Growing Agribusinesses through Business Incubation
infoDev

Enabling innovative enterprise growth in ICT, Climate Tech and Agribusiness

In Agribusiness:
62 incubators in 20 countries benefiting 4,300 enterprises

Building local capacity to deliver business incubation services to growth-oriented innovative entrepreneurs

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**Business Incubation**

A selective, comprehensive service offering that aims to accelerate the growth of early-stage SMEs

<table>
<thead>
<tr>
<th>Services</th>
<th>Value to the Entrepreneur</th>
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</thead>
<tbody>
<tr>
<td><strong>Infrastructure:</strong> Lab and production facilities, Office space, meeting rooms, electricity, phone, Internet, etc.</td>
<td>Economies of scale decreases the cost of starting a business</td>
</tr>
<tr>
<td><strong>Business Services:</strong> Registration, licenses, QM, technology transfer, accounting, strategy, marketing, export/import, etc.</td>
<td>Help with non-core business activities saves time and money</td>
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<tr>
<td><strong>Financing:</strong> Brokering financial services and/or providing them i.e. equity, credit, guarantees, etc.</td>
<td>Leveraging the credibility of the incubator &amp; the portfolio of entrepreneurs to overcome financing gaps</td>
</tr>
<tr>
<td><strong>“People Connectivity”</strong> Mentoring, coaching and interaction with fellow entrepreneurs (a micro cluster), market linkages</td>
<td>Learning, exchange of ideas, psychological support, partnerships, business relationships,</td>
</tr>
</tbody>
</table>
Our Framework

Innovation & Entrepreneurship Eco-System

- Infrastructure
- Policy Regulation Standards
- Academia
- Industry
- Entrepreneurs
- Technology Parks
- Incubators
- Savers
- Social and Economic Wealth Creation
- Markets
- Invention

[Diagram showing the interactions between these elements]

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Challenge:

- Comparative advantage in agriculture
- Lack of local value addition and high imports
- Lost opportunity to generate jobs and incomes

Vision:

Leverage infoDev’s experience in promoting innovation and entrepreneurship through business incubation to increase the productive capacity of agribusiness SMEs in Africa

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Potential Impact

New Jobs

Increased volume

Input Providers

New Jobs

Increased volume

Farmers

New Jobs

Increased volume

Processors

Accelerate Growth

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Primarily women
Approach

Global Assessment of Agribusiness Incubation

Agribusiness Incubation Working Group

Agribusiness Incubation Training Module

Business Models for Implementation in Tanzania, Mozambique, Ethiopia, Senegal

Implementation of first AIECs

Feasibility Assessments in Tanzania, Mozambique, Ethiopia, Senegal

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Agribusiness Incubation Global Good Practice Assessment

Brazil, Chile, India, Indonesia, Malaysia, Mexico, Mozambique, South Africa and Uganda

9 incubators → 300+ businesses w/ total revenue of 512 million+ new sectors, economic empowerment

“ROI” – 1:1.2 to 1:18 (rough estimate)

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Wide variation of approaches and scale

Started with USD 50,000 – 50 million

Three approaches:

- Economic Growth
- Economic Inclusion
- Sector/Value Chain incubator
- Research commercialization Incubator
- Technology transfer incubators
- Urban - rural
- International
- High Tech
- Low Tech

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Fundación Chile – Salmon

Sector Creation

From 347 tons in 1983 to 383,000 tons in 2005

- US$ 2.2 billion in exports for 2006
- 23.6% of Chile’s total food exports
- +35,000 direct and indirect jobs created

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Timbali South Africa – Cut Flowers

- **Graduates** since 2004 = 140
- Creating **franchises** and full integration with cut flower value chain
- Poor women becoming assertive and economically independent small entrepreneurs

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http://vimeo.com/31381483
TimbaliShort2011
http://vimeo.com/31382024
IndoShort2011
http://vimeo.com/31381746
LASHort2011

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## Lessons Learned

### Market Driven Public Private Partnership

<table>
<thead>
<tr>
<th>Value Chain Framework - Targeted</th>
<th>Commitment to demonstration – <strong>catalytic</strong> effect</th>
<th>Pro-active <strong>market opportunity</strong> identification</th>
<th>Dense <strong>Network</strong> – inputs, finance, labs, compliance</th>
<th>Incubation <strong>basics</strong> – selection, business minded, location</th>
</tr>
</thead>
</table>

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% operating budget covered by fees, profit-sharing, capital gains

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Emerging role for AIECs in Africa

Role

- Accelerate the growth of value adding agribusiness enterprises;
- Commitment to demonstration effect that can catalyze wider business take-up of innovations;
- Focus on select value chains for maximum impact.

Service Offering

- Identifies market opportunities for products derived from high quality raw materials; and promotes these opportunities to local agribusiness SMEs;
- Promotes successful enterprises and holds innovation challenges to stimulate broad take-up of product and process innovation;
- Assists high growth potential agribusiness SMEs with:
  - adopting technologies and resolving technological challenges;
  - test marketing innovative products;
  - effectively packaging, marketing and distributing final products;
  - linking into relevant supply chains;
  - meeting modern food safety and quality standards;
  - obtaining regular access to adequate quality and quantity of raw materials;
  - enhancing managerial and technical skills, and raising finance to position the enterprise for growth.

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**Market Opportunity**

Domestic, regional and international demand for products derived from fruits including Bissap, Baobab, Mango.

**Market Challenge**

The few large firms import fruit products that could be sourced domestically due to issues with quality, quantity and regularity.

Small processors do not grow due to constraints including:

- limited access to technology
- difficulty accessing finance
- lack of procurement leverage
- inability to standardize and test quality
- lack of knowledge of higher value opportunities

**Potential Impact of AIEC**

Over 5 years:

- Direct Result:
  - 285 highly competitive companies
  - 2200 new jobs created
  - Increased income for 1,300 farmers
  - + catalytic effect

**Sustainability**

USD 4-6m over 5 years

80% financed by earned revenues by Year 5.

Royalty % + fees

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Role of Government

- Seed funding and decreasing operational funding over time against realistic outcome criteria

- BUT run by manager with business background + PPP board

Actively using the incubator to get inputs on regulatory/policy issues constraining growth

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THANK YOU

QUESTIONS?

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<table>
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<tr>
<th>Incubator</th>
<th>Graduates</th>
<th>Average Sales ($ million)</th>
<th>Starting Year</th>
<th>Initial Investment (US$ million)</th>
<th>Investment in Current Prices (US$ million)</th>
<th>Sales of Graduates (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundación Chile</td>
<td>85</td>
<td>5</td>
<td>1976</td>
<td>50</td>
<td>182.90</td>
<td>425</td>
</tr>
<tr>
<td>CENTEV</td>
<td>24</td>
<td>2.5</td>
<td>1995</td>
<td>0.7</td>
<td>0.99</td>
<td>60</td>
</tr>
<tr>
<td>Fundación Jalisco</td>
<td>4</td>
<td>1.25</td>
<td>2006</td>
<td>4</td>
<td>4.33</td>
<td>5</td>
</tr>
<tr>
<td>IAA-IPB</td>
<td>38</td>
<td>0.21</td>
<td>1995</td>
<td>0.3</td>
<td>0.43</td>
<td>7.98</td>
</tr>
<tr>
<td>ABI</td>
<td>7</td>
<td>1.5</td>
<td>2003</td>
<td>0.5</td>
<td>0.59</td>
<td>10.5</td>
</tr>
<tr>
<td>Timbali</td>
<td>140</td>
<td>0.03</td>
<td>2003</td>
<td>2.8</td>
<td>3.32</td>
<td>4.2</td>
</tr>
</tbody>
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