

Every African tech hub for itself in quest for sustainability

 By Tom Jackson

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“This is done on a tech hub by tech hub basis. Each is figuring out their own business models for continued support and growth.”



Annie Spratt

So says Erik Hersman, co-founder of Nairobi’s [iHub](#), on the issue of hub sustainability. Across Africa, hundreds of technology hubs and incubators are battling to break even, in a variety of ways. The issue is an important one, given the vital role such hubs play in the lives of startups.

“Historically they’ve been quite important, not so much that they were the reason for the development of the tech scene, but that they tend to accelerate the development. This is due to the concentration of talent, as well as being a larger target and landing pad for investors and media around the space,” said Hersman.

Scaling through services

The iHub itself has been undergoing a change in approach over the last 18 months or so. Initially mostly grant funded, [in March 2016 the organisation raised external funding](#) to usher in the “next chapter” for the hub. It went on to launch a number of new initiatives over the year and plans to monetise on services. It has [relocated to a larger premises](#) and has also [announced the launch of an investment fund](#) for African startups.

Hersman said it was important for each tech hub to figure out for themselves how they can become sustainable, otherwise, they can't continue to offer up their services.

Lukonga Lidunda, co-founder and executive director of Zambian tech incubator BongoHive, agrees, saying each startup ecosystem presents different opportunities and challenges for its local hubs.

"In our experience, it is a combination of users and participants paying for the service, and leveraging grants with specific objectives to gain as much traction as possible so that in some cases other stakeholders like local private sector, academia or government can see value and eventually support or partner," he said.



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"Lastly, being able to provide a service and literally convert the whole hub into a product that other institutions and players can benefit from either by running hackathons, thematic accelerators, startup competitions, hosting events and also offering facilities."

The iHub has started work on turning itself into a product, and this is also what BongoHive has done. The Zambian hub has run a number of accelerator programmes, but Lidunda says there is a need to ensure you have multiple revenue streams.

"We must recognise that the most successful traditional accelerator programmes have support from wealthy individuals or larger entities. In the absence of such, there is need to find the right mix of incentives and services so that ultimately we provide the best support system for startups to start and thrive," he said.

Hersman says accelerators if employed, need to be part of a mix rather than the primary strategy.

"I don't know if traditional accelerator programmes as we would define them in the US or EU have ever truly been a source of sustainability for tech hubs. The tech hubs might have an accelerator as part of their mix, but it's not a standalone affair most of the time," he said.

Phasing out donors

Donor funding has been key in the development of many African tech hubs, especially at the early stage where they are as yet unable to sustain themselves through their own initiatives. Organisations such as Indigo Trust have played a key role.

Yet this cannot last forever, and hubs need to find a way of financing themselves in the long-term. In short, hubs need to become more like the startups they support.

"Donor funding has been particularly helpful in the capital needed to start the space, but I tend to think that long-term funding and sustainability should come from other sources that are more market-oriented," Hersman said.

Lidunda says non-profits and donors have been required to play a larger role in catalysing startup ecosystems across the region because governments, academia and the private sector have been slow to respond to the opportunities presented by innovation hotspots like hubs.

"We need to appreciate their efforts and also leverage on this so we can show MVPs for our ecosystems so that we can attract other players into the space. I see grants as a seed investment into the hub," he said.



Pan-African hubs network AfriLabs has put itself at the heart of the transition from donor funding to sustainability, and head of secretariat Anna Ekeledo says it is imperative that they succeed.

“Tech hubs do not create products themselves but rather provide enabling environments for early stage businesses or startups to scale up through training programmes, facilities and meeting angel investors,” she said.

“They also provide access to viable startups for organisations or angel investors to invest in or fund areas of their interest. The business incubators as the middle men are supposed to create value for their key stakeholders, if these stakeholders are not incentivised, sustainability becomes an issue.”

Co-working could be key

Ekeledo said one major move towards self-sufficiency and sustainability being made by tech hubs and innovation centres is the creation of coworking space within the hubs. It may sound simple, but it is an easy way for a hub to generate revenue.

“Co-working spaces are becoming quite popular in Africa because of power and infrastructural challenges faced by startups,” she said.

“This is the most popular incubator model. Here the hub provides subsidised working spaces, access to internet, training programs and networking activities. Startups under these tech hubs also get access to angel investors.”

Some hubs have done this the other way round. The Nairobi Garage has until now been a standard co-working space, albeit the biggest in Africa. Only now is it starting to move into the provision of services.

“Hubs are now understanding that determining the focus of service delivery in relation to the needs of the ecosystem is critical to overcoming the problem,” said Nairobi Garage’s head of business development Luna Ruffo.

“Hubs are actively working towards increasing revenues from internally-generated sources like hackathons and events. Standing out and differentiating yourself from the competition is obviously a smart move.”

[This article](#) was originally published on [Disrupt Africa](#).

ABOUT TOM JACKSON

Co-founder @DisruptAfrica. Tech and business journalist in Africa. Passionate about the vibrant tech startups scene in Africa, Tom can usually be found sniffing out the continent's most exciting new companies and entrepreneurs, funding rounds and any other developments within the growing ecosystem

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