Landscape Study of Accelerators and Incubators in East Africa

A Knowledge Brief by the Global Accelerator Learning Initiative

SEPTEMBER 2020

GALI
Global Accelerator Learning Initiative

Table of Contents

Acknowledgements

Authors

This knowledge brief was written by Joel Onyango and Gladys Kivati from the African Researchers Consortium (ARC) on behalf of the Global Accelerator Learning Initiative, with significant editorial and research contributions from Khatuchi Khasandi (ANDE).

Acknowledgments

Abigayle Davidson (ANDE) and Lilian Ndirangu (ARC) for their editorial contributions.

Introduction

Capital, technical and business knowledge, and networks are all critical elements to the success of entrepreneurial startups. To address gaps in support for these early-stage enterprises, acceleration and incubation programs (AIPs) have emerged as a popular structure to help businesses efficiently access the knowledge, funding, and connections needed to scale. AIPs aim to boost the performance of ventures through improved access to markets and increased competitiveness while also serving the broader aim of developing local entrepreneurial ecosystems.[1]

Over the last decade, the maturation of the business landscape has opened new opportunities in Africa, especially the entry of accelerators and incubators. These AIPs are consistently adapting their models to respond to the ever-changing needs of the ventures they support, and there is a need for existing literature to keep abreast with this dynamism in order to strengthen programming and the ecosystems in which AIPs operate. This knowledge brief explores characteristics of AIPs in East Africa, focusing specifically on Kenya, Uganda, and Tanzania. It highlights existing practices and perceptions among AIPs to better establish a common understanding of the current AIPs landscape, best practices, and key challenges. Specifically, the objectives of this brief are to:

- Document best practices and perceived challenges of AIPs in Kenya, Tanzania, and Uganda
- Profile AIPs in the region according to a variety of characteristics

The brief is organized into five study themes based on the various components of AIPs, including service offerings, recruitment and selection, program delivery, financial sustainability models, and approaches in engaging alumni (see themes definitions in the box below).

Definitions of study themes

Service offerings and direct funding: The financial and non-financial services provided to participating ventures.

Recruitment and selection: The process of attracting, shortlisting, and selecting ventures based on set criteria.

Program delivery: Mechanisms used by AIPs to deliver services and support to ventures, such as group-based and individual-based models.

Financial sustainability models: The approach through which AIPs fund their venture support programming, including charging fees for program participation.

Alumni engagement: Approaches to attract, connect with, and influence the growth of ventures that have graduated from AIPs.

1 S. Goyal, B. S. Sergi, and M. Esposito, "Business development services for micro, small and medium enterprises - literature review of past trends and future directions," World Rev. Entrep. Manag. Sustain. Dev., 2018.

Methodology

Data were collected from AIPs based in Kenya, Tanzania, and Uganda between November 2019 and May 2020. A combination of methods was used to collect information, including:

Desk research: Existing literature was reviewed regarding the landscape of AIPs in East Africa, which informed the methodology for further data collection through surveys, roundtables, and interviews.

Digital survey: An online questionnaire was administered among AIPs in Kenya (14), Uganda (13), and Tanzania (7) to collect quantitative and qualitative data on the characteristics of AIPs. The survey was voluntary and distributed only to AIPs that participated in roundtable discussions and/or key informant interviews.

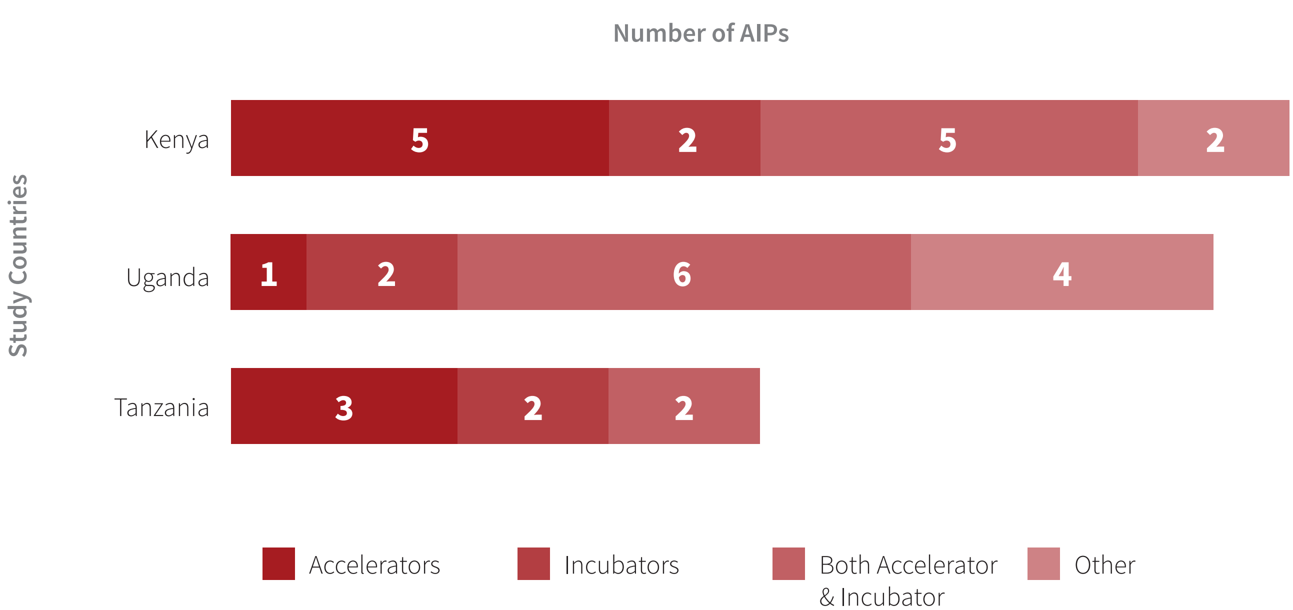
Roundtable discussions: Leveraging the Human Centred Design approach, two roundtable discussions were held to gain an understanding of AIPs' existing practices and challenges. Discussions were held in Kenya and Uganda (the third roundtable in Tanzania was cancelled due to COVID-19 and replaced with additional key informant interviews).

Key informant interviews: Thirteen key informant interviews were conducted virtually to gather insights from AIPs in Kenya (3), Uganda (3), and Tanzania (7).

Given the nature of these data sources, the insights in this brief are largely based on responses from AIP representatives who chose to participate in the study and as such may not represent the complete picture or perspective of all stakeholders active in the entrepreneurial ecosystem in East Africa.

Representatives from a total of 34 AIPs across the three countries contributed to the study, of which nine identified their programs as accelerators, six as incubators, and 13 as a combination of the two (see self-definitions of accelerators and incubators on page 5). In addition, six respondents identified their initiatives as other types of entrepreneur support programs that work alongside AIPs. The sample comprises responses from 14 AIPs in Kenya, 13 in Uganda, and seven in Tanzania (Figure 1).

Figure 1: Sample of AIPs across the three study countries by self-defined program type



How do accelerators and incubators in East Africa define themselves? *

In the survey, representatives of AIPs were asked to classify their program as an incubator or accelerator, and to define these terms. Below is a summary of their self-definitions:

Accelerator program: Provides post-revenue ventures with access to mentorship, investors, and other capacity building services with the aim of fostering growth. An example of an accelerator considered in this study is GrowthAfrica in Kenya and Uganda.

Incubator program: Supports idea and start-up stage ventures by providing them with necessary financial and technical support. An example of an incubator considered in this study is Obuntu Hub in Tanzania.

Other enterprise support program: Supports ventures and/or AIPs either through financing or by strengthening the broader entrepreneurial ecosystem. An example of an "other enterprise support program" considered in this study is FSD, Uganda .

**GALI defines accelerators as time-limited programs that work with cohorts or "classes" of ventures to provide mentorship and training, with a special emphasis on connecting early-stage ventures with investment. This definition does not necessarily apply in the East Africa context; the purpose of this knowledge brief is to explore the experience and perspective of AIPs in the region, rather than to focus heavily on definitions.*

Background on Acceleration and Incubation in East Africa

Business incubation and acceleration is a relatively young field around the world, and entrepreneurial ecosystems are still developing an understanding of the specific roles that AIPs play and their impacts on ventures. AIPs offer different sets of support to entrepreneurs, including technical support, skill-building, networking connections, and direct or indirect funding. AIPs also promote knowledge sharing and sustain connections amongst stakeholders in the entrepreneurial ecosystem including businesses, venture capitalists, angel investors, research centers, universities, and public institutions.

Below is a short description of when and how AIPs emerged in the three study countries:

In Kenya, the concept of business incubation can be traced to 1967 with the birth of Kenya Industrial Estates (KIE).[2] Modelled after the Indian concept of industrial estates, KIE was established to develop industrial sheds in the country's major towns, which essentially operated as manufacturing incubators. With the growth of the entrepreneurial middle class in Kenya[3], these industrial estates evolved to operate in a wider range of sectors and adopt elements of acceleration programs (faster-paced and more intensive than incubation). Currently AIPs in Kenya receive support from several sources, including governments, foundations, corporations, and universities, and work with ventures ranging from idea to growth stage.[4]

In Uganda, small businesses benefit from a strong entrepreneurial culture but are hindered by a lack of capital access, a challenging tax regime, and underdeveloped business support services.[5] AIPs that aim to address these gaps, mostly based in Kampala, concentrate in agribusiness, technology, and social entrepreneurship. There is evidence that high rates of youth entrepreneurship have contributed to the rapid economic growth in Uganda over the last two decades; however, there is still limited research on acceleration and incubation in Uganda and the role these programs play in the growing entrepreneurial ecosystem.[6]

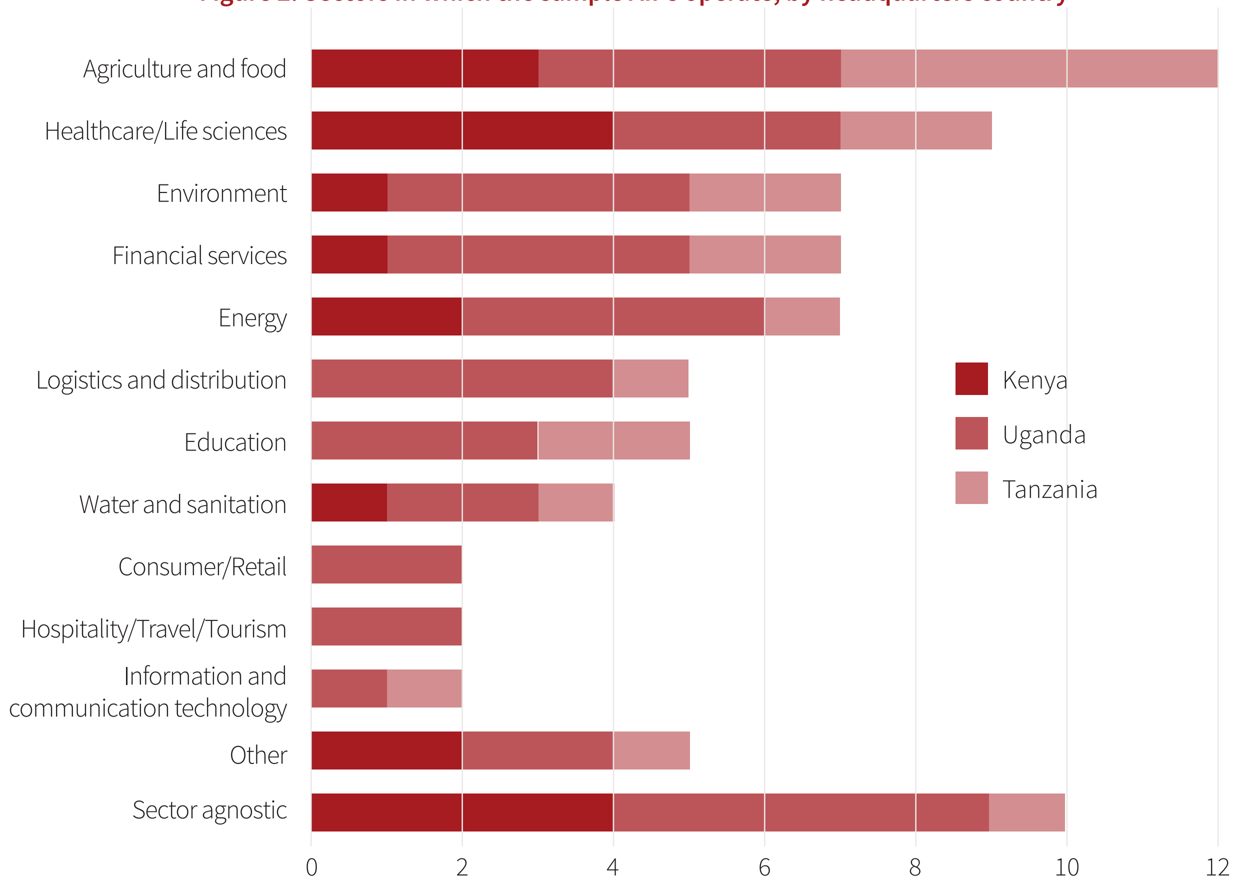
In Tanzania, entrepreneurship is a nascent but growing field, as is the support infrastructure available to startups. Starting in 2011, accelerators and incubators began to play a key role in this emerging entrepreneurial ecosystem. Though most activity is focused in Dar es Salaam, secondary cities such as Zanzibar, Arusha, and Iringa have grown in entrepreneurial activity and likewise AIP presence as well. The AIP ecosystem is characterized by fragmented support, mostly targeted at students and recent graduates which presents challenges to long-term sustainability due to inexperience and lack of capital access.[7]

2 Ndemo, Bitange & Weiss, Tim. (2016). Digital Kenya: An Entrepreneurial Revolution in the Making.
3 D. Neubert, "Middle-Income Groups in Kenya. Conflicting Realities Between Upward Mobility and Uncertainty," Soz. Polit., 2019
4 ICT Autority, Nailab Business Incubation Project, www.icta.go.ke/nailab
5 ANDE (2018). Findings from the Uganda entrepreneurial ecosystem initiative. Phase I.
6 G. N. Ganamotse, M. Samuelsson, R. Abankwah M., T. Anthony, and T. Mphela, "The Emerging Properties of Business Accelerators: The Case of Botswana, Namibia and Uganda Global Business Labs," J. Entrep. Innov. Emerg. Econ., vol. 3, no. 1, pp. 16–40, Jan. 2017.
7 Qian, K., V. Mulas and M. Lerner (2018), "Supporting entrepreneurs at the local level: The effect of accelerators and mentors on early-stage firms", Finance, Competitiveness and Innovation in Focus, World Bank, Washington, DC.

Sample Characteristics

The AIPs in this study work in 18 different sectors, the most common being agriculture/food and healthcare/life sciences. However, approximately one-third of the AIPs are sector agnostic (Figure 2). The focus of these AIPs is consistent with the needs of the region (i.e. agricultural development and healthcare), though many operate in multiple sectors, in some cases more than seven.

Figure 2: Sectors in which the sample AIPs operate, by headquarters country

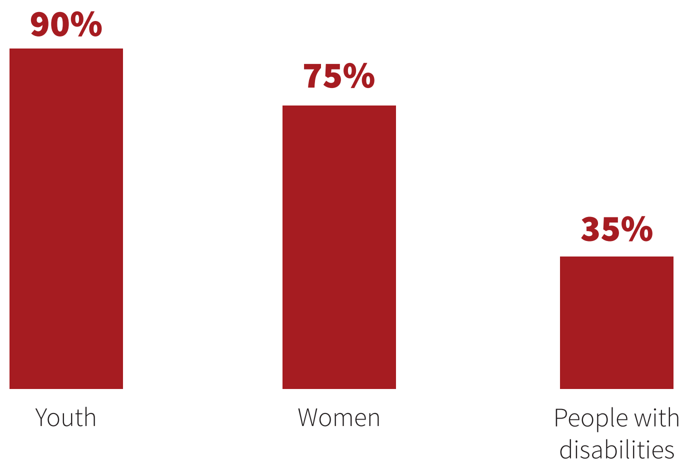


Source: Digital survey (N=34)

Most AIPs in the region have a specific interest in working with youth and/or women-led ventures (Figure 3). Some include these target demographics in their selection criteria, some are formed specifically to suit specific demographic niches, and others work with youth or women ventures as a requirement from their funders. Nonetheless, youth and women are focal demographics for Africa in general, owing to high youth unemployment and under-representation of women in growth-oriented entrepreneurship.[8] Promoting their entrepreneurial capacity is therefore seen as an approach to enhance employment opportunities in the region and align with potential public and private funding opportunities.

8 Profiting from Parity: Unlocking the Potential of Women's Businesses in Africa. World Bank Group. 2019.

Figure 3: Demographic groups of interest for AIPs

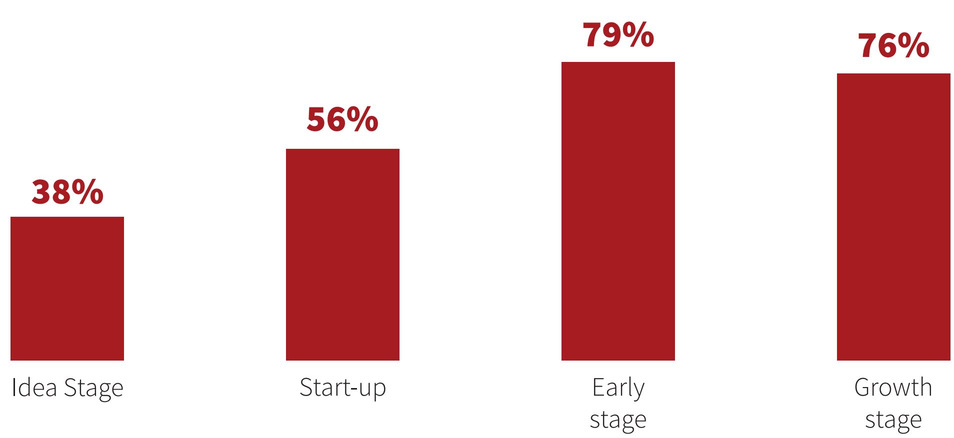


Source: Digital survey (N=34)

Surveyed AIPs support ventures at all stages of development, from idea stage to growth stage. More than 75% support early and growth stage ventures, while roughly 50% support start-ups and 40% support idea-stage ventures (Figure 4). This indicates that less emphasis is placed on supporting idea-stage ventures in the region, in part due to an aversion among AIPs to work with "riskier" ventures with greater potential for failure. While it is clear why AIPs would seek out promising, low-risk ventures, this could be limiting pipeline development at the early stage and present a gap in more risk-tolerant support that does not rest on an assumption that a high percentage of program graduates will succeed.

There is an expectation that when a venture goes through programs, it must succeed… both AIPs and ventures are not ready to accept the possibility of failure, as it reflects poorly on them and affects future investments… *AIP representative in Uganda*

Figure 4: Stages of ventures supported by sample AIPs



Source: Digital survey (N=34)

Definitions of supported venture stages

This study refers to four main business stages, defined as:

Idea-stage: Entrepreneurs have little more than an unproven idea, so the focus is on testing the idea and identifying a product-market fit

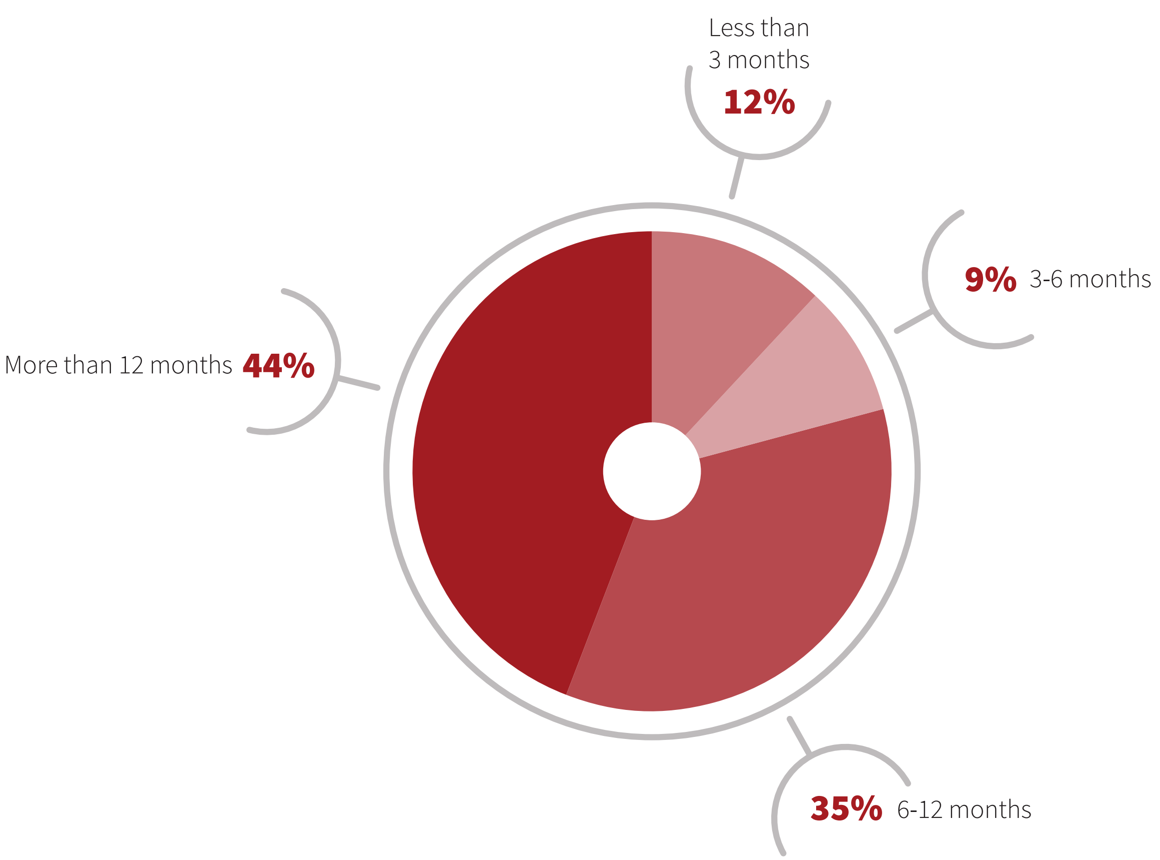
Start-up: Company is in the process of being set up

Early stage: May have initial market traction but require further funding and will likely not yet be generating profits

Growth-stage: Demonstrate viability, growth, and potential profitability

Nearly half (44%) of AIPs in the study run programs that provide more than 12 months of continuous support – especially the incubation programs (Figure 5). The programs that run on the calendar year are typically between 6 and 12 months and mostly self-identify as accelerators. Programs that last less than 3 months are mostly short intensive boot camps that last between a few days and a couple of weeks.

Figure 5: Duration of AIPs in East Africa



Source: Digital survey (N=34)

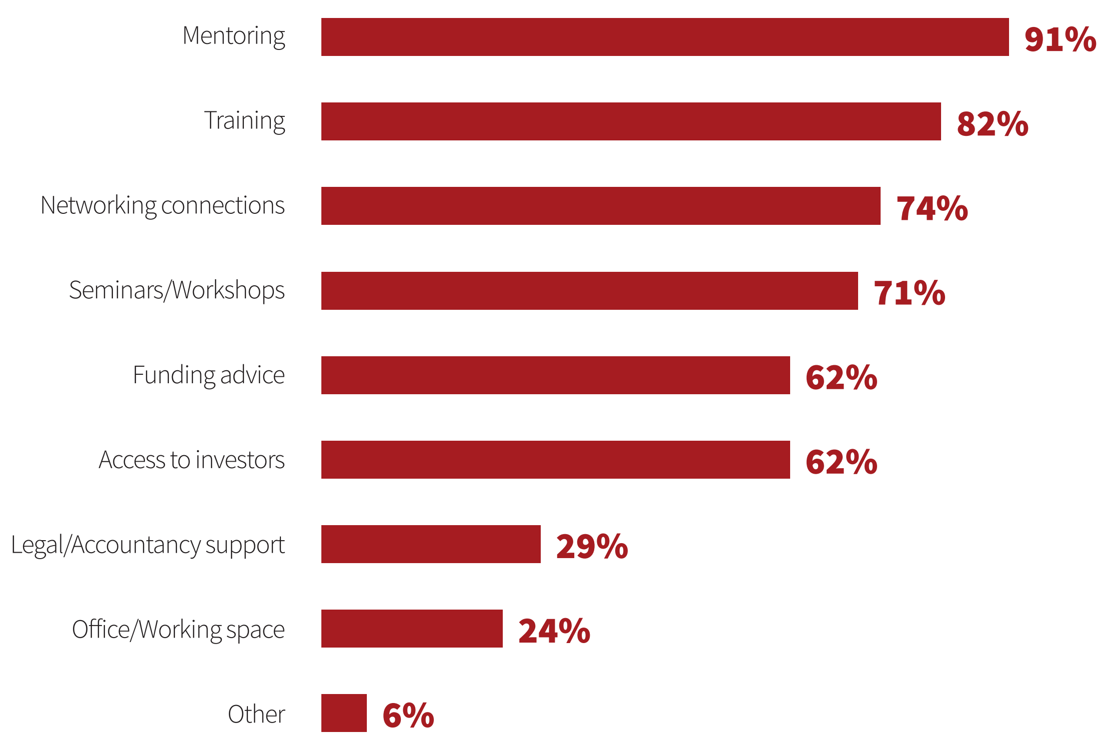
Service Offerings and Direct Funding

Key takeaways:

- AIPs provide a suite of services, most commonly including mentoring, training, and networking.
- The majority of AIPs offer some form of financing to ventures, most commonly grants.
- Alternative financing structures such as blended financing and quasi-equity are not common among AIPs.

AIPs offer various sets of services that may include structured training seminars and workshops as well as individual assistance such as coaching, mentoring, and business advice. These services are typically complemented by targeted networking opportunities according to the needs of ventures. AIPs in this study offer eight different services, the most prominent being mentoring (91%), training (82%), networking (74%), and seminars and workshops (71%). A smaller portion also offer funding advice, legal and accountancy support, working space, and access to investors (Figure 6).

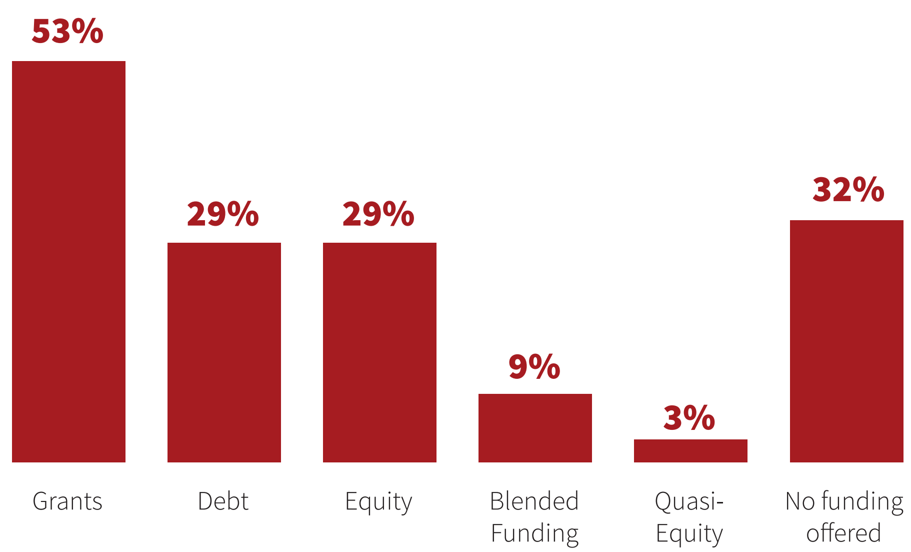
Figure 6: Services offered by AIPs



Source: Digital survey (N=34)

Over two-thirds of the AIPs in this study provide funding to ventures in the form of grants, debt, equity, quasi-equity, or some blended financing. The remaining third only provide non-financial business development support. Grants are most common (offered by 53% of AIPs in the study), while less than 30% offer debt, equity, quasi-equity or blended capital (Figure 7). The programs that provide grants often target idea-stage and start-up ventures that face a higher risk of failure and thus need more risk tolerant financial instruments.

Figure 7: Funding offered by AIPs



Source: Digital survey (N=34)

Definitions of funding types

Grants: Non-repayable financial assistance given by a government or organization to a recipient (business)

Debt: When a company borrows money to be paid back at a future date with interest; could be in the form of secured or unsecured debt

Equity: The process of raising capital through the sale of shares

Quasi-equity: Debt that has features similar to equity; may include flexible repayment or an option to convert to equity

Blended funding: A mix of grant and return-seeking investment

Recruitment and Selection

Key takeaways:

- AIPs recruit using referrals, self-developed databases, and open and closed calls.
- Mismatched entrepreneur expectations and AIP service offerings contribute to high drop-out rates.
- Best practices for AIPs in the region include developing industry partnerships for recruitment, including professionals in pipeline selection, and creating a selection process specific to the AIP's target venture.

AIPs typically select applicants based on the market potential of their business idea, the quality of the management team, and financial factors. The AIPs in this study have various approaches to recruitment, including online and offline database searches, referrals (from other programs and from alumni), open and closed calls for applications, local government partnerships, head hunting, and outsourced recruitment services.

Over time, AIPs build databases of potential ventures to recruit for their programs. The databases may include ventures that were previously rejected because they were not yet ready, those identified during partners' pitch nights, and those that have been rejected by funders because of gaps that the accelerator could help close. These databases are effective in achieving both quality and volume of target ventures.

> **The focus of our program is innovations for vulnerable [poor] communities… over time, we have built a database in partnership with our stakeholders. We continuously update the database through online and media…and use [the database] to recruit…** *Accelerator in Uganda.*

Other AIPs have open calls for applications or a combination of both open and closed calls to recruit potential ventures to their programs. Whilst open calls reach to a high number of potential ventures, they tend to attract applicants that are not well-fit for the program and require considerable review time from staff with already constrained capacity.

> **We normally put up advertisements on various media (newspapers, online, social media) calling for applications… This way, we attract high volumes of potential ventures…** *Incubator in Tanzania*

Closed calls generally require more time and resources to identify suitable candidates. However, they ensure a manageable number of quality applicants that fit the primary requirements of the program. For AIPs targeting high-growth ventures, using closed calls is effective.

> **Our program needs very specific types of ventures that become difficult to find through open calls [where we get a lot of ventures out of our stream] …so we identify a few promising ventures and ask them to apply…** *Accelerator in Tanzania*

AIPs also use referrals from partners in the acceleration and incubation ecosystem. For this model to work, both parties must receive value from the referrals.

> **We get referrals from our networks and use our own tools [criteria] to identify those most suitable to our objectives. For every ten suitable referrals, we give the partner a discount for their ventures to participate in our program…** *Incubator in Uganda and Kenya*

Most AIPs apply customised criterion to select ventures that best suit the objectives of their program. Common criteria mentioned by study participants are listed in Table 3.

Table 3: Criteria for selection of ventures

Criteria	Description
Funder requirements	Some AIPs have developed selection criteria based on requirements of their funding agency (e.g. funders focused on women's entrepreneurship may require AIPs to support a certain number of women-led ventures).
Demographic targets	Programs with a demographic target require entrepreneurs to meet a certain profile (e.g. AIPs focused on youth only select ventures led by entrepreneurs aged 18 – 35 years).
Venture turnover	In Uganda and Kenya, annual turnover of above 50,000 USD is a common selection criterion for accelerator programs, especially those targeting early and growth stage companies.
Social and environmental impact	AIPs focused on community development focus heavily on potential for social impact and either positive impacts on the environment or at least low negative impacts.
Leadership and ownership structures	Some AIPs (especially accelerators) require that venture leadership be composed of at least two founders, and that the entity be formally registered. Ownership structures are particularly important for AIPs that fund ventures through equity and quasi-equity.
Financial capacity	AIPs that offer financing, particularly debt, seek confidence that the venture can either repay debts or otherwise provide a return on investment.
Stage of business	AIPs usually target specific business stages, e.g. idea, start-up and growth stages.

Source: Interviews and Roundtables

To determine which ventures meet these criteria, AIPs use online questionnaires to assess applicants. The scores are complemented by offline verifications and second-level evaluations:

> **Questionnaires that constitute of "must haves" and "should haves" are administered to provide a quantitative score. Our staff then review the venture's documents and score them using the same criteria. Those that make it to the interviewing process are further scored by a multi-stakeholder panel using the same questionnaire. We compare performance across the different stages and decide…** *Accelerator in Kenya and Uganda*

AIPs have integrated various practises for recruitment and selection of ventures. All AIPs generally follow a process that involves pre-screening checks, screening, shortlisting, and contracting (Table 4). However, some have a variation of actions in each selection step, while others stagger the steps. For instance, for closed calls, upon submission of documents, AIPs carry out due diligence, then the ventures are invited for a pitch/interview prior to contracting.

Table 4: Steps in the venture selection process

Selection step	Actions	Descriptions
Pre-screening check	**Assessment of submitted documents**	Submissions and referrals are assessed to ensure all the required documentation is included.
	Information checks	AIP staff check the authenticity of the information provided.
Screening	**Applicant screening**	Applicants are screened according to pre-determined criteria.
	Due diligence	Due diligence is carried out for the screened ventures, or on the ventures referred from partners and industry platforms.
Shortlisting and reviews	**Multi-level reviews of applications**	Based on the information gathered from the screening, ventures are shortlisted, which may include multiple levels of reviews (e.g. AIP program staff, middle managers, and/or boards of directors).
	Interviews	Shortlisted ventures may be invited for interviews to assess their feasibility and commitment among other indicators. Post-interview, some AIPs may conclude and make selections, while others invite the shortlisted ventures for a pitching session.
	Pitching sessions	Applicants pitch their business to a panel who score the ventures based on pre-determined criteria.
Contracting and induction	**Selection of ventures**	Whether from the screening, interviews or pitching sessions, ventures that have passed the various levels may be selected and on-boarded to the program.
	Probation	In some instances, the ventures are taken through a pre-engagement probationary period with some monitoring and quality checks.
	Pre-support induction	In this step, ventures are provided with pre-support induction aimed at putting their documentation in order and understanding the specific needs of the ventures.

Source: Interviews and Roundtables

Best practices in recruitment and selection

Best practices in recruitment and selection revolve around developing industry partnerships for recruitment, including different professionals in pipeline selection, and leveraging a multifaceted approach.

> **[Building relationships in] other industries relevant to your sectoral focus is useful in developing long lasting and beneficial partnerships that help in identifying and selecting high quality ventures…** *Incubator and Accelerator in Kenya*

> **We have partnered [with a pipeline partner] who refers their graduates from their [early stage] program to our [post revenue] program…** *Incubator in Uganda*

In broadening the partnerships, AIPs (especially community-based AIPs) now often include local government actors in the selection process to improve community ownership of the process.

> **There is increased inclusion of local government, organised groups, and industry partners in the selection of ventures…** *Incubator and Accelerator in Tanzania*

Investing in a professional team to conduct pipeline selection was identified as best practice, specifically individuals with the expertise to effectively communicate the goals of the program and manage venture expectations.

> **The quality of your pipeline is dependent on your team. A good team will design the correct message [and] target the right audience to ease recruitment…** *Accelerator in Uganda*

Challenges in recruitment and selection

Ventures (especially those working with non-profit AIPs) often expect grant funding when selected into a program and subsequently drop out if this is not the case, resulting in fragmented selection pipelines. This misalignment in expectations is due in part to unclear communication during recruitment.

> **Since our program is based on debt support, when ventures (part of community-based organizations) realize that they must pay back our funds, many become less interested in our programming…** *Incubator that works in rural Uganda*

A fundamental constraint for commercially oriented AIPs is the continuous emergence of fully grant-funded AIPs, which distort the market by offering free programs and grant support. Consequently, commercially oriented AIPs must invest considerable effort identifying ventures with aligned expectations or structuring favourable payment models for their programs.

> **There is a lot of market distortion in the ecosystem due to free programs and it becomes a challenge when we ask entrepreneurs to pay, even though our fees are already subsidized…** *AIP in Kenya*

Funding sources often come with certain standards and rules that affect recruitment and selection as well. Adherence to these requirements often results in the selection of ventures that would otherwise not qualify through [the AIP's regular] system:

> **As we try to diversify our funding sources, we end up taking up some grants that would result in compromising our standards, for survival…** *Incubator and Accelerator in Uganda*

Program Delivery

Key takeaways:

- AIPs use both group and individual-based models of delivery.
- Challenges in program delivery are related to time-constrained staff, evaluating program outcomes, and identifying and maintaining funding sources.
- Best practices in program delivery include co-creating programs with stakeholders, developing incentives for ventures, and having blended delivery models.

AIPs use group-based models (classroom and cohort), individual-based models (mentorship and coaching), and a blended model which combines the two. These models have different characteristics, described in Table 5.

Table 5: Summary of benefits, challenges, and success factors of AIP delivery tools

Tool	Benefits	Challenges	Success factors
Individual-based models (coaching, one-on-one advisory, mentorship)	• Tailor-made to client needs • High likelihood to help a business overcome specific issues faced • On-site	• Man-hour intensive and costly • Requires trust and collaborative relationships • Risk of using the wrong service provider • Not easily scalable	• Quick, flexible, and careful selection of experts • Adaptive management • Experts with local knowledge • Long-term engagement
Group-based models (cohort, classroom, demonstration centres)	• Moderate costs • Peer-learning • Networking opportunities • Broadens thinking	• Less tailored to individual needs • Generic learning approach • Takes entrepreneurs away from their normal business operations	• Participants start from a common baseline • Short and action-oriented sessions • Location close to entrepreneurs • Peer-learning elements • Detailed planning • Part of a longer process • Needs assessments and customization of sessions
Blended group and individual-based models	• Has the benefits of both individual and group tools	• Man-hour intensive and costly • Requires trust and collaborative relationships • Risk of using the wrong service provider • Takes entrepreneurs away from their normal business operations	• Detailed planning • Part of a longer process • Needs assessments and customization of sessions • Quick, flexible, careful selection of experts • Adaptive management • Experts with local knowledge • Long-term engagement

Source: This table was modified from Schramm et al., 2018[9]

9 Schramm, C., Ashley, C., Ballan, S., Pirzer, C., 2018. MORE THAN MONEY: MAPPING THE LANDSCAPE OF ADVISORY SUPPORT FOR INCLUSIVE BUSINESSES. Washington, DC.

Best practices in program delivery

To limit dropout rates, AIPs are developing structures to ensure that the ventures accepted into their programs are committed and of high quality. Through pre-selection readiness boot camps, some AIPs are able to reduce the probability of selected ventures leaving the program. Other AIPs have introduced membership fees charged before entry into the program to encourage commitment or offer incentives for continuous session attendance through prize-based competitions.

> **In our program, we incentivise ventures stay through [the end] by making continuous session attendance one of the criteria that need to be met by the ventures to be eligible for a USD 2,000 microgrant awarded after pitch competitions…** *Incubator in Tanzania*

Alumni play a fundamental role in AIPs, primarily in increasing the program's reach when staffed with a lean team. AIPs rely on their alumni to support in program implementation, recruitment, and outreach. In return, alumni receive fundraising support and continuous mentorship and technical services support from the program.

To enhance programming and deepen connections with the funding landscape, AIPs may co-create program content with potential funding agencies:

> **We co-create with our funders to ensure their resources are spent on initiatives that have great impact and return in the society…** *Incubator and Accelerator in Tanzania*

A best practice identified by study participants was to blend group-based and individual-based delivery models, allowing for flexibility in program delivery and promoting potential for both networking and peer-learning among participants.

Challenges in program delivery

According to AIPs that participated in the study, some ventures have become 'experts' in navigating the support landscape, receiving funding and support from multiple AIPs without growing accordingly. A lack of coordination and information exchange between AIPs poses a challenge when it comes to measuring individual contribution to ventures that have received support from various AIPs.

> **Program-hoppers, who keep moving from one AIP to another, contribute to fragmented pipeline thus failing to implement what they have learnt from the programs attended and reap its benefits…** *Incubator and Accelerator in Kenya*

Most AIPs are based in urban areas, and the costs and distances faced by rural-based ventures affect their attendance and participation in sessions. However, this is currently not a challenge as most of the AIPs have transitioned to virtual programming. The newer challenge is limited access to stable internet connection in some rural areas in East Africa.

> **Some of the ventures we support are in rural areas, [with relatively poor infrastructure], which inhibit their capacity to access our sessions on a regular basis…** *Incubator and Accelerator in Tanzania*

> **[Even before COVID-19]… we had plans to operationalise virtual program delivery, which the COVID-19 pandemic situation has accelerated. The main issue we have now is the capacity and coverage of internet connectivity that would allow our businesses to actively participate…** *Accelerator in Tanzania*

Most AIPs have lean teams and therefore periodically seek external consultants from a predefined pool of experts to support with program delivery. As a result, giving undivided attention to the ventures in the program stretches the team. During intense phases of program delivery, this worsens thus compromising the effectiveness of the content.

We are a small team and our phase 1 is very intense, yet entrepreneurs want attention.... Some entrepreneurs expect 'spoon-feeding', yet we do not have the time and budget to do so. This hinders scalability… *Accelerator in Uganda*

AIPs globally have challenges in adequately determining how much of a venture's success can be attributed to participating in their program; this is exaggerated by short-term program engagement and ineffective measurement of outcomes. Many AIPs develop their own metrics for measurement based on varying definitions of success related to their core objectives, which makes it hard to compare across the ecosystem.

The AIP landscape has evolved a lot, however we are yet to see global – or even regional - standard metrics to measure short-term social outcomes… *Accelerator in Kenya*

Financial Sustainability Models

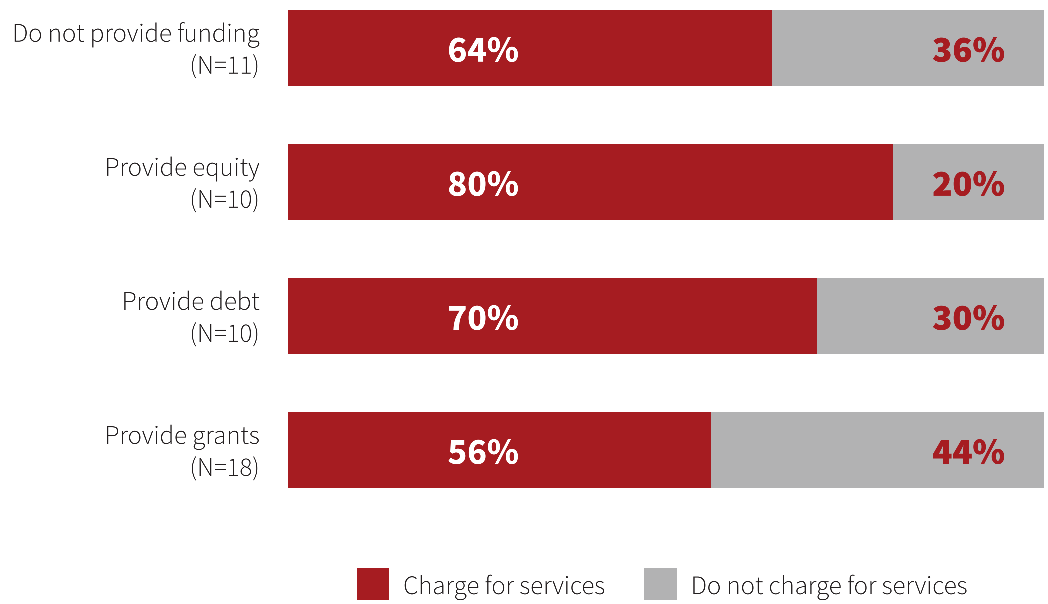
Key takeaways:

- AIPs are diversifying revenue sources to enhance financial sustainability.
- A primary challenge in financial sustainability is mismatched venture realities and funder/investor priorities, as well as market distortion from charity-based AIPs.
- Opportunities for improved sustainability include exploring corporate partnerships and communicating value through quality measurement.

While the primary source of funds for most AIPs is grant funding, their financial sustainability is largely reliant on identifying additional sources of funding (beyond grants) and managing costs of operations. While some AIPs manage operational costs through maintaining a lean team, this eventually presents a challenge in delivery (as discussed in the program delivery section). AIPs address financial constraints oftentimes by incorporating fees for services rendered; this may look like ventures paying for program participation or to access a variety of services. In addition, some programs have a consultancy arm where sponsors contract the AIP to provide services on their behalf.

Irrespective of whether an AIP invests directly into participating ventures, most (62%) in this study charge ventures a fee ranging from less than 50 USD to 5,000 USD to attend their program. AIPs that offer equity are more likely to charge ventures to participate in their programs, while those that offer grants are less likely to do so (Figure 8). This reflects how AIPs that receive grant funding from donors or corporate sponsors are typically more likely to provide grants and less likely to pursue commercial service provision.

Figure 8: Type of funding offered by AIPs by whether the AIP charges for their services



Data source: Digital survey (N=34)

Other diversified revenue streams include mechanisms to share in venture success as they grow. This may include revenue shares, success fees, interest on debts, equity margins, and exit fees.

> **We invest in the companies we support and raise 3-7% revenue share; we also aim at selling our stake at a point of exit at 2-3 times the amount invested…** *Accelerator in Kenya and Uganda*

Other AIPs have developed models where they use revenue generated from their own investments, including leasing of space to ventures, to subsidize the cost of providing their services and reduce the costs of delivery.

> **Over the years, we have been testing a cross-subsidy model. In this model, we raise money from leasing co-working space to people, and the proceeds are used to cover some of our operational costs, including subsidizing the cost of our trainings…**
> *Incubator and Accelerator in Tanzania.*

Best practices for financial sustainability

The best practices in ensuring financial sustainability for AIPs are based on enhancing the potential to continue raising additional resources and iterating the program's value proposition to attract the right types of funding that allow AIPs to continue offering their core business while meeting the needs of ventures based on their prevailing contexts and realities. As the corporate world becomes more interested in innovation and entrepreneurship in East Africa, AIPs have found opportunity to provide them with necessary services, such as running an enterprise acceleration program and hosting challenge funds.

Other AIPs are diversifying their product offerings – e.g. establishing venture funds and consultancy departments to bring in new streams of resources that cover operational costs and help maintain a competent and efficient team.

> **We have differentiated and separately run our core business and our additional fundraising activities. This allows us to efficiently manage our [human and financial] resources…**
> *Accelerator in Uganda*

AIPs are actively iterating their value propositions through continuously collecting data that measure progress and relevance to funder priorities and venture needs. This has allowed AIPs to separate their core business (i.e. acceleration and incubation services directly to ventures) from additional services (such as contracts with other organisations) aimed at fundraising.

Challenges to financial sustainability

The diversification of funding sources still leaves AIPs facing various challenges including reconciling contextual realities faced by AIPs with priorities set out by funders. Funders often establish unrealistic funding criteria such as setting targets on gender exclusivity and/or specific mix in an accelerator cohort, recruitment quotas from specific regions, cohorts on specific sectors that might be hard to monetize. Consequently, cash-strapped AIPs are forced to prioritize funder needs over strategic market insights to survive.

> **We operate in a very niche tech sector. In the past, we accepted funding from a donor who required us to run an all-women cohort. In the bid to meet targets and access funding, we significantly compromised the quality of the cohort…** *Accelerator in Kenya*

The emergence of fully donor/corporate-funded programs (corporate being through their CSR arm) has proliferated market distortion. This makes it difficult for other AIPs to charge for their services and maintain a pipeline since these programs are largely offered for free or are heavily subsidised. This results in ventures not being willing to join or commit to programs which require payment for participation. Alternatively, in some contexts, such as in Tanzania where advisory services are still nascent and many programs are free, ventures are not willing to pay for AIP support, making income generation from fees for service a sustainability constraint.

> **AIPs are relatively new in Tanzania after a long period of advisory support being offered for free by NGOs. We see early emergence of advisory services that require payment [like our program], but the ventures are not willing to pay yet, and therefore generating income through fees for service is still a goal far off…** *Accelerator in Tanzania*

Finally, as noted in roundtables and interviews, AIPs tend to operate within silos and work independent of partners within their ecosystem; as a result, they end up running parallel programs and competing for similar funding resources.

The Impact of COVID-19 on AIPs and Supported Ventures

The COVID-19 pandemic has brought various challenges for ventures including business closure, layoffs, loss of revenue, reduced product/service mix, and failure to adhere to tax filings as part of statutory submissions. In March 2020 when research was conducted for this knowledge brief, anecdotes from roundtable participants and interviewees highlighted how ventures are implementing various measures to cope with the pandemic including building local partnerships, instituting cost reduction strategies, innovating to adapt to the current realities, and building enterprise resilience.

"[We've witnessed] lost business [based on] sector of focus e.g. entertainment, service industry. Interestingly, the businesses remain very optimistic of continuity post the pandemic."

"[We] are helping portfolio companies build partnerships with local corporates e.g. banks. Building local partnerships has always been a part of the strategy, but COVID-19 has accelerated the implementation."

"Some businesses have restructured their value chains. One entrepreneur used to sell their grains in East Africa. They are now milling the grain and selling to the government as flour is in high demand."

Almost immediately following the expansion of COVID-19 into a worldwide epidemic, AIPs had to delay or cancel in-person activities, resulting in limited to support to ventures and failing peer-to-peer learning. AIPs are addressing these challenges by developing virtual delivery infrastructures such as online training materials and pre-recorded videos. A primary concern is financial sustainability and the inability to cover staff costs due to reduced or suspended funding.

"Our value proposition to clients is strategy development and connection with experts. Most of the businesses have postponed engagement and thus affecting [our] program delivery."

"We never get delinquencies (in payment) from businesses in the health sector, but now this is happening [and affecting our cost of delivery]."

"We have been setting up webinars for corporates to engage with entrepreneurs…[and] this interaction has been initiated by the corporates themselves. For now, this is a free service but we plan to transition it to a fully paid one."

"We run a high touch program…we have moved the engagement virtual. The transition has been smooth as this is an existing practice especially for the mentorship program."

"We have repurposed [our] funding to manage [our] operations – the funders have been pretty open with this request…including to support portfolio companies with internet needs after trainings on internet use."

Alumni Engagement

Key takeaways:

- Alumni serve important roles in many AIPs, including delivering trainings and supporting with marketing and selection.
- Limited resources restrict alumni support programming, along with alumni moving to other cities.
- AIPs can engage alumni through activities that allow them to access markets, network, and capital.

AIPs engage alumni in a variety of ways, including in recruitment of new ventures (marketing and selection) and program delivery (bridging the lean team challenges mentioned previously). AIPs may offer alumni post-program benefits such as networking sessions, thematic workshops and seminars, funding support, and expansion support. Networking sessions include the development of virtual connection databases and alumni special events where AIPs share emerging opportunities in the ecosystem.

> **We have continued to offer support to our alumni through online databases (including WhatsApp groups) to raise capital, through co-applying for grants with them, [and] sharing opportunities…** *Incubator in Uganda*

Thematic workshops and seminars are offered through diversified frameworks, such as alumni academies with periodic workshops and alumni-organized networking events. AIPs may also provide financial support through mechanisms such as seed capital after program completion in combination with continued technical assistance, or alumni challenge funds.

> **We encourage our fast track fellows (who have finished the program and performed excellently) in the network through sharing opportunities…**
> *Incubator and Accelerator in Kenya and Uganda*

> **We have supported alumni through setting up an alumni challenge fund, conference sponsorships and connecting them with partners…** *Accelerator in Kenya*

Best practices for alumni engagement

Building the commitment of alumni to participate in post-engagement activities requires promoting alumni-organized networking activities, especially those that generate new business leads and give alumni access to markets.

> **We have encouraged regulated face-to-face interactions after the program [to ensure] that the alumni are self-motivated to continuously contribute to and lead alumni activities such as workshops and seminars discussing issues of current interest to them…** *AIP in Uganda*

> **We assist our alumni in entering new markets where our programs are active. We can connect them with networks and [local] business information to facilitate their process of market entry…** *AIP in Uganda*

AIPs also incorporate alumni in raising additional funds that would support alumni activities.

> **We have actively involved our alumni in co-application of funds, and developed fiscal sponsorship opportunities and soft loans to encourage alumni to develop unique value propositions…**
> *AIP in Tanzania*

Challenges to alumni engagement

Setting aside funds for alumni engagement can be perceived as a competitor to funding the core venture support programming, making it difficult to keep alumni programming active. In addition, alumni may move across the country (most AIPs are located in capital cities) and are unable to continuously engage.

> **Some of our alumni are not able to participate in our activities because we have limited funds to support their engagement. Often, we have very low follow-up prospects.** *AIP in Tanzania*

Programs evaluate the success of their ventures (while in the program or as alumni) by tracking consistent and comprehensive data on finances and investments received, yet measuring value created is still a challenge.

> **Some AIPs do not have an alumni engagement plan. This affects commitment from alumni resulting in inadequate data to evaluate the status and performance of the alumni.**
> *AIP in Uganda*

Conclusions and Recommendations

Accelerator and incubator programs in East Africa have evolved considerably over the past decade – iterating programming to meet the needs of innovative early-stage ventures, seeking creative revenue streams to remain financially sustainable, and considering how to best engage other stakeholders in the entrepreneurial ecosystem. This knowledge brief outlined key take-aways that can inform AIPs and other ecosystem players regarding the current practices of AIPs in the region and best practices for overcoming pressing challenges. Below are conclusions and recommendations organized by each of the study themes:

- ## Services offerings and direct funding

  Services offered by AIPs in the region are mostly centered around mentorship, training, and networking. While the majority of ventures offer some sort of funding to participating ventures, very few use alternative financing structures such as blended financing or quasi-equity.

- ## Recruitment and selection

  Quality recruitment and selection are fundamental to AIP success, yet the region still has limited pipeline as a result of largely undeveloped entrepreneurial ecosystems[10] outside of the capital cities. To address this limited pipeline, AIPs should consider ways to partner with other programs that work with businesses below and above their target stage to allow more collaboration within the ecosystem. AIPs could also work more closely with NGOs and other organizations with deep local knowledge of communities outside of capital cities to improve outreach to potential participants in these areas. Greater differentiation and coordination among AIPs, as well as easier availability of information on niches and service offerings for ventures, will help improve the fit between participants and service offerings and thus lead to increased success for participating ventures.

- ## Program delivery

  Blending of both group and individual-based delivery models provides an effective balance of cost and service offerings – allowing programs to offer both generalised services at a cost-effective rate (through group-based delivery models such as workshops and classroom training), while developing customised outputs for the ventures (through individual-based delivery models such as mentorship and coaching). These blended delivery models often consist of a cohort program that is followed by individual support sessions, i.e. group-based training followed by mentorship sessions. Co-creating service offerings with input directly from the types of ventures targeted by the program can help ensure that the model of program delivery matches venture needs.

- ## Financial sustainability models

  Achieving financial sustainability among AIPs in the region beyond donor (philanthropic) funding remains out of reach for many AIPs. However, there is growing interest in targeting corporate funding, for example through partnerships where an AIP is paid to run a cohort in partnership with or for a corporate, targeting ventures that are aligned with the corporate's thematic areas and/or strategic objectives, e.g. a bank running a fintech challenge that comes with training, mentorship and seed capital.

10 www.whysgbs.ozrg/what-are-ecosystems

⦿ Alumni engagement

Program alumni are critical to developing strong communities of entrepreneurs, yet planning alumni activities and tracking achievements of program graduates is still a challenge. Given the resource intensity of alumni engagement, finding ways to use technology to keep alumni connected represents an important mechanism for AIPs to consider, as does encouraging alumni-initiated activities and encouraging alumni to contribute to programming in exchange for continued support.

⦿ Response to the COVID-19 pandemic

AIPs are trying to overcome challenges presented by COVID-19 by developing virtual delivery infrastructure such as online training material in the form of pre-recorded/live YouTube, Instagram, and WhatsApp videos. Other AIPs are building partnerships with local potential funders (such as corporates) and investing in ventures focused on products and services that meet the most pressing needs during the pandemic, enhancing their products/services mix.

The Global Accelerator Learning Initiative (GALI) is a collaboration between the Aspen Network of Development Entrepreneurs (ANDE) and Emory University designed to explore key questions about enterprise acceleration such as: Do acceleration programs contribute to revenue growth? Do they help companies attract investment? GALI builds on the Entrepreneurship Database Program at Emory University, which works with accelerator programs around the world to collect data describing the entrepreneurs that they attract and support. The Global Accelerator Learning Initiative is supported by the Argidius Foundation, Omidyar Network, the Kauffman Foundation, Stichting DOEN, and the Australian Government.

To learn more about GALI and to access related publications, visit www.galidata.org

GALI
Global Accelerator Learning Initiative

Profiles of Participating Organizations

The following information was provided by participating organizations, with some exceptions where the research team conducted web research to fill in missing details.

Kenya

Organization Name	Countries of Operation	Stage(s) of Supported Ventures	Sector(s) of Supported Ventures	Cost of Participation (USD)	Website
Catalyst Fund	Global presence	Early stage	Sector agnostic		www.bfaglobal.com/catalyst-fund
Chandaria Business Innovation and Incubation Center	Kenya	Early stage	Sector agnostic	10% equity stake	www.ku.ac.ke/iiuil/index.php/chandaria-business-innovation-and-incubation-centre
GrowthAfrica	Ethiopia, Kenya, Malawi, Tanzania, Uganda, Zambia	Growth stage	Sector agnostic	5,000	www.growthafrica.com
Hill Justice Accelerator	Kenya	Growth stage	Justice Innovations		www.hiil.org
iHub	Kenya	Start-up, Early stage	Information and Communication Technology	10–700 per month	www.ihub.co.ke
Innovations in Healthcare	Global presence	Growth stage	Healthcare		www.innovationsinhealthcare.org
Institute for Small-Business Initiatives (ISBI)	Kenya	Start-up, Early stage	Sector agnostic		www.isbi-kenya.org
Intellecap Advisory Services	Global presence	Early stage, Growth stage	Agriculture, Clean Energy, Healthcare and Livelihoods		www.intellecap.com
Invest in Africa	Ghana, Guinea, Kenya, Mauritania, Senegal, United Kingdom, Zambia	Early stage, Growth stage	Sector agnostic		www.investinafrica.com
Kenya Climate Innovation Centre	Kenya	Early stage, Growth stage	Agribusiness, Commercial Forestry, Energy, Waste Management, and Water		www.kenyacic.org
Ongoza	Kenya	Early stage	Sector agnostic	Yes (amount undisclosed)	www.ongoza.org
Pangea Accelerator	Kenya	Early stage, Growth stage	Agriculture, Education, Energy, Healthcare, Housing, Infrastructure, Smart Cities, Urbanization, Water		www.pangeaa.com
the Kijiji	Kenya	Idea stage, Start-up, Early stage	Sector agnostic		www.thekijiji.co.ke
Transformational Business Network - EA	Kenya, Uganda	Growth stage	Agribusiness, Health and Wellness, Others	Yes (amount undisclosed)	www.tbnetwork.org
Village Capital	Global presence	Start-up, Early stage, Growth stage	Agriculture, Education, Energy, Financial inclusion, Health		www.vilcap.com
Villgro Innovations Foundation	Kenya	Early stage	Sector agnostic		www.villgrokenya.or.ke
ygap	Kenya	Early stage	Sector agnostic		www.ygap.org/kenya

Profiles of Participating Organizations

Tanzania

Organization Name	Countries of Operation	Stage(s) of Supported Ventures	Sector(s) of Supported Ventures	Cost of Participation (USD)	Website
Cube Zanzibar Center for Entrepreneurs and Innovators	Tanzania	Idea stage, Start-up, Early stage	Sector agnostic		www.cubezanzibar.com
Anza Entrepreneurs	Tanzania	Early stage, Growth stage	Agriculture and Food, Education, Energy, Environment, Financial Services, Healthcare/Life Sciences, Water and Sanitation	150	www.anzaentrepreneurs.co.tz
Obuntu Hub	Tanzania	Idea stage, Start-up, Early stage	Agriculture and Food, Consumer/Retail, Education, Financial Services, Information and Communication Technology, Sector agnostic		www.obuntuhub.co.tz
The WFP Field Innovation Hub Tanzania	Tanzania	Early stage, Growth stage	Agriculture and Food, Logistics and Distribution, Social Protection, Others		https://innovation.wfp.org/tanzania
Sahara Accelerator (a part of Sahara Ventures)	Tanzania	Idea stage, Start-up, Early stage, Growth stage	Agriculture and Food, Education, Environment, Financial Services, Healthcare/Life Sciences, Information and Communication Technology		www.saharaventures.com
CEED	Tanzania	Early stage, Growth stage	Agriculture and Food, Others	100–600	www.ceed-global.org/tanzania
SUGECO	Tanzania	Idea stage, Start-up, Early stage	Agriculture and Food		www.sugeco.or.tz

Profiles of Participating Organizations

Uganda

Organization Name	Countries of Operation	Stage(s) of Supported Ventures	Sector(s) of Supported Ventures	Cost of Participation (USD)	Website
The Innovation Village	Uganda		Sector agnostic		www.innovationvillage.co.ug
Enterprise Uganda	Uganda	Start-up, Early stage, Growth stage	Sector agnostic	5–50	www.enterprise.co.ug
Open Capital Advisors	Kenya, Uganda		Sector agnostic		www.opencapital.com
United Social Ventures	Uganda	Idea stage, Start-up, Early stage	Education, Others	Varies program-to-program	www.unitedsocialventures.org
Outbox	Uganda	Idea stage, Start-up, Early stage, Growth stage	Education, Financial Services, Information and Communication Technology, Media and Entertainment, Others	5,000	www.outbox.co.ug
GrowthAfrica	Ethiopia, Kenya, Malawi, Tanzania, Uganda, Zambia	Growth stage	Sector agnostic	2,000	
Financial Sector Deepening Uganda	Uganda	Idea stage, Start-up, Early stage, Growth stage	Financial Services		www.fsduganda.or.ug
New Energy Nexus Uganda	Uganda	Idea stage, Start-up, Early stage, Growth stage	Energy, Environment, Financial Services, Logistics and Distribution, Water and Sanitation		www.newenergynexus.com/region/uganda
Sinapis	Uganda, Kenya, Rwanda, Ghana		Agriculture and Food, Consumer/Retail, Education, Energy, Environment, Financial Services, Healthcare/Life Sciences, Hospitality/Travel/Tourism, Information and Communication Technology, Logistics and Distribution, Media and Entertainment, Real Estate, Water and Sanitation	200	www.sinapis.org
Bid Network	Netherlands, Rwanda, Uganda	Growth stage	Agriculture and Food, Education, Energy, Environment, Financial Services, Healthcare/Life Sciences, Hospitality/Travel/Tourism, Logistics and Distribution	Varies (commitment fees and success fees)	www.bidnetwork.org
Curad	Kenya, Rwanda, Uganda	Idea stage, Start-up, Early stage, Growth stage	Agriculture and Food, Consumer/Retail, Environment, Logistics and Distribution	30	www.curadincubator.org
SHONA	Kenya, Rwanda, Tanzania, Uganda	Start-up, Early stage, Growth stage	Sector agnostic	Consultancy program (varies) Training program (50 per day)	www.SHONA.co

Aspen Network of Development Entrepreneurs

THE ASPEN INSTITUTE