



BUILDING A CONDUCTIVE SETTING FOR INNOVATORS TO THRIVE

A QUALITATIVE AND QUANTITATIVE STUDY OF A HUNDRED HUBS ACROSS AFRICA

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BY AFRILABS AND BRITER BRIDGES



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A QUALITATIVE AND QUANTITATIVE STUDY OF A HUNDRED HUBS ACROSS AFRICA

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• CONTRIBUTORS •

Over 90 ecosystem builders and hubs have taken part in the data collection process that led to the publication of this report and took place in **Q3 2019**.

Acelera Angola Angola	Far Ventures South Africa	iHub Kenya	NGWANA ENTERPRISES Botswana	STEMCafe Nigeria
ActivSpaces Cameroon	Focas Ghana	Impact Hub Khartoum Sudan	Northern Innovation Lab Ghana	Suguba Mali
Afric'innov Senegal	FoundersHub Nigeria	IMPACT Lab Morocco	Nyetaa Mali Mali	Sylabs Algeria
Bantu Makers Angola	Ghana Innovation Hub Ghana	INCO.org France	O'Botama Cameroon	Talentum.Africa Mauritius
Bizfarm South Africa	Ghiyada Africa Togo	Ingenious City DRC	Olotu Square Nigeria	Tamkeen Center Morocco
Burkina Business Incubator Burkina Faso	GreenLab Tanger Morocco	Injini South Africa	Orange Corners Maputo The Netherlands	TED Hub Ghana
CapitalSquare Nigeria	GrowthAfrica Kenya	IT KOLA Cameroon	Pangea Accelerator Norway	Tentmaker Hub Ghana
CINOLU DRC	hapaSpace Ghana	Kukura Business Accelerator Zimbabwe	Plus Innovation Hub Norway	T-Hub Somalia
CUBE Togo	Hargeisa Digital Somaliland	Le Boukarou Cameroon	Polylab Senegal	Timbali South Africa
Clean Technology Hubs Nigeria	HarHub Somaliland	Lead Resources Nigeria	Project Enable Africa Nigeria	Tomruk iHub Multiverse Nigeria
Codetrain Ghana	Ho Node Hub Ghana	Mauritius Business Network Mauritius	Riversands Incubation Hub South Africa	UAC Startup Valley Benin
Colab Innovation Hub Nigeria	HOPin Academy Ghana	Mauritius Talents Incubator Mauritius	Sahara Ventures Tanzania	Visions2Ventures South Africa
Digital Opportunity Trust Canada	Hub RDC DRC	MCISE Morocco	Energy Business Incubator South Africa	WenakLabs Chad
Disruption Lab Angola	Iceaddis Ethiopia	MEST Ghana	Seedstars Switzerland	Yekolab Republic of the Congo
EcoTeclab Togo	ICODE GH Ghana	Metta Nairobi Hong Kong	Sensi Tech Innovation Hub Sierra Leone	Vision Tech Hub Ghana
El Fabspace Tunisia	iCog Labs Ethiopia	MINASSA Tunisia	SIRA LABS Burkina Faso	ZixtechHUB Cameroon
Ennovate Hub Tanzania	id8 Space Tanzania	MobileSenegal Senegal	Sote Hub Kenya	
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• HUB GLOSSARY •

HUB

A hub is a centre, structure or network comprising of actors supporting or facilitating the development of an environment conducive to entrepreneurship or innovation. Cities are also often defined as hubs when they represent important nodes for business and investment.

ACCELERATOR

An accelerator is a structure that offers cohort-based and fixed term programmes (usually between 3-6-9 months) to support growth stage ventures to achieve scalability and self-sufficiency, by offering advisory services, mentorship, workshops, networks and usually investments in cash or in-kind.

COWORKING SPACE

A co-working space is a shared physical workspace that provides office facilities and a community to startups, small companies and independent workers - offering reasonable and flexible contracts for its users and encouraging peer-learning, networking, capacity development, and collaboration.

ECOSYSTEM

An ecosystem is a dynamic framework consisting of a set of stakeholders - startups, hubs, investors, academic institutions, public institutions, corporations - who interact and engage with each other to seize new opportunities, support innovation and strengthen the overall business environment for entities at different stages, sectors, and geographical locations.

HACKATHON

A hackathon is a tech-focused event taking place across a set timeframe which can usually span between one day to a week, and that gathers specialists in computer programming, digital creation, technology or software development to collaborate on specific ideas or concepts to find solutions to a problem or to design, develop and create MVPs.

HACKERSPACE AND MAKERSPACE

A makerspace is a physical facility or lab fitted with machinery, technological tools and other equipment to help communities and individuals co-create and explore ideas, create prototypes and test products, as well as develop technical skills and knowledge.

INCUBATOR

An incubator is a support structure that helps early-stage start-ups transform from idea to venture, by offering advisory services, resources, workshops and hands-on training that guide entrepreneurs in defining and refining their business models and value propositions with the goal of becoming sustainable businesses. They sometimes have a limited pool of cash to support businesses.

INNOVATION HUB

An innovation hub is a centre for learning, ideas, co-creation and community, that nurtures innovative ideas and market disruption, and supports creative ways of solving problems through offering on-the-ground support across the entirety of the startup lifecycle.

PORTFOLIO

A portfolio is a collection of individuals or organisations that either are part of/have successfully completed a hub programme or are beneficiaries of direct or indirect investment by an investor or fund.

• INTRODUCTION •

The role innovation hubs have been playing in catalysing the debate on technology across Africa over the past years has led more and more stakeholders, ranging from governments to the private sector, to further investigate the work these organisations do and the challenges they face in providing portfolio companies with the right type and degree of support, whilst also achieving financial sustainability. As of October 2019, the number of hubs identified across Africa is **643**, which includes coworking spaces, incubators, accelerators, and hybrid innovation hubs affiliated with government, universities, or corporates. According to the the GSMA, the number of identified hubs grew respectively from **314** (2016) to **442** (2018) and **618** as of Q2 2019. It is important, however, to note that around **25%** of the total do not seem to offer any type of support to companies other than providing physical, often shared facilities for entrepreneurs to work safely and hassle-free. The research also identifies over **110** hubs that have shut operations in the last few years due to bankruptcy, pivoting, or the expiration of their mandate.

The backbone of this study consists of the conversations and surveys with almost a hundred hubs across the continent about their business models, the support they provide to companies, and the funding they receive from donors and partners. Identifying the types of respondents and their characteristics is important to set a conversation on the many roles innovation hubs play in their respective ecosystems and in the debate about the pathways to startup success. Due to the geographical distribution and the high diversity of the respondents, the responses could be used to identify general trends in the life of the typical hub in Africa.

The findings suggest that hubs are often to be identified as safe, enabling spaces for young innovators, rather than necessarily venture builders - e.g. organisations able to drive their portfolio companies onto a direct path to scale - and the data show how such hubs are often involved in a variety of initiatives that concur to promote the creation of a conducive ecosystem where entrepreneurs and other stakeholders can collaborate and promote their ideas. Insights from hub managers also suggest that greater financial support and collaboration within the ecosystem are vital success factors for hubs to efficiently and sustainably deliver their services.

Dario Giuliani, Briter Bridges

AFRICA'S INNOVATION HUBS

At least **643 hubs**, which include coworking spaces, incubators, accelerators, hybrid hubs with affiliations to universities and/or governments, as well as maker spaces and technology parks, were identified as of October 2019 across **50+** African countries. **25%** of these hubs only offer coworking facilities and no specific business support programme for startups and entrepreneurs, but the majority - almost 500 of the hubs - provide some degree of in-kind or cash support.



643

ESTIMATED ACTIVE HUBS



41%



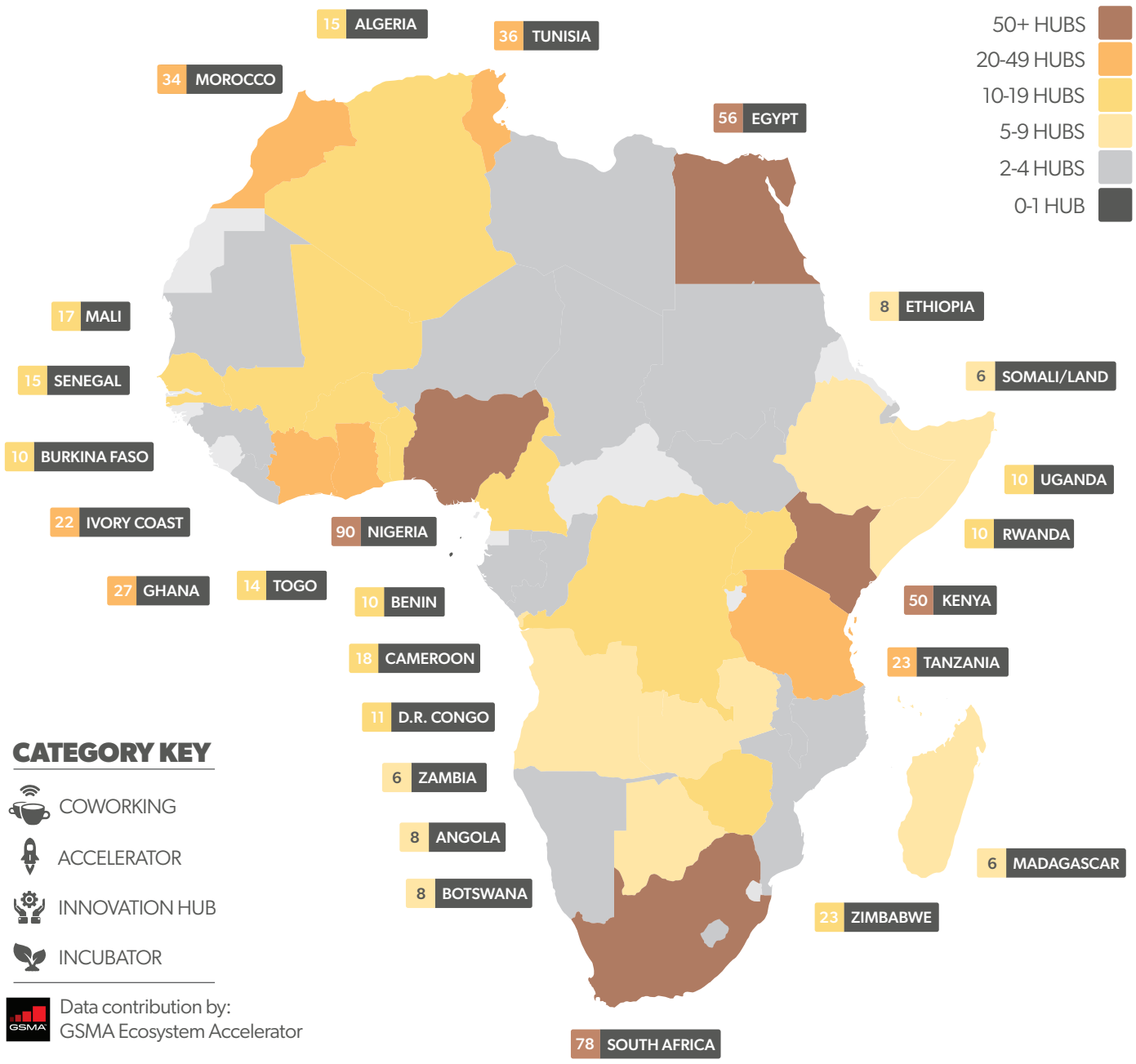
24%



14%



39%



CATEGORY KEY

- COWORKING
- ACCELERATOR
- INNOVATION HUB
- INCUBATOR

Data contribution by:
GSMA Ecosystem Accelerator

• SURVEY FINDINGS •

Respondents' Demographics

The survey was submitted to **over 600 hub** managers based on Briter Bridges' latest data on innovation hubs in Africa. The pool of respondents differ by type, legal structure, location, and support criteria such as sectors of preference. **92** responses represent **15%** of the total number of identified, eligible, organisations.

The respondents were split between private, for profit organisations and a mix of non-profit, academic institutions, programmes and associations, and were distributed across **34 countries**.

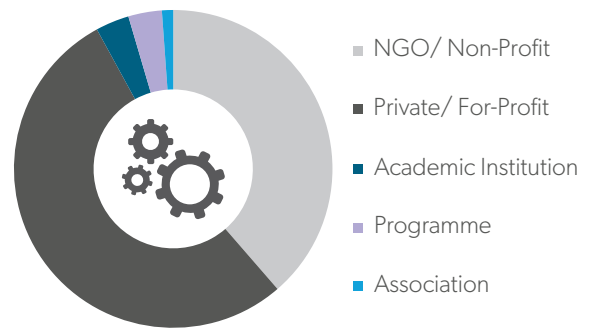
TECH HUBS IN AFRICA

643 tech hubs in Africa as of Oct 2019.

↳ **92** surveyed hubs Aug-Oct 2019.

- ▲ **28** Accelerators
- ▲ **2** Corporate venture
- ▲ **33** Co-working spaces
- ▲ **5** Hackerspaces
- ▲ **60** Incubators
- ▲ **8** Maker spaces
- ▲ **4** Technology parks

LEGAL STRUCTURE



TEAMS AND OFFERINGS



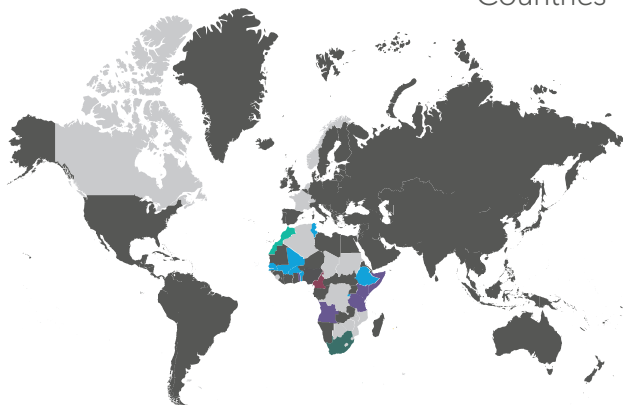
62.2% of hubs have **less than 10 paid employees**.

HQ LOCATION

■ 1 ■ 2 ■ 3 ■ 4 ■ 5 ■ 9 ■ 12 ■ 13

34

Countries

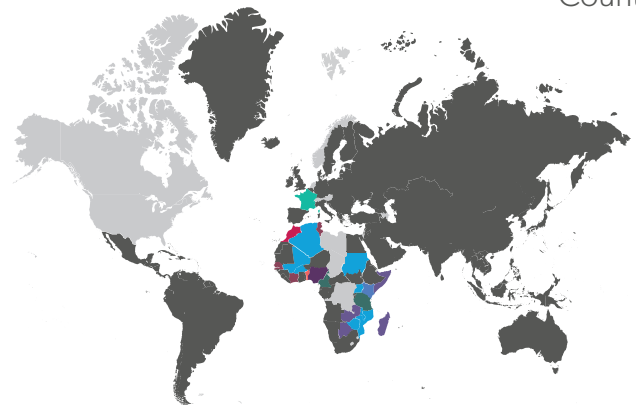


ALL LOCATIONS

■ 1 ■ 2 ■ 3 ■ 4 ■ 5 ■ 6 ■ 7 ■ 8 ■ 14 ■ 17

47

Countries



• BUSINESS MODEL •

Costs, Funding & Revenues

Because almost half of the existing hubs consist of non profit organisations or donor-funded organisations, the discussion around financing received and the allocation of funds has been crucial. **60%** of all respondents claimed to receive external funding and, among the donors, **corporate sponsors, philanthropic organisations,** and **NGOs** have proven to be the most active funders.

The majority of hubs surveyed claimed to have received less than **\$100,000** in funding from various sources. Several hubs establish strategic affiliations with corporates, which often include a degree of asset sharing such as cloud, servers, optic fiber, and the like. Several hubs also partner with their local government or international subsidiaries to get support for their activities. According to the surveyed hubs, the majority of funding received is largely used to cover operational costs and programmes. **Wages** and **facilities** still present the highest costs on average, whilst energy and rent-related costs vary respectively depending on whether the hubs are located in areas with unreliable access to electricity or in costly neighbourhoods.

KEY CORPORATE PARTNERS*

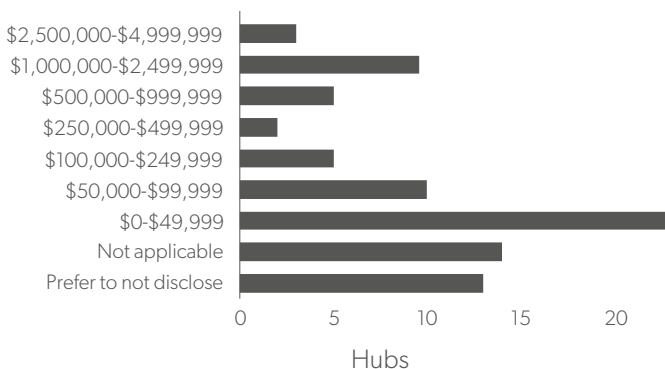


KEY DONORS

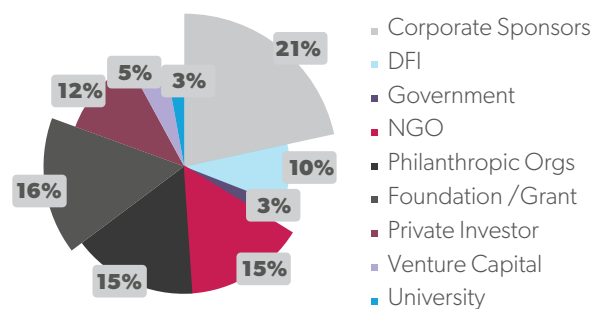


*The surveyed hubs were asked to mention partners who supported them either directly or funded any of their programmes.

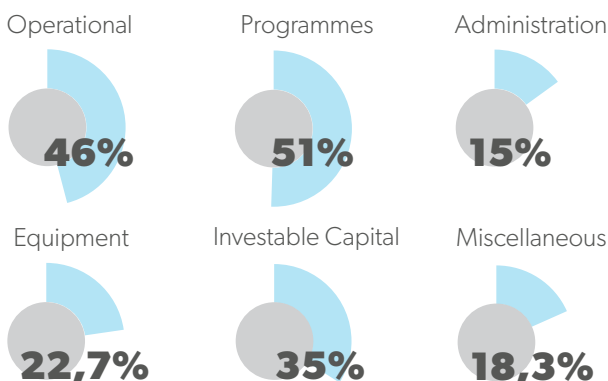
TOTAL FUNDING RECEIVED



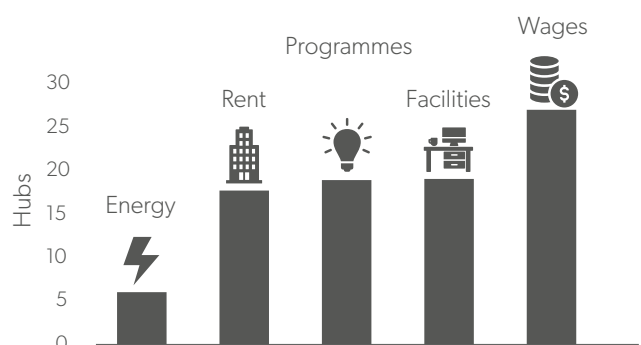
DONORS



AVERAGE FUNDING ALLOCATION



COST BREAKDOWN



• REVENUE STREAMS •

* Excludes donor funding

The survey highlights that hubs adopt 3 main revenue streams: 1) a **membership fee** to use facilities; 2) **donor funding** to both sustain operations and run startup support programmes; 3) **consulting**, which was identified as the largest additional revenue stream by **40%** of the hubs. Such consulting often takes the form of innovation-related research and programme implementation for specific donors. In addition, hubs with enough space capacity charge rent for events, while others offer paid **training** or **partnership** fees.



53,3% of hubs charge a membership fee.



60% of hubs receive external donor funding.

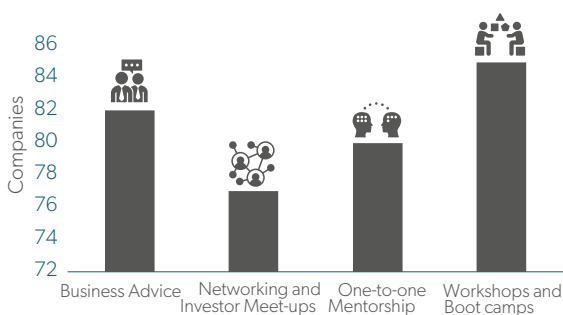


62,2% of hubs receive funding for programmes.

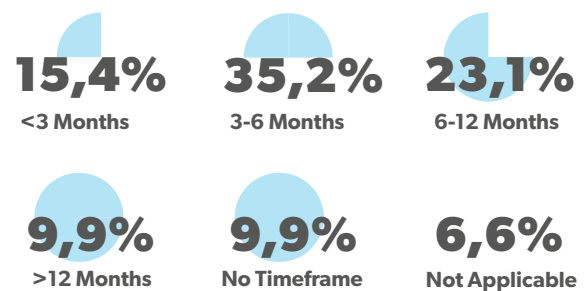
• STARTUP SUPPORT •

Hubs typically offer two types of support: 1) **in-kind**, which includes trainings, advice, and facilities; 2) **financial support** through programmes. Among the respondents, **94%** (6 respondents left the answer blank) run startup programmes as part of their business and, among these, the most common programmes last 3-6 (**35%**) and 6-12 months (**23%**). In-kind support comes in the form of one-to-one mentorship or through workshops and bootcamps.

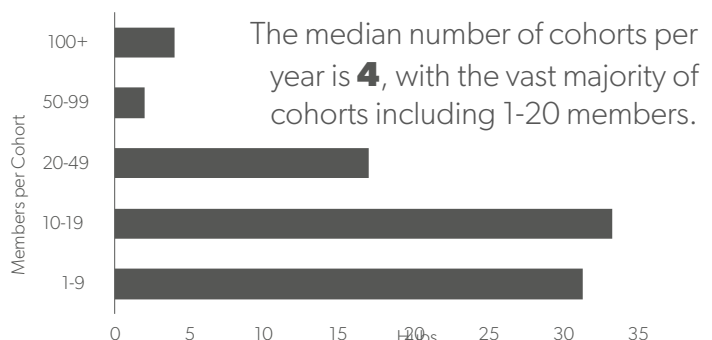
SUPPORT OFFERED * Excludes financial support.



PROGRAMME DURATION

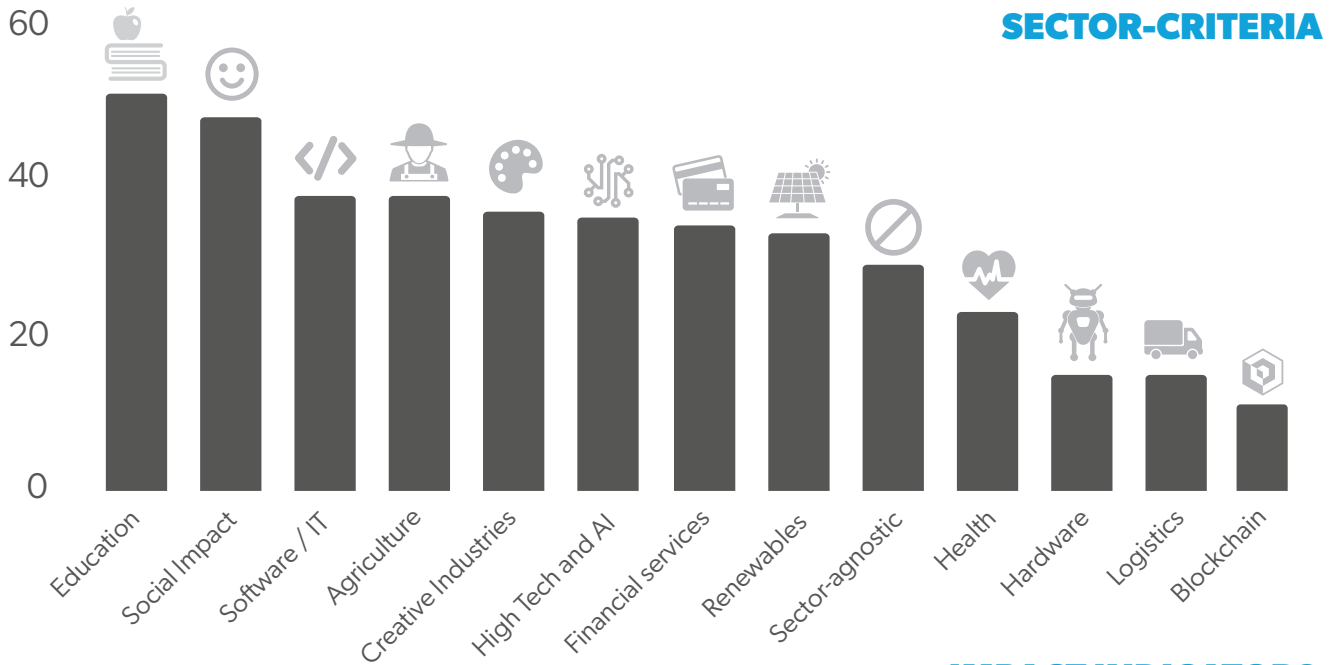


MEMBERS PER COHORT



• CRITERIA •

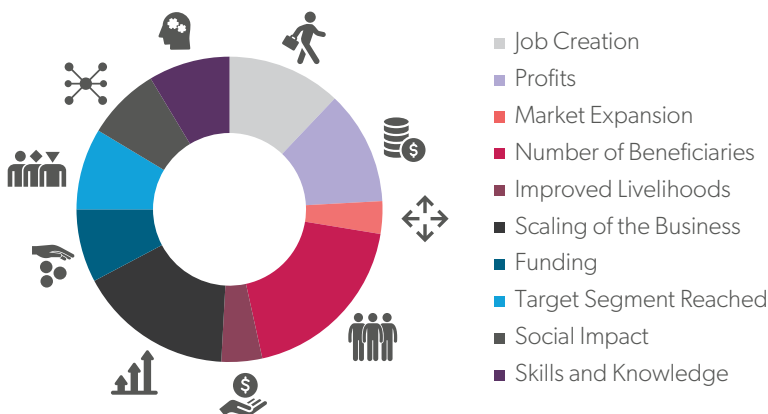
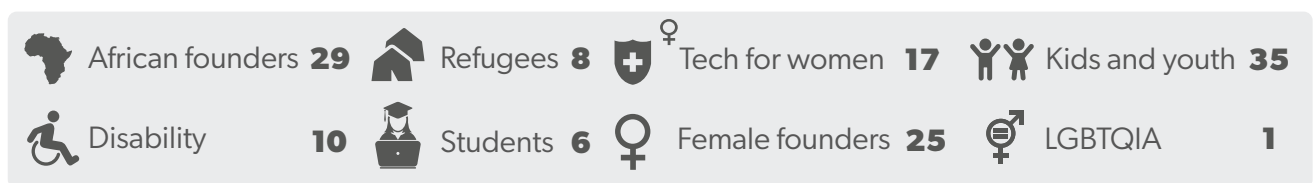
Due to the size of the ecosystem, hubs have historically been sector-agnostic organisations, providing generic business support to entrepreneurs and a promoting a conducive environment. Recently, the need to tailor the type of support provided and the inefficiency of offering generic assistance to startups has led to an increase in specialisations. Sectors that tend to deliver high social impact, such as **education** and **agriculture**, are among the most selected among the survey respondents



IMPACT INDICATORS

An increasing emphasis is being put on the socio-economic impact generated by the companies supported by each hub. This has pushed for the creation of impact frameworks and the identification of 'preferred' addressable demographics such as female founders, refugees, and people with disabilities. Out of the 92 hub managers who took part in the survey, **one third** focus on supporting African founders, **40%** to support **kids and youth**, and **27% women founders**.

TARGET DEMOGRAPHICS AND KEY DATA POINTS



Impact frameworks focus on metrics such as the number of jobs created and the ability of a specific solution to de facto improve livelihoods.

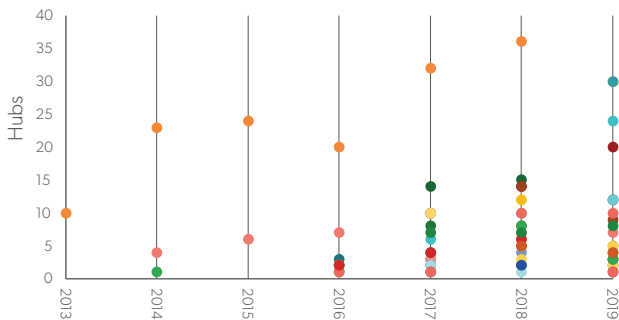
Similarly, upskilling and potential for digitisation at the bottom of the pyramid are other elements hubs consider when deciding to step in and support startups.

STARTUP FUNDING

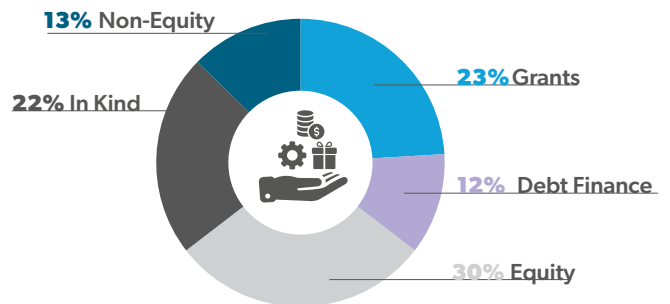
The fact that only **40%** of the surveyed hubs offers **funding to startups** denotes the high diversity in the type of support that such organisations provide. Equity investment (**30%**) remains the most common type of funding although, as explained, hubs are often endowed with donor or sponsor money which is used for funding - often through competitions or at the end of an incubator or an accelerator programme. This type of cash injections are typically in the form of grants or non-equity (**23%** and **13%**). Almost **25%** of the funding is also in-kind and it is not uncommon to see mixed funding rounds including in-kind and equity investment. Finally, a small proportion includes debt financing (**12%**).

STARTUPS FUNDED PER YEAR

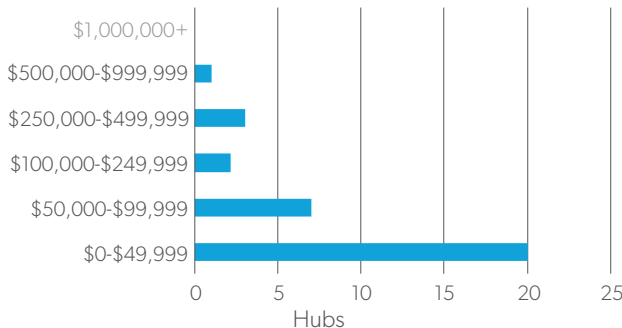
191 startups funded by the surveyed hubs in 2018



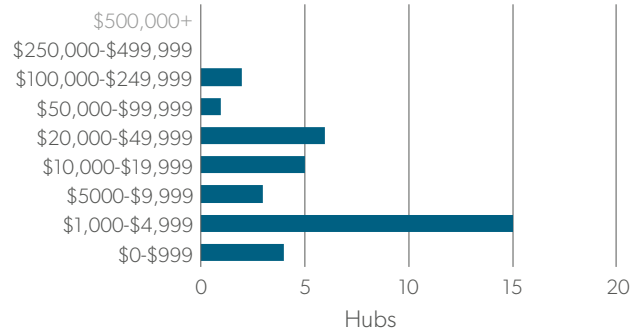
TYPE OF FUNDING PROVIDED



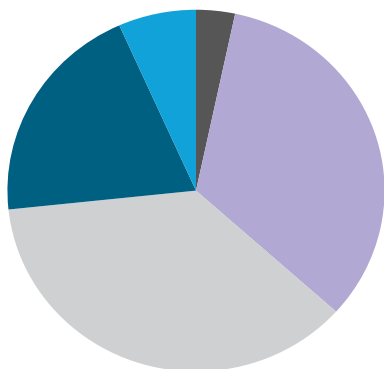
TOTAL INVESTABLE CAPITAL



FUNDING PROVIDED PER STARTUP



EQUITY INVESTMENT IN STARTUPS



■ <5% ■ 5-9% ■ 10-14% ■ 15-24% ■ >25%

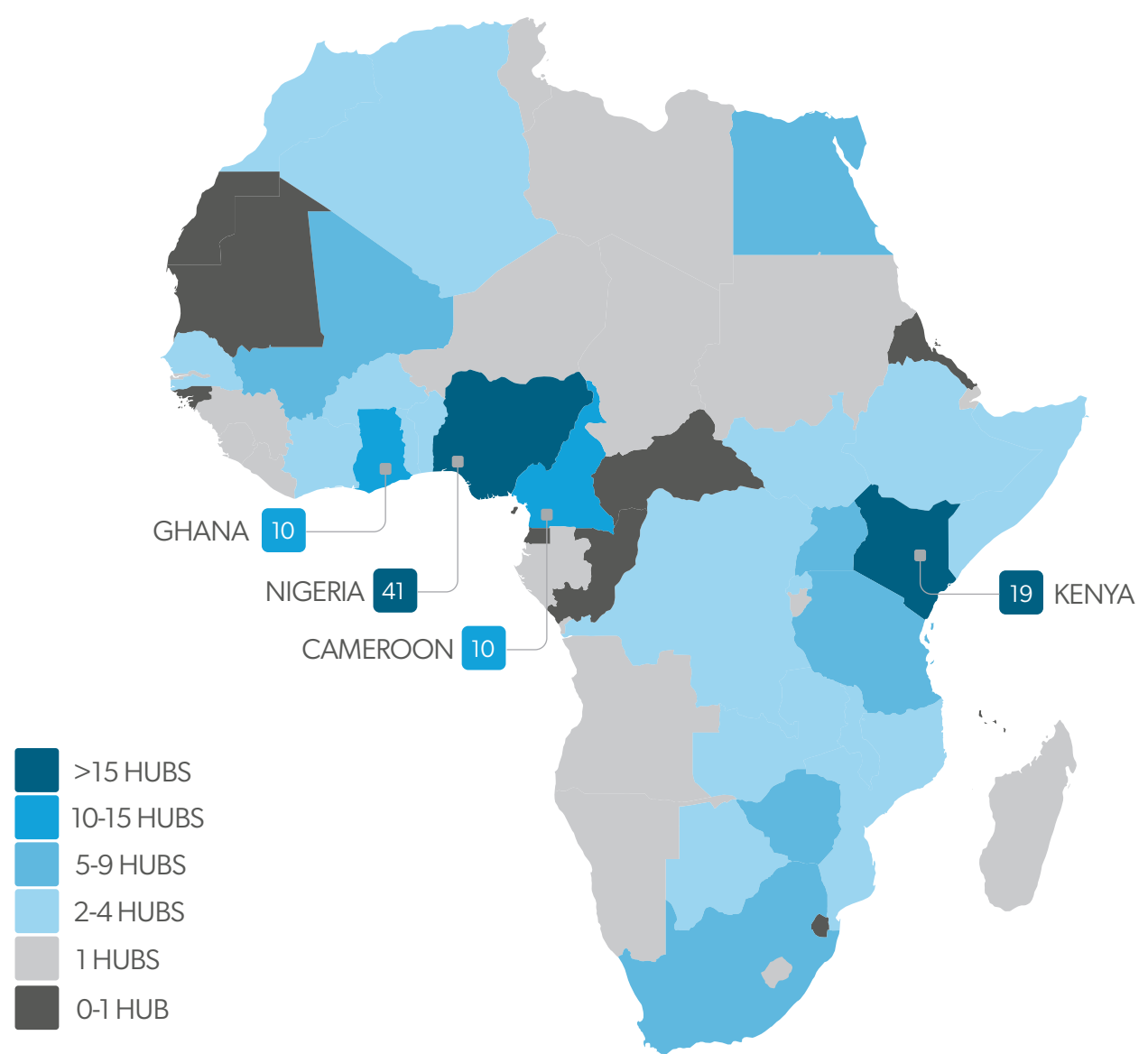
40% of the surveyed hubs buy equity shares in the supported hubs.

Out of the 37 hubs in the sample that provide funding to start-ups, the majority provide investments **below \$20,000** and about a third of the surveyed hubs that invest for equity shares in the companies they support take between **10 and 14%** equity.

13TH OCTOBER
IN TULIP HOTEL



• AFRILABS' MEMBERS •



MAJOR ALLIANCES

A growing trend across Africa has been the rise of networks and alliances, as hubs and ecosystem builders join forces to share and adopt best practices, avoid repetitions, and increase the exposure of their respective ecosystems. **95%** of the respondents is part of a network or alliance and the map below outlines some of the predominant alliances across the continent.



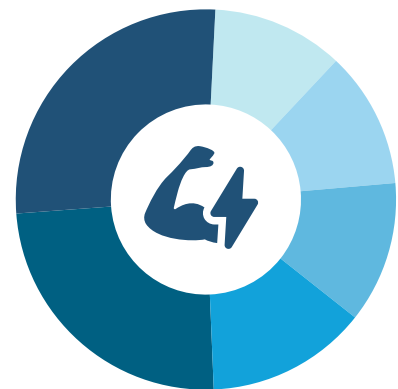
• CHALLENGES vs SUCCESS STRATEGIES •

The study counts over **110 hubs that have shut down** operations over the past half decade. This is due to an uncertainty around sustainability and business models that are partially dependent on external donors.

Access to funding is considered to be the primary challenge holding back the ecosystem and, as a consequence, the scope for connecting companies with investors or providing them with a clear pathway to fundraising, is limited. In addition, the lack of experienced staff able to effectively provide value to founders is an increasingly recognised factor preventing hubs from taking a more central role in setting companies on a sound path to growth.



- **28.3%** Access to reliable, constant capital
- **20.2%** Linking entrepreneurs to investors
- **19.7%** Talents and skilled staff
- **11.0%** Helping entrepreneurs scale
- **9.4%** Exposure and brand awareness
- **9.0%** Mentors' ability to provide value to participants
- **1.8%** Competition from other tech hubs



- Greater access to financial resources **27.0%**
- Collaborations with other support organisation **24.5%**
- Greater networks **13.7%**
- More Success Stories / Exits **12.0%**
- Increased Exposure **11.6%**
- Greater access to physical resources **11.2%**

In the past few years, hubs seem to have - somewhat mistakenly - become the proxy to address the totality of the ecosystems they belong to. This has caused many to attribute to these hubs a role and a duty that has often proven to be problematic. In this sense, whilst hubs have had fingers pointed at them for not living up to the expectations of several entrepreneurs, who were hoping to scale as a consequence of their involvement with such hubs. This has led to a shift in responsibilities from civil society, private sector, and the government to these hubs, which have found themselves being tasked with unlocking opportunities that can be out of their scope.

The lack of enough success stories and adequate track record that would enable benchmarking and to identify best practices, remains a problem for any African ecosystem. Hubs across the continent are now on a quest to establish partnerships and knowledge transfer networks and collaborate to avoid unnecessary costs and provide the organisations they support with the right resources.



• CONCLUSION •

As their number grows as a symptom of the overall expansion of technology ecosystems across Africa, innovation hubs, which have been considered as a proxy to gauge the state of play in each respective ecosystem, and which have functioned as a catalyst for external funding and media coverage, are increasingly being called out in virtue of their role as nodes for the entrepreneurial and investment community to seize the opportunity to drive the debate on innovation forward. This implies the need to be more transparent about, and accountable for their work within the entrepreneurial community. Consolidating their offerings and monitoring results, striving to achieve financial sustainability, and collaborating with peer organisations across the continent is then essential in order to understand and adopt best practices and share learnings.

In addition, the availability of data and information about the type of support hubs offer is making it possible to broaden the conversation beyond the mere Silicon Valley model and the search for “unicorns” in favour of understanding the more holistic role hubs play promoting cohesion and dialogue among peers and stakeholders. Less than half of the existing hubs, on average, offer cash funding to founders, and the majority of the support provided consists of mentoring and access to a lively environment where companies can dialogue and learn from each other journey. This growing need for stronger and more sustainable business models has led to increased collaboration, which has materialised into networks and alliances among peer support organisations as well as partnerships between hubs and corporates or public institutions, but the question of financial sustainability remains for several hubs that still rely on hybrid models in order to remain afloat.

In furtherance of the goals of this report, AfriLabs and the United Nations Economic Commission for Africa UNECA have partnered to launch an Open Data Platform for Africa's Innovation Hubs and the Innovation Ecosystem at large. Visit www.afrilabs.com for more details.

