as well as accounting, human resources management and other related assistances.

5.3.3 Research & Development

The quantity and quality of research/scientific institutions, scientists and engineers are low, and support programs to R&D transfer or more traditional product testing and development, such as grants for R&D in companies, technology transfer offices and linkages between companies and research centers are rare or of low quality.

Policy Objectives Addressed

- Development of STI policies that accelerate the development of products and technologies situated within the African context

Expected Impacts

- Increased productivity as science, technology and innovation are applied to other sectors
- Global competitiveness with increased research outputs and patents

KPIs

- University-industry collaboration in R&D (Global Competitiveness Index)
- Tax incentives for R&D
- Patent applications by residents
- Percent of firms that spend on R&D
- Percent of firms that introduced a process innovation
- Gross expenditure on R&D
- Process innovation

5.3.3 Research & Development



- **Facilitating partnerships between academia and industry**

India has developed 7 science parks that focus on areas of national importance such as bio-technology, specialized warehousing, logistics, food processing, light manufacturing, pharmaceutical R&D, etc. The Indian government also has plans to create five new bio-clusters, 50 new bio-incubators, 150 technology transfer offices and 20 Bio-Connect offices in research institutes and universities across the country.

- **Financing for research**

The Israel Innovation Agency (IIA) operates several successful programs such as the R&D Competition Fund, the MAGNET program for collaborative R&D and the Technological Incubator Program.

Likewise, India's Uchatar Aavishkar Yojana (UAY) initiative promotes industry and outcome-oriented research projects by students. At least 85 research proposals have been approved and under the scheme INR 162 crore (\$22.6 million) was disbursed for research proposals.

5.3.3 Research & Development



- **Commercialization of research**

Governments of Rwanda and Nigeria seek to facilitate the commercialization of research by creating linkages between research institutions and SMEs. In Rwanda this is focused on targeted clusters along the value chain, e.g. agrobusiness, product development and eco-technology in tourism etc.

- **Promoting technology transfer**

Mauritius' policy seeks to encourage technology transfer by large companies and multinationals through well-structured networks between these companies, universities and technology institutes. The government facilitates this process by identifying and incentivizing foreign multinational companies who have relevant technology needed by Mauritian SMEs.

Possible fiscal incentives include a waiver of up to 25% of applicable taxes to multinationals who outsource at least 20% of their production by value to local SMEs. The policy also proposes leveraging its Economic and MoFARIIT Diplomatic Networks to sign Government to Government agreements with Reunion to gain access to appropriate and relevant technologies.



5.3.3 Research & Development

- **Capacity Building**

Governments like Cameroon and Tanzania are also being intentional about building capacity for SMEs in research. Cameroon will do so in strategic or social sectors, for SMEs that promote the results of scientific and technological research; while Tanzania targets Industrial Support Organizations (ISOs) and other service providers.

- **STI policies that accelerate the development of products and technologies situated within the African context**

At least 15 African countries have Science, Technology and Innovation Policies, however these have not led to tangible improvements on the ground. One primary weakness is the poor estimation of financing needed to implement policy objectives.

Some modest successes on the continent include South Africa's Council for Scientific and Industrial Research-Meraka Institute, which has launched startups (e.g. Dr. Math mobile tutoring service), and advanced technology transfer (e.g. CoroCAM, which inspects eye corona discharge).



South Africa CSIR



South Africa's Council for Scientific and Industrial Research established in 1945, uses photonics, robotics and ICT at its modelling and research facilities for its work in energy, health, industry, defence and security, and the built or natural environment. It has established key partnerships with multinational companies that resulted in significant technology upgrades:

- Eskom (on laser leak-sealing technology),
- Boeing (for titanium powder manufacturing),
- ArcelorMittal South Africa (laser processing for continuous caster foot rolls of steel).

Innovations include:

- Tellurometer (the world's first microwave distance-measuring instrument, used by telecommunication companies and surveyors),
- The heavy-vehicle pavement simulator (to predict the condition of a paved road after 20 years' use),
- Patented and licensed its lithium-ion rechargeable battery material to multinational companies,
- Launch startups such as the Dr. Math mobile tutoring service, CoroCAM, which inspects eye corona discharge, to UVIRCO technologies.



5.3.4 Collaboration within Ecosystem

Entrepreneurial success is higher in dense networks with a high level of connectivity between actors. Well-connected ecosystems allow for the faster flow of talent, information and resources, enabling entrepreneurs to quickly find what they need. Having a well-organized community of entrepreneurial players working together and reinforcing each other is therefore a key factor driving success.

Policy Objectives Addressed

- Fostering effective ecosystem development

Expected Impacts

- Higher level of collaboration within ecosystem leading to more innovation and higher growth rates for the system as a whole

KPIs

- University/Industry collaboration
- State of cluster development

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The complexity of today’s challenges and the scale at which solutions need to be operational can require an ecosystem of partners with unique, complementary skills.¹

¹ Nishita Henry, CIO at Deloitte Consulting LLP in “Ecosystems a Catalyst for Collaboration, Growth”, Wall Street Journal.
<https://deloitte.wsj.com/articles/ecosystems-a-catalyst-for-collaboration-growth-01578343567>

5.3.4 Collaboration within Ecosystem



- **Fostering corporate venturing, corporate-startup and SME-startup collaboration**

Enabling entrepreneurs to network and collaborate is one of the key measures that governments can implement. Tools to do this are, for example, organizing entrepreneurship summits or fairs, organizing competitions, reducing barriers to information sharing and stimulating mentoring. See the section on Culture (3.5) for abundant examples.

- **Stimulate the development of innovation platforms**

The Forum for Agricultural Research in Africa (FARA) developed the Integrated Agricultural Research for Development (IAR4D) concept. This concept engages all actors, organizations and institutions in the agricultural sector to interact and jointly foster development. As instrument an Innovation Platform (IP) is employed, which is in essence a forum in which a group of relevant actors selected along the value chain of a specific commodity or system of production interact to jointly identify problems, investigate solutions leading to generation of innovations and its accompanying socio-economic benefits.

5.3.4 Collaboration within Ecosystem



- **Collaboration between the private and the public sector**

The public sector can also be a key partner in the ecosystem, both as a facilitator and as a customer and can collaborate with firms of all sizes:

- Collaborative innovation between startups and the public sector aims to bring the innovation potential of startups to the table to provide solutions to today's and tomorrow's problems. This can be fostered through tender support and by providing use cases for startups (i.e. through hackathons).
- Larger scale cooperation can be organized through Public Private Partnerships (PPP). The Government of Ghana uses this instrument since it established its National Policy on PPPs in 2011, specifically aimed at private participation in Infrastructure and Services.



Social Network Analysis in Uganda and Rwanda



- ❖ The CSSC Initiative analyzed the interconnectedness of the ecosystems in Uganda (2019) and Kigali (2020) by means of Social Network Analysis (SNA).
- ❖ SNA builds on the premise that the way in which actors interconnect is an important determinant of business success. The method first looks at the network itself, instead of individual actors, which allows it to determine support needs (weak links) and identify important nodes (catalyzers or champions). Four indicators are used to do so:
 - **Density:** how well are actors connected (vertical and horizontal)?
 - **Fluidity:** how do support organizations offer services and how inclusive is the ecosystem?
 - **Diversity:** how diverse are the services offered by support organizations? Are all necessary services available?
 - **Collaboration:** how much collaboration exists between support organizations?
- ❖ The case studies show that *interactions* within the ecosystem in Uganda and Kigali were minimal. This does not mean that there is an absence of players: the results are driven by the fact that actors do not know one another or are unaware of the services or benefits that they can provide each other.
 - For example, in Kigali the analysis revealed that there is no interaction between the co-working spaces and financial institutions or investors.
 - And in Uganda many entrepreneurs appear to be on an isolated journey, driven by a lack of trust and a clear understanding of the benefits that collaboration could bring.



Key Performance Indicators



Support KPIs



Sub Challenge	Description	Indicators	Source
Growth support	Measures the maturity of business development services in an ecosystem. The availability of well-known and qualitative incubators, accelerators, business upgrading agencies, chambers of commerce help entrepreneurs reach the potential to scale and increase local productivity.	Availability, accessibility, and quality of incubators/accelerator programs	Expert opinion/survey
		Availability, accessibility, and quality of commercial BDS providers	Expert opinion/survey
		Number of networks, platforms, and associations	Expert opinion/survey
		Availability of mentoring programs	Expert opinion/survey
Operational support	Captures the availability and affordability of support services for young firms, such as accounting, legal and information services. If these services are widely available and affordable it helps entrepreneurs to focus on their core business and developing their ideas.	OECD SME Policy Index	www.oecd-ilibrary.org
		Access to information for SMEs	Expert opinion/survey
		Costs of accountant	Expert opinion/survey
		Costs of legal aid	Expert opinion/survey



Support KPIs



Sub Challenge	Description	Indicators	Source
R&D	Measures the extent to which firms are involved in R&D and the results of the R&D, represented by patents and product innovations. R&D is important for longer-term survival and competitiveness of firms and the creation of new ideas. The presence of large R&D firms creates spin-offs and foster co-operation in the ecosystem, creating knowledge spillovers.	% firms that spend on R&D	www.enterprisesurveys.org
		% firms that introduced a process innovation	www.enterprisesurveys.org
		Patent applications	www.globalinnovationindex.org
		Gross expenditure on R&D	www.globalinnovationindex.org
		Process innovation	www.thegeedi.org
Collaboration within ecosystem	Provides a picture of the state of cluster development in a country. Clusters prove to be a growth driver for SMEs as they provide cooperation between companies and institutions, easy and fast access to information and facilitate cooperation in different stages of production.	University/Industry collaboration	www.globalinnovationindex.org
		State of cluster development	www.globalinnovationindex.org



FURTHER READING

- ❑ **African Union Development Agency (2014). African Innovation Outlook II**
<https://www.nepad.org/publication/african-innovation-outlook-ii>
- ❑ **GIZ (2021). Guide to Strengthening Entrepreneurial Ecosystems**
<https://www.giz.de/en/downloads/giz2021-en-entrepreneurial-ecosystems-guide.pdf>
- ❑ **Endeavor Insight (2021). Fostering Productive Entrepreneurship Communities**
<https://endeavor.org/wp-content/uploads/2021/09/Fostering-Productive-Entrepreneurship-Communities.pdf>
- ❑ **Kauffman Foundation (2019). Entrepreneurial Ecosystem Building Playbook 3.0**
<http://www.kaufmann.org>

WHAT TO EXPECT NEXT...




Now that you have grasped how business development service providers can support the development of SMEs and Startups in your country, Part 5.4 will focus on Governance. In this far-reaching section, we will explore the many regulatory challenges faced by Startups and SMEs.


Take your time to explore and navigate this important topic at your own pace. And remember to keep a notebook handy in case you want to jot down particular examples or questions to relate back to your own context.

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