

CONNECT & CREATE

Strengthening Entrepreneurial Ecosystems

An interactive Guide for development professionals





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How to use the Guide

This interactive Guide gives development professionals the necessary theoretical background, concepts, approaches and practical tools to strengthen entrepreneurial ecosystems in developing countries. It is intended to be used as a reference after the professionals have completed their analytical 'mapping' of the entrepreneurial ecosystem. The Guide is supported by examples from GIZ and other programmes, all of which are intended to provide an in-depth understanding of how professionals approach various challenges in different regions and contexts – and since numerous sources of information on how to strengthen entrepreneurial ecosystems exist, each section of the document provides links to many of these useful sources and to opportunities for personal involvement.

Suggestions for improvements and additional ideas can be submitted to private.sector@giz.de.

⇒ **Note:** Words that are highlighted in green (like the [email address](mailto:private.sector@giz.de) above) contain links on which you can click.



1

INTRODUCTION

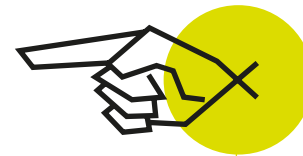


Introduction

This chapter provides a background into why and how we have developed this Guide and why we believe that entrepreneurial ecosystems are important. It goes on to give an overview of different tools for analysing and mapping entrepreneurial ecosystems, which form the basis of every entrepreneurial-ecosystem strengthening programme.

Chapter overview:

- I — Background
- II — Why entrepreneurship and entrepreneurial ecosystems are important
- III — Analysis and mapping of ecosystems





I Background

Entrepreneurship promotion has been an essential field in German Development Cooperation for many years now. GIZ projects supporting entrepreneurship are highly diverse in terms of their geographical locations, target groups, contexts and the approaches used. Some projects support entrepreneurship in rural areas, conflict-affected environments, or refugee camps, while others support tech-startups that encourage the adoption of new technologies within markets. In terms of the approaches and tools used, projects can range from supplying training and start-up grants directly to entrepreneurs and supporting existing or establishing new incubators/accelerators, to matching entrepreneurs with investors and business angels – and these are only a few of the many means of support that are available. Recently, there has been a general move towards ‘entrepreneurial ecosystems’ as a conceptual framework for entrepreneurship promotion programmes, and in line with this concept, GIZ has developed a ‘[Guide for mapping entrepreneurial ecosystems](#)’.

However, many questions remain open. For example:

- › What is the difference between an ecosystem approach and more traditional entrepreneurship promotion?
- › What does working with ‘ecosystems’ entail – and how can they be strengthened?
- › Which role do development partners play in strengthening an ecosystem, and how can the results be measured?

A survey of how GIZ project staff perceived the ecosystem approach was conducted as part of the development of this Guide – and it revealed that there was a great deal of interest in these questions. Drawing on a broad knowledge base and employing a collaborative learning process would find the right answers.



FIGURE 1: The development of this Guide

RESEARCH

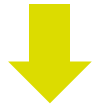
(April–June 2020)



- › Desktop review with ~50 studies and reports
- › Interviews with 12 GIZ projects (see **Acknowledgements**)
- › Interviews with 13 non-GIZ projects (see **Acknowledgements**)

DEVELOPMENT

(June–October 2020)



- › Lessons learned–Synthesis document and feedback by projects
- › Pilot training with GIZ staff and feedback
- › Development of Guide

IMPLEMENTATION AND ADAPTION

(October 2020–Spring 2021)



- › Diffusion of Guide
- › Further trainings
- › Feedback on further experiences, adapt and integrate

(Source: Authors)



II

Why entrepreneurship and entrepreneurial ecosystems are important?

1

The economic and social impacts of entrepreneurs

Joseph Schumpeter was a pioneer in the development of early theories on innovation and entrepreneurship. In his 1942 seminal work *Capitalism, Socialism and Democracy*, he coined the term 'creative destruction'. Creative destruction is the process that creates long-term economic growth through the entry of entrepreneurs, better ideas and innovations into the market. These 'destroy' the market power of the incumbent firms, thus improving the overall competitiveness and dynamism of the economy. These forces are also present in entrepreneurial ecosystems, in which 'new' ideas, methodologies, technologies, markets and innovators flourish, while older, less productive industries are challenged.

THEORETICAL BASIS OF ENTREPRENEURSHIP

Joseph A. Schumpeter,
Capitalism, Socialism, Democracy, New York 1942



“The fundamental impule that sets and keeps the capitalist engine in motion comes from the NEW consumers goods, the NEW methods of production or transportation, the NEW markets. the NEW forms of industrial organization that capitalist enterprise creates.”

Evidence on the importance of entrepreneurship across the world has become stronger with the increased availability of data from more and more developing countries over the last decade. However, this evidence is not wholly conclusive. Most of the data shows that fast-growing and young firms create a higher proportion of economic growth in the economy – and this is an indication that categorising a firm by age and potential growth rate is just as essential as ranking it by size. The data shows that these high-growth entrepreneurs occur across all sectors.

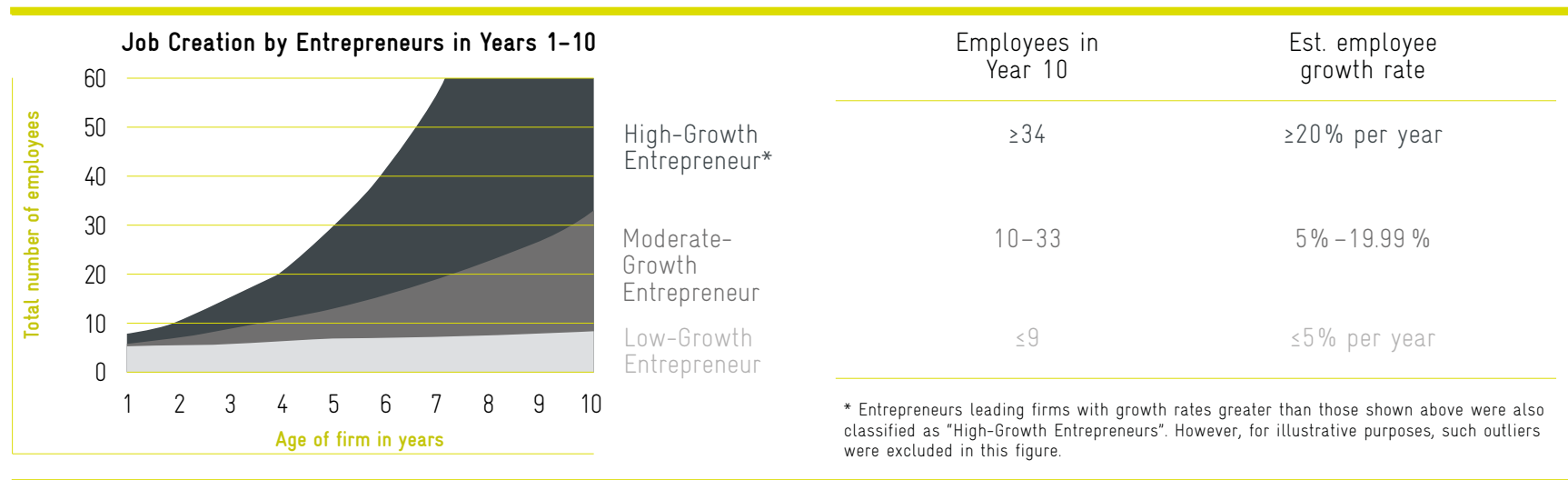
(Source: https://de.wikipedia.org/wiki/Joseph_Schumpeter)



This research also applies to developing countries. For example, Eslava, Haltiwanger and Pinzon have shown that in both the U.S. and Colombia, it is young businesses which create the highest employment growth rates, regardless of size.¹ These young companies exhibit significantly higher net employment growth rates and are the anchor underlying all job growth over a 15 to 20-year period. The World Bank studied eleven developing countries' economies and arrived at the following conclusions²:

- › High-growth firms are young but not necessarily small
 - › One example here is Indonesia, where nearly half of the high-growth firms employed more than 50 workers
- › High-growth firms are found in all types of sectors and locations
- › High growth in companies is short-lived and sporadic. It is difficult for them to sustain high growth over long periods of time

FIGURE 2: Job creation by entrepreneurs



(Source: <http://sme.ebi.gov.sg/Documents/Internationalization/2011%20High-Impact%20Entrepreneurship%20Global%20Report.pdf>)

1 <https://www.poverty-action.org/sites/default/files/publications/Eslavaetal.pdf>

2 <https://www.worldbank.org/en/news/feature/2018/11/16/high-growth-firms-facts-fiction-and-policy-options-for-emerging-economies>



One large study by Global Entrepreneurship Monitor (GEM) and Endeavor³ involved more than five years of GEM data collected from more than 60 countries and 70,000 entrepreneurs. The results of this study showed that 40% of new jobs were created by just 4% of the companies that were tracked. The same study also showed that these high-growth companies paid higher wages and that their employees had more job satisfaction (see [figure 2](#) on the previous page).

Entrepreneurship is an important factor in economic development – however, research has shown that it can also provide significant societal benefits. Stanford University has carried out case studies that examine how social entrepreneurs can fill in the gaps in public services created by a lack of government actions and / or bodies.⁴ This Guide profiles a GIZ project in Sudan to highlight how entrepreneurship can contribute to peacebuilding and the bridging of prevailing lines of conflict in a fragile state / country.

³ <http://sme.ebi.gov.eg/Documents/Internationalization/2011%20High-Impact%20Entrepreneurship%20Global%20Report.pdf>

⁴ https://ssir.org/articles/entry/social_entrepreneurship_a_force_for_political_stability

Ultimately, there are several reasons for governments and donors to support entrepreneurs and these include the following:

- › Fostering a more productive, dynamic economy
- › Creating jobs through growth companies and boosting the skills of the workforce
- › Diversifying the economy by creating and nurturing new industries and introducing new demographics into the formal economy
- › Fostering socially and environmentally desired innovations and business models and contributing to social cohesion

MORE RESOURCES:

Original MIT research on high-growth companies

→ <https://ldnet.eu/ldnet-david-birch-the-job-generation-process/>

More on Schumpeter's work

→ https://eet.pixel-online.org/files/etranslation/original_Schumpeter,%20Capitalism,%20Socialism%20and%20Democracy.pdf

ANDE study on Small Growing Business (SGBs), job creation and decent work

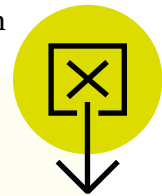
→ https://cdn.ymaws.com/www.andeglobal.org/resource/resmgr/research_library/sgb-economic-growth-report.pdf

IZA World of Labour Study on jobs and entrepreneurship

→ <https://wol.iza.org/articles/entrepreneurs-and-their-impact-on-jobs-and-economic-growth/long>

Korean support study on the importance of entrepreneurship for innovation

→ <https://www.mdpi.com/2071-1050/12/2/551/pdf>



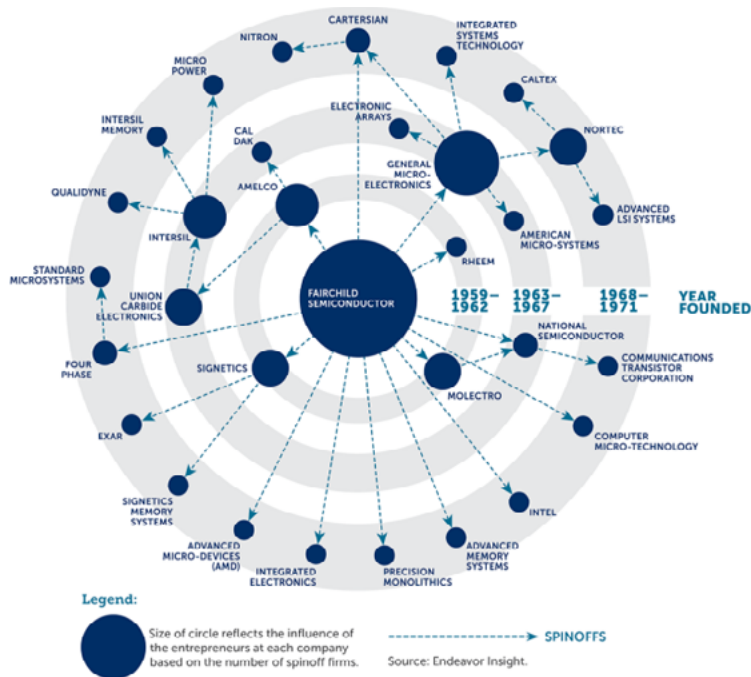


Entrepreneurial ecosystems and their relevance for entrepreneur growth

When Silicon Valley started as an ecosystem, it was forged by individuals working at different semiconductor companies. Like-minded persons gravitated into groups and frequently founded new companies. They shared values and a visionary goal to promote the growth of the computer chip industry in Northern California. The bonds between all these specialists grew and solidified – and this self-supporting system would

ultimately evolve into one of the most powerful economic engines in the United States (see figure 3).

FIGURE 3: The creation of Silicon Valley



(Source: <http://silicon-valley-history.com>)

The Pontch Bar



„The Pontch was the meeting place for the men who made motors hum, such as Horace and John Dodge, GM’s Billy Durant, the Leland’s from Cadillac, and Hugh Chalmers. His 1910 Chalmers Model 30 (above, second from left) is parked at the front door“.

(Source: <https://www.automotivehalloffame.org/the-pontch-bar/>)

Here is another example:

When the automotive industry was born in Detroit over a century ago, hundreds of startups used to meet at a local hotel bar to tackle engineering and manufacturing issues together. This industrial ecosystem grew and transformed economic growth, creating hundreds of thousands of middle-class jobs – so although the high growth of young companies does create economic growth, it is nevertheless the evolution of the entrepreneurial ecosystem around those companies that helps to sustain it.



DEFINING ENTREPRENEURIAL ECOSYSTEMS

So what are ‘entrepreneurial ecosystems’, what are their main constituents and how can we best describe them? Many definitions exist, but let’s take a look at this OECD definition below, since it’s relatively consistent with most of the standard conceptions:

*An entrepreneurial ecosystem consists of interconnected entrepreneurial stakeholders (both potential and existing), entrepreneurial organisations (e.g., firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes and statistics such as the business start-up rate, the number of high-growth firms, the levels of ‘blockbuster entrepreneurship’, the number of serial entrepreneurs, the degree of sell-out mentality within firms and the levels of entrepreneurial ambition. These all coalesce both formally and informally, with the ultimate aim of linking, mediating and governing performance within the local entrepreneurial environment.*⁵

Although this definition would suggest that an entrepreneurial ecosystem is geographically localised, there are some instances where an ecosystem can cross geographic boundaries.

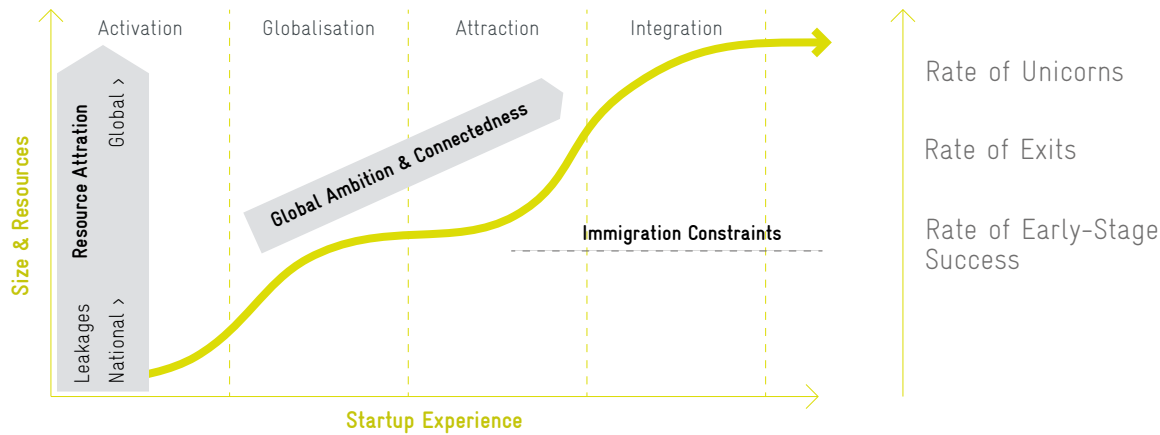
EVOLUTION OF ENTREPRENEURIAL ECOSYSTEMS

In reviewing individual case studies of entrepreneurial ecosystems (those by **Startup Genome**, for example), we can see that there are certain typical phases during the development of mature entrepreneurial ecosystems. Ecosystems often emerge through the interaction of a small group of entrepreneurs and companies focused on a common purpose, but these soon expand to other external organisations. The commercial opportunities presented by these ventures attract financial organisations and these in turn provide access to capital that helps companies to grow. As ecosystems evolve and become broader-based, entrepreneurship support organisations (ESOs) are put in place to support the entrepreneurs. Specialised organisations such as industrial associations are soon founded to develop common standards and/or specialised skills. Successful entrepreneurs in the ecosystem inspire others, motivating them to also become entrepreneurs. This specialisation may lead to a globally competitive ecosystem, which in turn can provide a promising haven for global talent, investment, and partnerships. International appeal then creates a boosting cycle, which increases the success of entrepreneurs and brings in other stakeholders who support the ecosystem (see the diagram illustrating the typical phases of ecosystem evolution, **figure 4** on the next page).

⁵ https://www.oecd.org/employment/lead/INTERNATIONAL%20ECOSYSTEM%20WORKSHOP_SUMMARY%20REPORT.pdf



FIGURE 4: Development path of entrepreneurial ecosystems



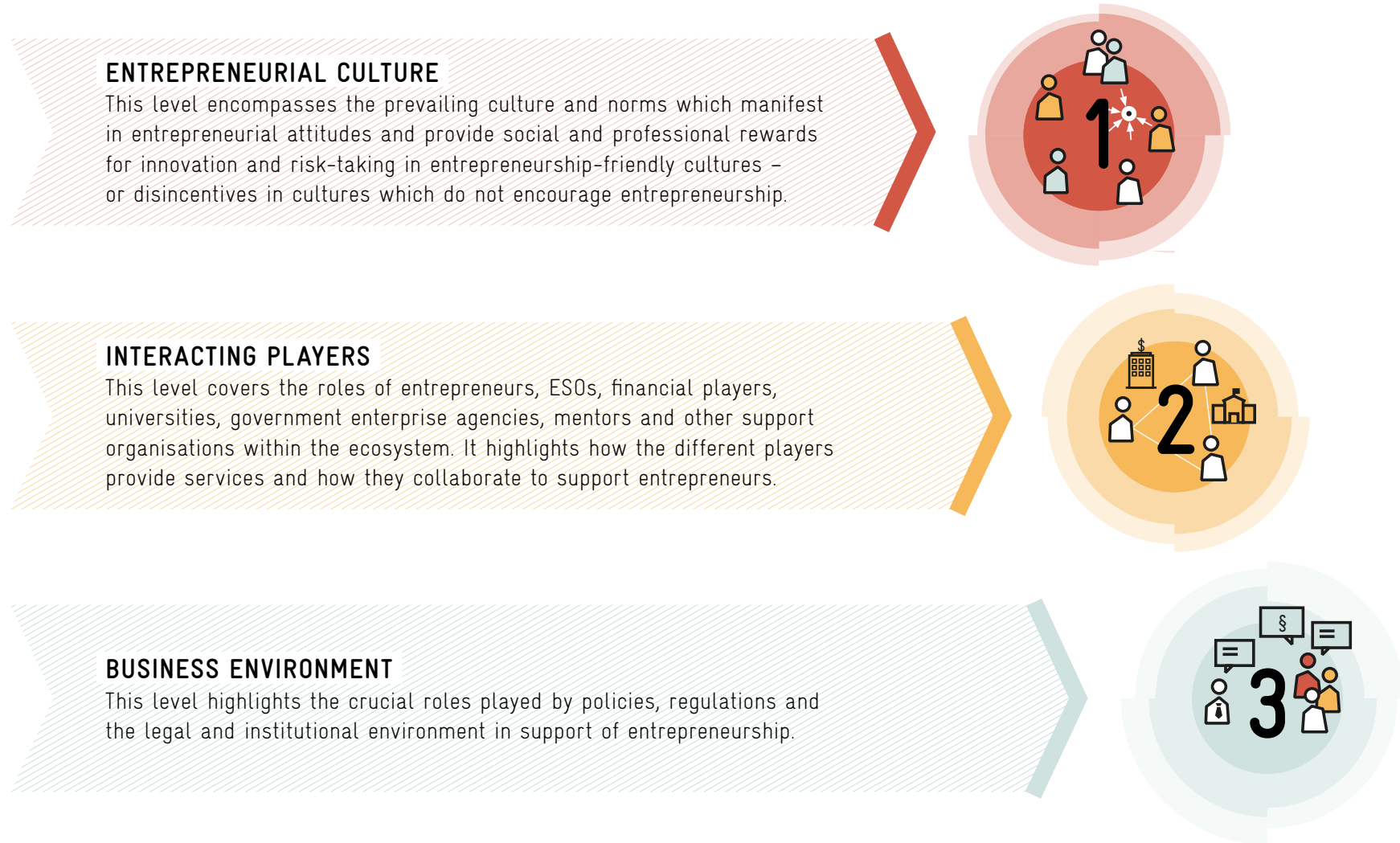
(Source: <https://startupgenome.com/reports/global-startup-ecosystem-report-2017>)

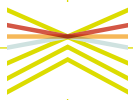
One important lesson to be learnt from this stylised presentation of an ecosystem's development path is the fact that ecosystems evolve from within; they cannot be established from the 'outside'. Entrepreneurs are the very heart of ecosystems – and their interactions are the blood and nerves of these systems. Anyone who wishes to strengthen an ecosystem must be fully aware of this fact.



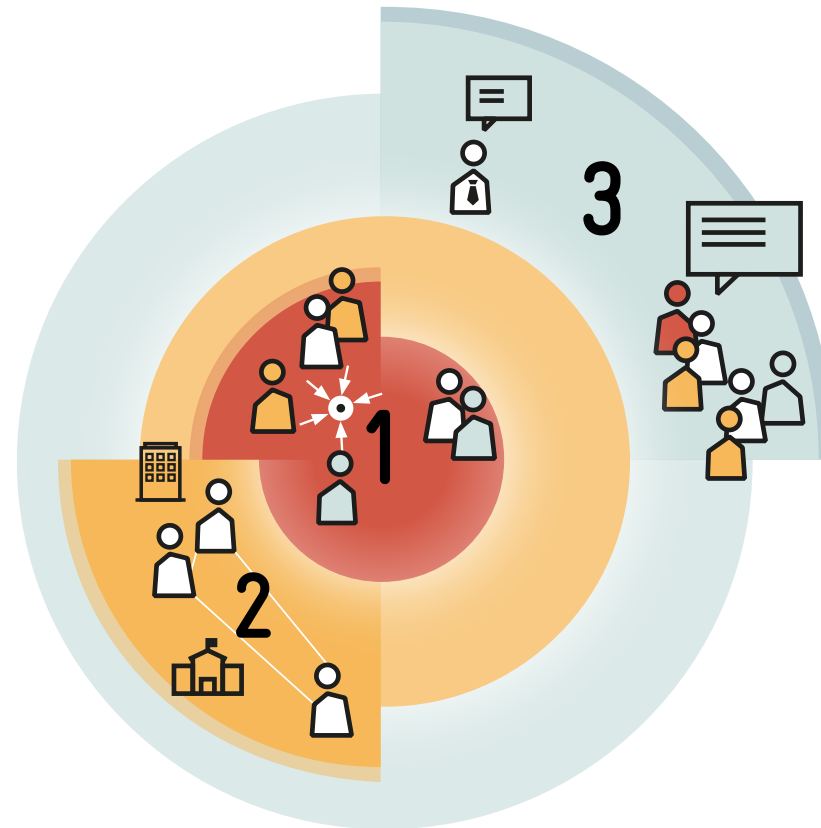
GIZ has developed a framework to understand entrepreneurial ecosystems using three levels, which are presented below:

FIGURE 5: Entrepreneurial ecosystems – GIZ framework





Mapping Guide



ENTREPRENEURIAL ECOSYSTEM RELEVANCE FOR GROWTH

Research has shown that external factors which are not under a company's control can both support and inhibit a company's success. Some of these factors are obvious, such as how easy it is for entrepreneurs to access markets, capital and talent. For decades now, researchers have been studying how different government policies, regulations and administrative

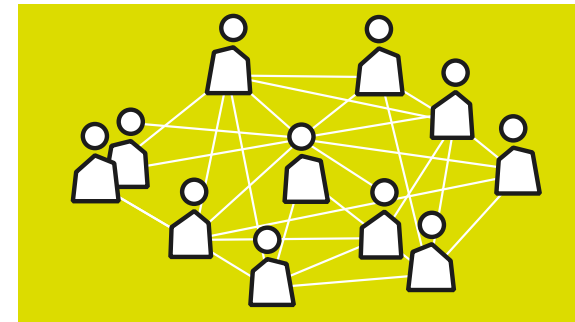
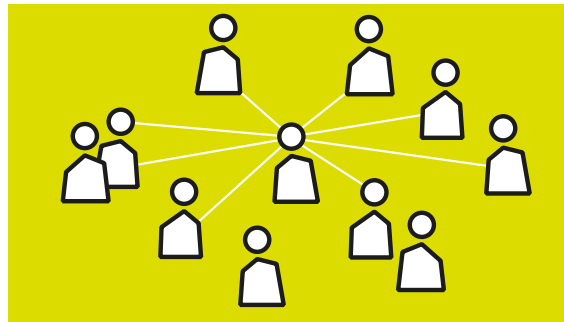
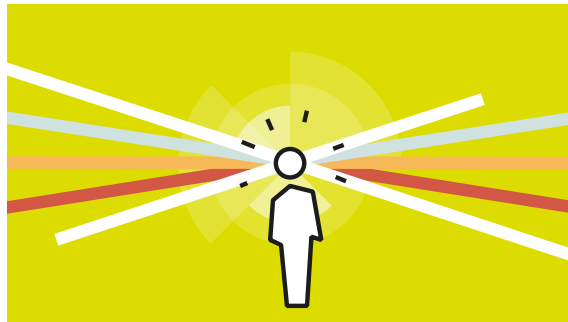
measures help entrepreneurs to start a business and stimulate its growth. However, these factors go beyond markets, services and framework conditions. Entrepreneurs also need access to networks of successful business persons if they are to thrive.⁶ The underlying reason here lies in the economic theory of spillovers. The greater amount of free-flowing knowledge,

⁶ <https://endeavor.org/content/uploads/2015/03/Fostering-Productive-Entrepreneurship-Communities.pdf>



information and resources an ecosystem has, the more will that system's players benefit and the greater will be its success. A positive attitude within an entrepreneurship culture will also ensure that friends and family provide support to entrepreneurs in their lives. One Finnish study found that the entrepreneurial ecosystem boosted the confidence levels of early innovative startups to such an extent that the entrepreneurs drove their companies onwards, even developing potentially life-changing products that had an uncertain future.⁷

Startup Blinks shows a dynamic ecosystem that creates a constantly developing framework, which in turn creates innovative jobs that attract top talent. This top talent attracts big international companies, and this then encourages more creative entrepreneurs, who attract even more top talent. This continuous process creates more economic prosperity for the region and more tax resources for the government.⁸



7 <https://link.springer.com/article/10.1007/s11187-019-00256-4>

8 <https://www.startupblink.com/blog/how-successful-startup-ecosystems-impact-local-economies/>

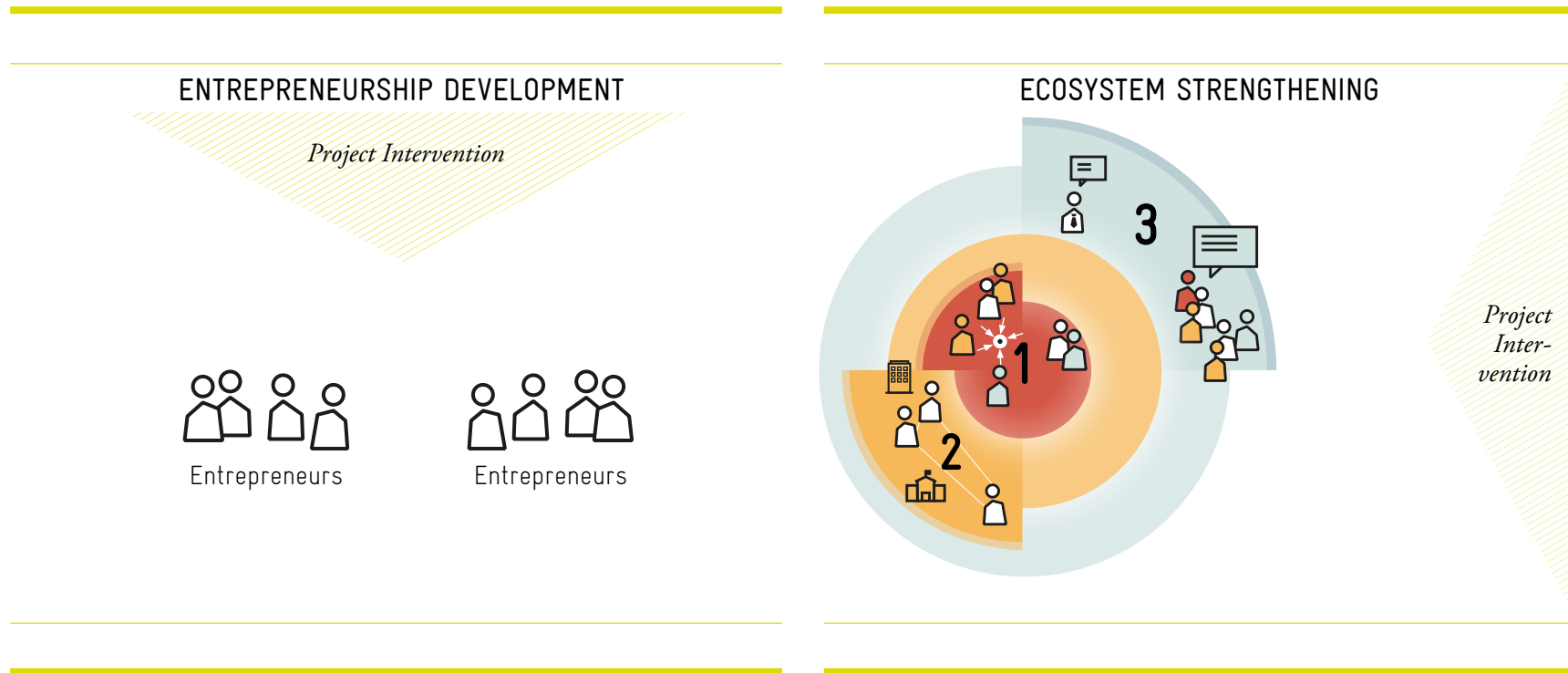


THE DIFFERENCE BETWEEN SUPPORTING ENTREPRENEURS AND STRENGTHENING ECOSYSTEMS

Entrepreneurship development and strengthening ecosystems are not exclusive approaches, but they are focused on different targets. For example, the entrepreneurs are the primary and sometimes direct beneficiaries in entrepreneur support programmes. Programme interventions may encompass technical and soft-skill training courses for entrepreneurs,

coaching, financial support and support in accessing markets. However, in ecosystem programmes, the focus is on the system itself, on its different elements and on improving its overall functioning as a system. Here, entrepreneurs are the secondary beneficiaries since they profit from a healthier ecosystem, but in both cases, it is the entrepreneurs who benefit.

FIGURE 6: Entrepreneurship development vs. ecosystem strengthening



(Source: Authors)



There is an advantage in directly supporting entrepreneurs, since this allows more control of how the programme impacts on beneficiaries, but the programme tends to be limited in its reach. Ensuring the sustainability of programme interventions can also be difficult – and there is a risk that they may crowd

out existing stakeholders. Nevertheless, a case can still be made for supporting entrepreneurs directly, such as in situations where no ecosystem currently exists, or where a proof of concept should be put in place.

TABLE 1: Strengthening ecosystems vs. supporting entrepreneurs

ADVANTAGES OF	
... STRENGTHENING THE ECOSYSTEM	... PROVIDING DIRECT SUPPORT TO THE ENTREPRENEURS
<ul style="list-style-type: none">› Effectiveness – Ecosystems are crucial for entrepreneur growth, since entrepreneurs benefit from interactions, and knowledge flows within the system. Strengthening the ecosystem will thus have significant long-term impacts on entrepreneur growth.› Scope – Supporting local ESOs will create more intensive multiplier effects on entrepreneurs.› Ownership – Supporting local players in the building and strengthening of the ecosystem in line with their common purpose and vision will lead to a higher level of ownership and thus to an increased level of sustainability in the interventions themselves.	<ul style="list-style-type: none">› Time – Directly supporting entrepreneurs will generate faster impacts at the entrepreneur level.› Monitoring – Supporting individual entrepreneurs will make it easier to collect data on results and make an impact at the entrepreneur level.› Piloting & testing – Piloting new types of interventions and creating demonstration effects is best done by working directly with a group of entrepreneurs.

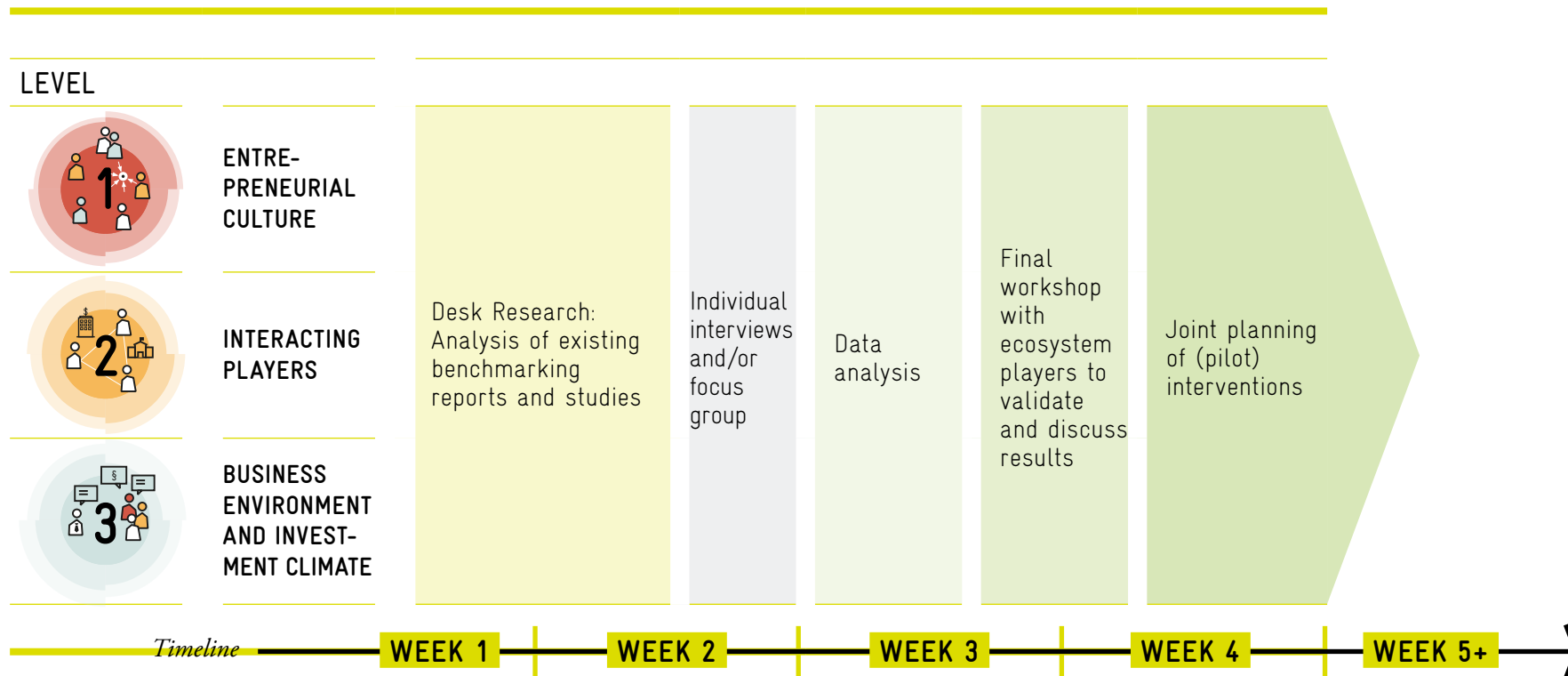
(Source: Authors)



III Analysis and mapping of ecosystems

Ecosystem mapping and analysis help development programmes, governments, and ecosystem players to understand the shape of the ecosystem and identify opportunities to strengthen the ecosystem and its different levels. Based on the three levels outlined above, GIZ has developed a process to map an entrepreneurial ecosystem. It includes the following steps:

FIGURE 7: Overview of the different steps included in the mapping exercise



(Source: GIZ Guide for mapping the entrepreneurial ecosystem)



Some lessons learnt can be derived from the mapping projects⁹ that have already been completed:

- › **Be precise** – Define the ecosystem to be mapped very precisely. This will ensure that you come up with meaningful entry points for interventions.
- › **Listen to the entrepreneur** – You must hear and analyse the voices of the entrepreneurs themselves; this helps to identify differences between the entrepreneurs' needs and what the ecosystem is actually supporting.
- › **Make the mapping exercise a participatory process** – Engage with ecosystem players to gain fundamental insights and foster exchange amongst players. Verification with players will help to ensure that the data is correct and to check if the other players agree with the hypothesis. The ecosystem mapping exercise provides a dialogue tool to find collaboration opportunities for ecosystem players.
- › **Adapt the timeframe** – The timeframe for the exercise may need to be extended or shortened to match the depth and breadth of the mapping exercise and the context in which mapping is to take place.
- › **Be open to change** – The mapping process itself can sometimes be fraught with uncertainty, because you will not yet be familiar with all the aspects of the ecosystem. All those involved should approach the process with an open mind and be flexible enough to deal with unplanned changes. Proper and efficient steering means being able to adapt or reroute when problems crop up, being patient, trusting in change processes and being able to deal with unexpected results as you proceed.

Apart from this GIZ Guide, other organisations have also developed different ecosystem mapping tools – so before you start a mapping project, it's always useful to check whether or not other organisations have already carried out a mapping project – and if so, use their mapping info, at least as an input for further analysis.

Other mapping tools use different methodologies and focus on various aspects of the ecosystem, on the relationships and the interaction of the ecosystem players, for example, the maturity level of the ecosystem, or the categories of different ecosystem players.

⁹ More than ten GIZ projects have conducted ecosystem mapping exercises in countries such as Nepal, Bosnia and Herzegovina, Ghana and Iraq

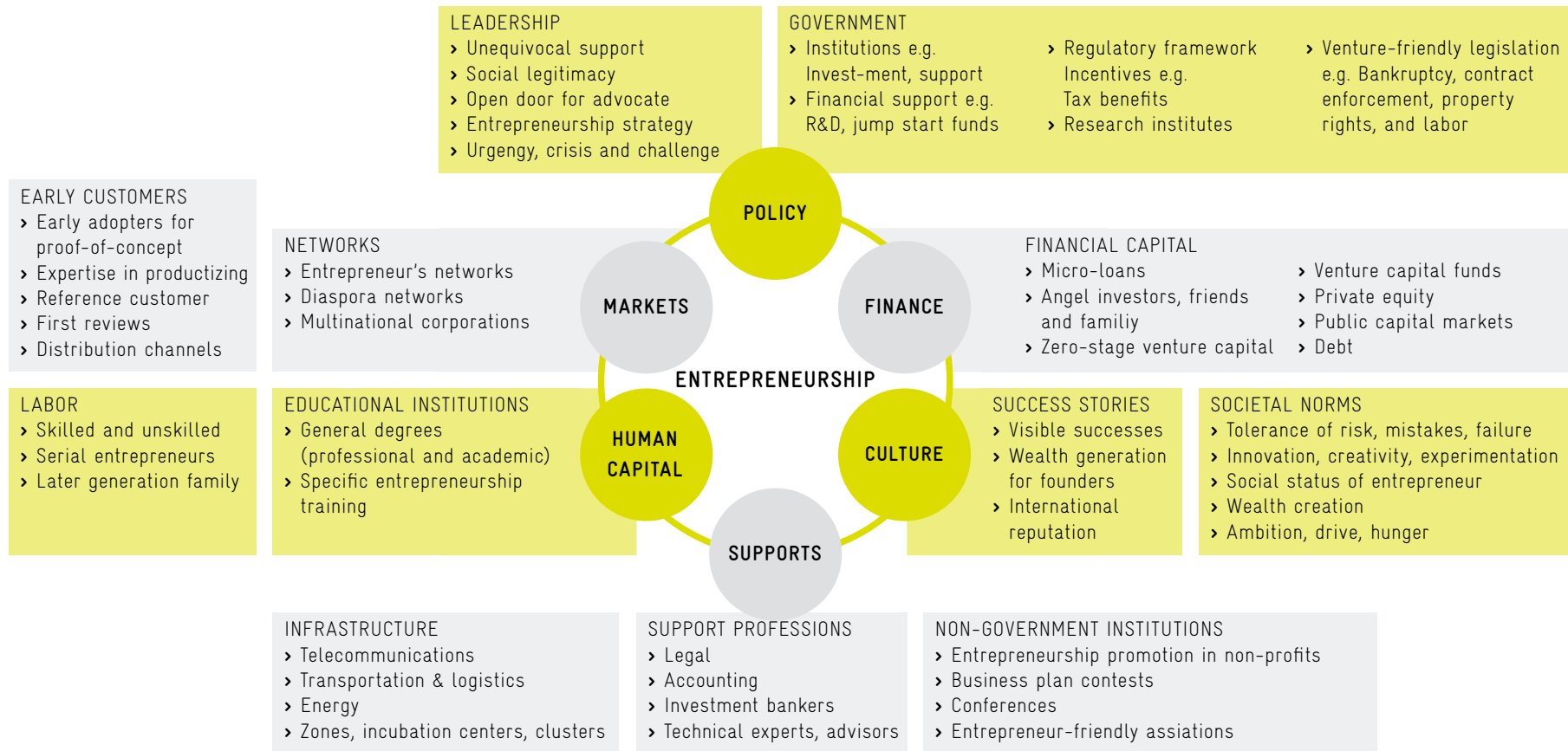


DEEP ANALYSIS MAPPING TOOLS AND FRAMEWORKS

The GIZ Guide and other methods such as the framework from Daniel Isenberg of Babson College provide some of the broadest and in-depth insights into an ecosystem. In addition to analysing the business environment, policy level, entrepreneurial culture and ecosystem stakeholders, the

Babson framework also provides an essential focus on markets and human capital, both of which are critical resources for entrepreneurial growth. These analyses and maps take time to develop due to the in-depth and broad-based information that must be collected, processed and verified.

FIGURE 8: Isenberg’s model of an entrepreneurship ecosystem



(Source: <http://www.innovationamerica.us/images/stories/2011/The-entrepreneurship-ecosystem-strategy-for-economic-growth-policy-20110620183915.pdf>)

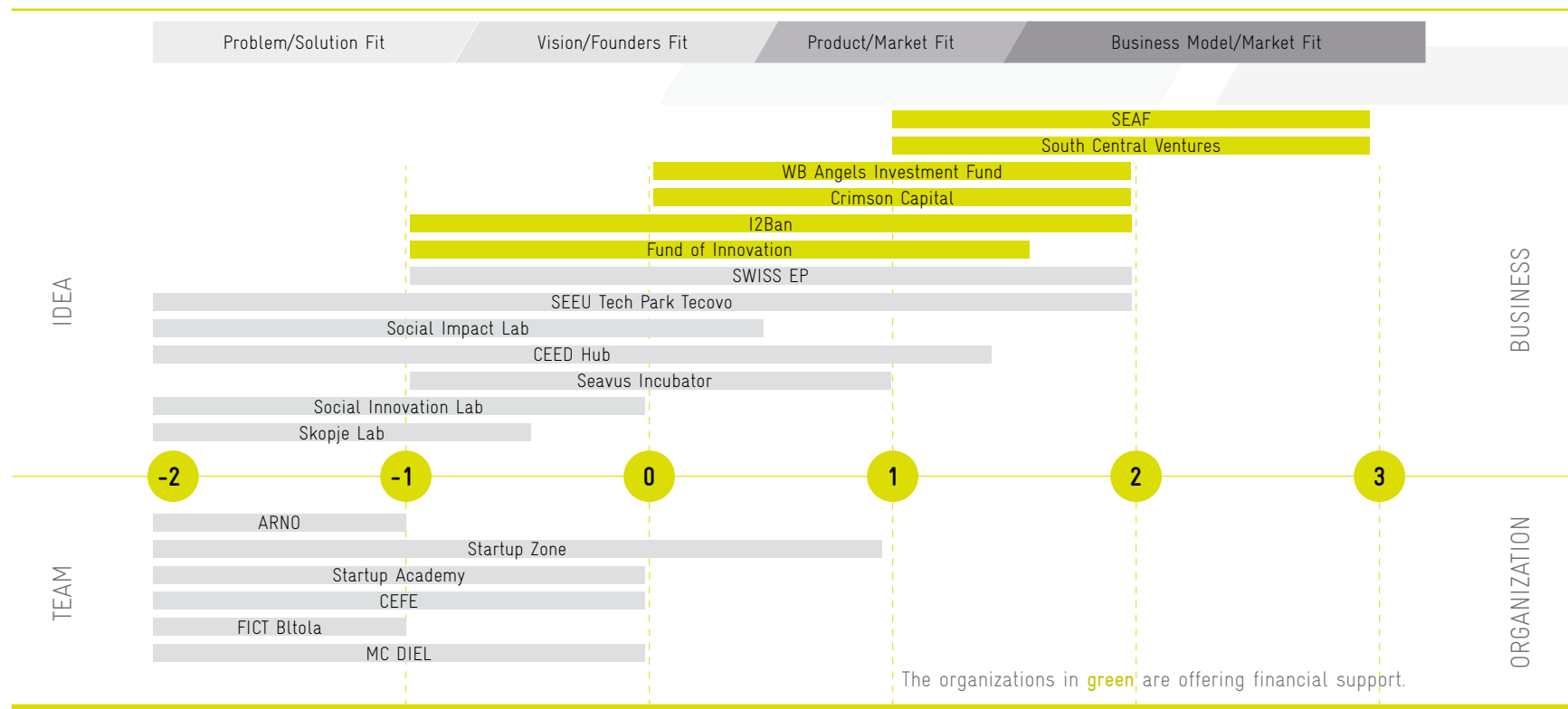


ECOSYSTEM RELATIONSHIP MAPS

Yet another type of mapping tool focuses on the different relationships in the ecosystem. These maps measure connections between entrepreneurs or relationships between entrepreneurs, financial organisations and ESOs. Analyses like figure 9 also show the level of collaboration between ESOs and financial organisations. One case in point here is the social

network analysis (SNA) developed by the Crédit Suisse and Swisscontact (see example of a *Social Network Analysis for the Uganda entrepreneurial ecosystem* (<https://www.andeglobal.org/blogpost/737893/333711/Understanding-entrepreneurial-ecosystems-through-social-network-analysis-SNA>)). Another example is the *Cairo Tech Sector Network map* (<http://www.cairotechmap.com/fullmap/>) developed by Endeavor Insight.

FIGURE 9: Connecting the 'Macedonian Startup Ecosystem'



(Source: https://www.startupcommons.org/uploads/2/1/1/0/9/21090978/sm_ecosystem_research_2018.pdf)



MATURITY ANALYSIS

Another type of mapping tool examines the maturity of ecosystems. Some of these tools focus on the growth stages of companies within the ecosystem. Yet another approach to maturity analysis addresses the different players and ESOs in the system and the stage of the venture that they support. The Techstars Ecosystem maturity model measures ecosystems using a points system which enables cross-ecosystem comparisons.¹⁰

PLAYERS CATEGORIES MAPS

Many ecosystem maps show the various ecosystem players and organise them into different categories.

For example, they categorise

- › entrepreneurs by industry or technology
- › ESOs by the type of entrepreneurs they support and
- › financial organisations by where they invest, how actively they invest and the type of investments they make.

Maps by BriterBridges¹¹ are used as an example.

¹⁰ <https://www.techstars.com/ecosystem-development>

¹¹ <https://briterbridges.com/innovation-maps>

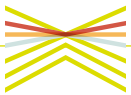


TABLE 2: Overview types of ecosystem maps

TYPES OF ECOSYSTEM MAPS	CRITICAL INFORMATION PROVIDED	EXAMPLE LINKS
Deep analysis maps	<ul style="list-style-type: none">› Identify gaps and opportunities for new interventions on all three levels (culture and attitudes, stakeholder interaction, business environment and investment climate/policies)› Communications tool to help find a common purpose among ecosystem players	<ul style="list-style-type: none">› GIZ, Guide for Mapping the Entrepreneurial Ecosystem: https://mia.giz.de/qlink/ID=247470000› Isenberg/Babson: http://www.innovationamerica.us/images/stories/2011/The-entrepreneurship-ecosystem-strategy-for-economic-growth-policy-20110620183915.pdf
Relationship maps	<ul style="list-style-type: none">› Identify the 'champion entrepreneurs' and the most active ecosystem players› Identify isolated pockets and the necessity for establishing collaboration there› Visualise and understand the interactions and the organic functioning of an ecosystem	<ul style="list-style-type: none">› Endeavor Insights: https://endeavor.org/%20impact/insight/?category=network-mapping› Crédit Suisse - Swisscontact (CSSC) initiative: https://www.swisscontact.org/en/projects/cssc
Maturity maps	<ul style="list-style-type: none">› See what stage the ecosystem is currently in› See gaps in support for the different stages of support for entrepreneurs› Grade an ecosystem versus another based on a standard scoring mechanism	<ul style="list-style-type: none">› Techstars: https://www.investkelowna.com/application/files/2615/1699/2887/Techstars_Community_Okanagan__Read_Out_PRES0.pdf› Startup Commons: https://www.startupcommons.org/startup-ecosystem-maturity.html
Categorised players maps	<ul style="list-style-type: none">› Identify strengths and weaknesses in the ecosystem in terms of stakeholders› Identify the organisations working in a specific part of the ecosystem› Identify individual ventures in particular sectors	<ul style="list-style-type: none">› Briterbridges: https://briterbridges.com/innovation-maps› Startup Thailand: https://ecosystem.startupthailand.org/



Ways to benchmark and track the success of entrepreneurial ecosystems

1

In addition to the ecosystem maps, global benchmarking tools can also help to understand a specific ecosystem.

Startup Genome and Startup Blink are two global benchmark analyses that include information on many developing countries and cities. Both of these benchmarking tools leverage publicly available investment data sources, so the benchmarks they produce are best for analysing distribution technology start-up ecosystems that are funded by venture capital. It is important to note that these two benchmarks are mostly used to measure the tech start-up ecosystem rather than a broader entrepreneurial ecosystem.

- › **Startup Genome** implements a survey of startups and has an extensive data set on tech-startups. It is one of the best resources when the focus is on specific ecosystem cities.

→ <https://startupgenome.com/>

- › **Startup Blink** is a relatively new benchmarking tool which provides information on different ecosystem players at country and city levels (including all major cities in emerging economies). However, it also relies heavily on global databases on investment, coworking, and World Bank Doing Business, which may not provide the most precise local picture for different ecosystems.

→ <https://www.startupblink.com/>

2

ALIGNING CULTURE & MOTIVATIONS
WITH A COMMON PURPOSE



Aligning culture & motivations around a common purpose (Level 1)

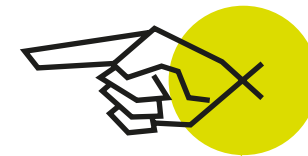
This chapter explains how the different motivations that drive entrepreneurs, different purposes of entrepreneurial communities and the overall entrepreneurial culture in society influence entrepreneurial behaviour and outcomes – and how development programmes can intervene to align and strengthen these.



2

Chapter overview:

- I Understanding what motivates an entrepreneur
- II Purpose-driven entrepreneurial communities
- III Supporting an entrepreneurial culture
- IV How to help align entrepreneur motivation with culture and an ecosystem community's purpose





1 Understanding what motivates an entrepreneur

We must understand what motivates entrepreneurs to start up and expand a company – after all, it is the original motivating factors which most often affect the results a company achieves. Entrepreneurs have traditionally been characterised as being either ‘opportunity-driven’ (pursuing a unique business opportunity) or ‘necessity-driven’ (motivated by the need to earn income in the absence of other job opportunities). However, research has shown that drawing further distinctions between different types of motivation makes sense.

- › **Financial** incentives are the most significant factor for both necessity-driven and opportunity-driven entrepreneurs. In the case of an entrepreneur who is driven by necessity, meeting his or her immediate economic needs is the financial incentive. By comparison, the financial incentives for an opportunistic entrepreneur are typically more long-term and substantially greater scale-wise.
- › **Autonomy** is also a common motivation for those with jobs who desire more control over their lives by creating or responding to financial opportunities. Autonomy usually motivates a business person to make the company’s survival the overriding objective – and not its growth.
- › **Challenge** – Many opportunistic entrepreneurs are motivated to start a business because they have identified a specific opportunity, or they want to solve a problem by means of a business venture. Entrepreneurs who are motivated by a challenge and start their businesses are usually more focused on growth.
- › **Making a difference** – The ‘social entrepreneur’ is highly motivated by the notion that his company could create a profound social or environmental impact. These persons can best measure their success by using impact indicators that are relevant to their business ventures, rather than to the growth of their companies.
- › **Family** motivations have always been significant. These are typically linked to two other factors:
 - 1) Younger generations often feel it is their duty to take over an existing family enterprise.
 - 2) A change in family status (such as adult children moving out of the house or parents retiring) often forces family members to re-evaluate their current career paths and perhaps consider an entrepreneurship.



The Global Entrepreneurship Monitor (GEM) has the most unique available data on entrepreneurs and their motivations at global, regional, and country levels. Covering 22 years and 115 countries, its data comes from a sample survey of the adult population, which includes entrepreneurs and non-entrepreneurs. The analysis provides insights into a country's societal views of entrepreneurs and the views of entrepreneurs themselves. Since the GEM dataset is so rich, it is frequently used for many research projects that examine entrepreneurship.

→ <https://www.gemconsortium.org/reports/latest-global-report>

We can deduce the following observations from the 2019/2020 Global Entrepreneurship Monitor (GEM) Global Report¹², which looks at entrepreneurs in both developing and developed countries:

- › The top three motivations for entrepreneurs throughout the world are
 - 1) Financial
 - 2) Autonomy
 - 3) Meeting a challenge
- › Making a difference in society is a growing motivation for entrepreneurs

- › Family and friends are significant factors for entrepreneurs, influencing many to start companies
- › Significant changes in the lives of their family members also influence the behaviour of entrepreneurs
- › The motivations of entrepreneurs impact on their companies
- › Entrepreneurs who are motivated by a challenge or by financial gain exhibit more substantial expectations of growth for their businesses
- › Entrepreneurs who are more motivated by autonomy and supporting their families have a better chance of survival in the world of business

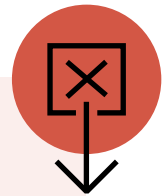
MORE RESOURCES:

Source for entrepreneur motivations in the UK

→ https://www.researchgate.net/publication/279885236_Understanding_Motivations_for_Entrepreneurship_A_Review_of_Recent_Research_Evidence

Source for entrepreneur motivations in the Germany

→ <https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-Gr%C3%BCndungsmonitor/KfW-Gruendungsmonitor-2020.pdf>



¹² <https://www.gemconsortium.org/reports/latest-global-report>



II

Purpose-driven entrepreneurial communities

Multiple communities are formed within an entrepreneurial ecosystem and linked by a common purpose. As mentioned in **Chapter 1**, Silicon Valley began with a community of engineers that worked together towards their shared goal of developing a competitive computer chip industry in Northern California. These communities and their purposes and goals must be identified if a development programme is to be successful.

The MIT D-Lab described purpose as being the ‘guiding star’ of an innovation ecosystem¹³. Having a purpose creates an alignment between different players, motivating them to work together as a community. These communities are tied together by a common purpose, which often cuts across traditional institutional lines. By working together, these communities create more significant impacts that are in line with their common purpose.

The terms ‘entrepreneurial communities’ and ‘entrepreneurial ecosystems’ should not be confused with one another – ‘entrepreneurial communities’ are sub-groups of an ecosystem. An ‘entrepreneurial ecosystem’ usually contains several diverse entrepreneur communities, each of which has a different purpose.

Purposes (goals) can be very diverse, covering topics such as creating environmental sustainability, developing agriculture products, supporting women entrepreneurs and building tech ventures (see the examples of communities and their purposes, **table 3** on the next page). All of these different, purpose-driven communities can be part of a broader entrepreneurial ecosystem.

2

13 https://d-lab.mit.edu/sites/default/files/inline-files/Understanding_Innovation_Ecosystems_FINAL_JULY2019.pdf



TABLE 3: Examples of entrepreneurial communities

ENTREPRENEURSHIP COMMUNITIES	PRIMARY PURPOSE
Maker Express in Egypt → http://makerexpress.org/	To connect the maker community throughout Egypt. This mobile maker space provides access to those people who are part of the community but don't have the skills or technologies.
Himalayan Climate Initiative in Nepal → http://himalayancclimate.org/	To educate and then support young people in building climate-smart startups. In supporting this purpose, the Himalayan Climate Initiative has built a community of 8,000 volunteers to help their startups.
Beyond the Billion (Global) → https://beyondthebillion.com/	To reduce the global gender funding gap, a community of investors who have committed capital to female founders.

(Source: Authors)

DEVELOPING SOCIAL CAPITAL AROUND A PURPOSE-DRIVEN COMMUNITY

Entrepreneurial communities are typically aligned with a shared sense of purpose which brings entrepreneurs and other ecosystem players together. As the communities work together, mutual trust grows over time – and the result of this process is often called ‘social capital’. Research projects from Start-up Genome, Global Accelerator Learning Initiative (GALI), Kauffman Foundation, and Endeavor Insight have shown that significant numbers of connections and stronger connections establish and increase social capital in the ecosystem.

This in turn leads to more impact being made by entrepreneurs in the community, resulting in more revenues and higher financing levels. Social capital increases as a direct result of the increased number of successful businesses within the community, all connected by the common purpose. The ecosystem mapping exercises that focus on measuring relationships and the social capital established through those relationships are an integral part of understanding entrepreneurial ecosystems.



UNDERSTANDING HOW COMMUNITY PURPOSES AND PROGRAMME OBJECTIVES ARE ALIGNED WITH ONE ANOTHER

Any programme that is aimed at strengthening ecosystems must be designed in such a way that the relevant community purposes can be identified – and the ways in which the programme will align itself with those purposes must be defined. For example, the region in question may have rural locations where the sense of purpose of the community might be the growth of agribusiness. Let's imagine that a new programme is suddenly introduced into this region, and it starts to create new tech startups, which have absolutely nothing to do with agribusiness growth. In this case, we sincerely hope that the programme staff would quickly realise that their objectives were not suitably aligned with the communities' purposes!

HOW TO IDENTIFY THE PURPOSES IN THE ENTREPRENEURIAL ECOSYSTEM

› **Ecosystem mapping process** – Entrepreneur communities are not always easily identifiable. However, it is vital that ecosystem mapping does identify them. The mapping process should highlight the types of entrepreneurs which the ecosystem and the policies support – and the most successful entrepreneurs. For example, an ecosystem map might

uncover several programmes and events supporting women entrepreneurs, several very successful women entrepreneurs who promote entrepreneurship for women, plus recent policy changes to support women entrepreneurs and their access to financing. Although there might not actually be a community of female entrepreneurs, the mapping should show different ecosystem players who have a similar purpose. Here there is an opportunity to expand social capital, which will both strengthen and formalise the community. The relationship mapping process should also be able to recognise existing relationships and collaborations.

- › **Entrepreneurial media analysis** – A media analysis can be useful if no entrepreneurial ecosystem map exists. It examines the types of companies and ecosystem organisations in the area in question. The study can also look at the entrepreneurial topics covered in the media or on social media. Analyses like this provide some insights into the purposes of different communities in entrepreneurial ecosystems.
- › **Pre-project focus groups** – Good programme design should include the validation of draft designs with ecosystem players and entrepreneurs. These focus groups should reveal alignment or conflict between programme objectives and existing purposes in the entrepreneurial ecosystem.



When a programme's objectives are aligned with ecosystem players' purposes, natural synergies are created that enable the programme to function with 'less risky' interventions.

When the community's shared sense of purpose does not match the programme objectives, the need to develop a community around the programme will arise. In cases like this, interventions could include small, grant-funded pilot activities as well as communication and mindset change activities.

FIGURE 10: Aligning project objectives and community purpose

Project Objectives	Entrepreneur Community Purpose	Project Tools: > Facilitation > Capacity Building
Project Objectives	Entrepreneur Community Purpose	Project Tools: > Mind-set Change > Fund Pilot

(Source: Authors)



III

Supporting an entrepreneurial culture

Culture can be described as the total shared and learnt behaviour of a society or sub-group¹⁴. It can influence how individuals perceive risk or react to potential opportunities. Cultural norms are passed on from family and friends and also reinforced by the media that represent the group in question. Culture can either inhibit entrepreneurship or significantly empower it. It is important to remember that culture does not equate with destiny because entrepreneurs who face strong cultural headwinds can nevertheless achieve success. Neither is culture stable over time, but it can adapt when significant demographic, economic and other changes happen. Since culture is such an influential factor, many entrepreneurial ecosystem maps recognise and measure its importance within their frameworks. Development programmes should also strive to gain a deeper understanding of the culture that is interwoven with entrepreneurship.

An analysis conducted by the University of Belgrade using GEM data showed that cultural dimensions had decisive impacts on entrepreneurial ecosystems.¹⁵ For example, the analysis explained that a strong negative correlation existed between the 'power distance' in society, meaning the degree

in which power is unequally distributed in society, and entrepreneurial orientation. On the other hand, societies with less hierarchy and which encourage individualism and embrace uncertainty are more likely to be entrepreneurially oriented.

¹⁴ <https://plato.stanford.edu/entries/culture-cogsci/>

¹⁵ https://www.researchgate.net/profile/Milica_Jovanovic2/publication/325688487_The_Role_of_Culture_in_Entrepreneurial_Ecosystem_What_Matters_Most/links/5b1e57a10f7e9b68b42c9057/The-Role-of-Culture-in-Entrepreneurial-Ecosystem-What-Matters-Most.pdf?origin=publication_detail



THE IMPACT OF GENDER BIAS ON ENTREPRENEUR MOTIVATION

Gender biases are among the most significant cultural factors that limit the growth of entrepreneurs – and this in turn also restricts the growth of economies. GEM¹⁶ and the World Bank¹⁷ have identified the following as some of the significant gender biases that place restrictions on female entrepreneurs:

- › In some countries, regulations prevent women from owning property or signing contracts – and this creates constraints such as limiting access to bank loans.
- › In many economies (apart from most Sub-Saharan countries), women have fewer job opportunities than men – so they are more likely to become entrepreneurs since they are driven by the necessity to earn an income.
- › Limited job opportunities, especially in male-dominated industries, also restrict the ability of women to gain needed experience and skills.
- › The inadequate level of education for women means that they are less likely to succeed in business because they do not possess sufficient skills.

- › The culture expects women to take care of their households, and this usually means they have no time to found, manage or expand a business.
- › Female entrepreneurs face more social pressures to share their resources, limiting their ability to invest in their businesses.

Interventions to reduce gender biases and consequently increase the success rates of female entrepreneurs include the following:

- › Addressing legal discrimination that prevents women from owning capital
- › Increasing education opportunities for women
- › Increasing the size of women's business networks
- › Establishing women-friendly training programmes that include strengthening their technical skills and increasing their confidence in their own abilities
- › Providing more accessible access to child care
- › Encouraging men to be more supportive of female entrepreneurs
- › Creating opportunities for women to work in male-dominated industries.

¹⁶ <https://www.gemconsortium.org/report/gem-20182019-womens-entrepreneurship-report>

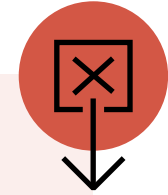
¹⁷ <https://openknowledge.worldbank.org/bitstream/handle/10986/31421/135420-ProfitingfromParityFullReport.pdf?sequence=1&isAllowed=y>



SOCIO-DEMOGRAPHIC INFLUENCES ON WHAT MOTIVATES ENTREPRENEURS

The perception of risks and opportunities for entrepreneurship is also influenced by the entrepreneur's socio-demographic characteristics, which include gender, age, education and household income. According to GEM, one of the most influential attributes of an entrepreneur is his or her educational achievements, because a person with a university degree is more likely to start an opportunistic company. Personal ambition can also be strongly influenced if a prospective entrepreneur has money, because in cases like this, it is more likely that he or she will found a growth-focused business.

Age can also influence the motivation of a person to start a company. The graph curve that applies to age and the motivation to start a business is U-shaped. When a prospective entrepreneur is young, he usually cannot envisage any risk of his business failing, because failure lies far beyond the horizon of his future. On the other hand, an older man between 30 and 50 often has family responsibilities, so he will be more averse to risks and less likely to start a business, although he will usually have more capital and the necessary connections and experience. However, remember that prospective entrepreneurs of various ages perceive business risks and rewards differently because their perceptions are also based on a country's economics and culture.



2

MORE RESOURCES:

Study on the role of culture in entrepreneurial ecosystems based on European regions

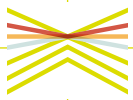
→ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2700798

Study on the relationship between religion and entrepreneurship

→ https://www.researchgate.net/publication/228270471_Religion_and_Entrepreneurship

A review on the research of the relationship between culture and entrepreneurship

→ https://www.researchgate.net/publication/322537883_The_Relationship_between_Culture_and_Entrepreneurship_From_Cultural_Dimensions_of_GLOBE_Project_A_relacao_entre_cultura_e_emprededorismo_a_partir_das_dimensoes_culturais_do_projeto_GLOBE



GIZ PROJECT EXAMPLE DARFUR/SUDAN – LINKING PROGRAMME OBJECTIVES WITH COMMUNITY PURPOSES



CONTEXT

Sudan underwent a revolution in 2019. The dictator who had ruled for three decades was overthrown, creating a momentum for change, with youth and women at the forefront. The brutal events are still fresh in the memory of the population, but the people are ready to fight for a better future. There are many different stakeholders, ethnic minorities and groups with diverse political, economic, and religious interests. All the local players in the ecosystem have one common goal – to overcome the economic and financial crisis that is

hampering political transition. However, they cannot agree on how to rejuvenate the economy. Until recently, the players were prevented from engaging in any dialogue by the challenging political environment in which they were operating – and the fact that market and labour connections were primarily based on tribal or political affiliations.

Darfur is a marginalised and war-torn region in Sudan – and designing a programme adapted to this fragile environment was not merely a technical exercise involving drawing on common entrepreneurship knowledge and tools; instead, it was about the process of getting community members to come together, linked by a shared sense of purpose. Getting to know and understand the various local players before designing the intervention was a crucial and delicate task for the GIZ-implemented project → *South Darfur employment initiative: vocational training measures for refugees, internally displaced persons and host communities in Nyala, South Darfur, Sudan* (<https://www.giz.de/en/worldwide/66901.html>). Some players were also suspicious of the programme. It was essential to understand how the players regarded the team on the ground – and the team itself had to be local, ethnically diverse and inclusive.

>>>



THE APPROACH

select several diverse local partners and align them with unique cultural norms

Interventions were designed in three cities with the focus on youth and displaced persons.

These included the following groups:

- › Public vocational training centres under the Ministries of Labour and Education.
- › The Supreme Council for Vocational Training and Apprenticeship.
- › The Union of Small Industries and Crafts, a private sector organisation. It is regarded as being very politically-oriented, mainly due to a history of interference from leading political parties.
- › Youth hubs that are focused on innovation, arts, and media. They have hardly any economic and political influence – but they do have lots of ideas and the desire to create change.

The programme opened the doors to a welcoming and collaborative environment, with workshops and training courses that matched the needs and the wishes of the different local players. Within the local community, storytelling was an essential part of the programme, since it influenced the culture and steered the participants towards a common economic sense of purpose. The traditionally marginalised blacksmithing sector and the youth hubs both played vital roles in this process. They were chosen to counterbalance the influence of the dominant players in the ecosystem and to add innovation to the established businesses.

The programme also included a participatory labour market assessment that brought stakeholders from the public and private sectors together. Each stakeholder collected the data that was relevant to his or her mandate. This was followed by a group discussion to analyse the findings. These shared activities helped the stakeholders to get to know each other better – and the process of restoring mutual trust was born.

(Source: Authors)



IV

How to help align entrepreneur motivation with culture and an ecosystem community's purpose

2

Programme interventions to align entrepreneur motivations and culture with a common purpose are a critical component of any project that is aimed at strengthening an entrepreneurial ecosystem. However, an alignment like this cannot be created using one approach. It is the local situation that creates the conditions for the actual interventions – and this is why it's essential to understand the cultural factors that influence the motivations of entrepreneurs – and to identify the champions and the cultural leaders of the different communities within the ecosystem. The programme staff must be 100% aware of its objectives and ensure that they are aligned with the current purposes of the entrepreneurship community in question.

There are several potential interventions a programme can implement to create a better alignment of purpose, culture and motivation among entrepreneurs. These include:

› **Entrepreneur / ecosystem-focused storytelling**

Storytelling is often used in order to influence the local culture to be more open-minded towards the acceptance of entrepreneurs. Stories of how an entrepreneur built a business based on a purpose shared by a community can attract more people to support that community. Developing stories of successful business people becoming mentors, or corporations providing financial support to ecosystem programmes are

another method of getting more players to support a community's ecosystem.

› **Pilot programming**

Pilot programmes and pilot activities are other tools that enable development programmes to build a community based on a purpose. Creating a community requires momentum, and this can be promoted if you implement a pilot programme to show others outside of your community what can be accomplished. However, implementing pilot programmes can be risky, since success must be ensured and communicated. Pilot programmes should be tightly focused,



with only a small number of targeted entrepreneurs and a narrow range of objectives. The **project example** on the next page of the 'Scale-Up programme' of Daniel Isenberg's Babson College in Colombia is an example of this.

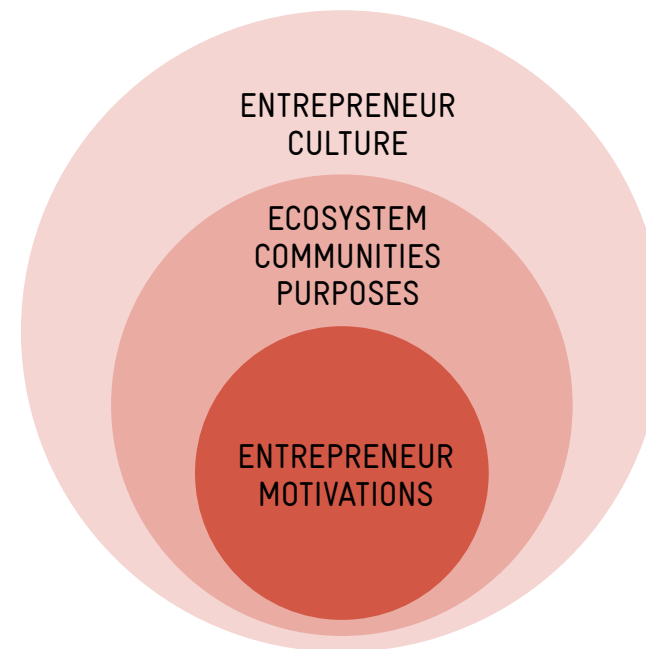
› **Facilitating the participation of external stakeholders and leaders in programmes**

Facilitating the participation of external community leaders in events, programmes, or collaborative strategy sessions is an intervention tool that helps to create alignment. These leaders can be brought in to participate in a pilot programme or to be part of a strategy session that is derived from a mapping exercise.

› **Communicating success**

When a programme has developed its success stories and has achieved some alignment with community leaders, it is time to communicate this to a broader section of society. Communication should be done through both the digital and the traditional media channels that local companies use. For example, one programme in which the authors participated had entrepreneurs talking about their journeys on radio shows or morning television broadcasts. Persuading popular social media influencers to share the programme's stories can also be beneficial.

FIGURE 11: Aligning motivations, purpose and culture



(Source: Authors)



PROJECT EXAMPLE BABSON/ISENBERG – ALIGNING PROJECT OBJECTIVES WITH AN ECOSYSTEM'S COMMON PURPOSE

CONTEXT

Daniel Isenberg believes that the purpose of any entrepreneurial ecosystem should be to focus on company growth – because it drives economic growth. This is why he developed the → **'Scale-Up' programme** (<http://manizalesmas.com.co/wp-content/uploads/2016/03/Fostering-Scale-Up-Ecosystems-For-Growth-GEC-2016-in-press-MIT-Innovations-March-8-2016.docx.pdf>), which is running in various ecosystems, including India, Guatemala and some older industrial towns in the United States. The programme focuses solely on small ventures that are willing to grow, whether it's a construction company in the United States or a car wash venture in Guatemala; any other goals apart from growth are set aside. The core of the programme consists of a series of sales and marketing workshops and coaching.

In Manizales, Colombia, the programme convinced a successful chocolate company with a related philanthropic foundation to fund the first Scale-Up pilot programme in 2009. However, the purpose of the programme differed from what many stakeholders in the Manizales entrepreneur community wanted. They saw globally recognised, tech start-up programmes that were giving international founders a financial incentive to start companies in other South American countries such as Chile – so many players in the Manizales entrepreneurial ecosystem wanted a similar programme.

Isenberg was able to convince leaders to run a pilot growth programme supporting small ventures, irrespective of their sector or technology level. The initial results were successful, and the project developed the stories of some of the successful participating companies. Local media channels covered the results and the stories, eventually creating a buzz that created a feeling of trust for the programme. This newfound trust then encouraged the stakeholders to support the purpose of growth and to become actively involved with the community. As more Scale-Up programmes were established, the trust and social capital between the stakeholders were strengthened – and they ultimately contributed to establishing a local institution that could steer the programme. The institution running the programme then expanded the activities – and it is now also supporting university entrepreneurs.

The Scale-Up programme created a shared purpose aimed at sales growth by running a small pilot project, which proved to be successful. The programme staff then communicated that success to stakeholders – and that got more of them involved. This process was repeated until there were enough stakeholders to create an infrastructure based on the common purpose, which was to scale and sustain that infrastructure. Scale-Up was successful!





3

STRENGTHENING
INTERACTIVE PLAYERS AND
HELPING THEM TO GROW



Strengthening interactive players and helping them to grow (Level 2)

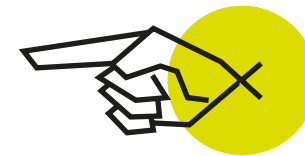
This chapter focuses on the various interactive players, highlights the relevant research and provides insights into how international development programmes can support these players. The second part of the chapter deals with the importance of collaboration and the interaction between players and entrepreneurs – and how to support this interaction.



3

Chapter overview:

- I Institutional players
- II Ecosystem collaboration



Every ecosystem has different players who help entrepreneurs to succeed by providing them with services that are targeted to their needs. These players include institutional players and organisations, plus the entrepreneurs themselves and the individuals

who support them. The more advanced an ecosystem is, the more diverse are its players and the range of services they provide – and it is these players who need to interact and work with one another if an ecosystem is to become strong.



1

Institutional players

Institutional players support entrepreneurs through their services, financing, their ability to create a network and through other means of support.

These players include:

- › Entrepreneurship support organisation (ESOs)
- › Financial institutions
- › Market players
- › Media players
- › Education and training institutions
- › Government players

3



Entrepreneur support organisations (ESOs)

Entrepreneur support organisations (ESOs) are often the most easily recognised institutional players in an entrepreneurial ecosystem. They usually provide entrepreneurs with non-financial services, knowledge and expertise to accelerate learning and with a network of support that both challenges and encourages entrepreneurs as their companies grow.

One crucial role that an ESO plays is that of a facilitator between the entrepreneur and the other parts of the ecosystem. Some ESOs provide grants and other forms of financing, but this is usually a smaller segment of the broader set of services.

Services often provided by ESOs include:

- › **Training courses and workshops**
- › **Mentoring and coaching**
- › **Advisory services**
- › **Networking with other ecosystem players**
- › **Peer learning and support**
- › **Office space**
- › **Corporate connections**
- › **Back-office support (accounting, business registration, legal support, etc.)**
- › **International connections.**

In a well-developed ecosystem, ESOs which offer these services often specialise in supporting different types of entrepreneurs, focusing on individual aspects such as industry/technology, motivation (e.g. social businesses), socio-demographic factors or the entrepreneur's stage of growth.

ESOs have diverse legal structures and organisational forms that can be private, non-profit/NGO, public/government agency or even hybrids of these types. In addition, ESOs do not necessarily have a permanent physical location for their programmes and services, but they do usually appear at events such as conventions, competitions, sales promotion talks, missions, etc.

While many ESOs are created solely to serve entrepreneurs, large organisations such as corporations, universities, business associations and donor programmes often operate ESOs as a specific part of their business structures.



TYPES OF ESOS

Here are several typical ESO types that can usually be found in an ecosystem.

TABLE 4: Types of ESOs

TYPE OF ESO	TYPES OF PROGRAMMING	TARGET ENTREPRENEUR SEGMENTS	TYPICAL ORGANISATIONAL FORM	EXAMPLE
Entrepreneur Accelerator	Typically, a cohort-based program which relies on peer group learning and pressure. Most accelerators provide mentoring and coaching services and co-working space. Some accelerators offer training and/or financing.	Early-stage startups, disruptive technologies, Ventures ready to raise	Almost every form	<ul style="list-style-type: none"> › <i>Ezdehar</i> (https://www.psmeegypt.org/activity-details/2037) Food Accelerator, <i>Takomol</i> (https://www.psmeegypt.org/activity-details/2036) Programme implemented by the Ministry of Trade and Industry and GIZ in Egypt › <i>Flat6 Labs</i> (https://www.flat6labs.com/) – an accelerator working across the Middle East
Entrepreneur Incubator	Traditionally focused on providing assets to share among its participants, including office space, wi-fi, and office equipment. Incubators offered some of the first co-working spaces. Sometimes incubators offer other back-office services like accounting services. Incubators often provide more support programming, like networking and mentorship. Entrepreneurs are typically in an incubator for years, not months.	Established SMEs, start-ups	Government and university supported or private sector	<ul style="list-style-type: none"> › <i>Ivanaj Foundation's Business Incubation & Innovation Hub</i> (BIIH) in Albania (https://ivanaj-foundations.org/business-incubation-innovation-hub/)



TYPE OF ESO	TYPES OF PROGRAMMING	TARGET ENTREPRENEUR SEGMENTS	TYPICAL ORGANISATIONAL FORM	EXAMPLE
Entrepreneur competitions	Accelerators and incubators are typically tied to physical locations. Many programs provide the same type of program support (training, mentoring, peer learning networking, etc.) without being connected to a site. These programs typically occur over a short period – hours or a week. They usually use a competition format to create urgency and pressure to accelerate the venture’s progress. Because these programs do not have a physical location and occur over a short period, the cost structure is much smaller than an accelerator. Many of these competitions heavily rely on volunteers and not full-time staff.	Any type of entrepreneur	Even though these are time-bound events, they are usually implemented by various organisations, typically regularly. Universities, private companies NGOs will implement their competitions.	<ul style="list-style-type: none"> › <i>SeedStars</i> (https://www.seedstarsworld.com/) – a global competition in 90 countries › GIZ’s Project „<i>PSD and employment promotion – (re-)integration of young people</i>” (https://www.giz.de/en/worldwide/83039.html) in Iraq organises start-up competitions in cooperation with local universities
Entrepreneur Training Programs	Programs focused specifically on training and domain knowledge transfer. Typically focused on a narrow topic, like how to start up a business or increase your sales/marketing. Often have domain-specific coaches to provide part of the training.	Any type of entrepreneur	These are typically recurring events that almost all organisations types have implemented	<ul style="list-style-type: none"> › <i>University of Chicago</i> (https://polsky.uchicago.edu/event/sales-marketing-bootcamp/) Sales and Marketing Boot Camps – training for growing companies in Chicago › <i>Green Entrepreneurship Academy</i> (https://www.borderstep.org/projects/green-entrepreneurship-academy-in-northern-kosovo/) implemented in Northern Kosovo with GIZ support › <i>Cefe trainings</i> (https://idea.cefe.net/) implemented in Albania with GIZ support



TYPE OF ESO	TYPES OF PROGRAMMING	TARGET ENTREPRENEUR SEGMENTS	TYPICAL ORGANISATIONAL FORM	EXAMPLE
Mentoring and Peer networking programs	These ESOs take advantage of the magic of the interaction and relationship that happens between people. These can peer networking like a business association or a more structured mentor program between a more experienced businessperson and a new startup.	SMEs, high growth companies, and established business	Business associations and NGOs	› <i>SME-Mentoring</i> (https://www.mentoring1on1.com/) – a local mentoring program in Vietnam

(Source: Authors)

MORE RESOURCES:

Article on the difference between accelerators, angel groups, and incubators

→ https://www.mitpressjournals.org/doi/pdf/10.1162/INOV_a_00184

Article on the difference between incubators and accelerators

→ <https://masschallenge.org/article/accelerators-vs-incubators>

Article on the challenges of ESOs in the United States

→ <https://www.kauffman.org/currents/a-love-letter-to-entrepreneurship-support-organizations/#:~:text=The%20role%20of%20the%20ESO,train%2C%20and%20sometimes%20fund%20entrepreneurs.&text=Their%20job%20is%20to%20help,or%20growing%20a%20viable%20business>



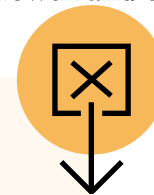


ESO IMPACTS

Initiatives such as the *Global Accelerator Learning Initiative* (GALI), a partnership between the Aspen Network of Development Entrepreneurs (ANDE) and Emory University, have contributed to a body of literature on accelerators and their impacts. The main conclusion from GALI's research is that accelerators can have a positive impact on entrepreneurs, increasing their revenue and the likelihood of receiving financing. However, the data varies greatly – and not all ESOs can show positive results.

Some of the noteworthy research conclusions¹⁸ include the following:

- › Many professionals working in ESOs are not entrepreneurs and have limited prior experience in supporting entrepreneurs. These ESOs should focus on facilitating the work of experts and the careers of entrepreneurs rather than providing training and advice.
- › Generalised ESO training courses and workshops have little impact on entrepreneurs – and they sometimes even shift the focus of entrepreneurs away from their real and urgent challenges in their business models. ESOs should focus their programmes on the needs of their entrepreneur clients and provide tailored support for them.
- › While many ESOs focus on early-stage ventures, only a few ESO programmes focus on later-stage/growth-stage companies. This inhibits the growth and the scaling up of business ventures.



MORE RESOURCES:

Issue Brief on the financing challenges of ESOs in the light of COVID-19

→ https://cdn.ymaws.com/ande.site-ym.com/resource/resmgr/publications/covid_and_sgbs_issues_brief.pdf

Book on how to develop business models for incubators

→ https://books.google.de/books/about/Best_Practices_in_Action.html?id=re88NAAACAAJ&redir_esc=y

¹⁸ <https://www.afrilabs.com/wp-content/uploads/2019/11/AfriLabs-Innovation-Ecosystem-Report.pdf>, <https://www.galidata.org/accelerators/>



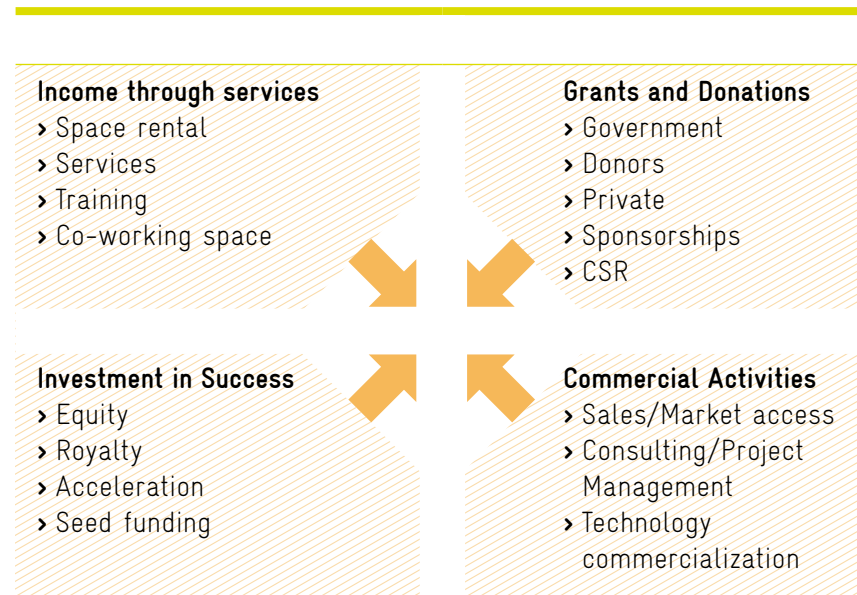
THE FINANCIAL SUSTAINABILITY OF ESOS

Although we have already shown how useful ESOS can be for entrepreneur growth, many of them are facing enormous challenges to survive financially. ESOS are like startups, since they have to prove the viability of their business models before they can secure the financial resources to implement their programmes on a long-term basis.

The financial resources of ESOS can come from four sources:

1. from services such as co-working,
2. from funding from agencies such as donors,
3. from commercial activities such as consulting services and
4. from profits from investments, when ESOS act as venture capitalists.

FIGURE 12: ESOS sources of resources



(Source: Authors)



Most ESOs have to mix their sources of income to cover their fixed costs and the costs of the entrepreneurship programmes they provide. For example, some ESOs make money from co-working, technical training and renting out spaces, while competing for and implementing small grants from local governments and corporate partners. Having multiple sources of income helps to ensure long-term sustainability for the ESO, enabling it to operate more strategically than it could if it had to depend on only one funding source.

Confronted by the COVID-19 pandemic, ESOs in developing and emerging markets are facing severe liquidity crises. They are often in dire need of financial support to be able to introduce new COVID-19-related programmes for their clients – and to simply survive.

HOW TO SUPPORT ESOS – TECHNICAL AND FINANCIAL SUPPORT

Given the impacts that ESOs can have on entrepreneurs – and consequently the entrepreneurs' effects on society – development programmes provide multiple ways of supporting ESOs, helping them to improve their own programmes and/or their financial sustainability.

1. **Capacity building:**

Development programmes support ESOs in improving their services and their business models by

- › bringing in ESO experts and professionals from other countries to provide experience and advice on programmes and financial models,
- › encouraging local, regional and global peer learning between ESOs through organising study trips and gatherings (example: the annual Peer Exchange Meetups by the → *Swiss Entrepreneurship Programme* (<https://swissep.org/global-activities/peer-exchange-meetup>),
- › providing training and internships for ESO staff to develop their skills and experience.

2. **Connecting the players in the ecosystem:**

Since development programmes are often regarded as being trusted partners, they are ideally positioned to link ESOs with other parts of the ecosystem. For example, they can

- › reach out to entrepreneurs,
- › recruit mentors and coaches,
- › find local sponsors,
- › connect with local media organisations.



3. International connections:

- One of the natural strengths of development programmes is the ability to pave the way for new relationships between ESOs and international players. To achieve this, they can
- › link up with other international ESOs,
 - › attract international mentors and investors,
 - › use international press or media to publicise the growth of the ecosystem or to highlight entrepreneurs, both of which can persuade international investors and companies to visit the country,
 - › contact multinational corporations that can act as collaborative partners (see [GIZ project example](#) on Make-IT Africa in [Chapter 5](#)) and provide expertise, mentorship, or financial support.

4. Financial support:

A critical question for any ecosystem-strengthening programme is whether or not to provide **financial support** to ESOs. When weighing this up, a programme should understand how its objectives align with the different ecosystem **community purposes**. The stronger the alignment between the objectives and the purposes is, (please refer to [Chapter 2](#) for more on aligning programme objectives with community purposes), the more likely it will be that ESOs have more options for financial resources in the ecosystem and will not have to depend on funding from development projects. Funding one ESO at the expense of another distorts the market, potentially crowds out other players and incites conflict among ecosystem players.

If, however, the programme is attempting to support a purpose which is not yet entirely accepted in the ecosystem – such as supporting the growth of women entrepreneurs – then financing an ESO to implement pilot programmes might be the only option to get such a purpose-supporting programme up and running, at least until more stakeholders ‘come into the fold’.

FIGURE 13: When to support ESOs financially

Project Objectives	Entrepreneur Community Purpose	Should be enough financial resources in the ecosystem
Project Objectives	Entrepreneur Community Purpose	Consider funding Pilot Projects with a local ESO

(Source: Authors)

Providing financing to ESOs can also be risky for other reasons. For example, ESOs often have no detailed accounting and monitoring systems in place, so they need to learn how to develop and use them. Development programmes can reduce some of the risks by working with ESOs on financial sustainability plans. Approaches to ensure the financial sustainability of an ESO include the following:



- › Running a challenge grant competition, providing small grants to larger ESOs to implement short pilot schemes before delivering much more funding to successful ones. For example, USAID ran a two-part grant for the global programme, → ‘*WomenConnect Challenge*’ (<https://app.reviewr.com/s1/site/WomenConnectChallenge19>). The first grant was put in place to prove that the solution would help to increase the number of women entrepreneurs, the second to scale the solution.
- › Supporting the ESO in developing and implementing a viable business model to ensure its long-term sustainability (take a look at these business model tools in → *English* (<https://www.strategyzer.com/canvas/business-model-canvas>) and → *German* (https://www.existenzgruender.de/SharedDocs/Downloads/DE/Checklisten-Uebersichten/Businessplan/16_Business-modell-Canvas.pdf?__blob=publicationFile)).
- › Ensuring that the ESO provides matching funding. The USAID → *Partnering to Accelerate Entrepreneurship (PACE) Initiative* (<https://www.usaid.gov/news-information/fact-sheets/pace-initiative>) is an example of this, matching grants to ESOs with matching funds from the private sector as a criterion for selection.
- › Ensuring that there is a specific exit plan in the funding agreement. The plan should stipulate that a growing percentage of financial resources will come from other financial sources.

GIZ PROJECT EXAMPLE NAMIBIA - FUNDING AN ESO WITH AN EXIT PLAN

An example of an exit plan can be found in the GIZ-implemented project → *Startup Namibia* (<https://startupnam.org>). At the outset of the project, there were no functioning ESOs in the Namibian ecosystem to help startups, so GIZ helped create one to provide services for local entrepreneurs.

The primary interventions of the project were:

- 1) Setting up the ESO infrastructure, which included a maker space, co-working space and community areas. The project will also be setting up mobile outreach units to gain access to other parts of the country
- 2) Developing and implementing incubation and acceleration services. These include a pre-seed programme, seed incubation & acceleration as well as investment readiness (seed money, also known as seed funding or seed capital, is a form of securities offering in which an investor invests capital in a start-up company in exchange for an equity stake or convertible note stake in the company)
- 3) Providing grants for startups
- 4) Organising and hosting events at local, regional and international levels (e.g. visits by German startups to Namibia)

The project issued a competitive tender to select a consortium of international and regional partners (who manage an accelerator in neighbouring Zambia), with the ultimate aim of developing, managing and ensuring the long-term financial sustainability of the ESO. The consortium is contractually responsible for developing a sustainable business model and ensuring its long-term financial sustainability after the seed funding from GIZ.



Financial institutions

Another important set of players in the ecosystem are financial institutions that provide financial services to entrepreneurs. International development programmes have a long history of supporting financial organisations, because the lack of access to finance remains a significant barrier to economic development in developing and emerging markets. The 'Missing Middles'¹⁹ report estimates a \$3.3 trillion financing gap for entrepreneurs in emerging markets, and, more specifically, a gap of early-stage capital of between roughly €15 thousand and €2 million. This gap is even more significant in developing countries – World Bank Enterprise surveys show that small and medium-sized businesses in OECD and other high-income countries have much greater access to formal credit than their counterparts in Asia, Middle East, and North Africa, and Sub-Saharan Africa.

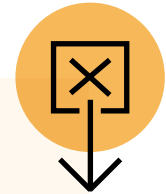
Deficiencies in demand underscore the lack of financing for entrepreneurs in developing countries. Many of them lack proper accounting controls and are either hardly able to create a financial plan or are not aggressive enough with their business growth strategies to make them appealing to financial institutions.

¹⁹ <http://documents1.worldbank.org/curated/en/809191507620842321/pdf/Addressing-the-SME-finance-problem.pdf>

²⁰ The following description is based on the Investment Guide by the GIZ-implemented Tech Entrepreneurship Initiative 'Make-IT in Africa': <https://investmentguide.africa/>

MORE RESOURCES:

Lessons on how to scale access to finance for entrepreneurs
→ <https://english.dggf.nl/publications/publications/2019/1/15/study-on-scaling-access-to-finance-for-early-stage-enterprises>



Strong entrepreneurial ecosystems have a multifaceted range of financial institutions that provide various financial products and services needed by entrepreneurs. These institutions include the following types²⁰:

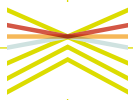


FIGURE 14: Types of financial institutions

A ACCELERATORS / INCUBATORS

Work with early-stage start-ups to help them refine their idea/product, and coach them on how to realize their vision

B ANGEL INVESTOR NETWORKS

Member organisations that recruit individuals with spare cash who are interested in investing in small businesses

C FOUNDATIONS

Organisations that fund projects or companies that are within their sector of focus; typically, philanthropic in nature

D CORPORATES

Companies that fund small businesses as part of their corporate social responsibility drive, or set up own venture funds

E IMPACT INVESTORS

Varied group of funders that look for social/ environmental returns in addition to/instead of financial returns on their investment

F VENTURE CAPITAL FIRMS

Companies that raise outside capital to invest in small businesses and start-ups

G PRIVATE EQUITY FIRMS

Companies that raise outside capital to invest in later-stage businesses, often funding deals of millions of dollars

H CROWDFUNDING PLATFORMS

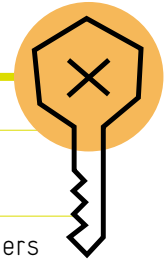
Online or mobile platforms that allow companies and projects to raise funding from (typically) a large group of investors

I PUBLIC / SEMI-PUBLIC FUNDERS

Local, federal, and international organisations that have a mandate to promote entrepreneurship or fund small businesses

J BANKS

Well-known financing entities that are typically wary of investing in small companies; some, however, are looking to lend to more small businesses



(Source: <https://investmentguide.africa/>)

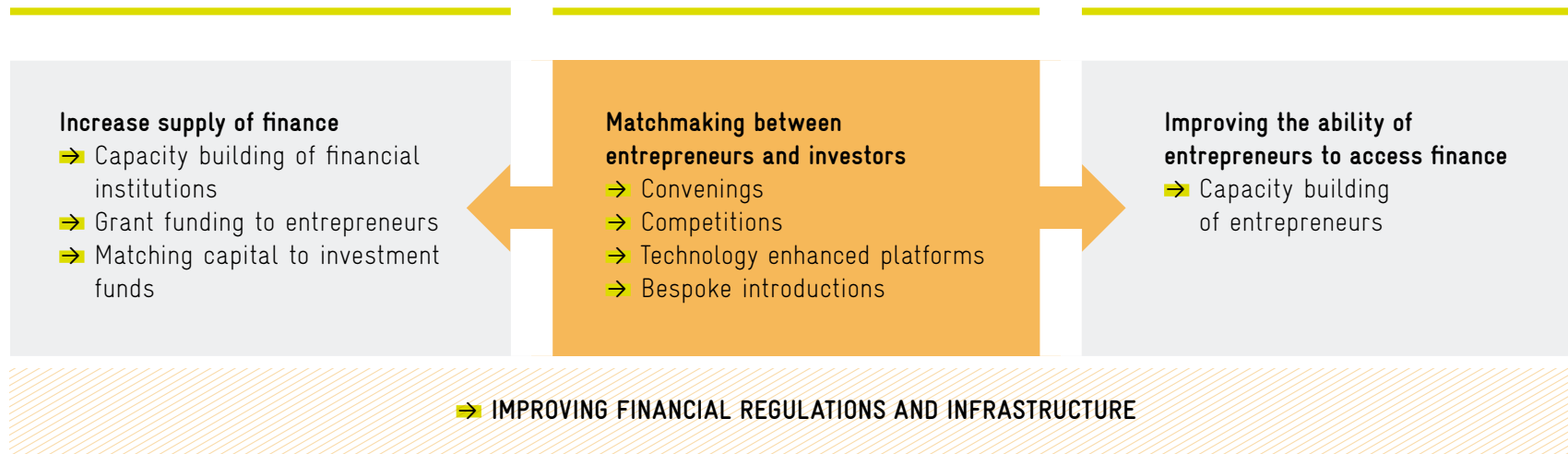
→ Details, see [page 57](#)



HOW TO FACILITATE ACCESS TO FINANCE FOR ENTREPRENEURS

Development programmes seeking to improve access to finance for entrepreneurs should consider supporting both the supply and the demand sides of finance and matching the two.

FIGURE 15: Development programs interventions to increase access to finance for entrepreneurs



(Source: Authors)

INCREASING THE SUPPLY OF FINANCE

› Capacity building for financial organisations

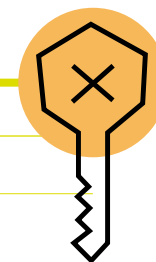


TABLE 5: Capacity building interventions for different types of financial institutions

FINANCIAL ORGANIZATION	POTENTIAL CAPACITY-BUILDING INTERVENTION	EXAMPLE
<p>B</p> <p>ANGEL INVESTORS</p>	<p>Mobilising experienced angel investors to develop and deliver early-stage investing training and workshops for new potential angel investors.</p>	<p>See the project → <i>Cairo Angels</i> (GIZ Egypt)</p>
<p>C D</p> <p>FOUNDATIONS AND CORPORATIONS</p>	<p>Developing training material and resources for foundations and corporations that want to invest in change-making entrepreneurs.</p>	<p>The IFC has set up the → <i>Impact Finance Center</i> (https://www.impactfinancecenter.org/edresoverview) to provide training and resources to family offices, foundations and corporations to help them understand how they can invest in these social entrepreneurs.</p>
<p>E F G</p> <p>VENTURE CAPITAL, IMPACT INVESTING, PRIVATE EQUITY</p>	<p>Providing technical assistance to new fund managers regarding the development of an investment thesis, fundraising, building a pipeline, picking investments, structuring deals, managing a portfolio and finding exits (such as selling the shares).</p>	<p>The → <i>African Development Bank</i> (https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/boost-africa-empowering-young-african-entrepreneurs) developed Boost Africa, an initiative which includes expert support to help new fund managers with this topic.</p>
<p>H</p> <p>CROWDFUNDING PLATFORMS</p>	<p>As new technology tools like crowdfunding are introduced, development agencies are at the forefront in analysing the potential impacts of such services and sharing information.</p>	<p>The World Bank performed some of the earliest research on how → <i>crowdfunding could work in developing countries</i> (http://documents1.worldbank.org/curated/en/409841468327411701/pdf/840000WP0Box380crowdfunding0study00.pdf) and how a crowdfunding application could be supported in a developing country.</p>
<p>I</p> <p>PUBLIC AND SEMI-PUBLIC FUNDS</p>	<p>Technical assistance helps governments to develop strategies for the government-supported fund. It also helps to structure the procurement to assist in the selection of a local fund manager.</p>	<p>The UNDP has mobilised experts who will put together proposals to select a fund manager for a government-backed fund in Ethiopia.</p>
<p>J</p> <p>BANKS</p>	<p>Development programmes have a long history of providing banks with capacity building, from providing insights on potential new financial products to learning how to leverage technology to assess risk.</p>	<p>USAID has set up an accreditation system for the Egyptian Banking Institute, which can now provide certificates for banking professionals in Egypt.</p>

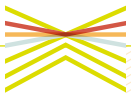


› **Grant funding to entrepreneurs** – Many development organisations provide direct grants to fill the financing gaps for entrepreneurs. A grant is a non-repayable financial contribution to companies. It can be provided in the form of transfer payments, goods or services. Grant programmes are particularly used in support for startups, innovations and disadvantaged regions, since market failures often exist in these sectors due to ‘asymmetric information’, for instance. Due to asymmetric information, promising start-up projects cannot be implemented without start-up support because the company founders do not have a credit history and because banks lack the necessary instruments to evaluate innovative business models.

Grant programmes are not aimed at individual companies – in principle, they are open to all interested companies that match the target group of the programme within the framework of competition or application/approval procedures.

Despite their many benefits, direct grants have limitations in terms of their impact – and they also carry the following substantial risks:

- › **A limited effect in scope** – Funds that are awarded directly to one company are no longer available to support other companies.
- › **Economic risks and corruption risks** – Although grant programmes are intended to respond to market failures, they can also partially distort competition.



Steps to take when considering to set up a grant scheme:

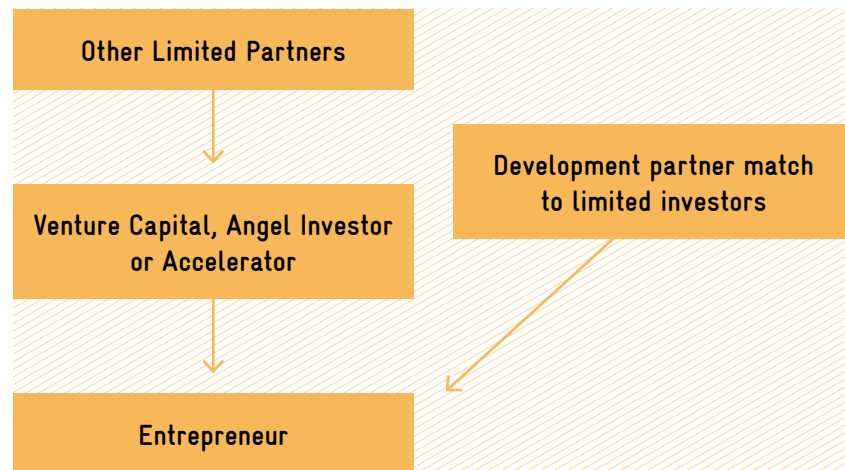
1. **Objective** – The use of grant programmes must always be seen in the context of the project, the programme is neither a stand-alone instrument nor an end in itself.
2. **Market and potential analysis** – Before a decision is made on the establishment of a grant programme, a market analysis should be carried out to identify, analyse and evaluate existing financing (private and public as well as donor-financed), as well as support instruments.
3. **Risk mitigation** – To counter the economic risks of grant programmes, the following points are particularly important:
 - a) A programme must address market failures that simultaneously affect all the market participants,
 - b) The range of final beneficiaries must be as broad as possible,
 - c) The competition or application procedure must be set up in such a way that all the companies that could potentially benefit from the funding have the same chance of receiving a subsidy,
 - d) The amounts of the subsidies must be regulated to the extent that they are not suitable for fundamentally changing market conditions.
4. **Own contribution** – The use of its own funds by the grant recipient shows that the respective company is behind the project to be financed. The amount of its own contribution can be based on the financial strength of the companies to be supported.
5. **Partner involvement** – The sustainability and the efficiency of a grant programme are decisively strengthened by the fact that a programme is planned and implemented in close cooperation with local partner institutions such as Ministries of Economics and public funding agencies.
6. **Contractual framework** – The basis for the implementation of a grant programme must be clearly regulated and publicly available. The main pillars include the framework and scope of funding, participation requirements, selection criteria, the application and award process, the disbursement process and the monitoring.
7. **Monitoring and impact assessment** – The procedures must be reviewed, and the use of funds closely monitored. An evaluation must then be carried out to assess whether and to what extent the desired effects have occurred in the target group and whether or not the benefits justify the resources used.



› **Matching capital to investment funds** – Several development programmes match the capital of investors into new funds in emerging markets. Typically, the development partner’s matching capital will adopt the same legal terms as other investors. An example of development programmes that match funding into a new legal fund is the Dutch Good Growth Fund (DGGF), which provides matching capital to early-stage investment funds. This

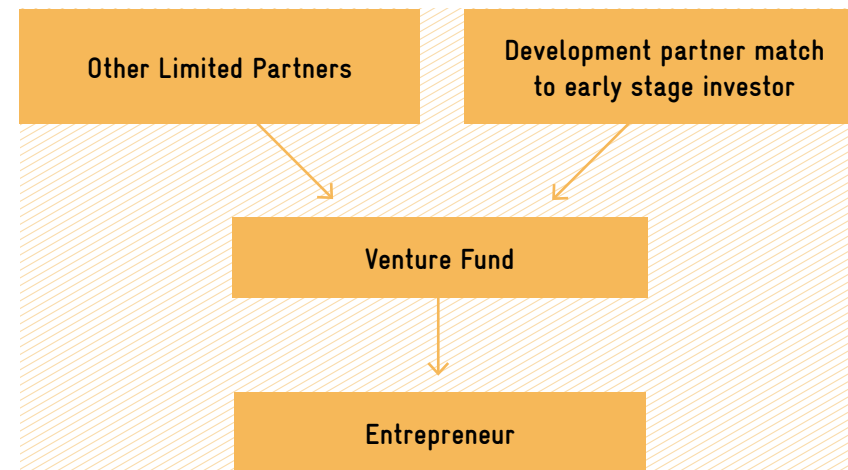
fund provided matching capital that other limited investors provided for an early-stage fund in Pakistan. This type of match helps to catalyse new funds in developing countries. Other development programmes have ‘matched’ into entrepreneurs. The IM Capital programme in Lebanon, which is funded by USAID, directly matches business venture capital as well as angel investors’ and accelerators’ investments for entrepreneurs.

FIGURE 16: Match funding into funds



(Source: Authors)

FIGURE 17: Match funding into entrepreneurs



(Source: Authors)



IMPROVING THE ABILITY OF ENTREPRENEURS TO ACCESS FINANCE

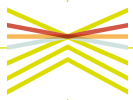
If we are to understand how development programmes can improve access to finance to entrepreneurs, we must first understand the financial institutions' selection criteria. Most entrepreneurs in developing countries do not meet the requirements that commercial financing organisations have in place. Angel investors and venture capitalists are looking for growth-focused companies pursuing significant market opportunities that have the potential to expand beyond home markets – and they also want to invest in companies with clear exits (typically through acquisition). This is why they focus on companies in industries in which large companies buy out smaller, fast-growing ones.

Many entrepreneurs do not realise that when they accept an equity investment from a venture capital or angel investor, they are opening the door to 'partners' who will then have partial control. Equity investors are looking for fast-growing companies from which they can exit with a degree of governance control, so this type of financing happens less frequently than others. For example, 'in the United States under 1% of companies receive any type of equity investment'²¹.

Banks are more averse to risk than equity investors. Banks typically require borrowers to put up fixed assets like land or buildings as collateral to receive loans. Typically, entrepreneurs possess other assets such as inventories or machinery, but banks in developing countries usually do not accept these assets as collateral. Before banks provide funding to a company, they usually want to see a multi-year track record of a positive cash flow, something that most early-stage entrepreneurs cannot produce. All these factors combined create an almost insurmountable barrier for entrepreneurs, who often find themselves unable to secure a bank loan as a result.

Quite a few of the many entrepreneurs are farsighted – they want to grow, but they need financing to achieve that goal. Their companies may have an ideal track record and be financially sustainable, but they are not prepared to meet accounting, administrative and legal requirements. They also have no accurate financial projections for future growth – nor do they track the key performance indicators (KPIs) such as customer acquisition costs, which are of interest to investors. Some companies may have legal structuring issues that create conflicts about who controls the company. While a company itself may be strong and investable, these administrative and accounting issues raise red flags that will call a halt to financing during due diligence checks and procedures.

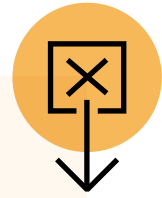
²¹ <https://www.forbes.com/sites/dileepprao/2013/07/22/why-99-95-of-entrepreneurs-should-stop-wasting-time-seeking-venture-capital/#5901789e46eb>



When preparing companies for financing, ESOs and development programmes must select companies that have potential for investments. Some ESOs even provide part-time Chief Financial Officer (CFO) services, including hands-on support to the entrepreneurs, such as developing a financial forecast. For example, the multi-development partner programme Women Entrepreneurs in Finance Initiative (we-fi) helps different local ESOs to prepare for financial services. Some of this support goes towards hiring financial experts who then serve as part-time CFOs and provide hands-on expertise for startups – these experts also create a financial strategy that specifies the necessary amount and the type of financing to trigger growth.

MORE RESOURCES:

The book 'Small Giants: Companies That Choose to Be Great Instead of Big' by Bo Burlingham explains the reason why some entrepreneurs decide to stay small and remain in control of their business.



MATCHMAKING BETWEEN ENTREPRENEURS AND INVESTORS

One crucial intervention is arranging the links between financing organisations and entrepreneurs who need an injection of capital for their businesses. The GIZ report → *Matchmaking between businesses and investors* (https://cdn.ymaws.com/www.andeglobal.org/resource/resmgr/research_library/GIZ_Matchmaking_Report.pdf) goes into great detail on how to bring these two stakeholders together. It identifies four different matchmaking formats which are further divided into eleven varied instruments, such as events like speed dating and the use of traditional brokers (see **table 6** on the following pages):



TABLE 6: Matchmaking formats

MAIN FORMAT	INSTRUMENT	DESCRIPTION	EXAMPLE
Convenings	Large networking convenings	A formal event, of typically over 100 people, featuring workshops, large lectures and opportunities for people to network and learn about financing opportunities.	Sankalp
	Curated events with targeted speakers and/or refined participant lists	Smaller events typically organised by a matchmaker with the expressed purpose of connecting interested, pre-selected parties.	Convenings organised by AHK (German Chamber of Commerce) in Nigeria
	Learning journeys for investors	Facilitated learning journeys for investors to build relationships with entrepreneurs and enhance their local context understanding (US, Europe or Intra-regional).	BiD Network
Competitions	Structured learning programmes	Cohort learning events and activities facilitated through incubators and accelerators.	Transformational Business Network (TBN), Growth Africa, MEST Africa
	Pitch/demo days	Usually the culmination of accelerator programmes in which enterprises, investors, mentors and the community convene to view progress on enterprises' products and services.	Transformational Business Network (TBN), Growth Africa, MEST Africa
	B2B Rotations	SGBs briefly present their business and their financial needs to financial institutions, in a round-robin fashion.	SME Finance Forum



MAIN FORMAT	INSTRUMENT	DESCRIPTION	EXAMPLE
	Dragons' den/ Sharks' tank business plan competition	Entrepreneurs present their business and their financial needs to a panel of investors/dragons, who then choose whether to invest as business partners. Each presentation is followed by immediate feedback from the "dragons".	Loopers meet Bankers, SME Loop, Nigeria
Technology enhanced Platforms	Mobile Apps	Enable virtual messaging before, during and after a conference to facilitate meeting.	Whova
	Technology platforms	Platforms profiling investors and deals with filtering and matching mechanisms to identify collaborative opportunities.	VC4Africa
Bespoke Introductions	Non- commercial brokers	Governments, chambers of commerce, foundations, accelerators and individuals with no concrete financial incentive.	AHK (German Chamber of Commerce) in Nigeria, MEST
	Commercial brokers	Professional service provider with expertise in targeted matchmaking, offering introductions as part of transaction advisory services, as well as investors seeking co-investments.	Open Capital Advisors

(Source: https://cdn.ymaws.com/www.andeglobal.org/resource/resmgr/research_library/GIZ_Matchmaking_Report.pdf)



IMPROVING FINANCIAL REGULATIONS AND INFRASTRUCTURE

Financial organisations and services are strictly regulated in most countries. Financial regulators must perform a balancing act, ensuring that financial organisations can provide needed capital to entrepreneurs, while at the same time checking that these institutions are implementing proper risk controls

22 https://www.ifc.org/wps/wcm/connect/dd44ba10-4469-4054-ac68-5deec1a335ac/G20_Policy_Report.pdf?MOD=AJPERES&CVID=jkWST-A

and systems to protect their investors or depositors and other stakeholders. According to the IFC²², the least developed countries struggle with proper financial regulations and policies due to a lack of skills with the human resources of different regulators such as the Central Bank. Development programmes can help these regulators to build up these resources.



3

GIZ PROJECT EXAMPLE EGYPT - LESSONS ON PROMOTING ANGEL INVESTMENT

The goal of the GIZ-implemented project → **Promotion of access to financial services for small and medium enterprises** (<https://www.giz.de/en/worldwide/43438.html>) is to increase the amount of risk capital available to startups. An angel group is already active in Cairo (the 'Cairo Angels'), but entrepreneurs in other big Egyptian cities in Upper Egypt and Alexandria, for example, do not have easy access to early-stage financing.

The programme implements the following series of interventions to increase the amount of angel capital deployed in the country:

- 1) Working with local business champions to motivate wealthy individuals to invest in entrepreneurs.
- 2) Working with experienced Egyptian angels to develop an Angel Investment Boot Camp, and with a local and regionally active angel to boost the capacity of new angel investors
- 3) Supporting local ESOs to expand the pipeline of investable companies.
- 4) Supporting the *Cairo Angels* to pave the way for an investor syndicate with other investors in the Middle East, and supporting the *Alexandria Angels* to promote an investment syndicate with investors in the Mediterranean region.

The programme succeeded in establishing two angel groups outside of Cairo. These groups linked up with other angel groups in the region, considerably increasing the amount of investment and helping to create 1,500 new jobs.



Market players

Access to markets is one of the most crucial issues for entrepreneurs. When Professor Michael Porter developed his highly influential cluster theory and Diamond model, he identified demand conditions as critical factors in competitiveness²³. Countries that have large, diverse and demanding markets support the competitiveness of local firms. Revenue generated from customers provides long-term financial sustainability to companies. Entrepreneurs who generate sufficient revenue do not need external financing. 76% of the 2020 Inc. 5000 – a list of America's fastest-growing private companies – did not receive any external investment, but relied instead on revenue growth²⁴.

Markets also provide critical information about customer needs and preferences – and entrepreneurs can use this information to develop new products and services. Access to markets offers entrepreneurs in-depth information on the development of new products and services – and having immediate market access allows entrepreneurs to test new products and services with early adopters to receive instant feedback.

TYPES OF MARKET PLAYERS AND THE ROLES THEY PLAY FOR ENTREPRENEURS

Market access is incredibly important. Various types of organisations can help entrepreneurs by strengthening customer commitment, providing information about markets and helping with the administration of transactions.

CUSTOMERS

Customers are the lifeblood of entrepreneurs. Three main customer categories influence how a company must set up its sales and marketing – retail consumers, corporate buyers, and government buyers.

- › **Retail consumers** – The most important purchasing group in any economy are consumers. Selling directly to consumers is usually costly and challenging for entrepreneurs unless they are realtors or operate online marketplaces. Most entrepreneurs have to rely on marketplaces and retailers to reach consumers.

23 Michael E. Porter (1990), The Competitive Advantage of Nations

24 Authors' own analysis



- › **Corporate buyers** – Large local and international firms buying from local companies are also essential for entrepreneurs. Corporate buyers typically provide consistent, long-term revenue – and some even have procurement and supply chain experts that can provide insights and expertise on improving business operations. For example, the Toyota Motor Corporation²⁵ works with its small suppliers to reduce its cost structure and decrease the total cost to the consumer.
- › **Government buyers** – One of the most effective interventions governments can deploy to support entrepreneurs is to buy from them. The US government has firm policies which stipulate that a certain percentage of products and services must be purchased from small businesses. The *Small Business Administration* (SBA) teaches new entrepreneurs how to recognise opportunities in different government agencies, how the government procurement process works, and the administrative systems that are needed to procure products from the US government.²⁶

25 https://scholar.harvard.edu/files/tnkomo/files/analysis_of_toyota.pdf

26 <https://www.sba.gov/federal-contracting/counseling-help>

PLAYERS WHO ENGAGE WITH THE MARKET

These players help to link entrepreneurs with their target customers.

- › **Online marketplaces** – Technology is advancing rapidly, and the more it grows, the more important online marketplaces are becoming for different types of entrepreneurs such as freelancers, content creators, taxi services, app entrepreneurs, tourism companies and many others. Global marketplaces like → *Alibaba* (<https://alibaba.com>) have increased trade volumes, and they are becoming an increasingly important factor for entrepreneurs to leverage. The Covid-19 pandemic and the resulting restrictions on movement as well as the disruption of existing supply chains have led to a surge in new online marketplaces, helping entrepreneurs to find new customers and trade their products and services.
- › **Soft-landing sites and events** – Soft-landing programmes help international firms link up with a foreign market place without having to open a foreign commercial office. These virtual global offices are often set up in ESOs in international markets. Entrepreneurs can pay these foreign incubators for soft-landing services, which may include setting up a local legal presence and a fixed address. Some of these soft-landing offices offer sales, marketing and the setting up of meetings. Soft-landing offices enable entrepreneurs to test global markets they are considering as new sales outlets before they set up a commercial office.



Soft-landings are also a source of income for some ESOs. Startup Europe supports a → *soft-landing programme* (<https://soft-landing.eu/for-startups/>) for European startups with opportunities in cities like Berlin and Vilnius (*a soft landing is a controlled launch into a new market. The aim is to avoid 'crash-landing' in a foreign territory*).

- › **Local and international trade shows** – Trade shows are multi-day events that showcase a particular industry. They feature curated workshops and lectures as well as the commercial trade fair itself. Trade shows are often an excellent way for entrepreneurs to meet new business customers. Most industries are represented in the various trade shows in almost every region of the world (*curated here means organised, systematised, coordinated*).

PLAYERS SUPPORTING MARKET ADMINISTRATION

- › **Standards and certification organisations** – Almost all products ranging from food and pharmaceutical to automotive parts must meet some local or global market standards if they are to be formally sold in a particular market. Standards and certification organisations have the regulatory authority to provide entrepreneurs with certification to export their products.
- › **Value chain intermediaries** – Several organisations help to streamline the process of getting products sold and delivered overseas. They encompass companies such as freight forwarders, exporters and many others. The services these companies provide are much-needed since they reduce the cost and practical burdens of exporting products.



Media players

As you learned in **Chapter 2**, media players are an essential part of any ecosystem because they can influence the broader entrepreneurial culture and help communicate a community's purpose, which helps to attract new members. The media is also vital for the other players in the ecosystem because it disseminates their stories, successes, and messages.

Below are some examples of the types of media players in an entrepreneurial ecosystem, the audiences they can reach and why development partners, ESOs and entrepreneurs would want to use their services.

- › **Traditional media** – Although the world has become increasingly digitalised, many developing countries still rely on traditional media channels like TV, radio, and print. Even the radio is still one of the most frequently used communication channels for news in some regions of rural Africa. Traditional media can still be a useful tool to reach audiences.
- › **Startup/entrepreneur/tech media** – Tech-focused, startup media organisations have developed in many countries and regions all over the world. These media organisations usually target entrepreneurs and other ecosystem players, so they are essential players for outreach and messaging. They

generally leverage digital media, and their writers often have a large online following in social media. One example of this type of media player is → *MAGNiTT* (<https://magnitt.com/>) in the Middle East. However, these players are frequently small and in need of support.

- › **Influencers** – Every country and region has influencers within an entrepreneurial community – and these individuals can really shape opinions and set trends. For example, they might be successful female entrepreneurs whom other female entrepreneurs follow on social media, or technology gurus whose blogs are listened to by startups. Other players and development programmes have leveraged these influencers to reach specific target audiences.

Ecosystem projects can leverage these players throughout their project cycle and further strengthen them through:

1. **Capacity building for storytelling workshops** – Bringing in journalists and other experts to help media partners, investors and ESOs learn how to tell the entrepreneur's story.
2. **Paving the way for linking ecosystem players and media players** – Development programmes often have their own media relationships and help focus connections between the media and other ecosystem players.



Educational and training institutions

Many universities have developed their own ESOs to encourage entrepreneurship among their students, but there are other reasons why education and training institutions are essential to the ecosystem. For example, access to human capital is vital for entrepreneurs who want their businesses to grow. Educational institutions play the following roles in the ecosystem:

- › **Acting as an ESO** – Many universities and other educational institutions provide entrepreneurship training to students and others in their communities. They do so through the inclusion of entrepreneurship courses into engineering or economics curricula, but they also create dedicated programmes and incubators with competitions, counselling, financial support schemes, and more.
- › **Technology transfer and start-up spinoffs** – Universities are often hubs of research and development. Some universities have tech transfer offices which monetise the university's research by selling it to the private sector, or which spin off technologies into commercial startups

(a **spinoff** is the creation of an independent company through the sale or distribution of new shares of an existing business or division of a parent company. *The spun-off companies are expected to be worth more as independent entities than as parts of a larger business*). For example, according to the Massachusetts Institute of Technology (MIT), as of 2014, MIT alumni have launched 30,200 companies, which employ over 4.6 million people.²⁷

- › **Development of a talented workforce** – Most notably, educational institutions create a skilled workforce for entrepreneurs to leverage. Internationally competitive, high-growth entrepreneurs need highly specialised talent, ranging from software engineers to marketing professionals – and these highly specialised professionals naturally tend to emerge from high-quality educational institutions. Universities, market-driven research institutes, technical training institutes and schools are the essential motors that produce the talent to ensure a robust entrepreneurial ecosystem.

²⁷ <https://news.mit.edu/2015/report-entrepreneurial-impact-1209>



The → *German EXIST programme* (<https://www.exist.de/EN/Programme/About-EXIST/content.html>), financed by the German Federal Ministry for Economic Affairs and Energy, supports universities in formulating and implementing comprehensive strategies for entrepreneurial culture. The programme directly supports students, graduates, and scientists in preparing innovative, knowledge-based, start-up projects through a grant scheme. It also promotes outstanding research-oriented projects which are carried out by research teams at universities and involve expensive and high-risk resource development.

EXAMPLES OF STRENGTHENING HUMAN CAPITAL THROUGH INNOVATIVE PARTNERSHIPS WITH INTERNATIONAL INSTITUTIONS AND COMPANIES

Major universities and innovative coding schools can play multiple roles in promoting the growth of early-stage tech companies in their regions. Two creative examples of this are in Rwanda, where the government is actively working with international partnerships to close the skills gap in ICT (information and communications technology).

The US-based *Carnegie Mellon University*, one of the world's leading engineering colleges, opened a campus in Kigali to educate African students and innovators by delivering

a world-class educational programme. The University's mission is to produce creative and technically talented engineers. The graduates have been trained in an African context – and they have been well prepared to make a transformative impact in their communities and the world.

Another example from the private sector is *Andela*, a company that trains software engineers to work remotely on global software projects. In partnership with the government, *Andela* opened a tech hub in Kigali through which the firm plans to recruit up to 500 Rwandans with expertise in software development – and offer them six months paid training.

Ecosystem development projects can support these players in ways which are similar to how they support ESOs, but with the following additional approaches:

- › Supporting the development of an entrepreneurship curriculum to be taught in the classroom. For example, the → *Global Business School Network* (<https://gbsn.org/>) has worked with universities in Pakistan, Kenya, and Nigeria – and the aim is to set up an internationally certified entrepreneurship curriculum which will be part of more extensive degree programmes.



- › Facilitating contacts with visiting professors or faculties from other countries to encourage them to come for a semester or a year – for example, by connecting with and leveraging the overseas diaspora.
- › Mobilising international expertise in developing systems and processes to set up tech transfer offices or spin-off operations. Experts can provide insights into setting up incentives for professors and other education researchers to monetise their research by spinning off a startup or by selling their intellectual property to commercial buyers.



3

GIZ PROJECT EXAMPLE RWANDA – TRAINING PARTNERSHIPS WITH COMPANIES

→ **WeCode** (<https://wecode.moringaschool.com/>), a women-only agency for programmes and business process outsourcing (BPO), was initiated by GIZ's *Promotion of Economy and Employment programme in Rwanda* (<https://www.giz.de/en/worldwide/75649.html>). WeCode closes the gender gap in the IT sector, opening the door to IT employment for Rwandan girls and women. The first part of the programme is an 11 week-long 'boot camp', where all the necessary coding skills and work readiness skills are taught. The best students then continue with 15 weeks of advanced training to become full-stack and mobile developers or quality assurance and data analyst experts. The best graduates of these advanced courses are then offered a contract with WeCode's own BPO academy, which is run by a Rwandan/North American tech company. WeCode is supported by GIZ and implemented by the Rwandan government and the Rwandan ICT Chamber.

GIZ PROJECT EXAMPLE HONDURAS – STRENGTHENING HUMAN CAPITAL THROUGH LINKAGES WITH THE DIASPORA

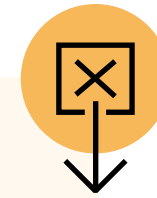
→ **Honduras Global** (<http://hondurasglobal.org/en/antecedentes/>), a foundation established in 2011 and supported in its early years by GIZ, aims to promote the transfer of knowledge and entrepreneurship in Honduras by identifying and linking with highly qualified Hondurans in the diaspora. Activities include regular seminars, summer schools, gatherings and visiting professorships by leading academics and business people in the diaspora for Honduran students. The foundation also makes it possible for young Hondurans to obtain internships in the companies of successful Hondurans abroad.



MORE RESOURCES:

A study by the Kauffman Foundation on the importance of university spinoffs:

→ <https://www.kauffman.org/wp-content/uploads/2012/08/Universitytechnologytransferthroughentrepreneurshipfacultyandstudentsinspinoffs.pdf>



Government players

Chapter 4 will go into more detail on the importance of the business environment and the investment climate for the entrepreneurial ecosystem and how development professionals can help strengthen these. The following government players implement the policy and regulations regarding the business environment and investment climate:

› **Government players managing or funding ESOs/ financial organisations** – Government players often act as ESOs. For example, the Malaysian government supports a vast entrepreneurship programme called the *Malaysian Global Innovation & Creativity Centre*, a series of entrepreneurship programmes from early-stage to the creation of global companies. In Egypt, the government has

set up the *Social Fund for Development*, which provides lending to thousands of micro and small enterprises.²⁸ A common issue with ESOs managed by governments is that they often compete with other ecosystem players whom they frequently crowd out. In this case, a more efficient role for the government would be to provide financial support to different players in the ecosystem using a transparent and competitive process.

› **Administrative Government players** – The bureaucracy of government often imposes a cost burden on entrepreneurs. There are many administrative agencies and processes with which entrepreneurs must engage – for example, getting a business licence, paying taxes, hiring employees, dealing with commercial courts, health inspectors and many more.

²⁸ <https://www.egypttoday.com/Article/1/73475/Social-Development-Fund-finances-11-000-micro-small-projects-over>



II

Ecosystem collaboration

As you have probably noticed, there is one recurring theme throughout this Guide – collaboration! Chapter Two of the Guide details how the entrepreneur community unites and collaborates to work on a common purpose. Chapter Three focuses on the different players in the ecosystem, the interaction between players (both institutions and individuals) and how these impact positively on entrepreneurs. In **Chapter 4**, the Guide highlights the success achieved by collaborating ecosystem players, who created a better business environment and investment climate for the ecosystem and the entrepreneurs.

- › **Supporting interactions between entrepreneurs**
- › **Supporting collaboration between ESOs**

Supporting interactions between entrepreneurs

Although ecosystem builders often focus on collaboration between the institutions in the ecosystem, the more substantial impacts come from the interaction between people. Entrepreneurs who act as mentors, advisers, coaches, and peers should be regarded as being the real heroes of the entrepreneurial ecosystem.

3



Types of interactions between entrepreneurs: ²⁹

› BUSINESS MENTOR

A business mentor is a skilled, experienced and trusted individual who is willing to share his or her knowledge, skills, and experience with someone who is just starting a career as an entrepreneur. The mentor relationship is a trust-based, one-on-one relationship over a period ranging from a few months to a few years. The focus of the mentoring is directly on the individual entrepreneur's growth vis-à-vis the business he or she is building. The issues for which the mentor provides support can be wide-ranging, and they morph over time as the mentee, and his or her company develop and the problems he or she faces change. A business mentor usually offers his or her guidance free of charge. However, it should be noted that a commercial relationship, including an angel investing relationship between the mentor and mentee, is not precluded by a relationship that begins as a mentorship.

› BUSINESS ADVISER

An adviser provides expertise regarding very specific, pre-defined issues following a commercial agreement and contract. The adviser advises an entrepreneur or his or her team/management board, offering suggestions related to

the business operations and performance, albeit at a more involved level. The adviser may or may not have personal experience in starting or running a company.

› BUSINESS COACH

A coaching role is similar to a mentor's role, with the exception that it provides specific skills and expertise to an entrepreneur. The relationship usually ends when the skill in question is mastered by the person being coached. A coach may or may not have personal experience in starting or running a company – and he or she may also receive payment.

› PEER SUPPORTER

The interactions between entrepreneurs who have attained the same level of growth frequently have a positive impact on companies. Part of the advantage of these relationships is that they often deal with everyday issues. Peer learning and pressure is one of the advantages to be gained if an ESO has a cohort programme. Peer learning and support is also one of the benefits gained by entrepreneurs when they join a networking group like the → *Entrepreneur Organisation* (<https://www.eonetwork.org/>).

²⁹ The following description is based mostly on the Mentorship Guide developed by GIZ:
https://make-it-initiative.org/africa/wp-content/uploads/sites/2/2019/02/190130_MetorshipGuide_Inhalt_4.2.pdf



THE EFFECTS OF INTERACTIONS BETWEEN ENTREPRENEURS

Although it is often assumed that the main benefit of the interactions between entrepreneurs is knowledge transfer, the actual advantages go far beyond this. Steering the growth of a business is incredibly difficult, takes time and creates pressure on the entrepreneur's personal life. This pressure is even higher in times of crisis, such as the Covid-19 pandemic, where entrepreneurs are faced with multiple and existential challenges that put their businesses, the employees for whom they are responsible and their own families at risk. Mentors and coaches can help the entrepreneurs manage the resulting stress and gain confidence in handling them (see the [GIZ project example](#) in India on the next page).

The power of mentoring can be seen in this randomised, controlled trial from Togo involving two different groups of female entrepreneurs³⁰: One group participated in traditional business training, while the second group benefited from coaching and mentoring on personal initiative and skills in business, such as pro-activity and a future-oriented mindset with the aim of increasing profits. The first group did not earn any more than entrepreneurs who received no support, but the group that benefited from coaching and mentoring showed a 40 % increase in profits.

³⁰ <https://www.worldbank.org/en/news/feature/2018/01/18/new-mindset-increased-profits-lessons-from-an-innovative-entrepreneurial-training-in-togo>



GIZ PROJECT EXAMPLE INDIA - MENTORING AND COUNSELLING WOMEN-LED STARTUPS

The GIZ-implemented project → ***Economic Empowerment of Women Entrepreneurs and Startups by Women*** (*Her&Now Project*) (<https://www.giz.de/en/worldwide/75649.html>) has set up incubation and acceleration programmes to encourage women to start a business or set their existing businesses on a route to growth.

The project initially selected three different regions of the country, and the aim was to work in smaller cities where the existing support for female entrepreneurs was limited.

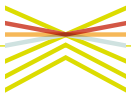
The programme currently works with three local partners – a government agency, an NGO, and a private incubator.

The main activities of the project focus on mindset-changing, training, coaching and peer engagement.

They include the below activities:

- › Producing several videos featuring role models from the project's support programmes by showcasing their journeys, pitfalls and achievements:
 - <https://www.youtube.com/watch?v=9u02KNkyfg>
 - <https://www.youtube.com/watch?v=pMuwaC4x3l8>
 - <https://www.youtube.com/watch?v=J0Mp3x0TB6s>
- › Organising the entrepreneurs in cohorts so the women can learn from each other and establish peer networks
- › Equipping women with critical business skills, access to market opportunities and financial connections to manage their companies successfully
- › Providing mentorship from successful business people
- › Providing counsellors for personal support and encouragement

The first cohort finished the 6–7 months programme while this Guide was being developed. Based on surveys of the initial cohort, 91% of entrepreneurs felt that the interactions with counsellors, peers and mentors helped to increase their self-confidence as entrepreneurs.



MANAGING MENTOR ENGAGEMENT

Although entrepreneurs can have powerful impacts, effectively managing the implementation of programmes to support them is often tricky for ESOs. The GALI report '*Accelerating Startups in Emerging Markets*' highlights the fact that emerging market accelerators often have difficulty recruiting mentors.³¹ Another recent report by *Spring Impact* and the *Argidius Foundation* also highlights the importance of recruiting mentors, stating that ESOs should carefully prepare and match mentors and entrepreneurs.³² Some recommendations include:

- › **Recruitment of the right type of mentor/coach** – Entrepreneurs want a mentor who has already been down the path they want to take. They want advisers who can empathise with their struggles and difficulties in making a business grow. Mentors and coaches should tackle this task for the right reasons – meaning they should be driven by purpose and not by their self-interest. They should be empathetic listeners and eager to understand, and they must ask tough questions and encourage entrepreneurs to think about their issues.

- › **Preparation for mentor engagement** – It is essential to prepare mentors and entrepreneurs for their future roles and responsibilities. ESOs should provide orientation sessions for both parties, ensuring that they understand their roles and responsibilities.
- › **Helping to match the mentors and the entrepreneurs** – Mentorship is a relationship, and building trust between the two parties is difficult for an ESO to achieve. The Spring Impact / Argidius report suggests matching based on the following criteria:
 - › Alignment of values and interests
 - › Alignment of expectations and goals
 - › Alignment of time commitment to the mentorship by each party
 - › A balanced gap of experience and context, meaning that the mentor should be a few steps further along the business journey than the mentee, but the gap between them should not be too great
 - › Balanced egos and personalities

31 <https://www.galidata.org/assets/report/pdf/Accelerating%20Startups%20in%20Emerging%20Markets.pdf>

32 <https://www.springimpact.org/wp-content/uploads/2020/07/Effective-Mentoring-of-MSMEs-Full-Report.pdf>



It can be incredibly subjective and challenging to measure many of these criteria and the only way to be sure that the criteria work is if the relationship works. This is why some programmes like → *Flat6Labs* (<https://www.flat6labs.com/>) use a self-selection process during which entrepreneurs and mentors get to know each other through networking events. The entrepreneurs then select their mentors. Matching based on industry expertise can create mistrust between the mentors and entrepreneurs since they might see themselves as competitors. For example, The → *Branson Centre of Entrepreneurship* (<https://bransoncentre.co>) in the Caribbean started with an automated matching process based on the industry – but they found that entrepreneurs later gave their mentors a low rating after the programme was finished. They then changed to a more personality-driven mentor matching, which the entrepreneurs found more helpful.

FACILITATING THE MENTOR RELATIONSHIP

Many programmes, such as → *Mowgli Mentoring* (<https://www.mowgli.org.uk/>), take their time leading entrepreneurs and mentors through a series of events, which are intended to ensure that both parties focus on what they want to accomplish throughout the relationship. Mowgli organises a series of events where the entrepreneur and the mentor get to know the business, perhaps through engaging with a → *business model canvas* (<https://www.strategyzer.com/canvas/business-model-canvas>). The mentor understands the deep-seated passion that connects an entrepreneur with his or her company. Programmes then ensure that mentor commitment focuses on a small number of specific goals, and the mentor will help the entrepreneur achieve these during the life of the programme.

Once the entrepreneur and mentor have agreed on the goals and objectives, they will either agree on when and how they will work (sometimes the ESO has a minimum requirement on the number of hours a mentor must regularly work).

When circumstances permit, the recommendation is that the entrepreneur and mentor first discuss things in person and build up mutual trust before meeting online or talking on the phone. Each mentoring session should finish up with the parties agreeing on the goals to be accomplished before the next meeting. When the next meeting comes around, the work that has been done and the events that have taken place since



the last meeting are discussed, after which a decision is made as to what the entrepreneur should have in mind for the next step – and how he or she should achieve that next step. The ESO should check in with both the entrepreneur and mentor to ensure that the mentor's work is proving to be helpful and that the relationship benefits both parties. If there are personality clashes, the ESO should put a stop to the process and find a new, more suitable mentor for the entrepreneur.

Ecosystem projects can support entrepreneurs' interaction for mentoring programmes by:

- › Supporting the recruitment of business people to become mentors and coaches and facilitating connections between ESOs and mentors
- › Training local business people to become mentors and coaches



Supporting collaboration between ESOs

ESO's and other players in local ecosystems often compete with one another to recruit the best entrepreneurs to enter their programme; they compete to recruit mentors, and for funding from corporates, donors, and governments. Although healthy ecosystems have a culture of collaboration, development programmes must recognise that some level of competition between players is natural. Collaboration between players happens when there is a strategic reason for them to work together or when they have a common purpose.

MOTIVATING PLAYERS TO IDENTIFY A COMMON PURPOSE

As we explained in **Chapter 2**, a common purpose creates a community and motivates players to collaborate because they have a joint mission to achieve that purpose. Ecosystem projects can bring players together and help them to jointly identify a common purpose. A common purpose will help to break down the competition among the different players and find matching interests and ambitions in the players regarding how they want to achieve the common purpose.

3



PROJECT EXAMPLE VIETNAM – COLLABORATION BETWEEN ESOS ON MENTORSHIP

The → **SwissEP programme in Vietnam** (<https://swissep.org/>) found that a common problem for ESOs was the recruitment and preparation of mentors for their programmes. To address this, SwissEP arranged a dialogue between a group of ESO players to discuss how to improve mentorship in the ecosystem. SwissEP provided the expertise of mentor programme designers and managers.

They also brought in local consultants to help guide the conversation, find a common purpose and develop a plan for collaboration. The ESOs agreed to collaborate on mentoring and created the *Vietnam Mentor Initiative* to help in the recruiting and preparation of mentors.



GIZ PROJECT EXAMPLE MEXICO, SENEGAL, GHANA, ETHIOPIA AND INDONESIA – COLLABORATION BETWEEN ESOS ACROSS COUNTRIES

Fostering collaboration can also be done across geographic borders, especially if local communities are still small. For example, during its first phase, the GIZ-implemented → **Innovation Factory** (<https://www.innovation-factory.info>) built global communities based on specific technologies and topics, such as agriculture, health and gender. This programme brought different local players together to ensure that they learned from one other. During the second phase, the Innovation Factory worked more directly with entrepreneurs by partnering with ESOs in Mexico, Senegal, Ghana, Ethiopia and Indonesia. It focused on co-running an accelerator programme throughout these countries in three different sector tracks of Gender Equality, Climate/Environment and Education Technology. The project is providing entrepreneur coaching and expertise on topics such as human-centred design and change management – and by bringing these communities together across the globe, it is offering global peer learning on these critical topics.

GIZ PROJECT EXAMPLE JORDAN – COLLABORATION BETWEEN ESOS IN A COUNTRY

The GIZ-implemented → **Employment-oriented MSME Promotion Project** (<https://www.giz.de/en/worldwide/75975.html>) aims to improve employment-intensive micro, small and medium enterprises (MSME) and start-up growth. As part of the intervention to help startups, the programme started to organise an informal monthly round table among nine ecosystem players, the *Collaborative, Open and Rising Entrepreneurial Ecosystem* (CORE) in Jordan (*J-CORE*). It is important to note that not all the players had the same objective, so there was no natural alignment towards specific goals for the group to pursue at the beginning of the process.

The initial meetings tackled the topic of learning about the Jordan ecosystem, so GIZ provided help in mapping the ecosystem of the country. The programme also presented some of the international best practices on topics like angel investing and acceleration, and this led to the creation of common interest on specific topics. For example, stakeholders found that they were all concerned about a weak pipeline of investable companies, so they started working together on an investment guide for companies. A task force on legal reforms started to work on draft policies by comparing different Startup Acts worldwide. This momentum has created interest in government circles – and now J-Core has regular public & private dialogue sessions with the government.



We can use the above examples to derive the following five important key points about supporting collaboration among ecosystem players:

1. Start with data and analysis, such as an ecosystem map that provides a comprehensive overview of all the players and identifies opportunities for collaboration
2. Ensure the participation of community champions and minority groups
3. Make sure stakeholders and players have the freedom to shape the conversation, objectives and agenda
4. Provide global examples of how other ecosystem players have collaborated on common problems
5. Support the journey, and remember that collaboration is not a destination, but a process of building trust and finding a common purpose. It will be much easier for you to initiate collaboration by focusing on something small that can be done – it is these small steps that create trust, build relationships and often bring in other players

GIZ PROJECT EXAMPLE SRI LANKA -
BUILDING TRUST BETWEEN DONORS AND ESOS
TO GALVANISE ENTREPRENEURIAL OPPORTUNITIES

CONTEXT

Around five years ago, the GIZ-implemented project → *Developing Sri Lanka's SME sector* (<https://www.giz.de/en/worldwide/353.html>) started working on entrepreneurship to promote innovation and competition in the economy and prevent the brain drain of local talent that lacked opportunities on the local labour market. Reconciliation between ethnic groups that had been fighting each other during the civil war was also an implicit objective. In Sri Lanka, entrepreneurship is traditionally regarded as being excessively risky, and it also has a low prestige level in society. GIZ saw an opportunity to support economic growth and the overall perception of entrepreneurship in Sri Lanka, so the project started to work in the east and the far north of the country in Jaffna where it found a small ecosystem displaying signs of future potential. Jaffna is a region that has been economically alienated from the rest of the country – and it is still recovering from the civil war that ravaged the area until 2009.

PROJECT APPROACH

The key to supporting the local entrepreneurship ecosystem in Jaffna was working with local partners. One of the leading local partners is now Yarl-IT, a community-based, entrepreneurship support organisation that works on an entirely voluntary basis. Before GIZ started the project, Yarl-IT was



already running hackathons and other entrepreneurship support activities, filling the role of a door-opener to the local entrepreneurship community. The programme also worked closely with hatch – a local accelerator and co-working space – to develop a regional entrepreneurship hub, including a maker and community space. Hatch Kalam, a co-working and maker space was developed together with these partners, and it is now located in Jaffna.

The programme found that working with private and non-traditional development partners in a conflict-affected region requires trust-building. Initially, Yarl-IT was against an external party coming in and perhaps 'tainting' its work. The project built up trust slowly and gave the whole process enough time to settle, also using local staff to occasionally meet Yarl-IT and prove that GIZ did not intend to impose an agenda. Rather than putting financial incentives first, the project instead looked for common ground that would support the natural evolution of the entrepreneurship ecosystem. A professional was also hired to work for both a local ESO and GIZ – and this has helped to provide access to the ecosystem. Located in the hatch kalam space, the project became a neutral facilitator between existing structures, connecting the local ecosystem to other resources such as chambers of commerce, the government and a 'fab lab' in the Colombo area.

In collaboration with various ecosystem partners, the project provides support to the following activities and interventions of its partners:

- › Awareness events, hackathons and mentorship programmes
- › An international roadshow to find investors (in cooperation with chambers of commerce and the government)
- › A maker space in Colombo and facilitating links between Jaffna and the Colombo entrepreneurship ecosystem
- › Setup of coding schools in the Northern province of Sri Lanka

THE SUCCESS TO DATE

Today, the ecosystem in Jaffna is solidly connected with Colombo and beyond – and global investors and diaspora are showing an increasing interest in the local startups. The programme has helped ecosystem players to define their roles clearly – and entrepreneurs from Jaffna are now doing business in the region and receiving services from all over the country. Most importantly, entrepreneurship has become more popular and acceptable, and the ecosystem players are enthusiastic about the momentum that is currently driving entrepreneurship. Three coding schools now operating in Sri Lanka are also attracting the interest of many women.



4

IMPROVING THE BUSINESS ENVIRONMENT
FOR ENTREPRENEURS



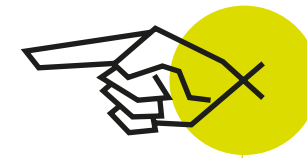
Improving the business environment for entrepreneurs (Level 3)

This chapter will look into definitions of the business environment and areas that are important for entrepreneurs, including women entrepreneurs. It looks into an emerging trend on Startup Acts and highlights the importance of dialogue and policy advocacy.



Chapter overview:

- I What is a conducive business environment for entrepreneurs?
- II How to improve the business environment for entrepreneurs





What is a conducive business environment for entrepreneurs?

In the last few years, entrepreneurship has gained interest among policymakers all over the world – and they are now setting up support services for entrepreneurs, building and maintaining infrastructure, setting up funds and financing schemes, or running awareness campaigns and training programmes. However, many entrepreneurs suffer first and foremost from a business environment that is not conducive to starting a business and having it grow.

The *Donor Committee for Enterprise Development* (DCED) defines the business environment as ‘a complex of policy, legal, institutional and regulatory conditions that govern business activity. It [...] includes the administration and enforcement mechanism established to implement government policy, as well as the institutional arrangements that influence the way key players operate (e.g., government agencies).’³³

According to DCED, business environment reforms typically aim at:

- › Simplifying business registration and licensing procedures
- › Improving tax policies and administration
- › Improving access to finance
- › Improving labour laws and administration
- › Improving the overall quality of regulatory governance
- › Improving land titles, registers and administration
- › Simplifying and accelerating access to commercial courts and alternative, dispute-resolving mechanisms
- › Broadening public-private dialogue
- › Improving access to market information.

The business environment determines how easy or difficult it is for entrepreneurs to start, operate, finance, diversify, scale and close a business. Reducing the administrative burden is vital in that it encourages informal entrepreneurs to formalise and make it easier for all potential entrepreneurs to start a business. Government regulations should encourage people with potentially viable business ideas to set up their business, mitigate market failures (such as a lack in demand for entrepreneurship support organisations) and discourage adverse behaviour for markets, such as rent-seeking when markets do not allow new entries.

³³ <https://www.enterprise-development.org/wp-content/uploads/DonorGuidanceEnglish.pdf>,
<https://www.enterprise-development.org/implementing-psd/business-environment-reform/>



The World Bank's → *Doing Business Report* (<https://www.doingbusiness.org/en/about-us>) measures another set of business regulations and their enforcement across 190 economies on an annual basis³⁴:

FIGURE 18: Business regulations measured by the Doing Business Indicators



(Source: <https://www.doingbusiness.org/en/about-us>)

WOMEN ENTREPRENEURS AND THE BUSINESS ENVIRONMENT

Women often face different barriers than men when it comes to entrepreneurship. The → *World Bank's Women, Business and the Law database* (<https://wbl.worldbank.org/>) finds that women face disproportionately high legal and regulatory barriers, which

profoundly affect their ability to run stronger, more viable businesses. Only 38 out of 141 economies covered in the database set out equal legal rights for women and men in key areas such as opening a bank account, getting a job without permission from their spouse, and owning and managing a property. In OECD countries, women entrepreneurs mention that their challenges in starting a business include discouraging

³⁴ In August 2020, the World Bank has paused the publication of the Doing Business Report due to data irregularities. <https://www.worldbank.org/en/news/statement/2020/08/27/doing-business---data-irregularities-statement>



social and cultural attitudes, lower levels of entrepreneurship skills, greater difficulty accessing startup financing, smaller and less effective entrepreneurial networks, and policy frameworks that discourage women's entrepreneurship.³⁵

According to a → *DCED study on Gender and Business Environment Reform* (<https://www.enterprise-development.org/wp-content/uploads/BEWG-DCED-Technical-Paper-Gender-and-BER.pdf>), policy interventions should address challenges faced by women in the different areas of the business environment, for example:

- › Legal constraints on registering a business, inability to afford the costs of registration, lack of collateral or funds to contribute towards the high capital requirements for registering a business
- › Gender bias in personal income tax regulations
- › Unequal treatment, corruption and harassment during tax collection

- › Constraints on access to finance through limited land titles and property rights and therefore immovable assets as collateral, discriminatory banking laws, lack of women's identification documents
- › Constraints in labour laws and administration through gender-based work restrictions and lack of unpaid parental leave
- › Gender discrimination by the judiciary and lack of legal literacy
- › Limited voice of women in business organisations and public-private dialogue mechanisms

MORE RESOURCES:

World Bank Female entrepreneurship resource point
→ <https://www.worldbank.org/en/topic/gender/publication/female-entrepreneurship-resource-point-introduction-and-module-1-why-gender-matters>



³⁵ Halbisky, D. (2018), Policy Brief on Women's Entrepreneurship. OECD SME and Entrepreneurship Papers No. 8



II

How to improve the business environment for entrepreneurs

While there are many ways to conceptualise the business environment, we will broadly distinguish two categories here:

- › **‘Regulatory and administrative framework’** includes the process that an entrepreneur faces in his or her business cycle, from establishing a business to the requirements when filing for bankruptcy and simply closing a business. These are rules and directives made by a government institution.
- › **‘Policy and legal framework’** includes the underlying legislation and its practical implementation that distinguish the legal environment in which entrepreneurs conduct the business, including relevant legal protection (such as employment laws or credit reporting acts).

The following list provides findings on how governments can improve the business environment for entrepreneurs. Such reforms are often not costly, but they create real benefits for entrepreneurs. Generally, any improvements in the business environment that benefit established businesses will also benefit entrepreneurs and startups – but some areas are specifically important for entrepreneurs.

4



REGULATORY AND ADMINISTRATIVE FRAMEWORK

- › **Business registration procedures** should be simple, quick, low-cost, and ideally available online.
- › Simplify ways to **close a business** and **declare bankruptcy**.
- › Be careful about unnecessary **certifications and licence requirements** and ensure that businesses have the necessary infrastructure and services they need to comply with quality and other standards.
- › **Simplify tax procedures** and think about the progressivity of corporate income taxes.
- › Pilot **regulatory sandboxes** and share the lessons learnt. Policy sandboxes allow businesses to operate in a new, currently unregulated space, enabling them to try out new technologies or approaches. In return for working in a new, unregulated area, companies have to share information with the government, helping it to make an informed policy decision. This is an excellent way of identifying how a new technology influences behaviour ('regulate as you go') without constraining the potential of nascent technology through regulation.

POLICY AND LEGAL FRAMEWORK

- › A government policy that favours embedded businesses and industries is not an accommodative policy for new entrepreneurs. Policies that are **open to competition** and new, disruptive companies are sorely needed.
- › Develop and maintain **intellectual property protection** that is healthy, fair and consistent.
- › Open the **public procurement process** to SMEs and startups. This can be done through quotas for startups/SMEs, innovation procurement, or by generally lowering the bidding bar (e.g., criteria on turnover over the last years) for contracts. Government procurement is a substantial market driver.
- › Allow land and moveable assets to be used as **collateral for loans** (especially in fragile states) and revamp or develop an up-to-date credit registry system.
- › Government can be active in **de-risking investments to startups** and SMEs if commercial banks stay away from this area.
- › Attract **global sources of finance** (international investors, diaspora finance, etc.). Protect (international) investors investing in local firms, rather than making it challenging for investors who want to invest in local firms from abroad.
- › Ensure that there is no discrimination against any group in the labour laws for hiring staff.
- › Facilitate **access to global talent**.



- › Allow researchers from public institutions to also work (potentially in a limited capacity) in the private sector and **incentivise collaboration between the research and the private sectors**. Encourage the **commercialisation of technology** at universities.
- › Provide **challenge grants** to motivate innovators to solve public challenges.
- › **Policy hackathons** can be a great way to help overcome public policy challenges and involve citizens.
- › Periodically **analyse and communicate** how the country/region is doing on entrepreneurship. Use the information to **inform policy decision-makers**.
- › Attract **international attention** and general interest in the entrepreneurship community.

Entrepreneurial ecosystem programs can support reforms to improve the business environment for entrepreneurs through several types of interventions, which include the following:

- › Gap analysis and mapping of the national/regional entrepreneurship ecosystem
- › Best practice sharing through white papers, guides, or consultants
- › Knowledge exchange between different regions and countries
- › Programme design and design thinking to help identify adequate interventions to tackle persistent problems
- › Supporting global benchmarking to create more pressure on the government, access to markets and access to investors
- › Sharing regulations and policies from other countries



MORE RESOURCES:

Study on the relationship between corporate income taxes and entrepreneurship

→ <https://wol.iza.org/uploads/articles/257/pdfs/corporate-income-taxes-and-entrepreneurship.pdf>

Different publications on how to develop regulatory sandboxes:

→ https://www.bmwi.de/Redaktion/EN/Publikationen/Digitale-Welt/handbook-regulatory-sandboxes.pdf?__blob=publicationFile&v=2

→ <https://innovationinpolitics.eu/en/showroom-project/regulatory-sandboxes/>

→ <https://www.cgap.org/research/publication/how-build-regulatory-sandbox-practical-guide-policy-makers>

Example on facilitating access to global talent through startup visas:

→ <https://venturebeat.com/2013/12/20/start-up-chile/>

A practitioners' guide to innovation policy:

→ <http://documents1.worldbank.org/curated/en/158861581492462334/pdf/A-Practitioner-s-Guide-to-Innovation-Policy-Instruments-to-Build-Firm-Capabilities-and-Accelerate-Technological-Catch-Up-in-Developing-Countries.pdf>

→ [A-Practitioner-s-Guide-to-Innovation-Policy-Instruments-to-Build-Firm-Capabilities-and-Accelerate-Technological-Catch-Up-in-Developing-Countries.pdf](http://documents1.worldbank.org/curated/en/158861581492462334/pdf/A-Practitioner-s-Guide-to-Innovation-Policy-Instruments-to-Build-Firm-Capabilities-and-Accelerate-Technological-Catch-Up-in-Developing-Countries.pdf)

Example of a policy hackathon in the context of COVID 19:

→ <https://siepr.stanford.edu/events/covid-19-policy-hackathon>



Startup Acts

An emerging legislative instrument used to bundle strategic incentives and interventions to accelerate the formation and growth of startups is called Startup Acts. While the shape and content of Startup Acts vary from country to country, Startup Acts can be broadly described as a law that:

- › defines what a startup is in the given economy,
- › describes how startups will be treated vis-à-vis the tax and regulatory framework (including preferential treatments),
- › reforms specific laws or regulations regarding a company's entry/exit (to stimulate new company creation, either generally or in specific sectors),
- › coordinates with a country's overall economic development strategy and priorities (for example, prioritising growth in specific sectors, e.g., technology or information sciences) and
- › provides specific mechanisms of public support to startups, including specialised opportunities for funding, training, mentoring, subsidies for salaries, expedited patent registration, etc.

The first legislation that could be called a Startup Act was passed in Italy in 2012, and several Acts have since been passed in countries such as Argentina and India. A recent → *benchmark report by i4policy* (<https://i4policy.org/resources/benchmarkingstudy>) has identified three Startup Acts across Africa, namely in Tunisia, Senegal and Mali. Rwanda is currently in the process

of drafting a Startup Act in a highly participatory process that involves players from the entire entrepreneurial ecosystem. Other countries have long had tax-based support for different categories of companies. For example, young companies in France with less than 250 employees which invest heavily in Research & Development (*Jeune entreprise innovante*) benefit from special tax incentives. The most common incentives for startups are tax incentives. Who is eligible for these, and how they are applied can vary. Exemptions for a firm's income tax, tax incentives for investments in startups, tax incentives for both startups and their investors, and tax incentives for specific activities (e.g., innovation) are not unusual. Tax incentives are likely to be less controversial than direct financial support, and the market distortion through tax incentives may be limited.

Startup Acts send a strong signal to existing & potential entrepreneurs and local and foreign investors that the government in question recognises the importance of entrepreneurship and will incentivise it through specific support. This signal is an intangible factor and hard to measure, but it should not be dismissed – particularly in countries where a broad-based reform has proven difficult. While Startup Acts are a relatively new phenomenon, there is a long tradition of SME laws and Small Business Acts (SBAs) aimed at boosting the creation and development of



SMEs. SBAs tend to use a traditional definition of company types, mostly based on the number of employees or turnover – derived from the rationale that these firms are disadvantaged due to their limited scale. One of the first known legal acts with a specific emphasis on small businesses in the United

States Congress' Small Business Act of July 30, 1953, led to the establishment of the Small Business Administration, which implements significant entrepreneurship support in the United States. The United States' SBA has been an inspiration to many SBAs across the globe.

Policy advocacy

Startups are busy and usually have neither the time nor the clout to lobby and be heard, even although their voice is the most crucial on the topic of developing an environment that helps an economy to grow and diversify. Moreover, established advocacy channels such as chambers of commerce and industry associations often do not represent the interests of startups, instead of focusing on established companies and their needs. In fact, established voices often advocate that the government erect barriers to entrepreneurship to protect their business interests. A few associations focused on SMEs *do* exist, but new industries, technologies and entrepreneurship needs are often poorly represented to the government.

In recent years, there has been an increase in new grassroots advocacy groups representing startups and ecosystem players, such as the → *Entrepreneurs Policy Network in the United States* (<https://www.kauffman.org/currents/giving-entrepreneurs=>

[a=voice-in-state-policy/#:~:text=As%20members%20of%20the%20Entrepreneurs'%20Policy%20Network%2C%20the%20organizations%20will%3A&text=Educate%20policymakers%20about%20the%20impact,interactions%20between%20policymakers%20and%20entrepreneurs\).](https://www.kauffman.org/currents/giving-entrepreneurs=)

They wish to create dialogues with governments concerning their stakeholders needs. This trend has helped create new channels for entrepreneurs to communicate their needs to government officials – and it has also enabled government officials to understand their entrepreneurs' needs and priorities, instead of merely basing their actions and responses on a model.

In Tunisia, the newly founded advocacy group → *TunisiaStartups* ([http://www.insme.org/the-tunisian-startup-act/#:~:text=The%20Startup%20Act%20raises%20the,exchange%20account%E2%80%9D%20in%20the%20country\)](http://www.insme.org/the-tunisian-startup-act/#:~:text=The%20Startup%20Act%20raises%20the,exchange%20account%E2%80%9D%20in%20the%20country)) successfully lobbied for a new Startup Act to be put in place.



EXAMPLE ON POLICY ADVOCACY – AFRICA COME CO-CREATE THE FUTURE WITH US!

The → ***Innovation for Policy Foundation (i4policy)*** (<https://i4policy.org/>) is an innovative organisation that focuses on shaping inclusive African innovation policies. Its work is based on the understanding that development is all about putting communities in control of their trajectory. One of i4Policy's main programmes is the Policy Hackathon, which co-creates policy recommendations. Between 2018 and 2020, i4Policy has grown, becoming a pan-African organisation of more than 160 innovation hubs in 45 countries throughout Africa. It has supported participatory policy reform processes in 11 countries and has trained government and ecosystem leaders in more than 20 countries.

ITS WORK FOCUSES ON THREE PILLARS:

› **Entrepreneurial policy reforms ('Manifestos')**

i4Policy supports the emergence of relevant policy reforms driven by local communities of 'policy users' (the people affected by public policy). This bottom-up approach is focused on innovation hubs which convene diverse actors across societies and which are trying to bring in as many new voices as possible. The hub leaders are often credible in the policy environment, and they know the relevant government players while tapping into much broader communities at the same time. More importantly, the hub leaders are experienced in activating different and open networks and making allies of them. These diverse communities convene and actively draft policies together. The results are publicly announced and can be seen at any time on their website and provided to government officials. In Senegal, for example, the Manifesto was presented to the President during a town hall meeting.

› **Methodologies**

i4Policy builds tools, methods, and training to support the formation of common interest and the co-creation of public policy at scale – and it also developed the Innovation for Policy Framework, which is a crowd-law framework to leverage the best aspects of public participation and deliberation.

› **Civic Tech**

i4policy is building open source software for co-creation at scale, such as iConsult, a mobile and web app that enables distributed groups to rank, comment and annotate crowd-translate share documents.

iConsult has been deployed for the Governments of Nigeria, Senegal, and Mali and has also been updated to the latest version for open consultation on the African Innovation Policy Manifesto (<https://i4policy.org/Africa%20Innovation%20Policy%20Manifesto%20v2.00.pdf>).

The latest Manifesto provides an overview of the needs of the pan-African entrepreneurship community in the following areas:

- › Vision, values
- › Principles of sound public policy
- › Infrastructure
- › Education and R&D
- › Multidisciplinary public spaces
- › Ease of doing business
- › Finance for innovation and entrepreneurship
- › Local and pan-African cultures, products, and markets
- › Intellectual property rights
- › Taxation system

5

DESIGNING AND MANAGING
AN ECOSYSTEM-STRENGTHENING
PROGRAMME

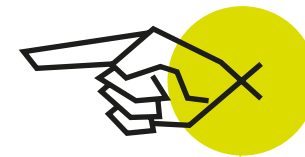


Designing and managing an ecosystem-strengthening programme

This final chapter will guide international development practitioners through the design and management of programmes that strengthen an entrepreneurial ecosystem. Most of the analysis and the recommendations are derived from programme interviews. The chapter will cover three major topics:

Chapter overview:

- I — Designing an entrepreneurial ecosystem-strengthening programme
- II — Indicator selection and alignment
- III — Programme management tools and review of interventions





I **Designing an entrepreneurial ecosystem-strengthening programme**

Before starting work on a development programme, implementing agencies typically set out the project's design in a planning document, which contains essential information on the project's objectives, primary interventions, instruments, resources, timeline, and indicators to measure success. A balance must always be found between defining a trackable framework and remaining flexible in the implementation of the project.

A flexible design is especially critical in the case of entrepreneurial ecosystem projects, because:

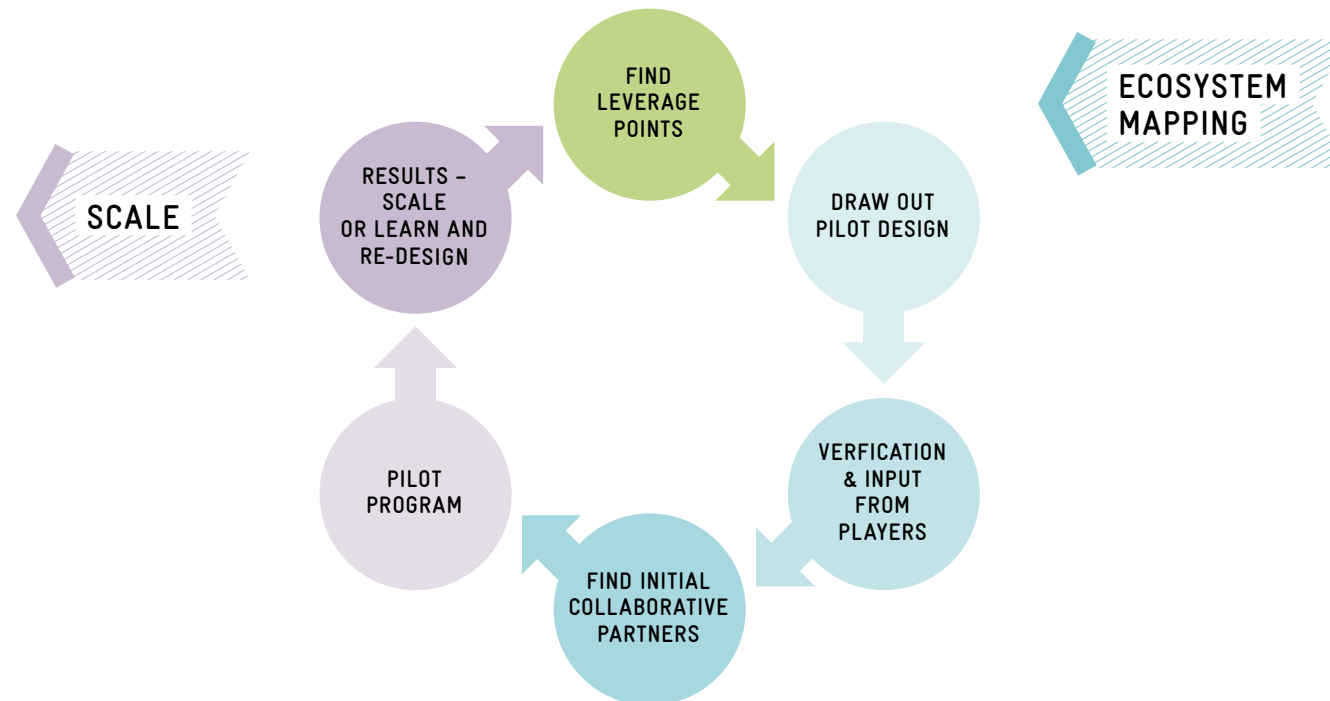
- › **Ecosystems are unique** – Several cities and regions have attempted to develop their own versions of the next Silicon Valley only to fail. Instead of duplicating what other regions are doing or have done, programmes must leverage the purpose and the strengths of the local players and communities. You must first develop an in-depth understanding of the local context and dynamics before you start planning any interventions – and this usually involves longer timeframes than are given in typical project planning.
- › **Ecosystem-strengthening = building relationships** – Different players are always at the heart of an ecosystem. The core of an ecosystem-strengthening programme is the development of collaborative relationships between these players. Developing relationships is not a straightforward process, and it certainly isn't easy to plan.
- › **Ecosystems are dynamic** – An entrepreneurial ecosystem is continually changing, and a robust ecosystem has a constant stream of new players flowing into it, with other players leaving it because of the difficulties of keeping ESOs financially sustainable. Entrepreneurs and ecosystems also adapt to changes in the world and in technology, so the programme must be designed in such a way that it can adapt to match any changes in the ecosystem.



We conducted several interviews with the staff of different ecosystem projects during the development of this Guide, and the results (see Acknowledgements) clearly showed that ecosystem-strengthening programmes must be more flexible than traditional development programmes, simply because of the above three reasons. This could actually lead to ecosystem-strengthening projects being regarded as startups. Acting like startups means making sure that you offer services that the marketplace wants – so project design should be based on the mapping of an ecosystem and should be verified by ecosystem

players. The initial design should entail short pilot activities, the results of which should be closely monitored. Pilot activities that create an impact will also generate momentum and motivate other stakeholders to join the common purpose – and they will also help to identify areas for further opportunity. After review, pilot activities can be scaled, or feedback can be used to adjust them as required. If the pilot doesn't produce the right results, you must listen to the players' and stakeholders' feedback to learn what's really required – and perhaps consider designing another pilot.

FIGURE 19: Designing an entrepreneurial ecosystem-strengthening programme



(Source: Authors)



GIZ PROJECT EXAMPLE AFRICA – DESIGNING AND SCALING ECOSYSTEM INTERVENTIONS

The GIZ-implemented project → ***Tech-Entrepreneurship Initiative ‘Make-IT in Africa’*** (<https://make-it-initiative.org/africa/>) is unique because its goal is to increase the amount of innovation and technology used throughout Africa. The project is active in 24 countries on the continent. It offers various interventions that include joint acceleration with partners, recruiting and training mentors, supporting investment in startups, highlighting digital innovations in Africa, and supporting the tech-entrepreneurship ecosystem. The project is focused on promoting collaboration among different players and tech startup communities throughout Africa. Helping to connect the small, dispersed tech-startups across the continent can be very useful for creating a critical mass of players who have similar purposes and needs.

The project pursues a flexible approach to meet its objective, making the best of different ecosystem partners and trends and leveraging collaboration with local champions as the opportunities arise. This momentum and growing network helped to create new partnerships with multinational corporations. For example, drug maker Merck collaborated with Make-IT to find innovative startups with which it could work in the health sector, benefiting from Make-IT’s extensive network throughout Africa with its different hubs and ecosystem players. As a result, the Nigerian startup Chekkit focused on educating consumers about counterfeit medicine and signed a strategic relationship with Merck. Similarly, Airbus wanted to work with African startups which were focused on aerospace.

Knowing that it had to work throughout the continent to create a pipeline of potentially suitable startups, it decided to collaborate with Make-IT, which then provided Airbus with a platform to identify innovative companies. These relationships gave strategic relevance to the project, with the result that other donors and government organisations are now collaborating with the programme.

Make-IT shows just how important flexibility in design, experimenting with different partners, scaling programmes that create momentum, and finding other stakeholders that want to support the same purpose can be.

While implementing interventions, Make-IT also started developing best practices and producing several learning documents and platforms, including on **mentorship** (https://make-it-initiative.org/africa/wp-content/uploads/sites/2/2019/02/190130_MetorshipGuide_inhalt_4.2.pdf) and **access to finance** (<https://investmentguide.africa/>), both of which are explained throughout this Guide.



Indicator selection and alignment

Choosing the right indicators and identifying sources

Choosing the right indicators to measure a programme's success is crucial in any programme design process. Selecting which indicators to monitor is one of the most critical decisions during a design process since it drives programme staff and shapes what should (and what should not) be emphasised. This is why it's crucial to select measurable indicators that are linked to the programme's objective. The interviews conducted for this Guide showed that most entrepreneurship programmes measure the following types of indicators:

- › Number of supported entrepreneurs
- › Number of entrepreneurs who have become formal businesses
- › Number of new businesses registered
- › Amount of capital mobilised for entrepreneurs
- › Number of jobs created by entrepreneurs

Occasionally, entrepreneurship programmes also record enterprise performance indicators. These are the critical key performance indicators (KPIs) that measure financial success, operation performance, and also, in the case of some companies, social impact. Indicators can vary based on the

type of company, and the stage a business is at. They include the following:

TABLE 7: Typical enterprise performance indicators

TYPE OF ...	KPI
COMPANY	
Startup	Customer acquisition (https://www.bernardmarr.com/default.asp?contentID=1371) & customer referrals (https://blog.appvirality.com/the-ultimate-list-referral-marketing-metrics-b2c-mobile-marketers/)
Growth SME	Sales, pre-sales metrics (https://www.membrain.com/blog/sales-metrics), profitability indicators (https://quickbooks.intuit.com/r/pricing-strategy/4-ways-to-measure-your-profitability/)
Social enterprise	KPIs on, e.g. food security, financial inclusion, gender, access to quality education (https://s3.amazonaws.com/giin-web-assets/iris/assets/files/guidance/IRIS_ThematicTaxonomy_20190510.pdf)
Micro-enterprise	Formal external financing

(Source: Authors)



An ecosystem programme's indicators are much broader-based than those of an entrepreneurship programme. To improve outcomes and opportunities for entrepreneurs, they go beyond the impacts at entrepreneur level and try to measure change on the different levels of the ecosystem such as culture and motivations, interacting players and the business environment. However, there is no consensus on which indicators would be 'right' to measure change in the entrepreneurial ecosystem.

According to the → *Donor Committee for Enterprise Development (DCED) Guidelines* (https://www.enterprise-development.org/wp-content/uploads/4_Implementation_Guidelines_Systemic_Change.pdf), 'systemic' change has three key characteristics:

- › **Scale** – Systemic changes influence and benefit a large number of people who were not directly involved in the original intervention.
- › **Sustainability** – Systemic changes continue past the end of the programme, without any more external assistance.
- › **Resilience** – Players can adapt models and institutions to continue delivering impact for entrepreneurs, even while the market and the external environment are changing.

When defining indicators, you must consider the sources and data collection methods for measuring the indicator. There are different options, e.g.,

6. Using data collected by ecosystem players such as ESOs, investors, and entrepreneurs: This option works well if indicators by these players are well aligned with programme indicators and if the players implement well-established monitoring systems.
7. Using established datasets by organisations that regularly map and analyse ecosystems (see **Chapter 1** and the table below): This option works well if reports cover the exact locality in which the programme is working and if the programme is regularly updated.
8. Setting up a dedicated data collection mechanism: This option will be necessary if the first two options don't apply. However, the programme must collaborate with ecosystem players whose objectives are aligned with those of the programme, even in this case.

Table 8 on the next page gives you examples of indicators based on the three different levels in an ecosystem, plus examples of established datasets that collect information on these indicators:

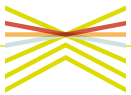


TABLE 8: Exemplary indicators for ecosystem strengthening programmes

AREAS OF CHANGE TO MEASURE	EXAMPLES OF INDICATORS	EXAMPLES OF REFERENCE TOOLS
LEVEL 1: CULTURE AND MOTIVATION		
Culture	<ul style="list-style-type: none"> › Perception of entrepreneurship by adults › Share of adults who want to be entrepreneurs › Number of entrepreneurship events 	<ul style="list-style-type: none"> › GEM (➔) › Forward Cities (➔) › Techstars Maturity Model (➔)
Entrepreneur motivations and performance	<ul style="list-style-type: none"> › Market opportunities perceived by entrepreneurs › Market share of the product compared to other global products › Targeted growth and actual growth (percentage of high-growth firms) 	<ul style="list-style-type: none"> › GEDI (➔) › GEM (➔)
Inclusiveness	<ul style="list-style-type: none"> › Percentage of women and minority founders in the total population › Financial results of women and minority founders compared to the full population › Number of women and minorities who are investors or who are running an ESO › Women and minority ecosystem champions › Funding given to businesses headed by women 	<ul style="list-style-type: none"> › Forward Cities (➔)



AREAS OF CHANGE TO MEASURE	EXAMPLES OF INDICATORS	EXAMPLES OF REFERENCE TOOLS
LEVEL 2: INTERACTING PLAYERS		
More and better services of ecosystem players	<ul style="list-style-type: none"> › Number of ESOs, programmes, incubators, co-working spaces in an ecosystem › Number of startups supported by ESOs › Survival rate of startups supported by ESOs › Entrepreneurs confirm that services have improved 	<ul style="list-style-type: none"> › GALI (➔) › StartupBlink (➔) › Forward Cities (➔)
Cooperation between ecosystem players	<ul style="list-style-type: none"> › Number of players who perceive that cooperation has improved › Number of players from the ecosystem who are actively involved in an international exchange › Number of corporate-startup partnership projects that have been piloted › Number of matchmaking events that have been implemented between startups and investors › Connections and cooperation between players from local ecosystems with other ecosystems (different countries) › Network of ecosystem players established 	<ul style="list-style-type: none"> › CSSC initiative (➔) › GEDI (➔) › Startup Genome (➔)
Support of mentors and coaches	<ul style="list-style-type: none"> › Degree of engagement for relationships between mentors and entrepreneurs › Number of hours of meetings between these players 	<ul style="list-style-type: none"> › Endeavor Insights (➔) › Startup Genome (➔)
Access to finance	<ul style="list-style-type: none"> › Volume of all financing to entrepreneurs over a specific period › Number of angel investment and venture capital deals over a period of time › Growth of financing value and deals › Number of new active investors over a period of time › Number of new financial products over a period of time 	<ul style="list-style-type: none"> › Startup Genome (➔) › StartupBlink (➔) › GEDI (➔)
Access to talent	<ul style="list-style-type: none"> › Percentage of people with high-level degrees › Percentage of female-owned businesses 	<ul style="list-style-type: none"> › Startup Genome (➔) › Forward Cities (➔)



AREAS OF CHANGE TO MEASURE	EXAMPLES OF INDICATORS	EXAMPLES OF REFERENCE TOOLS
LEVEL 3: BUSINESS ENVIRONMENT		
Startup policy	<ul style="list-style-type: none">› New entrepreneurship strategies and policies developed in cooperation with ecosystem players› Startup policy reforms	<ul style="list-style-type: none">› I4policy (⇒)
Entrepreneur business environment	<ul style="list-style-type: none">› Data policy protection› Good competition law› Days needed to start a business	<ul style="list-style-type: none">› World Bank Doing Business (⇒)› Startup National Scoreboard (⇒)› Startup Genome (⇒)

(Source: Authors)



Programme management tools and reviews of interventions

This Guide has recommended several programme interventions, which are highlighted in **table 9** on the next page. These interventions are implemented by a set of programme tools, which include a programme team, external expertise, programme partners and financial resources.

THE PROGRAMME TEAM

Development programmes traditionally hire professionals who have experience in managing development programmes.

One of the success factors mentioned by most ecosystem project staff interviewed for this Guide is hiring programme staff who have experience working in an ecosystem, and particularly in the particular ecosystem which is to be strengthened by the programme. It can be a real positive for a development programme if it can put together a team consisting of people who have either worked for ESOs or were entrepreneurs themselves, and if it can find people who have themselves recruited entrepreneurs and mentors, or hire facilitators and communicators. However, past relationships can create biases towards specific players and partners. The programme

management should be aware of these possible biases and guard against them by specifying clear criteria for partner selection and a transparent communication & selection process.

It is also vital to make sure that the team represents the ecosystem's diversity, especially in conflict-prone, fragmented settings with low levels of trust among players.

EXPERTS AND TECHNICAL ASSISTANCE

Most development programmes mobilise local and international experts to complement their own resources and capacities. Knowledge about strengthening ecosystems is still at a relatively early stage of development, so it's highly advisable to recruit practitioners and professionals who have designed, built, and managed ESOs in another context, or who have raised, deployed, and exited venture capital (VC) funds in a different ecosystem.

Programmes can bring in different types of professionals to support specific functions of the ecosystem:



TABLE 9: Types of experts and technical assistance to entrepreneurial ecosystems

TYPE OF PROFESSIONAL	EXAMPLES OF ASSIGNMENT
Director of an accelerator	Provide support in designing the programming of a local accelerator, setting up criteria for accepting entrepreneurs, setting up a fund-raising plan
Managing Director at an angel investment network	Advise groups on building an angel portfolio, how to raise capital, and run training courses for new angel investors
Director at an advocacy organisation	Provide examples of government support policies in other countries, tools for measuring a policy success and examples of how to engage with the government
Relationship manager in charge of mentorship	Advise on available types of mentors, how to recruit mentors, run preparational workshops for mentors
Professor in entrepreneurship	Advise on setting up an entrepreneur degree programme or course in a university and on leveraging critical resources
Journalist from an entrepreneur media site	Share experiences on how to tell the entrepreneur story and the questions to ask an entrepreneur to obtain a story

(Source: Authors)



5

PROJECT EXAMPLE SWISS – FACILITATING LEARNING ACROSS ECOSYSTEMS THROUGH PROFESSIONALS

The → **Swiss Entrepreneurship Programme (SwissEP)** (<https://swissep.org/>), sponsored by the Swiss State Secretariat of Economic Affairs (SECO) and implemented by SwissContact, facilitates the strengthening of emerging entrepreneurial ecosystems by supporting local players. The programme works with ESOs, angel networks, and VC funds. One of the tools it uses is called *Entrepreneur in Residence (EIR)*. EIRs are either professional investors, entrepreneurs or ESO managers who are mobilised to work locally with different players in a specific ecosystem for at least one

month. The EIRs receive a small honorarium and spend 50% of their time on their assignments and the other 50% on their agendas. The terms of their assignments are broad-ranging, but the main focus is on providing advice to local partners. One of the EIR's most essential tasks is to establish relationships with the partners. These usually extend beyond the timeframes of the EIR's assignment – and they can also lead to other initiatives and opportunities.



WORKING WITH ECOSYSTEM PLAYERS

Most ecosystem-strengthening programmes engage in partnerships with various ecosystem players and provide technical assistance to them, sometimes even financial support (see **financial support to ESOs**):

TABLE 10: Criteria and questions for selecting partners

CRITERIA	SOME EXAMPLES OF QUESTIONS TO ASK
Alignment of objective	<ul style="list-style-type: none">› Do the impacts your prospective partners make match your programme's objectives?› Are marketing and promotional material messages focused on the objectives?› Is the organisation targeting entrepreneurs from the same community which the programme is targeting?
Ability to benefit from programme interventions	<ul style="list-style-type: none">› Are planned programme interventions part of the partner strategy and action plans?› Do the staff have the necessary expertise and commitment to achieve the objectives?› Is the partner able to practically estimate the impacts of potential programme interventions?
Connections to the entrepreneur community	<ul style="list-style-type: none">› Does the partner have outreach channels with many followers?› Does the partner have a network of mentors and coaches who are relevant for the entrepreneurs?› Does the partner have a network of partners that is relevant to the entrepreneurs?
Ability to mobilise resources	<ul style="list-style-type: none">› Has the partner put his or her own (financial, human) resources into previous programmes?› Is the partner committing to invest his or her own resources into the programme?› Does the partner have existing partnerships with other organisations and an adequate mix of his or her own income sources (income through services, commercial activities, investments, grants and donations)?

(Source: Authors)

6



A SUMMARY
OF LESSONS TO BE LEARNT
FROM THIS GUIDE



A summary of lessons to be learnt from this Guide

The following table summarises the most important lessons to be learnt from this Guide, plus selected relevant examples and resources.

TABLE 11: Summary of lessons learnt, examples and sources

TOPIC	SUMMARY OF LESSONS TO BE LEARNT	EXAMPLES AND RESOURCES
OVERVIEW		
WHY SUPPORT ENTREPRENEURS?	<ul style="list-style-type: none">› Fostering a more productive, diverse, dynamic, and inclusive economy.› Creating jobs through growth companies.› Diversifying the economy by establishing new industries and bringing in new demographics into the formal economy.› Changing the economic and political landscape.› Developing a more innovative workforce.	<ul style="list-style-type: none">› http://sme.ebi.gov.eg/Documents/Internationalization/2011%20High-Impact%20Entrepreneurship%20Global%20Report.pdf› https://ldnet.eu/ldnet-david-birch-the-job-generation-process/› https://openknowledge.worldbank.org/handle/10986/30800

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TOPIC

WHY SUPPORT ECOSYSTEMS?

WHY MAP AND ANALYSE ECOSYSTEMS?

SUMMARY OF LESSONS TO BE LEARNT

- › Research has shown that entrepreneurs need access to the networks of successful business people.
 - › The entrepreneurial ecosystem gave early innovative startups confidence to push forward and develop potential life-changing products with an uncertain future. This dynamic startup ecosystem creates a self-reinforcing system of creating innovative jobs that attract top talent.
 - › The top talent attracts big international companies, leading to more creative entrepreneurs and attracting even more talent. This process creates more economic prosperity for the region and more tax resources for the government.
-
- › Ecosystem mapping and analysis help development programmes, governments and other players understand the current entrepreneurial ecosystem and identify opportunities to strengthen the various pillars. The mapping tools highlight opportunities for collaboration with partners.

EXAMPLES AND RESOURCES

- › <https://www.startupblink.com/blog/how-successful-startup-ecosystems-impact-local-economies/>
- › <https://mia.giz.de/qlink/ID=247470000>
- › <http://www.innovationamerica.us/images/stories/2011/The-entrepreneurship-ecosystem-strategy-for-economic-growth-policy-20110620183915.pdf>



TOPIC

SUMMARY OF LESSONS TO BE LEARNT

EXAMPLES AND RESOURCES

ALIGNING CULTURE & MOTIVATIONS WITH A COMMON PURPOSE

HOW TO IDENTIFY THE PURPOSES IN THE ENTREPRENEURIAL COMMUNITY

- › The mapping process highlights the types of entrepreneurs the ecosystem and policies support and the type of entrepreneurs that have been the most successful.
- › A media analysis examines the types of companies and ecosystem organisations being reported. The study can also look at the entrepreneurial topics being covered in the media or on social media. These types of analyses provide insights into the purpose of different communities in entrepreneurial ecosystems.
- › Pre-project focus groups reveal alignment or conflict between programme objectives and existing purposes in the entrepreneurial ecosystem.

- › <https://d-lab.mit.edu/resources/publications/understanding-innovation-ecosystems-framework-joint-analysis-and-action>

SUPPORTING WOMEN ENTREPRENEURS

- › Addressing legal discrimination that prevents women from doing business or owning capital.
- › Increasing education opportunities for women.
- › Expanding the women's network.
- › Training programmes to increase women's self-confidence for working with an entrepreneur's mindset.
- › Providing more accessible access to child care.
- › Encouraging men to be more supportive of female entrepreneurs.
- › Creating opportunities for women to work in male-dominated industries.

- › <https://openknowledge.worldbank.org/handle/10986/31421>
- › <https://www.gemconsortium.org/report/gem-20182019-womens-entrepreneurship-report>

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TOPIC	SUMMARY OF LESSONS TO BE LEARNT	EXAMPLES AND RESOURCES
A RECOMMENDED FRAMEWORK TO ALIGN ENTREPRENEUR MOTIVATION WITH CULTURE AND ECOSYSTEM COMMUNITY PURPOSE	<ul style="list-style-type: none">› To align the culture more efficiently with different ecosystem communities, a development programme needs to understand the situation with the help of ecosystem maps.› The most common intervention is storytelling, which can help influence culture to accept entrepreneurs more readily. Stories of entrepreneurs that build a business around a community's purpose can attract more people to support that community.› Pilot programmes are another tool for development programmes that aim to build a community of purpose. Creating a community requires momentum, which can be created by implementing a pilot programme that will show others outside of your community precisely what can be accomplished.› Facilitating the process of connecting external societal leaders with events, programmes, or collaborative strategy sessions is an intervention tool that helps to create alignment.› Last but not least, when a programme has developed its stories, chalked up successes, and created alignment with community leaders, it's time to communicate this to a broad section of society.	<ul style="list-style-type: none">› http://manizalesmas.com.co/wp-content/uploads/2016/03/Fostering-Scale-Up-Ecosystems-For-Growth-GEC-2016-in-press-MIT-Innovations-March-8-2016.docx.pdf



TOPIC

SUMMARY OF LESSONS TO BE LEARNT

EXAMPLES AND RESOURCES

PROMOTING THE GROWTH OF INTERACTING PLAYERS AND STRENGTHENING THEM

HOW TO PROVIDE
SUPPORT TO ESOS

- > **Capacity building** – Development programmes support ESOs in improving their services and their business models by bringing in experts, facilitating peer learning and providing training.
- > **Help in connecting with players in the ecosystem** – Outreach to entrepreneurs – recruiting mentors and coaches, other players, local sponsors, media.
- > **Facilitating international connections** – International ESOs – international mentors – international investors – international media – MNC.
- > **Financial support to ESOs** – Necessary to manage risks.

- > <https://swissep.org/global-activities/peer-exchange-meetup>
- > <https://www.galidata.org/accelerators/>

HOW TO FACILITATE
ACCESS TO FINANCE
FOR ENTREPRENEURS

- > **Capacity building for financial organisations** – Bring in experts, training, peer learning, develop guides and reports.
- > **Grant schemes** – Direct grants to entrepreneurs, matching capital to investors.
- > **Improve the ability of entrepreneurs to access finance** by supporting consulting, workshops, and training.
- > **Matchmaking between entrepreneurs and financial organisations** – Support the convening of events, competitions, technology-enhanced platforms and make introductions.
- > **Improve financial regulations and infrastructure** – support credit agencies and regulations.

- > https://cdn.ymaws.com/www.andeglobal.org/resource/resmgr/research_library/GIZ_Matchmaking_Report.pdf
- > <https://english.dggf.nl/publications/publications/2019/12/24/investment-fund-in-local-smes-transaction-ankur-india>
- > <https://dalberg.com/our-ideas/missing-middles-segmenting-enterprises-better-understand-their-financial-needs/>

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TOPIC	SUMMARY OF LESSONS TO BE LEARNT	EXAMPLES AND RESOURCES
IMPROVE MARKET PLAYERS	<ul style="list-style-type: none">› Support for inbound and outbound international delegations through market players who engage with them.› Design and implementation of marketing and sales programmes to support entrepreneurs.› Capacity building for market players regarding market outreach and financial models.› Provide help that will catalyse value chain players to fill in any missing gaps.	<ul style="list-style-type: none">› https://soft-landing.eu/for-startups/
SUPPORT MEDIA PLAYERS	<ul style="list-style-type: none">› Capacity building for storytelling workshops – Bringing in journalists and other experts to help media partners, investors and ESOs learn how to tell the entrepreneur’s story.› Facilitating contacts between ecosystem players and media players – Development programmes often have their own media relationships which help to reduce the number of connections between the media and other ecosystem players.	
SUPPORT EDUCATION AND TRAINING INSTITUTIONS	<ul style="list-style-type: none">› Support for developing an entrepreneurship curriculum to be taught in the classroom.› Facilitate contacts with visiting professors and faculty people from other countries to come for a semester or a year – by connecting with and leveraging the overseas diaspora, for instance.› Mobilise international expertise in developing systems and processes to set up tech transfer offices or spin-off operations.	<ul style="list-style-type: none">› https://wecode.moringaschool.com/› http://hondurasglobal.org/en/antecedentes/› https://gbsn.org/

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TOPIC	SUMMARY OF LESSONS TO BE LEARNT	EXAMPLES AND RESOURCES
SUPPORT OF MENTORSHIP	<ul style="list-style-type: none">› Support the recruitment of businesspersons to become mentors and coaches and facilitate connections between ESOs and mentors.› Train local business people to become mentors and coaches.	<ul style="list-style-type: none">› https://make-it-initiative.org/africa/wp-content/uploads/sites/2/2019/02/190130-MetorshipGuide-Inhalt_4.2.pdf› https://www.mowgli.org.uk/
SUPPORTING COLLABORATION BETWEEN ESOS	<ul style="list-style-type: none">› Ensure that players can shape the conversation, objectives and agenda.› Provide data and analysis, such as an ecosystem map that shows players opportunities for collaboration.› Provide different global examples of how other ecosystems collaborated on common problems.› Providing food for thought for collaboration meetings is often one of the best investments a development programme can make.	<ul style="list-style-type: none">› https://mentors.vn/› https://www.giz.de/en/worldwide/75975.html



TOPIC

SUMMARY OF LESSONS TO BE LEARNT

EXAMPLES AND RESOURCES

IMPROVING THE BUSINESS ENVIRONMENT AND INVESTMENT CLIMATE

HOW STARTUPS CAN BE HEARD

- › Periodically analyse and communicate how the country/region is doing on entrepreneurship. Use the information to inform policymakers.
- › Pilot policy sandboxes and share the lessons learnt. Ensure that there is a strong data component.
- › Policy hackathons can be a great way to help overcome issues in public policy and to get the citizens involved.
- › Advocating an environment that's conducive to business and an investment climate is an entrepreneur's most promising way to get his or her voice heard.

- › <https://i4policy.org/resources/benchmarkingstudy>
- › <https://www.cgap.org/research/publication/how-build-regulatory-sandbox-practical-guide-policy-makers>

WHAT CAN BE DONE TO SUPPORT THE BUSINESS ENVIRONMENT?

- › Creating transparent regulations processes with input from entrepreneurs will help improve the process of doing business for entrepreneurs.
- › Improvements in the business-enabling environment that benefits businesses will usually also benefit entrepreneurial companies.
- › Government policy that favours embedded businesses and industries is not a helpful policy for new entrepreneurs.
- › Allow land (ensure that the titling system is working or allow its usage without a title) and moveable assets to be used as collateral for loans (esp. in fragile states) and overhaul or develop an up-to-date credit registry system.
- › Business registration needs to be simple, fast, low-cost and ideally available online. A simple business registration process has a positive influence on entrepreneurship rates.
- › Periodically analyse and communicate how the country/region is doing on entrepreneurship and communicate this information to policymakers.

- › <https://www.doingbusiness.org/>
- › <https://siepr.stanford.edu/events/covid-19-policy-hackathon>
- › <http://www.insme.org/the-tunisian-startup-act/>
- › <http://www.ecosysteminsights.org/how-local-and-state-governments-can-best-support-entrepreneurship/>

(Source: Authors)

7

LISTINGS



List of abbreviations

ANDE	Aspen Network of Development Entrepreneurs
CORE	Collaborative, Open and Rising Entrepreneurial ecosystem
DCED	Donor Committee for Enterprise Development
EIR	Entrepreneur In Residence
ESOs	Entrepreneurship Support Organizations
GALI	Global Accelerator Learning Initiative
GEM	Global Entrepreneurship Monitor
GIZ	German Corporation for International Cooperation (translated)
ICT	Information and Communications Technology
KPIs	Key Performance Indicators
MIT	Massachusetts Institute of Technology
MSMEs	Micro, Small and Medium Enterprises
OECD	Organisation for Economic Co-operation and Development
SBA	Small Business Acts
SGBs	Small and Growing Businesses
SwissEP	Swiss Entrepreneurship Program
USAID	United States Agency for International Development
VC	Venture Capital



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