



# COMPARISON OF THE ENTREPRENEUR SUPPORT ECOSYSTEMS IN ETHIOPIA, UGANDA & KENYA (2023/2024)

*Outlining benchmarkable economic and ecosystem indicators and comparing the 3 regional ecosystems based on their current state.*



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Report developed by:



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# Abbreviations

The following abbreviations are used in the report:

ACIH :	Association of Countrywide Innovations Hubs
AfCFTA :	African Continental Free Trade Area
ANDE :	Aspen Network of Development Entrepreneurs
ASSEK :	Association of Startup & SME Enablers of Kenya
CALS :	Center for African Leadership Studies
CPA :	Country Programmable Aid
EASE :	Ethiopian Association of Startup Ecosystem
ESO :	Entrepreneur Support Organisation
FCDO :	Foreign, Commonwealth & Development Office
FDI :	Foreign Direct Investment
GDI :	Global Disability Innovation Hub
GDP :	Gross Domestic Product
GIZ :	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSA :	Global Startup Awards
IP :	Intellectual Property
JICA :	Japan International Cooperation Agency
NGO :	Non-Governmental Organisation
ODA :	Official Development Assistance
R&D :	Research and Development
SME :	Small and Medium-Sized Enterprises
STEAMD :	Science, Technology, Education, Arts, Mathematics, and Design
STI :	Science, Technology, and Innovation
TVET :	Technical and Vocational Education and Training
UEEI :	Uganda Entrepreneurial Ecosystem Initiative
UNCDF :	United Nations Capital Development Fund
WBAF :	World Business Angels Investment Fund

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# 01: Summary

The report provides a comparative analysis of the entrepreneurial support ecosystems in Ethiopia, Uganda, and Kenya. It focuses on benchmarking available economic and ecosystem indicators to evaluate and compare the entrepreneurial landscapes across the 3 countries.

## Key insights and findings:

Across the region the capital cities as the cultural, political, and economic hubs play pivotal roles in shaping their respective countries' entrepreneurial climates. Secondary and tertiary cities, serve as crucial commercial and administrative centres, are increasingly influencing regional economic activities and experience strengthened entrepreneurial support activities with Kenya and Ethiopia showing strong developments in geographical inclusion.

Entrepreneur Support Organisations (ESOs) are growing in numbers across the region and focus need to move from “more” ESOs to “better” and more specialised ESOs and activities.

East Africa has a leading role across Africa in the formation of ESO associations to advance the work, resourcing and agenda of ESOs. The associations are evolving and learning as they slowly build their systems, structures and capacity while challenged with funding and serving the needs of their members.

## Comparative analysis:

The macroeconomic indicators covering GDP growth, investment climates, and infrastructural developments highlights Kenya's advanced economic status compared to its peers. Nairobi being a continental hub for investors furthermore strengthens its position.

Examining R&D expenditures, educational outputs, and innovation metrics, these are pointing at Kenya's leadership in fostering a conducive environment for entrepreneurial innovation. This is further enhanced by the country's digital transformation and digital readiness assessing internet penetration rates, digital infrastructure, and the impact of digital transformation on business operations.

## Challenges and opportunities:

While Kenya shows significant advancements in entrepreneurial policies and digital infrastructure, Ethiopia and Uganda face challenges in policy implementation and infrastructure development, affecting their entrepreneurial ecosystems. Across the region there are significant funding and investment challenges where private investors alongside development partners and government funding could unlock growth and opportunities if increasing access to capital for startups and SMEs.

### Key areas to develop the ecosystems:

- ① Enhance collaboration and coordination with government and development partners
- ② Focus on the needs of ESOs and addressing them through relevant activities
- ③ Collaboration across East African ESO associations could unlock opportunities
- ④ Organisational structures and capacity development of ESO associations
- ⑤ Diversification of funding and funders - and development of income streams
- ⑥ Strengthening of governance, policies, transparency and communication
- ⑦ Continuous recruitment and development of membership base for fair representation
- ⑧ Ecosystem data, research and insights for and by the ecosystem much needed

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## 02: Report contributors

We want to thank and recognise the contributions of the following organisations and individuals. Their interest and willingness to invest their time, information and learning have made this output possible and inclusive.

Special thanks for the conversations and reflections on the ecosystem to:



**Rahel Boon-Dejene**  
*Founder and CEO, R&D Group  
 Int. Partner, WBAF Angel  
 Investment Fund*



**Anne Lawi**  
*Managing Director, Africa Impact  
 Vice Chairperson, ASSEK Board of  
 Directors*



**Richard Zulu**  
*Founding partner & Team Principal  
 Outbox Uganda*



**Joram Mwinamo**  
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 Non Executive Director, WYLDE Int.*



**Mary Mwangi**  
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**Bernard Chiira**  
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*Co-Founder  
 Common Good and Hub-  
 Collective.org*

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## 03: Project background and introduction

*The research and ESO ecosystem comparison are part of BIC Ethiopia, which seeks to strengthen Ethiopian entrepreneur support through various ecosystem-building and supporting activities and efforts.*

### 03.1: BIC Ethiopia

BIC Ethiopia targets strengthening the incubation ecosystem for entrepreneurs and micro, small and medium-sized enterprises (MSMEs) active in agri-tech and agri-business in Ethiopia. Key challenges addressed are sustainability of business models for incubators, quality of business support services, availability of services outside Addis Ababa, access to finance for MSMEs and strengthening the relevant regulative framework supporting start-ups. A specific focus is on expanding services beyond Addis Ababa to cover secondary cities and rural Ethiopia to support geographically inclusive growth.



The project aims to address these bottlenecks in the Ethiopian startup ecosystem by working with fifteen (15) selected existing and newly established incubators and supporting them in developing sustainable and technically sound business models. Thus, the incubators are enabled to better support start-ups and MSMEs in agricultural technology and agribusiness to improve market access, generate higher incomes, and create jobs.

The action is implemented by a consortium of five organisations, led by sequa gGmbH, a German non-profit specialist in private sector development in low-income markets, active internationally since 1991 and in Ethiopia since 2002. The Addis Chamber of Commerce and Sectoral Associations capitalises on its reach-out to 50,000 SME members and its experience to shape national policies favouring the private sector. adelphi gGmbH and GrowthAfrica Foundation contribute their vast experience in curriculum development towards start-ups, entrepreneurs, the capacity building of incubation hubs and acceleration programmes, and access to finance strategies. icehawassa, a national grassroots innovation centre and the Ethiopia-focused foundation Menschen für Menschen (MfM) establish, expand, and manage incubation centres in the southern and northern regions.

BIC Ethiopia also works with the Ethiopian Association of Startup Ecosystem (EASE) and the regional network BIC Africa. The former is currently being established by private, academic, and non-profit incubators to serve as a network and discussion forum for incubation centres in Ethiopia, while the latter is a regional network supporting business incubators in Africa to excel and spark a broad impact in society.

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## 03.2: Report objectives

This report compares the ESO ecosystems in Ethiopia, Kenya, and Uganda based on available data and insights. Designed as a practical tool for stakeholders, it aims to spotlight difference and similarities along with the unique features and development stages of each country's ESO landscape and the environment the operate in, along with the opportunities and challenges they provide.

The aim is to deliver insights for better and more informed decision-making and strategic planning for key stakeholders in the regional entrepreneurial sector.

Objectives:

### ① Comparative analysis

Examine and compare the ESO ecosystems in Ethiopia, Kenya, and Uganda on comparative dimensions and present a snapshot of the ecosystems along with key insights and recommendations.

### ③ Opportunities and challenges for growth

Outline the strengths, challenges and areas for development within each of ESO ecosystem with a view to what can be learned from neighbouring ecosystems.

### ② Guide stakeholders

Provide ESOs, policymakers, development partners, and industry stakeholders insights to guide and inform their planning and strategies for the further advancement and development of the ecosystems.

### ④ Provide insights and input to ESOs associations

Provide insights for strategic planning within ESOs-tailor strategies to meet the specific needs and opportunities of each country's startup ecosystem.

The report builds on the previously published BIC Ethiopia report titled “Ethiopian entrepreneur support organisations mapping and insights (2022/23)” which profiled and assessed the state of the Ethiopian ESO ecosystem and reflected on its growth conditions and opportunities.

The content of this report serves as an initial step and a catalyst for ongoing discussions, collaborations, and resource allocation within the dynamic ESO ecosystems of Ethiopia, Kenya, and Uganda.

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## 04: Methodology

This comparative report adopts a meticulous and multi-faceted research methodology. The primary objective is to provide a comparative analysis, highlighting each country's ESO ecosystem's unique characteristics, strengths, weaknesses, opportunities, and challenges. This methodology is designed to offer an informative and actionable understanding for stakeholders involved in or affected by these ecosystems.

The foundation of the report is built on extensive desk research. A thorough literature review encompassed various sources like industry reports, governmental publications, and data from international development organisations. This phase was crucial for understanding the broader economic environments of the 3 countries, with a specific focus on ecosystem conditions which directly and indirectly impact ESOs.

Additionally, this phase involved analysing secondary data sources to gather quantitative and qualitative insights. These included statistics on the number and types of ESOs, funding patterns, geographical distribution, support stages, levels of specialisation, and challenges and opportunities these organisations face.

Key informant interviews were conducted to complement the desk research and add depth to the study. A diverse group of 8 experts from the 3 countries were engaged in the interviews. The selection of interviewees was strategic, ensuring a broad range of perspectives and in-depth insights into the ESO ecosystems of all 3 countries of interest. Very few organisations in the entrepreneurship space operate in more than one of the countries; hence, few are able to compare the three countries directly.

A total of 17 questions were crafted to guide these interviews, ensuring comprehensive coverage of topics relevant to understanding and assessing the ESO ecosystems. The questions explored various aspects of ESO operations, including challenges faced, support mechanisms, impact assessment, and future outlooks. The interviews followed a semi-structured format, allowing informants to delve into specifics and share personal experiences and perspectives.

The responses from these interviews were transcribed, analysed, and used to identify key themes and trends. The process was crucial in validating the desk research findings and providing contemporary, on-the-ground perspectives, enriching the overall analysis.

A critical component of the methodology was data triangulation. This involved corroborating information obtained from secondary data with insights gathered from key informant interviews. The objective was to ensure the robustness and reliability of the research conclusions. This triangulation process also helped address discrepancies or gaps in secondary data, providing a more rounded and accurate portrayal of the ESO ecosystems.

Overall, the methodology adopted for this report emphasises diversity of sources, and a balanced approach to data review and analysis. The blend of desk research, key informant interviews, and data triangulation ensures that the findings are well-grounded, comprehensive, and reflective of the current realities of the ESO ecosystems in Ethiopia, Kenya, and Uganda.

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## 05: Data sources

Most of the data was drawn from reports commissioned and posted by international organisations. In particular, the following authors and organisations have significantly contributed to the data used in this report:

- *Adelphi*
- *Argidius*
- *ANDE*
- *BIC Africa*
- *Disrupt Africa*
- *JICA*
- *Kenyatta University*
- *Konza Technopolis*
- *Startup Blink*
- *Startup Uganda*
- *Startup Universal*
- *SwissContact*
- *UNDP*
- *Village Capital*

### Data challenge:

During the compilation of this report, we navigated through a series of data-related obstacles, underscoring the urgent necessity for enhanced and uniform data gathering and research in the domain of Entrepreneurial Support Organisations in East Africa – and across the continent.

Acquiring up-to-date and dependable data emerged as a significant hurdle. A lack of uniform data - characterises the current body of research on ESO ecosystems. This is the case for the 3 countries which are among the larger and more mature ecosystems as well as the rest of the continent. Consequently, it required us to adapt and interpret the data we could gather to suit the analytical needs. The challenges are particularly acute in Uganda.

The primary data challenges included:

- ① Fragmented data**  
*Challenges due to fragmented data, addressed through extensive collation and verification*
- ② Outdated and inconsistent data**  
*Use of older data in some cases, with efforts to maintain relevance and accuracy*
- ③ Lack of standardised definitions**  
*Addressed inconsistencies in data definitions for a more accurate analysis*
- ④ Limited data (especially on Uganda)**  
*Challenging to obtain comprehensive data, especially for Uganda, impacting the depth of comparative analysis*

Addressing these data challenges is pivotal in ensuring the integrity and applicability of the findings. The challenges highlight critical gaps in data availability and consistency. This report analyses the current ESO ecosystems in the 3 countries and clarifies the necessity of more systematic and detailed data collection and research in this field. Such advancements are imperative for facilitating future analyses that are both robust and insightful.

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## 06: Literature review

The review focused on various aspects of the ESO ecosystems. It explored the operational dynamics of ESOs, including their structures, funding patterns, support mechanisms, and impact within each ecosystem. The policy environment was another critical area of focus, examining government policies and their implications on ESOs and entrepreneurship. The broader economic context was analysed to understand how it influences the entrepreneurial landscape in each country.

Comparisons between Kenya, Ethiopia and Uganda were made to see how the ESO ecosystems align with or differ from regional and continental practices and standards. This review aspect was crucial in understanding the positioning of each country's ESO ecosystem within the regional context.

The review also investigated innovative practices and challenges within each ecosystem. It identified unique approaches and hurdles faced by ESOs in Ethiopia, Kenya, and Uganda, providing insights into the strategic focus of these organisations and the developmental needs of startups at different growth phases.

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R&D Group helps existing and startup organisations to increase their profitability and business performance by providing exceptional management, operations and system expertise. Website: [www.anddethiopia.com](http://www.anddethiopia.com)

## **Ethiopian entrepreneurial landscape:**

"The entrepreneur support ecosystem in Ethiopia is mainly concentrated in Addis Ababa. Few organisations operate regionally, but there's limited success in expanding beyond the capital city".

SME support is not as amplified as necessary, and the sector lacks sufficient support organisations, especially for a country like Ethiopia. SMEs are not getting the attention they need, and there's a need for more sector-specific and startup support organisations."

## **Comparing with East Africa:**

"Kenya is a frontrunner in the East African region, with numerous startup hubs and co-working spaces. The government policies in Kenya are more conducive to the private sector compared to Ethiopia, which is still finding its way in reimagining policies."

"Uganda is also focusing on becoming more conducive to startups, both locally and internationally. Ethiopia, while having potential, lags in terms of innovation and collaboration."

## **Similarities across countries:**

"Despite differences, youth in both countries are exposed to information and learning opportunities. The new generation seeks to solve societal issues through innovation, demonstrating a willingness to learn and innovate."

"There's a growing demand for change and a sense of Pan-Africanism among the younger generation, fostering a collaborative mindset."

## **Distinctive differences:**

"Policy is a significant obstacle in Ethiopia. While Kenya has a focus on tech-driven businesses, Ethiopia has the potential for SMEs but lacks policies supporting them. Ethiopia is preserving a more homegrown economy, emphasising local Ethiopian's leading businesses. The focus on SMEs in Ethiopia is a potential differentiator from other countries."

## **Challenges in the Ethiopian ecosystem:**

"Security issues, lack of innovation opportunities, and administrative rigidity are challenges."

"Rigid policies hinder startups from operating flexibly, and there's a need for a more conducive environment that allows for experimentation and failure."

## **Policy and regulatory environment:**

"Execution is a challenge in Ethiopia, with existing policies like the Startup Act not effectively implemented. Empowering public servants to understand and execute policies is crucial. The Sandboxing approach could be explored to provide a space for startups to experiment

and innovate."

## **Policy recommendations:**

"Rather than new policies, focus on executing existing ones effectively. Consider the Sandboxing approach to allow startups to experiment without official registration."

"Address issues of patent registration and ownership to create a secure environment for innovators. Develop a culture of sharing and collaboration through regulation."

## **Collaboration and working together:**

"First of all, work together. And that means aligning with all the funding organisations. How can I make sure that I do more, not saying, oh, let's make the same project with a bit of extension, but working together and synergising."

## **Government involvement:**

"Make sure that you stay engaged with the private sector and understand what the private sectors are looking for. Sometimes, mostly, it's not about changing a policy. It's making sure that it's implemented effectively."

## **Regional focus:**

"Focus on regional growth and sectors that differentiate Ethiopia from neighboring countries. Given the challenge, we don't have resources like oil or gas, which we probably don't want. So areas like green energy where we can involve the rural areas more."

## **Inter-Africa collaboration:**

"I'm in favor of inter Africa work in terms of knowledge because I think a lot has been done in so many African countries where we can learn from one another."

## **Impact measurement:**

"We use common monitoring, and evaluation tools with social questions. But because of my background, I specialised in social enterprise. So we use the Social Return on Investment tool to measure the impact."

## **Collaboration and partnerships within the ecosystem:**

"Currently not working together as much. The effects would be you can't do more nationwide, you'd have nationwide impact, then you become more selfless towards the greater solution than your organisational growth only."

## **Closing remarks and hopes for the ecosystem:**

"Collaboration, I think it came across a lot. So I hope that people start to see the added value of working together. Working together, implementing policies that promote private sector more fund into the country, be it through foreign direct investment but also an innovative way of investing in SMEs."

## 07: Comparative background

For this report, Kenya and Uganda were selected as the countries to compare Ethiopia with. The two countries were chosen for several reasons: As neighbouring East African countries, they have geographical proximity and relatively most comparative societal and business dynamics. This makes the comparison contextually relevant.

The comparison is particularly insightful given the region's diverse yet interlinked economic and social landscapes. Furthermore, Kenya and Uganda were selected due to their relatively developed entrepreneurial and innovation ecosystems, which provide a rich basis for benchmarking and drawing contrasts with Ethiopia. Kenya, known for its dynamic startup scene and progressive technology sector, offers a glimpse into a more mature ecosystem. With its emerging entrepreneurial landscape, Uganda presents an environment of growing innovation and development.

### 07.1: Overall social and demographic comparison

Analysing the demographic and employment data reveals trends and patterns significantly affecting each country's economic and entrepreneurial landscape within which ESOs operate and support entrepreneurs.

Table 1: Demographic indicators

	Ethiopia	Kenya	Uganda
Population (in mill.)	123.4	54.0	47.3
Capital city	Addis Ababa	Nairobi	Kampala
The population of the capital city (in the mill.)	5.5	5.3	3.9
Urban population: % of total population (2023)	23.2%	29.5%	26.8%
Population growth (annual %) (2022)	2.5%	1.9%	3.0%
Population under 15 years (%) (2022)	38.9%	36.5%	47.3%
Median age (years)	19.6	19.9	15.7
Rate of urbanisation: annual rate of change (2020-25 est.)	4.4%	4.09%	5.41%

Source(s): World Bank (2022) "Data for Ethiopia, Uganda, Kenya" <https://data.worldbank.org/?locations=ET-UG-KE>, The World Factbook (2023, 2023, 2023), Statista (2023), EmbassyPages (2023, 2023, 2023),

Ethiopia's population, at 123.4 million, is notably the largest, suggesting a broad potential market and entrepreneurial potential. The urban population makes up 23.2% of the total population, signalling a predominantly rural demographic that could be leveraged for agrarian and rural development-focused entrepreneurial ventures. This contrasts with Kenya, where nearly a third of the population lives in urban areas, indicating a concentration of resources and entrepreneurial activities in and around city centres like Nairobi. Uganda's urban population, at 26.8%, suggests a balanced potential for both urban and rural entrepreneurship.

The annual population growth rate further differentiates the countries: Ethiopia and Uganda are experiencing a more rapid expansion of their consumer base and workforce at 2.5% and 3.0%, respectively, compared to Kenya's slowing rate of 1.9%. This indicates a rapidly growing potential consumer base in Ethiopia and Uganda, which could fuel business scaling and innovation if

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harnessed through targeted ESO interventions. The youth population under 15 years is particularly significant in Uganda, comprising 47.3% of the total population, compared to 38.9% in Ethiopia and 36.5% in Kenya. This youthful demographic is a vital indicator of the need for governments, development partners and ESOs to focus on youth entrepreneurship programs and developing entrepreneurial values and mindsets along with the soft and hard skills required to set up and develop businesses.

Table 2: Age structure

	Ethiopia	Kenya	Uganda
18 - 25 years	14.1%	14.1%	14.7%
25 - 35 years	15.6%	15.5%	15.2%
35 - 55 years	16.7%	18.8%	13.7%
55 - 65 years	4.2%	4.2%	5.2%

Source(s): Digital 2023, Data Reportal (2023, 2023, 2023)

Table 2 focuses on the age structure, providing a more detailed view of the working-age population. Here, Ethiopia and Kenya share an identical percentage of 18-25-year-olds at 14.1%, while Uganda has a slightly higher percentage at 14.7%. This demographic is typically at the forefront of innovative entrepreneurship and represents a key target for ESO initiatives. This does reflect the focus of funding into the early/ier stages of entrepreneurship emphasising ideation and startup incubation.

The 25-35 years cohort is relatively similar across the three countries, with slight variances (Ethiopia at 15.6%, Kenya at 15.5%, and Uganda at 15.2%), representing the segment that is likely entering or establishing their businesses, and hence, a prime beneficiary of ESO services. The 35-55 age bracket indicates more mature and potentially experienced entrepreneurs, with Kenya leading at 18.8%. This might reflect a more developed entrepreneurial ecosystem, where entrepreneurs have had the time to establish and grow their businesses.

Table 3: Unemployment rate per age group

	Ethiopia	Kenya	Uganda
Overall Unemployment rate (2022)	5.7%	5.7%	2.9%
20 - 24 years	N/A	15.6%	N/A
25 - 34 years	N/A	8.9%	N/A
35 - 44 years	N/A	4.5%	N/A
45 - 65 years	N/A	4.0%	N/A

Source(s): The World Factbook (2023, 2023, 2023), Unemployment rate by age group, Statista. [www.statista.com/statistics/1233667/unemployment-rate-in-kenya-by-age-group](https://www.statista.com/statistics/1233667/unemployment-rate-in-kenya-by-age-group)

Turning to unemployment rates in Table 3, Kenya's overall rate is notably high at 13.8%, with a particularly acute rate among the 18-25 age group at 15.6%. This suggests a significant challenge and an opportunity for ESOs to provide support in creating entrepreneurial pathways to mitigate unemployment. Conversely, Ethiopia's overall unemployment rate is 5.7%, while Uganda boasts the lowest at 2.9%. However, it is important to interpret these figures cautiously, as they may not fully capture informal employment, which is prevalent in these economies.

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The unemployment rates for the 25-35 and 35-55 age groups in Kenya (8.9% and 7.1%, respectively) suggest that ESOs could be vital in offering business support and development services tailored to these age groups. Regrettably, we must note the absence of age-specific unemployment data for Ethiopia and Uganda, which constrains our ability to provide a complete comparative analysis.

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# INSIGHTS *by Bernard Chiira, Director, Innovate Now*



*Innovate Now is a startup accelerator that provides early stage assistive technology (AT) companies in Kenya with an intensive 12-week curriculum, connections to investors and mentors, as well as a LiveLab to test the innovations. Website: [www.atinnovatenow.com](http://www.atinnovatenow.com)*

"The ESO space in Kenya, continues to be the most diverse by far. We have shown that you can just have innovation that doesn't include other people in society. In terms of the entrepreneur support ecosystem in Kenya, there's been a significant increase in programs and incubators over the last ten years.

The challenge is the ecosystem is still skewed to a certain way of thinking, and there's a need for a shift toward more disruptive ideas."

## **Challenges in the ESO ecosystem:**

"Some of the challenges in the ecosystem space are the information gap, lack of awareness, and the high cost of assistive technology.

There's a huge inequality, especially in Africa, and there have been many interventions, but none around startups and innovation.

Another challenge is the sustainability of ESOs and finding a viable business model. ESOs have struggled to communicate and show the impact of their work, selling the value proposition has been a challenge.

The link between startup and SME support and government policy has been a concern, with challenges in developing an efficient startup law."

## **Funding and venture building:**

"We're trying to shift to being a venture-driven accelerator, building a network of funders and establishing a mechanism for fast-check funding.

Our approach to venture building is expert-driven, with professionals getting hands-on with the startups."

## **Talent and team dynamics:**

"Great talent is hard to get. My approach has been, if you can get a little bit of it, but at the highest quality, it's better than full-time, especially with resource constraints."

## **Assistive technology in Uganda and Ethiopia:**

"In Uganda, initiatives are addressing assistive technology needs, including startups building directories of services for people with disabilities.

However, but it's not yet moving towards innovation and entrepreneurship as it should.

In Ethiopia, there's an emerging space for assistive technology, with efforts to establish a center for wheelchair manufacturing.

However, there is need for a mindset shift and focus from the NGO space into realising the several business

opportunities available in the ecosystem."

## **Priorities for the next 3 years:**

- (a) "First of all, I think we need to reflect deeply as an ecosystem on ecosystem values.
- (b) Let's not have mission drift or this idea that people lose sight of what's the end game?"
- (c) There's a lot that we don't know, or we would have control of, and we have to be more resilient."

## **Collaboration and international networks:**

"Collaboration is always the way to go, but it has to be shared value, it has to be shared work. Collaboration is shared work and shared value. It can't be just shared value. It has to be both."

## **Policy and regulatory environment:**

"Policy can be the ultimate enabler or the ultimate stifler of innovation and entrepreneurship. There is a challenge about overregulation or taxation, especially in Kenya."

## **Gaps in the ecosystem:**

"We don't have the best laws for this space, especially around risk capital funding startups. Our capital markets laws are not built to attract venture capital; they are built to keep it away."

## **Government support and resources:**

"Government support is one piece that can change things very quickly and have a big impact. We need specific long-term programs for the government to support the ESO space."

## **Effectiveness of ESOs:**

"Efficiency of incubation, acceleration, there's been the traditional sense of these programs. ESOs need to be entrepreneurial and realise that there's a lot of opportunities to unlock the value that we sell."

## **Benchmarking and ranking:**

"We need benchmarks as a system to allow people to self-report and benchmark themselves. I would find it very difficult to answer that question because I don't know how these ESOs generally identify compared to what benchmarks we are using."

## **Closing remarks: Hopes for the ecosystem:**

"ESOs are essentially part of a bigger thing, which is the ecosystem. ESOs are not the ecosystem; they are the ecosystem.

Let's challenge ourselves to get challenged by the entrepreneurs. The voice of the entrepreneur ought to be amplified a little bit more in the ESO ecosystems."

## 08: Big picture comparison

The comparative analysis delves into the macroeconomic landscapes of Ethiopia, Kenya, and Uganda, highlighting distinct economic health indicators and investment climates essentials guiding Entrepreneur Support Organisations (ESOs). Through the insights, it examines how each country's economic dynamics shape the strategic priorities and opportunities for ESOs in fostering sustainable entrepreneurial growth.

### 08.1: Macroeconomic

The macroeconomic indicators in Table 5 for Ethiopia, Kenya, and Uganda offer a snapshot of economic health and investment climates, each bearing implications for ESO activity and focus.

Table 4: Economic indicators

	Ethiopia	Kenya	Uganda
GDP (in billion USD) (2022)	126.78	113.42	45.56
GDP per capita (USD)	1,028	2,099	964
GDP growth (annual %)	5.3%	4.8%	4.7%
Foreign direct investment, net inflows (% of GDP) (2022)	2.9%	0.3%	3.3%
Exports of goods and services (% of GDP) (2022)	8.2%	12.2%	12%
inflation rate (2022)	26.8%	7.2%	7.7%

Source(s): World Bank (2023)

Ethiopia's GDP signals a critical economic presence within the region. Its GDP growth rate of 5.3% suggests an economy with momentum despite a challenging environment, offering the potential for entrepreneurial initiatives to tap into new and expanding markets. However, a significant consideration is the high inflation rate of 26.8%, which poses a real challenge to business sustainability and calls for ESOs to foster entrepreneurial resilience. Such resilience is though almost a must across all ecosystems.

In contrast, with a GDP of USD 113.4 billion, Kenya's economy boasts the highest GDP per capita at USD 2,099, suggesting a more affluent consumer base and higher economic output per individual (Table 4). The steady GDP growth rate of 4.8% indicates a stable economic environment conducive to business operations. Notably, at 12.2% of GDP, Kenya's export figures reveal an economy which is more deeply integrated with global markets tht its neighbouring countries, highlighting opportunities for ESOs to guide entrepreneurs towards export-oriented business models. However, the markedly low(er) FDI at 0.3% of GDP could imply areas for policy advocacy to attract more foreign investment.

While smaller in economic scale with a GDP of USD 45.56 billion, Uganda maintains a commendable % growth rate of 4.7%, reflective of an economy with robust potential. Its FDI inflow at 3.3% of GDP indicates a favourable investment climate and investor confidence. The proportion of exports, akin to Kenya's at 12% of GDP, demonstrates Uganda's solid footing in the trade arena. With a more controlled inflation rate of 7.7%, Uganda's economic environment may offer a more predictable setting for entrepreneurs to plan and grow their businesses.

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## 08.2: Ease of doing business

Table 5 provides a snapshot of the operational climate for businesses in the countries, illustrating the ease or complexity of starting entrepreneurial ventures in each.

Table 5: Ease of starting a business indicators

	Ethiopia	Kenya	Uganda
Ease of doing business (ranking position worldwide)	159	56	116
Ease of starting a business (ranking position worldwide)	168	129	169
Score of starting a business (0-100)	71.7	82.7	71.4
No. procedures required to start a business	11	7	13
Time of starting a business (days)	32	23	24
Costs of starting a business	45.4	22.4	40.5

Source(s): *Doing Business 2020 Economy Profile: Ethiopia (2020)*, *Doing Business 2020 Economy Profile: Uganda (2020)*, *Doing Business 2020 Economy Profile: Kenya (2020)*,

Kenya leads the trio with a notable global ranking of 56<sup>th</sup> in Ease of Doing Business, significantly ahead of Ethiopia at 159<sup>th</sup> and Uganda at 116<sup>th</sup>. This superior ranking is mirrored in Kenya's score for starting a business, which is an impressive 82.7 out of 100, compared to Ethiopia's 71.7 and Uganda's 71.4. These scores indicate the regulatory and procedural environment that facilitates business initiation. For ESOs, this suggests a conducive environment in Kenya for new enterprises, where regulatory hurdles are less obstructive.

The number of procedures required to start a business is another critical indicator. Kenya requires only seven steps, which is less cumbersome than Ethiopia's 11 and Uganda's 13. This streamlined process in Kenya aligns with its higher ease of doing business ranking and reflects a more efficient bureaucratic process, potentially leading to a more dynamic start-up ecosystem.

The time it takes to start a business is a direct measure of efficiency within the administrative framework governing new enterprises. Kenya again shows an advantage with entrepreneurs able to set up operations in approximately 23 days. Uganda's process is slightly longer at 24 days, and Ethiopia's is the most protracted at 32 days. These timeframes are crucial for ESOs to consider when guiding new businesses through the start-up phase.

The cost of starting a business can be a barrier to entry for potential entrepreneurs. In this regard, Kenya demonstrates a significant lead with the lowest costs at 22.4 (currency unspecified), nearly half of Uganda's 40.5 and almost twice as efficient as Ethiopia's 45.4. This cost-effectiveness in Kenya makes it easier for individuals to launch new ventures and allows a broader diversity of people to engage in entrepreneurial activities.

Kenya's favourable position across these indicators indicates a strategic advantage for ESOs to leverage when supporting new business developments. The ease with which businesses can be started in Kenya suggests a fertile ground for ESO programmes to nurture start-ups and facilitate their growth.

In Ethiopia and Uganda, while the rankings are lower, the close scores in the ease of starting a business indicate that there is potential to improve the business climate with targeted reforms and supportive ESO interventions. The longer timeframes and higher costs in Ethiopia, in particular,

highlight areas where ESOs could focus their advocacy and support efforts to streamline procedures and reduce bureaucratic barriers.

### 08.3: Banking

The banking sector is a cornerstone of economic infrastructure, crucial for entrepreneurship. Table 6 outlines banking indicators that reveal entrepreneurs' financial landscape in the three countries.

Table 6: Banking indicators

	Ethiopia	Kenya	Uganda
No. banks	30	39	25
State-owned banks	2	2	2
Bank accounts penetration (2022)	43.3%	91.3%	65.9%
Value of deposits (2022) (in billion USD)	127.3	91.3	7.9
No. of deposits account (2022) (in million)	39.6	17.6	9.6
Value of loans (2022) (in billion USD)	85.8	75.8	21.5
No. bank branches (in thousands)	5.1	1.8	0.8

Source(s): [Annual Report 2021-2022 of National Bank of Ethiopia](#), [Annual Report 2021-2022 of Bank of Uganda](#), [annual report 2022 of Central Bank of Ethiopia](#), [Statista \(2023\)](#)

Ethiopia's banking sector shows a moderate number of banks at 30, with two being state-owned. It is worth noting a significant growth in the number of banks while international banks are still restricted from operating in the Ethiopian market. The bank account penetration rate of 43.3% suggests significant room for growth in financial inclusion, which is essential for broad-based entrepreneurial activity. The value of deposits stands notably high at USD 127.3 billion, signifying a strong savings culture. However, this contrasts with the relatively lower number of deposit accounts at 39.6 million, indicating that fewer individuals or businesses may hold a more significant portion of these deposits. This scenario presents an opportunity for ESOs to advocate for financial products catering to a broader population segment.

The value of loans at USD 85.8 billion reflects a healthy lending environment, but the challenge remains to ensure that these financial resources are accessible to entrepreneurs at all levels. The presence of 5,100 bank branches underscores the potential for improving financial access and services nationwide.

Kenya's banking sector, with 39 banks and a remarkable bank account penetration rate of 91.3%, stands out for its financial inclusivity. Compared to Ethiopia, the lower value of deposits at USD 91.3 billion might reflect a more evenly distributed wealth among the populace or a higher velocity of money circulation. The number of deposit accounts is 17.6 million, which, given the high penetration rate, suggests that a significant portion of the population is engaged with banking services. However, the value of loans at USD 75.8 billion, though substantial, could point to an area where ESOs could facilitate better access to credit for entrepreneurs. The relatively fewer bank branches at 1,800 may indicate a more technologically advanced banking sector that utilises digital platforms, agent banking aligning well with a modern entrepreneurial ecosystem.

Uganda's banking indicators reveal a smaller sector with 25. The bank account penetration is moderate at 65.9%, speaking to a fair level of financial inclusion but highlights a significant proportion of the population outside the formal banking system. The value of deposits is the lowest

at USD 7.9 billion, and the number of deposit accounts stands at 9.6 million, which may suggest a nascent financial sector with growth potential. Loans are valued at USD 21.5 billion and indicate a lending environment that could be more conducive to SMEs. The 800 bank branches, emphasise a need for expanded banking infrastructure to enhance financial services and access.

## 08.4: R&D and innovation

Table 7 presents a compelling overview of the innovation landscape and comparative aspects of intellectual property (IP) across Ethiopia, Uganda, and Kenya. These are essential factors that shape the entrepreneurial environment.

Table 7: Innovation and R&D

	Ethiopia	Kenya	Uganda
Innovation (Global Innovation Index Rank) (2023)	125	100	121
Entrepreneurship (Global Entrepreneurship Index Rank)	110	109	131
R&D expenditure (% of GDP) (2020-22)	0.73%	0.81%	0.14%
IP: Patent application, global ranking	116th	68th	134th
IP: Patent application, growth rate (2021 to 2022)	225%	99%	-20%

Source(s): WIPO Intellectual Property Statistical Country Profile (2022, 2022, 2022), Global Innovation Index (2023), Global Entrepreneurship Index (2019), World Bank (2023)

According to the Global Innovation Index, Kenya ranks 100th globally in innovation, while Ethiopia and Uganda follow at 125<sup>th</sup> and 121<sup>st</sup>, respectively. This positioning highlights Kenya's relatively more advanced innovation ecosystem, which could be attributed to its investments in technology and an enabling business environment that fosters innovative activities. For ESOs operating in Kenya, there is a stronger foundation to build upon, promoting ventures that leverage this innovative potential.

In terms of entrepreneurship, Kenya again edges out with a rank of 109<sup>th</sup> on the Global Entrepreneurship Index, compared to Ethiopia's 110<sup>th</sup> and Uganda's 131<sup>st</sup>. This suggests that Kenya provides a more supportive environment for entrepreneurs to start and grow their businesses, a crucial factor for ESOs to consider when designing their support programmes.

Research and development (R&D) investment is a key driver of innovation. Kenya's gross domestic expenditure on R&D at 0.81% outpaces Ethiopia's 0.73% and Uganda's 0.14%, as per the latest available data. These figures reflect each country's commitment to fostering an environment conducive to innovation and could guide ESOs in identifying sectors where R&D investments can catalyse entrepreneurial growth.

Patent applications serve as a tangible measure of innovation output. Kenya's global ranking for patent applications is 68<sup>th</sup>, significantly higher than Ethiopia's 116<sup>th</sup> and Uganda's 134<sup>th</sup>, indicating a more active formal innovation activity. Moreover, Kenya shows an impressive 99% growth rate in patent applications, indicating a growing innovation landscape that ESOs can harness. Challenges remain across the region to translate patents and research based innovation into new and growing businesses.

Uganda shows a decline in patent applications by 20%. This decline may signal areas where Ugandan ESOs can provide targeted support to reverse the trend, perhaps by facilitating access to intellectual property (IP) resources and expertise.

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The data underscores Kenya's leading role in the region's innovation and entrepreneurship, with Ethiopia and Uganda not far behind but each with distinct areas of strength and opportunity. Ethiopia's nearly comparable rank in entrepreneurship to Kenya's suggests that despite the challenges, a significant entrepreneurial drive can be further developed with the right support and investments in innovation.

## 08.5: Mobile money usage

The dynamics of mobile money usage across Ethiopia, Kenya, and Uganda highlight the evolving nature of financial technology in these markets and its critical role in shaping entrepreneurial activities and financial inclusivity. The data and insights provide an overview of the current state and potential future trends in mobile money across these three countries, offering valuable perspectives for Entrepreneur Support Organisations (ESOs) and stakeholders in the digital finance ecosystem.

Table 8: Mobile money usage

	Ethiopia	Kenya	Uganda
Mobile money account penetration (% age 15+) (2021)	5%	69%	54%
No. registered mobile money accounts (millions)	3.45 (2023)	77.3 (2023)	37.3 (2023)
Mobile money value (in USD billion)	3 (2022)	133.2 (2023)	104.7 (2023)
Mobile money prevalence Index (MMPI)	Medium	Very high	Very high
Bank account ownership among adults	35%	82%	60%
Digital payments (projected in USD billion, 2023)	3.8	9.4	3.3

Sources: [Annual Report 2021-2022 of Bank of Uganda, Mobile Payments | CBK](#), [Mobile Phone Technology Could Expand Equitable Access to Financial Services in Ethiopia African Business](#), [High mobile money adoption could add \\$5.3bn to Ethiopia's GDP, says new study \(2023\)](#) [Uganda Mobile Money Market Share, Industry Trends and Forecast 2023-2028 Uganda: mobile money customers 2015-2022 | Statista](#)

Kenya continues to lead in mobile money usage with a penetration rate of 69%, boasting 77.3 million registered accounts, and maintaining a very high score on the Mobile Money Prevalence Index (MMPI). The MMPI reflects the prevalence of active mobile money accounts and the accessibility of mobile money agent networks. The total value of mobile money transactions in Kenya for 2023 stands at an impressive USD 133.2 billion, highlighting a well-integrated ecosystem that supports seamless financial transactions. This robust mobile money network is significantly attributed to M-Pesa, the pioneering mobile money platform that transformed regional financial transactions.

Uganda also demonstrates strong mobile money engagement with a 54% penetration rate and 37.3 million registered accounts, coupled with a 'Very High' MMPI rating. The value of mobile money transactions in Uganda for 2023 is estimated at USD 104.7 billion. With 60% of adults owning a bank account, Uganda's mature mobile money market underpins financial inclusion and provides a solid foundation for entrepreneurial ventures.

Conversely, Ethiopia presents a contrasting scenario with a mobile money account penetration rate of just 5% and only 3.45 million registered accounts as of 2023. The MMPI in Ethiopia is rated as 'Medium', and bank account ownership among adults is at 35%. Although the mobile money market is less competitive, the 2022 introduction of M-Pesa into Ethiopia is expected to be transformative and catalytic to the sector. The entry is expected to significantly boost penetration

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and usage rates of mobile money, enhancing the digital economy and diversifying financial services. The mobile money value in Ethiopia for 2022 was USD 3 billion, with significant growth potential projected, particularly if the market becomes more competitive.

For ESOs, this data underscores the critical role of mobile money in facilitating business operations and financial transactions. In Kenya and Uganda, the existing high penetration provides leverage for further support of business activities and enhancement of financial product offerings. In Ethiopia, ESOs are well-positioned to prepare the market for competitive enhancement, ensuring that entrepreneurs can benefit from a more inclusive mobile money ecosystem. The trend across Africa indicates a growing reliance on mobile money, accentuating its role in enabling entrepreneurship and providing a snapshot of the varying stages of mobile financial service adoption. With expected changes in Ethiopia, ESOs have a unique opportunity to guide the entrepreneurial community through this evolution, positioning them to capitalise fully on the advantages of a more competitive mobile money market and the fintech space that comes with this.

## 08.6: Digital transformation

Table 9 offers a concise view of the digital transformation status in Ethiopia, Uganda, and Kenya, revealing varying degrees of internet penetration and the cost of internet access, which are vital components of modern business infrastructure.

Table 9: Internet connectivity

	Ethiopia	Kenya	Uganda
Internet penetration (2023)	16.7 %	32.7 %	24.6%
Internet users (2023) (in million)	20.9	17.9	11.8
Average price for mobile data (in U.S. dollars per gigabyte)	2.12	0.59	1.32

Source(s): The World Factbook ([2023](#), [2023](#), [2023](#)), DataReportal, Cable.co.uk.

Kenya leads in internet penetration at 32.7%, significantly higher than Ethiopia's 16.7% and Uganda's 24.6%. This higher penetration aligns with a more mature digital infrastructure, potentially offering entrepreneurs a more robust online market and digital services environment. The lower average cost of internet in Kenya at USD 0.59 for 1GB of data supports this digital readiness, making it more affordable for businesses and individuals to access online resources.

Despite a lower internet penetration rate, Ethiopia has a higher average internet cost of USD 2.12 for 1GB, suggesting that while the digital reach is limited, the cost barrier is comparatively prohibitive. This could indicate challenges for growth in digital entrepreneurship unless internet access becomes more affordable.

Uganda, with a penetration rate better than Ethiopia's at 24.6%, faces relatively high costs for internet, averaging USD 1.32 per GB. This reflects a somewhat challenging environment for consistent and affordable internet access, which could impede the digital engagement of entrepreneurs.

For ESOs, these insights into the digital landscape are crucial. Kenya's conducive digital environment suggests a strategic focus on leveraging online platforms for business growth and service delivery. Ethiopia, despite its lower penetration and higher costs, may need targeted interventions to make internet access more affordable and widespread. Uganda's moderate internet penetration paired with higher costs suggests a need for ESO interventions to advocate for

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more consistent and affordable internet access to ensure that entrepreneurs can reliably connect to the digital economy.

The data indicates that while all three countries are at varying stages of digital transformation, there is a common need for strategic investments in digital infrastructure and services to support the growth of entrepreneurship. ESOs can be critical in facilitating this digital evolution, ensuring entrepreneurs have the tools and connectivity they need to succeed in an increasingly digital world.

## 08.7: Startup and venture investing

The overview looks at the startup and venture investing landscape across Ethiopia, Kenya, and Uganda, shedding light on the state of angel funding. The data offers a quick look into the dynamic and evolving angel investment space in these key African markets providing a snapshot of this key potential financing source for early stage businesses.

Table 10: Angel funding

	Ethiopia	Kenya	Kenya	Uganda	Uganda
Name in short	AAA	NaiBAN	VBAN	KAIN	UBAN
Name in full	Addis Ababa Angels Network	Nairobi Business Angel Network	ViKtoria Business Angels Network	Kampala Angel Investm. Network	Uganda Business Angel Network
Founded	2018	2021	2016	2017	2023
Membership fee (In USD)	0	300	500 individuals + 1,000 orgs.	0	300
No. members	6	120	50+	7+	10
Member profile	Diaspora returnee investors	Local and int. up and mobile professionals	Local and int. entrepreneurs, professionals	Investors and local ecosystem builders	Ecosystem actors, investors, + people from the tech space
No. deals	4	24	12 (syndicated, +20 on their own)	3+	0
Total invested in USD	200,000+	850,000	1,000,000+	50,000+	5,000+
Website	<a href="http://www.addisababaangels.com">www.addisababaangels.com</a>	<a href="http://www.naiban.co">www.naiban.co</a>	<a href="http://www.vban.africa">www.vban.africa</a>	<a href="http://www.kain.co.ug">www.kain.co.ug</a>	<a href="http://www.uban.capital">www.uban.capital</a>

Source(s): The angel networks

The first East African angel network ViKtoria Business Angels Network (VBAN) was established in 2016 with support and strong affiliation with the Pan-African network organisation for angel investors ABAN which was founded in 2014. The formation of Addis Ababa Angels Network (AAA) and Kampala Angel Investment Network (KAIN) follow shortly after in 2018 and 2017 respectively. Bringing new energy and disruption Nairobi Business Angel Network (NaiBAN) joined the East African angel space in 2021 and the most recent addition is Kampala based Uganda Business Angel Network (UBAN). There has from 2016 till today been other efforts but the 5 above network as the current active network – yet at very different level of activities and investments.

The 5 draw their members from very different pools of angels and are to a large extent a reflection of their respective environments with Addis Ababa boasting of a relatively larger number of resourceful returning diaspora, Nairobi building on its comparatively sizable number of well-paid investment- and young professionals and Kampala drawing from its investors and local ecosystem.

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As is the case across most of African the networks are entirely concentrated in the capital cities – furthermore strongly reflected in their names. Investments are made across the country yet focused on the opportunities provided by the capital cities also reflecting the member base and their access to deal flows.

Whereas the number of angel investments – especially in Kenya – has been growing a considerable growth is needed to meet even the basic demand for the foreseeable future. More angels need to be recruited and new models explored to unlock more angel(like) capital including at lower amounts than currently raised

Across the ecosystems, there are no formalised linkages or partnerships between the angel networks and the ESOs which could provide long(er) term or more immediate investment pipelines on one side and provide better investment readiness support. The same systemic gap is also seen between later-stage investors (represented by the East Africa Private Equity & Venture Capital Association (EAVCA)) and ESOs.

The missing link and collaboration between ESOs and angel networks is an area that ought to be addressed in the efforts to unlock more capital to early-stage ventures plus build investment-related capacity with entrepreneurs and ESOs (to better build the capacity with their entrepreneurs). Ultimately a better connected and collaborating ecosystem would with more investments be expected to attract more funding and support from international donors especially to ESOs.

Looking at the geographical investment focus of the members of East Africa Private Equity & Venture Capital Association (EAVCA) as an indicator of entrepreneurial activity, maturity and growth then Kenya retains a leading position. Uganda has a strong second position and reflective of the challenging investment environment Ethiopia has a low number of members only looking at Ethiopia.

Table 11: East Africa Private Equity & Venture Capital Association (EAVCA) members country focus

	No. members	% of total
Kenya	27	19%
Uganda	15	11%
Ethiopia	2	1%
Tanzania	2	1%
Rwanda	2	1%
East Africa	24	17%
Africa / SSA / Multiple countries (beyond East Africa)	36	26%
Global	32	23%

Source(s): East Africa Private Equity & Venture Capital Association (EAVCA). Note: The membership covers both investment firms (VC and PE) and service firms supporting the investment space.

It should be noted that the majority of EAVCA’s members are operating either on an East African, African or global market space. This reflects that few (if any) market is big enough for the investment and investment support activities.

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Kenya remains at the very top of the countries in Africa attracting the most investments to its entrepreneurs and ecosystem. It battles for the number one position with Nigeria, South Africa and Egypt. The regional comparison highlights Kenya's role in the African investment landscape which is furthermore amplified by its ability to attract investors headquartering their (East) African offices in Nairobi.

Table 12: Startup funding and investments

	Ethiopia	Kenya	Uganda
Number of unicorns	0	0	0
Number of future unicorns	0	8	0
Number of funding rounds since 2015	17	440	45
Funding since 2015 (USD mill.)	43.7	1,800	82.2
Value of exits since 2015 (USD mill.)	510	632	56.9
Number of employees	81	13,000	1,855
Ecosystem value (USD mill.)	214	7,800	347
New funds since 2015 (USD mill.)	-	368	8
Number of startups founded since 2013	39	591	139
Number of startups	43	785	191

Source(s): Dealroom.co

With the pro-entrepreneurship public reforms that especially Ethiopia is undertaking it is expected that this will be a game-changer and open up the investment space. Currently, the minimum investment requirement for foreign investors is set at USD 200,000 per investment – and with a number of key sectors, which is yet to allow for foreign investments. The requirements deprive the early-stage investment space of much-needed set-up and growth capital.

Table 13: VC investments (in mill. USD)

	Ethiopia	Kenya	Uganda
2018	0	132	0
2019	0	168	25.3
2020	2	154	9.7
2021	0	178	7.9
2022	5.8	0	33.2
2023	0.055	207	2

Source(s): Dealroom.co

The data in Table 13 shows that VC investments in Kenya have been consistently high, with peaks in 2019 and 2021, indicating a robust VC ecosystem supporting startups and innovation. Uganda shows a notable increase in VC investments from 2018 to 2022, with a significant spike in 2022, suggesting growing interest from investors.

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Ethiopia has seen relatively low levels of VC investment throughout the period, with sporadic increases in 2020 and 2022. This suggests a less developed VC ecosystem in Ethiopia compared to Kenya and Uganda, due to regulatory, infrastructure, and investment climate factors. Overall, the data underscores the importance of VC funding in driving entrepreneurship and innovation in these East African countries, with Kenya leading the pack in attracting VC investment.

## 08.8: Education

The comparative analysis of educational indicators across Ethiopia, Kenya, and Uganda, offers insights into government expenditure on education, the number of higher education institutions, annual university graduates, and Technical and Vocational Education and Training (TVET) institutions. These indicators not only reflect each country's investment in education but also provide a snapshot of the potential human capital available to drive entrepreneurial and economic growth in the region.

Table 14: Educational indicators

	Ethiopia	Kenya	Uganda
Government expenditure on education: % of GDP (2023)	4.5%	4.08%	2.7%
No. Universities (2023)	83	68	52
University enrollment	N/A	562,925 (2023)	N/A
No. TVETs	1,613 (2022)	2,401 (2022)	1,264 (2021)

Source(s): Statista (2023), [Who We Are - TVET](#), [Kenya: number of TVET institutions | Statista](#), [Hanze University](#), [UCU Innovations Reducing Unemployment In Uganda](#), [African Research Universities Alliance \(ARUA\)](#), [Degrees in hand, jobs on hold: Uganda's growing unemployment crisis - Business Times](#), [30,000 graduates join the hunt for jobs - The Standard](#), [Hanze University](#), [UCU Innovations Reducing Unemployment In Uganda](#)

Kenya's commitment to education is reflected in its government expenditure on education, which is 4.08% of GDP, among the highest in the region. This investment supports a network of 68 universities and a substantial number of Technical and Vocational Education and Training (TVET) institutions, totalling 2,401 as of 2022. These figures underline a robust educational infrastructure, poised to produce a well-educated workforce essential for driving entrepreneurial and economic growth.

Ethiopia also exhibits a significant investment in education, allocating 4.5% of its GDP. With 83 universities and higher education institutions and the presence of over 1,613 TVETs as of 2022, Ethiopia is well-equipped to develop its human resources. This setup is indicative of a substantial emerging talent pool, vital for practical and entrepreneurial applications.

Uganda, with an educational expenditure of 2.7% of GDP, supports 52 higher education institutions and over 1,264 TVETs as reported in 2021. The exact number of university graduates annually isn't specified but contributes significantly to the workforce each year.

These educational indicators reveal the diverse capacities of each country to nurture educated individuals who can fuel entrepreneurship and innovation. Kenya's expansive educational expenditure and infrastructure put it in a strong position to support an entrepreneurship ecosystem reliant on skilled human capital. Ethiopia's high number of graduates showcases its potential to leverage educated youth in entrepreneurial ventures. However, Uganda's comparatively lower

investment in education suggests a need for ESOs to focus on enhancing the quality and relevance of educational programs to meet the evolving economic needs.

For ESOs, these educational statistics underscore the necessity to integrate entrepreneurship and innovation training into educational curriculums and collaboration with academic institutions. Ensuring that graduates are equipped with the necessary skills to thrive in the business world is crucial. By fostering a symbiotic relationship between education and entrepreneurship, ESOs can cultivate a generation of innovative and adaptable entrepreneurs, poised to address the challenges of the contemporary market.

Ethiopia has a considerable number of educational institutions with entrepreneurship centres (incubators and hubs) in cities and towns outside of Addis Ababa whereas in Kenya innovation and entrepreneurship hubs in the equivalent locations are based outside the educational institutions.

## 08.9: Entrepreneurial ecosystem index comparison

Looking at the recently launched first version of The African Entrepreneurial Ecosystem Index (AEEI) which scores countries across 7 entrepreneurial ecosystem reform readiness areas then the 3 countries have quite some work ahead. Of the 54 countries 29 have complete data and the 25 have partial data.

The index seeks to shed light on the reform readiness of African countries and offers guidance to policymakers and ecosystem actors on how to improve their entrepreneurial ecosystems.

Table 15: The African Entrepreneurial Ecosystem Index comparison

	Ethiopia		Kenya		Uganda	
	Score	Ranking	Score	Ranking	Score	Ranking
<b>Total score (av. of the 7 areas)</b>	<b>1.77</b>		<b>2.24</b>		<b>1.52</b>	
<b>Total ranking (of 29)</b>		<b>23</b> ■		<b>15</b> ■		<b>28</b> ■
Governance (of 54 countries w. data)	0.56	28 ■	0.53	35 ■	0.55	32 ■
Culture (of 37 countries w. data)	0.35	27 ■	0.07	36 ■	0.21	32 ■
Support (of 51 countries w. data)	0.01	51 ■	0.16	16 ■	0.06	33 ■
Finance (of 33 countries w. data)	0.07	33 ■	0.35	6 ■	0.08	25 ■
Infrastructure (of 43 countries w. data)	0.22	32 ■	0.39	19 ■	0.16	35 ■
Market access (of 43 countries w. data)	0.24	9 ■	0.18	15 ■	0.12	26 ■
Human capital (of 51 countries w. data)	0.34	25 ■	0.56	10 ■	0.35	24 ■

The colour code indicates the relative ranking across Africa with ■ Highest 3<sup>rd</sup> of the countries, ■ Middle 3<sup>rd</sup> of the countries, ■ Lowest 3<sup>rd</sup> of the countries.

Source(s): The African Entrepreneurial Ecosystem Index (<https://africa.ecosystem.build/>)

The methodology and data used by the African Entrepreneurial Ecosystem Index place Kenya ahead of Ethiopia and Uganda but surprisingly place it in the second 3<sup>rd</sup> of the total pool whereas Ethiopia and Uganda is placed in the bottom of the total ranking. It is worth noting that the total

ranking at this point only represents 29 countries as 25 countries have incomplete data sets and hence are ranked in some of the 7 areas but not in the total ranking.

Ethiopia performs continentally well in market access and comparatively better than Kenya and Uganda in governance. Uganda generally performs poorly and scores in none of the 7 areas above Ethiopia and Kenya. Kenya finds itself in the top 3<sup>rd</sup> in ecosystem support, finance and human capital.

## 08.10: Capital cities compared

Analysing the StartupBlink rankings for the 3 countries' capital cities, we can discern key insights into their business environments.

Table 16: Capital city ranking and comparison

	Addis Ababa	Nairobi	Kampala
<b>Total ranking</b>	<b>417</b>	<b>137</b>	<b>390</b>
<b>Business ranking</b>	<b>556</b>	<b>193</b>	<b>475</b>
Ease of doing business	1116-1139	127-129	538
Democracy index	458	51-131	449
Regulatory quality	834-1139	834-1139	834-1139
R&D expenditure	985-1139	985-1139	985-1139
Internet speed	1119-1139	1119-1139	434
Innovation index	484	222-224	653
Corporate taxes	321-1139	321-1139	321-1139
Corruption perception	386	140-174	532
Open regulation	657	135-144	372
Labour laws	253	67-102	329
Universities	949-1139	535-537	774

Source(s): Comparative data from StartupBlink (2023)

In the business score peer analysis (Table 16), Nairobi shows the best performance with the highest total and followed by business ranking of 193. This is followed by Kampala with a ranking of 475 and Addis Ababa at 556. Nairobi are leading across the measured indicators.

Regarding the ease of doing business, Nairobi again shows the most favorable conditions with a ranking of 127-129, ahead of Kampala's 538 and Addis Ababa, which ranges from 1116-1139, indicating more challenging business environments in the latter two cities. The capital cities remain key engines in the economy at large and even more so setting the pace for entrepreneurship and the development of ESOs and their offering.

Table 17: Quality score peer analysis (city-level)

	Addis Ababa		Nairobi		Kampala	
	Result	Global rank	Result	Global rank	Result	Global rank
<b>Total score</b>	<b>0.759</b>	<b>417</b>	<b>5.185</b>	<b>137</b>	<b>0.867</b>	<b>390</b>

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<b>Quality score</b>	<b>0.438</b>	<b>268</b>	<b>2.159</b>	<b>117</b>	<b>0.233</b>	<b>375</b>
Traction (percentile of av. top-20 startup rank)	37.9%	1132	13.1%	172	69.3%	1119
Impact of employees	0.27	127	0.68	70	0.09	263
Number of Y combinator startups	2	92-97	7	42	1	123-144
Amount of funding (USD mill.)	26	813	708	121	9	770
Amount of exits under USD 1 bill.	0	130-1139	0	130-1139	0	130-1139
Impact of global startup events	0.00	37-1139	0.00	14-36	0	37-1139
No. startups with traction score	20	1-263	20	1-263	20	1-263
Sample size of startups	51	752	167	93	101	235
Sample size of accelerators	4	485	11	71-77	17	105
Sample size of coworking spaces	11	499	86	70-71	22	233
Community score	0.06	183-257	0.18	62-87	0.03	258-632

Source(s): Comparative data from Startupblink (2023)

Moving to the quality score analysis at the city level (Table 17), Nairobi's total score (5.185) and quality score (2.159) significantly surpass those of Addis Ababa and Kampala, placing it at a global rank of 137<sup>th</sup> and 117<sup>th</sup>, respectively. This demonstrates Nairobi's superior positioning in providing a quality environment for business operations.

Traction, or the average top-20 startup rank percentile, is highest in Kampala at 69.3%. However, its global rank is 1,119 percentiles, reflecting the city's growing influence in the startup ecosystem despite a lower ranking. Nairobi and Addis Ababa show lower traction percentiles, indicating areas where ESOs could focus on increasing startup visibility and growth potential.

Employee impact in Nairobi is notable, with a high score of 0.68 and a much better global rank of 70<sup>th</sup> than Addis Ababa's 127<sup>th</sup> and Kampala's 263<sup>rd</sup>. This suggests that employees in Nairobi significantly impact business operations and can be a key asset for startups.

The number of Y Combinator startups, a measure of high-potential startup presence, is highest in Nairobi with seven, followed by Addis Ababa with two and Kampala with one. Funding amounts follow a similar pattern, with Nairobi attracting USD 708 million, indicative of a strong investment landscape.

These comparative rankings and scores highlight where each capital city excels and where there is room for improvement. Nairobi stands out for its quality of the business environment and startup impact, suggesting a mature ecosystem that supports business growth. Kampala's high traction score implies a burgeoning startup scene that could benefit from targeted support to enhance its global standing. With its decent innovation index and potential for more competitive mobile money markets, Addis Ababa could see significant growth with strategic investment and regulatory reforms.

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# INSIGHTS *by Joram Mwinamo* CEO, SNDBX



*A collaborative, permanent residence of more than 20 professional disciplines who provide the support environment, expertise and services to scale entrepreneurial businesses. Website: [www.sndbxinternational.com](http://www.sndbxinternational.com)*

"The Kenyan ESO ecosystem is one of the more mature landscapes because of how long it has been in existence. People are becoming more focused and specialised in niches that they have identified over time. On comparing the landscape to East Africa, Uganda will probably come 2<sup>nd</sup> and Ethiopia 3<sup>rd</sup> in terms of maturity. Nairobi is a lot more competitive, and Kenya in general has a lot more players and is more spread out."

People are clearer on which segment they have and how they deploy solutions. I don't know that we have very good data graduating successful enterprises. We could do better in measuring the impact that the sector has I still see a lot of duplication and a lot of the same people in programs. In terms of similarities, I would largely say a lot of the funders are the same."

#### **Government support:**

"The President has really stepped in to amplify the innovation ecosystem in Kenya. Rwanda has a lot more government support, the government-driven structure than all these other countries."

#### **Challenges faced:**

"A challenge of talent programs or functions within ESO and being able to afford and keep good talent. Our industry can't keep up with other industries. Yeah, I think the more mature companies have figured it out, figured out their models of sustainability."

#### **Achievements:**

"The concept of ESO is becoming more mainstream, more recognised. A few players figuring out sustainability things like ASSEK, having joint events and programs have also been evident for the ecosystem. There are more conferences or events happening around entrepreneurship in the country, both local and international, which is amplifying people's interests in the sector. I would say that different players are a lot more knowledgeable of each other."

There's been an aggregation of different players coming into the same platforms and doing more joint events, more collaborations in the entrepreneurship space. I think that's definitely a key development also fact that now we have a government ministry that focus on MSME from standpoint, that have also amplified or put a bigger focus on people running enterprises."

#### **International networks:**

"Pioneer and Silicon Savannah attract a lot of players, probably put their regional offices here. The Rwandese seem to be the ones with resources to see much scaling from Kenya or Uganda."

#### **Advocacy and gaps:**

"If there was communication on the benefits of enterprise support organisation continuously, like data showing how

impactfully enterprise support organisations are, I think government, corporates, and development sector players would take up ESO programs a lot easier."

Investors often don't take ESOs seriously, and the lack of communication on their effectiveness may contribute to the oversight. Advocacy and strategic communication are crucial in bridging this gap. The sector needs to tell its stories more loudly to showcase its continuous positive influence on businesses. Down the line, there's a need for continuous talent development for the sector. Building and retaining skilled professionals will be essential for sustained growth."

#### **Impact measurement:**

"We measure the growth of businesses, development of systems, and processes for stability. Metrics include revenue growth, profitability, and overall impact on entrepreneurs' well-being, whether qualitative or quantitative. Challenges arise in unstructured programs, where continuous data collection is a struggle. Implementing effective systems is an ongoing effort."

#### **Policy and regulatory environment:**

"Current policies feel ad hoc and lack a centralised master plan. There's a need for an integrated approach, involving ESOs in policy discussions to ensure a more effective and supportive environment. Taxation policies and initiatives like the Hustler Fund need re-evaluation to align with the actual needs of entrepreneurs. A more thoughtful policy framework is essential."

#### **Support and resources:**

"Resources may not be the issue; the lack of integration and appreciation of the roles played by different entities is hindering progress. A more integrated plan, utilising the billions already allocated to various funds, could significantly impact the sector."

#### **Collaboration within the ecosystem:**

"Moving away from a competitive mindset to collaboration is crucial for progress. The ecosystem needs joint efforts to support entrepreneurs at all levels, from startups to high-growth entities. Current collaboration efforts are not centralised, and there's a lack of a unified voice. Establishing effective partnerships and a common agenda will contribute to a more impactful ecosystem."

#### **Hopes for the ecosystem in the next five years:**

"I hope for an overall master plan developed collaboratively by all stakeholders, including financiers, donors, government, ESOs, and academia. This would bring more sanity to the entrepreneurial space."

"Internationalisation and targeting diaspora and the international community present significant opportunities. Integration into international markets will benefit our entrepreneurs, tapping into greater resources."

## 09: Startup ecosystem overview

By analysing the "Startup Ecosystem" data for Ethiopia, Uganda, and Kenya, we can derive insights based on the available metrics, which cover aspects like the number of startups, ecosystem rankings, financials, gender inclusivity, and more. This analysis aims to highlight the strengths, potential areas for improvement, and unique characteristics of each country's startup landscape.

Table 19: Startup ecosystem indicators

	Ethiopia	Kenya	Uganda
No. startups	284	1,000+	100+
Startup ecosystem index (Top 100 countries)	100th in 2021 *	62th	96th
Capital city ranking in TOP 500 Startup Cities	417th	137th	390th
Number of investment deals	N/A	147	16
Funding in USD mill. (2022)	N/A	1,006.1	25.87
New funds since 2015 (USD mill.)	-	368	8
Ecosystem value (USD mill.)	214	7,800	347
No. employees	81	13,000	1,855
Value of exits since 2015 (USD mill.)	51.0	632	56.9
Funding since 2015 (USD mill.)	43.7	1,800	82.2
No. funding rounds since 2015	17	440	45
Number of future unicorns	0	8	0
Number of unicorns	0	0	0
% of startups having at least a female founder	16%	32.2%	60%

Note: \* not eligible in 2023

Source(s): JICA - Shega, Ethiopian Ecosystem report 2023 [Ethiopia - JICA-Shega ecosystem report.pdf](#), Statista ([2022](#)), [Global Startup Ecosystem Index](#), Comparative data from Startupblink (2023)

Similarly to the previous sections of this report, Kenya emerges as the front-runner in the region's startup ecosystem with over 1,000 startups and a ranking of 62<sup>nd</sup> in the Startup Ecosystem Index. Nairobi's position at 137<sup>th</sup> in the top 500 Startup Cities underscores its significant role as a hub for entrepreneurial activity. The number of investment deals (147) and substantial funding received in 2022 (USD 1,006.1 million) signal a dynamic environment conducive to startup growth and innovation. The presence of eight future unicorns points to a high potential for scale-ups, while the value of exits since 2015 (USD 632 million) indicates successful returns on investment. A notable 32.2% of startups have at least one female founder, highlighting the inclusive nature of Kenya's startup ecosystem.

With over 100 startups, Uganda shows promising activity with a Startup Ecosystem Index rank of 96<sup>th</sup>. Kampala's 390<sup>th</sup> ranking among the top 500 Startup Cities, 16 investment deals, and funding of USD 25.87 million in 2022 display a growing startup scene. Uganda's ecosystem value is at USD 347 million, funding since 2015 has been at USD 82.2 million, and the number of funding rounds since 2015 has been at 45, all pointing to a growing, albeit nascent, startup environment. Impressively, 60% of startups have at least one female founder, indicating a solid representation of women in entrepreneurship.

Ethiopia's startup ecosystem, with 284 startups, ranks 100<sup>th</sup> in the Startup Ecosystem Index. Addis Ababa is positioned at 417<sup>th</sup> in the top 500 Startup Cities. The ecosystem value stands at USD 214

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million with 81 employees, and the value of exits since 2015 totals USD 51 million, reflecting the emerging nature of the startup environment. However, the funding since 2015 at USD 43.7 million and the number of funding rounds at 17 indicate room for growth in investment activity. Ethiopia has yet to record unicorns, but the ecosystem shows potential, especially with 16% of startups having at least one female founder.

These indicators from Table 19 demonstrate the stages of startup ecosystem development in the three countries. Kenya's ecosystem is the most advanced, with significant funding and investment deal flow. Uganda's ecosystem is characterised by a strong female founder presence and growing investment activities. Ethiopia's ecosystem, while still developing, shows promise in its value and exit figures. For ESOs, these metrics provide a roadmap for where support and resources can be channelled to foster further growth and development in each country's startup ecosystem.

Table 20: Startup city ecosystem indicators

	Global average	Addis Ababa	Nairobi	Kampala
Ecosystem value (H2 2020 - 2022)	\$34.6 bn	\$83 m	\$7 bn	\$55 m
Number of unicorns (H2 2020 - 2022)	4	NA	1	0
Software engineer salary (2022)	\$46k	\$8.3k	\$13k	\$6k
Time to exit (2018 - 2022)	9 years	NA	7.4 years	NA
Total early-stage funding (H2 2020 - 2022)	\$970 m	\$12.3 m	\$344 m	\$9.7 m
Median Seed Round (H2 2020 - 2022)	\$821k	\$163k	\$520k	\$150k
Early-stage funding growth (2019-20 vs. 2021-22)	NA	Scale 1	Scale 10	Scale 2
Exit amount (2018 - 2022)	\$11.3 bn	NA	\$524 m	NA
Ecosystem value growth (H2 2020 - H2 2022 vs H2 2018 - H2 2020)	47%	12.6%	81%	18%
Median series A round (H2 2020 - 2022)	\$6 m	NA	\$4 m	\$400k
Total VC funding (2018 - 2022)	\$6.6 bn	\$36 m	\$2 bn	\$18 m

Source(s): StartupGenome (2022)



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Website: [www.mycals.net](http://www.mycals.net). xHub is one of Ethiopia's first ESOs. [www.xhubaddis.com](http://www.xhubaddis.com).

#### **Positive developments in the ecosystem:**

"The ecosystem has grown a lot. A lot of hubs are now coming up, especially sector-specific. There's more collaboration and a lot of people in the sector are now collaborating on multiple levels."

#### **Challenges faced by ESOs:**

"Sustainability is always a challenge. Instead of catering more to the needs of the startups, we end up catering to the requirements of the fund. So that kind of takes away from the hubs."

#### **Integration with international networks:**

"Through organisations such as ours, I believe they are benefiting, but I don't know how much they are able to benefit directly from the funders themselves."

#### **Policy input for a supportive environment:**

"Incubators and accelerators need to be registered separately as social entrepreneurs. Startups in the early stages need incentives like tax breaks. Government Fablabs and support systems are also important."

#### **Gaps in the ecosystem:**

"We need to have a platform where we all communicate our activities and our members. Filtering startups has been difficult because there's no central database where we are transparently doing our work."

#### **Support and resources for ecosystem Growth:**

"A credit system in collaboration, if, let's say, four or five startup incubators and accelerators would have their own microfinance, their own fab labs, their own facility, it would really help."

"If we find the support to set up something like that, let's say every five startups will get one fab lab and one financial instrument. I think it can self-sustain because these startups would then... it will create some sort of accountability."

#### **Effectiveness of current support services:**

"It takes them from just having an idea to realising what a business looks like, how to market, legal, HR, accounting, and those kinds of things."

"Definitely helpful in that regard. It inspires them to grow, it inspires them to make sure they have good branding, good business plans."

#### **Comparing the entrepreneurship ecosystem:**

"While it's been a while since I visited hubs in Kenya, but I can tell you, they are ahead of us. Definitely, we're still a bit behind."

#### **Partnerships and collaborations:**

"Collaboration events where we meet each other, connect with people in the network, are growing."

"Different platforms are being created to meet, and collaboration teams are being formed with various partners and initiatives."

#### **Landscape of ESO in Ethiopia:**

"The Enterprise support ecosystem is very young. Predominantly, it's a very young ecosystem. It's highly fragmented, and we started introducing it 10-12 years ago."

"It's a pretty much a young ecosystem, mostly project-oriented and impacted highly by organisations such as USAID, GIZ, and other development agencies."

#### **Comparison with East Africa:**

"In East Africa, you guys are doing very well. Kenya is unique; it's a better-off country. The nature of governments in East Africa is quite different, and the entrepreneurial spirit is stronger in countries like Nigeria, Ghana, and Senegal in West Africa."

#### **Measuring impact and success:**

"We measure success by how much we have educated our people with the concept of entrepreneurship, startup duration, and all of those concepts."

"Success parameters include converting young people into hustlers, making startup ideas affordable, focusing on local problems, scalability, and job creation."

#### **Areas of improvement and support needed:**

"Wishes to see government collaboration, providing spaces, internet, and basic needs for hubs."

"Collaboration with education centers, universities, and banks to invest or provide loans to startups."

#### **Priorities for the next 3 years:**

"First priority is sustaining our hub, followed by equipping it with necessary resources, including testing computers and a maker space."

"Third priority is equipping our hub with the right human resource, which is a super expensive requirement."

#### **Major gaps in the ecosystem:**

"The major gap is sustainability. It's the flip side of everything I said. Without sustainability, nothing will happen."

# 10: Entrepreneur support organisations (ESOs)

This section offers an overview of the Entrepreneur Support Organisation (ESO) ecosystems in Ethiopia, Kenya, and Uganda. While Kenya's ecosystem is notably more developed, recent initiatives and strategic projects highlight the emerging growth potential in Ethiopia and Uganda. A comparison of startup ecosystem indicators across these countries reveals varying degrees of ESO presence, distribution, and the year of establishment, painting a picture of the opportunities and challenges within each entrepreneurial landscape.

## 10.1: ESO ecosystem overview

While Kenya's more developed ecosystem stands out, Ethiopia's and Uganda's growth potential should not be overshadowed. Ethiopia's recent initiatives and Uganda's strategic projects indicate a trajectory of positive growth and opportunities for development. Whereas growth in the number of local ESOs has peaked in Kenya there is a natural progression towards specialisation in sectors with sufficient pipeline and/or significant donor funding. Kenya continues to see the arrival of international ESOs entering Africa using Kenya and Nairobi as the entry platform.

Table 21: Startup ecosystem indicators

	Ethiopia	Kenya	Uganda
Year of the first ESO	2011	2010	2010
No. ESOs (in total)	100+	180+	90+
ESOs in the capital city vs. outside the capital city	81%	92%	90%
Distribution local ESOs	92%	87%	90%
Distribution of international ESOs	8%	13%	10%

Source(s): BIC Africa: Mapping of international and regional public and private donors and initiatives (2022), ([“D2.1- Mapping-of-relevant-stakeholders-donors-and-initiatives.pdf”](#)), Argidius: The Entrepreneurship and Enterprise Growth Landscape (2016) [2134-uganda\\_mapping.pdf](#), UNDP - Mapping the Innovation Ecosystem in Kenya (2022), [Kenya - UNDP - Mapping Innovation Report\[1\].pdf](#), [Entrepreneurial Ecosystem Snapshot: Green Entrepreneurship in Kenya](#), GrowthAfrica - Ethiopian Ecosystem Mapping (2023), UKAID - Understanding the Kenyan Startup Ecosystem [Kenya - Understanding the Kenyan Startup Ecosystem Report.pdf](#)

The entrepreneurial ecosystems in Africa are experiencing a significant growth spurt, evidenced by the increasing number of ESOs across Ethiopia, Kenya, and Uganda, each advancing at its own pace and direction.

Curiously, the inception of the first ESOs across the 3 countries was nearly synchronous, setting the stage for the divergent evolution of these vital entrepreneurial landscapes. Today, a close examination reveals stark contrasts in the distribution and specialisation of ESOs, with Kenya taking the lead as a prominent hub for entrepreneurial activity and investment in Africa.

Ethiopia is charting an impressive course, emphasising capacity-building particularly aimed at nurturing young entrepreneurs. The country boasts a higher number of incubators at universities and institutions of higher learning in comparison to Kenya and Uganda, which underlines a concerted focus on early-stage entrepreneurial support building opportunities and capacity with the country's large population of youth. In contrast, Kenya's ecosystem thrives with an abundance of hubs and co-working spaces, particularly in Nairobi.

Where many of Kenya's "hubs" initially were driven by a "tech"-focus they have broadened their thematic attention largely driven by the funding landscape. Some hubs also provide incubation activities – this is though for hubs outside of Nairobi only some of the hubs and it primarily as one-off projects. This is different from Ethiopia where most of the ESOs outside of Addis were formed

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to deliver (pre)incubation activities hence don't serve as hubs in the same way nor have the same community dimension seen in Kenya.

Noteworthy is the growth of ESOs in Ethiopia and Kenya beyond the confines of the capital cities. Unlike Kenya, where ESOs are largely born out of private or non-profit initiatives and international collaborations, Ethiopia's are predominantly linked with universities and higher learning institutions, suggesting a more strategic integration of academia and entrepreneurship driven by the institutions and encouraged and supported by the government. Whereas universities traditionally have struggled to deliver commercially relevant or competitive programmes Ethiopia might be developing a model whereby universities in the absence of local alternatives and sparked by support from the government will become the early-stage startup infrastructure. A strong link from research to commercialisation is still missing across the countries. It will be interesting to follow whether Ethiopia in the future can build this bridge better than Kenya and Uganda.

Kenya has made strides in expanding its entrepreneurial support reach beyond Nairobi in the last 5 years, while Uganda appears to be in the nascent stages of embracing geographic inclusivity in its ESO blueprint. Across all 3 ecosystems the ESOs outside the capital cities are set up through local initiatives rather than capital city ESOs expanding physically across the country.

The initial capital city centralisation reflects a trend common in emerging ecosystems where the capital city acts as the primary magnet for resources and talent alongside funding and government focus. In the case of Kenya, a more inclusive approach has been emerging over time and the attention to spaces beyond the capital city has been growing. This is furthermore supported by funding shifting from for example "tech" to gender, climate and environment.

As was the case initially in Kenya there is significantly less information available on entrepreneurship, innovation and ESOs outside the capital cities. This does place some limitations to a complete understanding of the ecosystem's geographical balance and potential regional development opportunities.

All 3 countries have a solid local ESO presence, indicating robust local initiatives and a potentially supportive environment for home-grown startups. The presence of international ESOs suggests a degree of international interest and connectivity to global networks, essential for cross-pollination of ideas and best practices.

The data underscore the importance of understanding each ecosystem's nuances, from their origins to their growth trajectories, to better facilitate collaboration and knowledge exchange between the ESOs of Ethiopia, Kenya and Uganda. Such insights will be crucial for stakeholders aiming to foster a cohesive African entrepreneurial environment that encourages innovation and sustainable development.

## 10.2: ESO associations and networks

The establishment years of the associations indicate their relative maturity and experience. Membership coverage of ESOs is a critical indicator of the associations' focus, reach and influence. Uganda's Startup Uganda and Kenya's ASSEK cover 46% and 50% respectively of ESOs, indicating a relative community engagement a large(r) ecosystem. Kenya's ACIH operates in a smaller and more focused ecosystem and commands an impressive 93% membership among potential members. In Ethiopia, the recently founded ESO association EASE operates within a very different legal framework whereby its members are individuals as opposed to organisations. This provides a different and challenging setup and potential member base.

Table 22: ESO association indicators

	Ethiopia	Kenya	Kenya	Uganda
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Name of ESO association (Full name)	EASE Ethiopian Association of Startup Ecosystem	ASSEK Association of Startup and SMEs Enablers of Kenya	ACIH Association of Countrywide Innovations Hubs	Startup Uganda Startup Uganda
Year of establishment	2022	2018	2019	2019
No. full-time employees	3	6	0	1
No. part-time employees	0	0	0	1
Running projects	Yes	Yes	(Yes)	Yes
Steering committee/structure	Board of 5	Board of 11	Board of 7	Board of 4
Who are members	Professionals (individuals) from ESOs, startups and investors	ESOs, associate members are other stakeholders	ESOs outside Nairobi, associates are ESOs from Nairobi plus other stakeholders.	ESOs
No. members	17	89	38	23
No. associate members	0	0	11	0
Membership coverage of ESOs *	5-10%	50%	93%	45%
No. potential members	300+ **	180	50	75+
Annual membership fee in USD	0	70 (+ joining fee 15)	70 (+ joining fee 35)	265, 530 or 800
Annual budget (2023) in USD	55,000	200,000+	10,000	200,000
Key funders	GIZ	GIZ, FCDO	GIZ	UNCDF

Note: \* not eligible in 2023, \*\* With EASE's membership being individuals interested in and/or working with the support of entrepreneurs the potential no. members is conservatively set.

Source(s): ESO ecosystem associations

Ethiopia's EASE covers only 5/10% of its potential member base, which is expected given its recent establishment, and has room for growth. ASSEK's 45% coverage in Kenya is substantial and is complemented by its associate membership, which extends its influence beyond direct ESOs. The number of employees (full-time and part-time) and the presence of a steering committee or board reflect these associations' operational capacity and governance. ASSEK's more extensive employee base and board size indicate a more substantial infrastructure to support its activities than the leaner structures in Ethiopia and Uganda.

The membership fee structure reveals the financial strategy of these organisations. Kenya's ASSEK and Uganda's Startup Uganda have tiered fee structures, which could cater to different sizes of ESOs and provide a sustainable funding source. Ethiopia's EASE does not charge a fee, which might suggest an early focus on member acquisition and reliance on external funding sources. The annual budgets point towards the scale of operations and projects each association can undertake. ASSEK's substantial budget, compared to EASE's, suggests a more extensive scope for activities and potentially more significant impact within the ecosystem.

### 10.3: Business maturity supported

The distribution of ventures across different stages in Ethiopia, Kenya, and Uganda within the entrepreneur support ecosystem shows the evolving space. In Ethiopia, a substantial majority of ventures are in the early stage, indicating a burgeoning entrepreneurial landscape with a high influx of startups. This could be attributed to various factors such as government initiatives, increased access to resources, and growing interest in entrepreneurship among the youth. In contrast, Kenya's ecosystem appears more mature, with a significant portion of ventures classified as growth-stage, suggesting a well-established startup ecosystem with companies scaling up

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operations. Uganda lies somewhat in between, with a considerable proportion of ventures in the early and growth stages, indicating a mix of emerging startups and more established businesses. Overall, understanding the stage of ventures served is crucial for tailoring support services and interventions to meet the specific needs of entrepreneurs at different stages of their journey.

Table 23: Stage of ventures served

	Ethiopia	Kenya	Uganda
Early	83%	29%	77%
Growth	13%	66%	20%
Mature	4%	6%	3%

Source(s): GrowthAfrica - Ethiopian Ecosystem Mapping (2023), UKaid - Understanding the Kenyan Startup Ecosystem, Kenya - Understanding the Kenyan Startup Ecosystem Report.pdf

In Ethiopia, the overwhelming focus of ESOs on early-stage ventures, accounting for 83% of their support, paints a picture of an ecosystem heavily invested in nurturing nascent businesses. This significant emphasis on the early stage indicates either an abundance of startups at the inception phase or a strategic decision by ESOs to target this segment, recognising the crucial need for support at the foundational level. The relatively lower proportion of support for growth (13%) and mature (4%) stages may suggest a gap in the continuum of support as startups evolve, potentially leading to challenges in scaling and sustaining businesses beyond their initial stages. This skew towards the early stage could be reflective of either a relatively young startup ecosystem in Ethiopia or a deliberate approach by ESOs to build a strong foundation for the emerging entrepreneurial community.

In Kenya, the distribution of ESO support across different stages of business maturity presents a contrasting scenario. A significant majority of ESO focus is on growth-stage ventures (66%), followed by early-stage (29%) and mature-stage (6%) support. This distribution suggests a more balanced ecosystem where startups receive continued support as they transition from inception to growth phases. The heavy inclination towards growth-stage ventures could indicate a maturing startup environment where businesses have successfully navigated their initial challenges and are now poised for expansion and scaling. Although smaller, the support for mature-stage ventures is crucial as it points to well-established businesses that continue to benefit from the ecosystem, possibly in areas like innovation, market expansion, and organisational development.

The absence of data for Uganda makes drawing a comparative analysis for its startup ecosystem challenging. However, the available data from Ethiopia and Kenya provide valuable insights into the strategic priorities of ESOs in these countries. Ethiopia's focus on early-stage ventures suggests an ecosystem geared towards building and nurturing new businesses, possibly to lay a robust foundation for future growth. Kenya's emphasis on growth-stage ventures indicates a more evolved ecosystem where companies are primed for scaling and substantial market impact.

## 10.4: Organisation type

In Ethiopia, the distribution of ESOs is remarkably balanced, with each category constituting approximately a third of the ecosystem. The equal representation of private entities (31%) and public institutions (31%) underscores a collaborative environment where the government and the private sector play significant roles in fostering entrepreneurship. This balanced ecosystem might indicate a strategic approach to leverage the strengths of different sectors: the agility and innovation of the private sector, the social impact and community orientation of NGOs (38%), and the stability and regulatory support of public entities.

The substantial involvement of NGOs is particularly noteworthy. It suggests a focus on social

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entrepreneurship or businesses that address socio-economic challenges, which is often a priority in developing economies.

Table 24: ESO sectors

	Ethiopia	Kenya	Uganda
Private	31%	30%	15%
NGO / non-profit	38%	35%	80%
Public	31%	35%	5%

Source(s): BIC Africa: Mapping of international and regional public and private donors and initiatives (2022), [D2.1-Mapping-of-relevant-stakeholders-donors-and-initiatives.pdf](#), UKaid - Understanding the Kenyan Startup Ecosystem [Kenya - Understanding the Kenyan Startup Ecosystem Report.pdf](#)

Kenya exhibits a similar distribution, albeit with a slight shift in emphasis. The representation of private entities (30%) and NGOs (35%) is relatively aligned with Ethiopia’s ecosystem, reflecting a shared recognition of the importance of diverse support structures. The slightly higher proportion of NGOs in Kenya might indicate an environment that values social innovation and community-driven entrepreneurial initiatives. Public institutions also account for a more significant share in Kenya (35%) than in Ethiopia. This could reflect a more active role of the government in the entrepreneurial space, possibly through initiatives like funding programs, policy formulation, and infrastructural support to foster a conducive environment for startups.

## 10.5: Focus on sectors and industries

Across all three countries, agribusiness emerges as a significant sector of focus, with Ethiopia leading at 20%, followed by Uganda at 16%, and Kenya at 13%. This emphasis on agribusiness reflects the importance of agriculture in the African economy and the potential for innovation and growth in this sector.

Table 26: Focus areas and industries supported (multiple selection)

	Ethiopia	Kenya	Uganda
Agribusiness	20%	13%	16%
Construction and affordable housing	1%	1%	1%
E- and m-commerce	6%	5%	4%
Education	8%	8%	17%
Energy, clean- and Greentech	4%	9%	4%
Financial services and technologies	8%	11%	8%
Healthcare	8%	9%	12%
ICT and mobile solutions	13%	10%	10%
Manufacturing and assembly	9%	8%	7%
Processing of agricultural outputs	13%	10%	10%
Renewable energy	3%	7%	6%
Transport and logistics	4%	5%	2%
Hospitality	1%	1%	1%
Water, sanitation and hygiene	1%	2%	1%
Other	1%	1%	1%

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Source(s): Jica-Shega, Ethiopian Ecosystem report 2023 [Ethioia - JICA-Shega ecosystem report.pdf](#), Startup Uganda - [TECH ENTREPRENEURSHIP ECOSYSTEM IN UGANDA](#), Disrupt Africa The Kenyan Startup Ecosystem Report (2022) [Kenya - The-Kenyan-Startup-Ecosystem-Report-2022.pdf](#)

Energy and “green” innovation are two other sectors where Kenya have been building its entrepreneurial and innovative profile. Uganda sees a comparative more focus on education and healthcare. This reflects a recognition of the importance of the sectors in driving socio-economic development and entrepreneurship.

ICT and mobile solutions are prioritised across all 3 countries, indicating a recognition of the transformative power of technology in driving economic growth and development. Kenya, known as a hub for technology and innovation, allocates 10% of its focus to this sector, while Ethiopia and Uganda allocate 13% and 10%, respectively. This emphasis on ICT and mobile solutions aligns with the broader trend of digital transformation sweeping across Africa and underscores the role of technology in shaping the future of entrepreneurship on the continent.

## 10.6: Services and support offered

Entrepreneurship training/education emerges as the most prevalent form of support across all three countries, with Ethiopia leading at 29%, followed by Kenya at 18%, and Uganda at 14%. This underscores the recognition of the importance of equipping entrepreneurs with the knowledge and skills necessary to navigate the challenges of starting and scaling businesses.

Table 27: Primary type of support provided to entrepreneurs

	Ethiopia	Kenya	Uganda
Entrepreneurship training/education	29%	18%	14%
Business strategy and planning	21%	10%	15%
Introduction to entrepreneurship	11%	6%	8%
Sector development	7%	9%	5%
Access to networks and partners	5%	9%	10%
Technology development or adoption	4%	9%	5%
Scaling and business expansion	4%	6%	10%
Investor matchmaking, funding, transaction advisory	4%	17%	5%
Digital skills and coaching	4%	7%	10%
Building HR capacity	4%	4%	3%
Co-working	N/A	2%	2%
Media exposure	2%	N/A	1%
Innovation methodologies	2%	N/A	5%
Ideation	2%	N/A	5%
Financial management, audit and tax management	2%	1%	2%
No support is provided currently	2%	N/A	N/A

Source(s): GrowthAfrica - Ethiopian Ecosystem Mapping (2023), GrowthAfrica - Kenya Business Development Service Providers Landscape Study Report (2022)

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Moreover, delving into the specific support services provided to entrepreneurs in Ethiopia and Kenya, the data reveals insightful trends about how ESOs are tailoring their assistance to meet the unique needs of startups in these evolving ecosystems.

Focusing on Kenya first, the landscape of startup support is characterised by a significant emphasis on investor matchmaking, funding, and transaction advisory services, constituting 17% of the support provided. This prioritisation indicates an ecosystem where startups actively seek capital infusion and strategic financial guidance, which is essential for scaling operations and expanding market reach. Other key support areas include entrepreneurship training (18%), reflecting a continuous need for foundational business skills, and business strategy and planning (10%), which is crucial for long-term sustainability.

The 9% allocation for technology development or adoption, access to networks and partners, and sector development underlines Kenya's holistic approach to startup support, addressing diverse needs from technological advancement to industry-specific expertise and valuable business connections.

In contrast, Ethiopia's support landscape presents a different picture. The most significant support area is entrepreneurship training and education, making up 29% of the services provided. This focus underscores the importance of equipping budding entrepreneurs with the necessary skills and knowledge in an emerging startup environment.

The attention to business strategy and planning, at 21%, suggests an effort to instil robust planning and strategic thinking among Ethiopian startups. Interestingly, the support for more niche areas such as sector development, network access, and technology development is less pronounced than in Kenya but still integral to the ecosystem, each accounting for a modest 4-7%. This distribution reflects an ecosystem in building its foundational capabilities, with a clear focus on nurturing early-stage businesses and guiding them through the initial growth phases.

## 10.7: Income and funding of ESOs

The analysis of the funding sources for Entrepreneur Support Organisations (ESOs) in Ethiopia, Kenya, and Uganda reveals several key insights into the financial landscape of these ecosystems. Funding from donors emerges as a significant source of financing across all 3 countries, with Ethiopia leading at 27%, followed closely by Kenya at 25% and Uganda at 22%. This underscores the importance of donors – in the absence of reliable public funding – for ESOs to deliver essential support services to entrepreneurs.

Table 28: ESO funding sources

	Ethiopia	Kenya	Uganda
Delivery of tendered projects and programmes	18%	33%	34%
Education/training fees	5%	3%	4%
Events	4%	2%	2%
Funding from donors	27%	25%	22%
Funding from foundations	7%	12%	9%
Government funding/support	11%	3%	4%
Project/programme participation fees from entrepreneurs	2%	3%	4%
Rental revenue (renting out office or venue space)	2%	3%	5%
Sponsorships	7%	5%	4%
Consulting services	9%	10%	11%

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Other	8%	1%	1%
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Source(s): GrowthAfrica - Ethiopian Ecosystem Mapping (2023), ASSEK - Digitalization Capacity Assessment for Entrepreneurship Support Organizations in Kenya (2022)

The substantial contribution of delivery of tendered projects and programs to the funding mix, is especially substantial in Kenya and Uganda, where it accounts for 33% and 34%, respectively. This highlights the importance of securing contracts and tenders for projects and programs as a revenue stream for ESOs in these countries. Additionally, consulting services emerge as a notable source of funding, with Kenya, Uganda, and Ethiopia allocating 10%, 11%, and 9% of their funding, respectively, to this area. This suggests that ESOs are leveraging their expertise to generate revenue through consultancy services, further diversifying their funding sources.

Moreover, the relatively low contribution of government funding/support in Kenya and Uganda compared to Ethiopia indicates potential areas for collaboration and engagement with government agencies to enhance support for entrepreneurship initiatives. Overall, the analysis underscores the importance of diversifying funding sources and exploring innovative revenue streams to ensure the sustainability and resilience of ESOs in supporting entrepreneurs across Africa.

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*Impacc converts donations into equity investments in African startups that are job engines. It supports local founders with local ideas for local markets, and provide them with financial, technical and operational support. Website: [www.impacc.org](http://www.impacc.org)*

**Impact-driven investment:**

"As the Managing Director of Africa for Impact, we invest in impact-driven businesses that have a trickle-down effect to the base of the pyramid.

Our focus is on products and services that create meaningful change for those at the grassroots level."

**Innovation ecosystem advancements:**

"The Kenyan innovation ecosystem has evolved significantly, with the emergence of entrepreneur support organisations beyond major cities. We now witness the growth of hubs in towns like Nyeri, Nakuru, Eldoret, and Kakamega, reflecting a broader interest and understanding of entrepreneurship outside traditional hubs."

**Access to resources:**

"Access to the Internet has become a driving factor, creating small communities in various towns. However, despite progress, there is a need for more investor-ready businesses, especially outside major cities, and challenges persist in certain sectors like education and agriculture."

**Funding landscape:**

"Kenya boasts a robust funding landscape compared to the region, with numerous funding organisations and venture capitalists.

Yet, there is still a significant gap for early-stage businesses, particularly those below \$10,000 in revenue, presenting an area for improvement."

**Talent challenges:**

"One of the ecosystem's biggest challenges is sourcing and retaining talent. While there is talent available, finding the right mix that aligns with budget constraints and retaining them within the startup system remains a persistent issue."

**Collaboration and policy gaps:**

"Collaboration and value-driven partnerships within the ecosystem are essential. There is a need to move beyond working in silos and create a more collective approach.

Additionally, addressing gaps in the structured legal and policy space is crucial for sustained growth."

**Achievements and developments:**

"Key achievements in the last three years include the proliferation of innovation hubs, increased funds for African-founded businesses, improved internet accessibility, and a growing spotlight on Kenya as a hub for innovation and technology in the region."

**Future priorities:**

"Moving forward, a harmonised framework for supporting entrepreneurs is essential, avoiding excessive regulation that may stifle innovation.

Encouraging more joint investors, aligning government priorities with on-ground needs, and establishing structured collaboration with educational institutions are vital for sustained growth."

**ESO business models:**

"ESOs, being private-owned businesses, need a more robust and sustainable business model. Figuring this out is crucial for their long-term viability and impact in the ecosystem."

**International collaboration:**

"Integration with international relations varies among hubs.

Strengthening connections and exploring global opportunities is key. ASEC's pillar of internationalisation aims to unlock more global opportunities for the ecosystem."

**Impact measurement:**

"For impact measurement, our organisation has developed a tool, tracking key indicators connected to SDGs. These include the number of jobs created, income generated, investments made, and partnerships formed. These metrics provide a comprehensive view of our impact on the ecosystem."

**On talent and funding:**

"Stable access to funding is crucial for both ESOs and startups. With consistent funding, there's the ability to attract and retain top talent by offering competitive salaries within the sector."

## 10.8: Events and convening

Events and Talks are excellent vehicles for showcasing developing trends, convening ecosystem actors, and communicating the state of affairs. Regardless of the specific topic or content of the talk, the opportunity to convene entrepreneurs and ESOs (even informally) provides a valuable forum for exchanging ideas and best practices.

In the dynamic landscape of East African entrepreneurship, Ethiopia, Uganda, and Kenya each host various significant entrepreneurial events that are pivotal in shaping their respective startup ecosystems. These events provide platforms for networking, learning, and investment opportunities and reflect these countries' unique entrepreneurial priorities.

Table 29: Event comparatives

	Ethiopia	Kenya	Uganda
International events	<ul style="list-style-type: none"> <li>Global Startup Awards (GSA)</li> <li>Africa Summit (2024)</li> </ul>	<ul style="list-style-type: none"> <li>Sankalp Africa (2013-2023)</li> <li>ASEB (2023)</li> </ul>	
International concepts		<ul style="list-style-type: none"> <li>Slush'd (2023)</li> <li>Latitude59 Kenya (2023)</li> </ul>	
East African	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
National	<ul style="list-style-type: none"> <li>Enkopa (2021-2023)</li> <li>Global Entrepreneurship Week events</li> <li>The NEST initiative (2023)</li> <li>STRIDE (2024)</li> <li>Ethiopian Startup Awards (2024)</li> </ul>	<ul style="list-style-type: none"> <li>Kenya Innovation Week (2021-2023)</li> <li>Connected Summit</li> </ul>	<ul style="list-style-type: none"> <li>Uganda Innovation Week (2020-2023)</li> <li>Global Entrepreneurship Week events</li> <li>The National Science Week (2021-2023)</li> <li>Uganda Entrepreneurship Congress (2023)</li> <li>The Presidential Investor Conference (2023)</li> </ul>
Regional (local)		<ul style="list-style-type: none"> <li>Nairobi Innovation Week (2015-2023)</li> <li>Innovate Nairobi Tech Week (2023)</li> <li>Pwani Innovation Week</li> <li>Lake Bassin Innovation Week (2020-2023)</li> <li>Central Rift Innovation Week</li> <li>Mount Kenya Innovation Week</li> <li>Blue Economy Innovation &amp; Investment Week</li> <li>North Rift Innovation Week</li> <li>South Rift Innovation Week</li> <li>Turkana Innovation Week</li> <li>Eastern Innovation Week</li> <li>Western Kenya Innovation Week</li> <li>North Eastern Innovation Week</li> </ul>	<ul style="list-style-type: none"> <li>Kampala Impact Day (2021-2023)</li> </ul>

Source(s): ESOs and ESO associations.

Ethiopia is building out a considerable number of high-profile national events in the last year. It shall be very interesting to follow whether and which of the events will be developed into annual ecosystem events – and whether and how this is cascaded into regional events.

Kenya has a considerable number of regionally devolved events facilitated by the Association of Countrywide Innovation Hubs and its presence across Kenya. It points to the significance and

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value of local innovation and entrepreneurship hubs in creating a geographically inclusive eco- and support system. Uganda has a strong number of Kampala-based events and its activities are largely centered in and around the capital city reflective of the ecosystem's current geographical presence.

While Ethiopia is emphasising and building out the presence of ESOs (especially at universities and institutions of high learning it is yet to see regional events emerging and possibly feeding into a master national event. There are national competitions with local and regional events typically aimed at selecting entrepreneurs for national startup competitions.

International events are focused on Kenya yet the region is still to see a significant number of ongoing annual international events which consistently attract international development partners, investors, entrepreneurs and experts. Ethiopia's investments in its conferencing facilities and infrastructure plus its accessibility by air make it an obvious destination going forward for internationally targeted conferences and events.

There's an evident absence of a regional East African event galvanising and networking the entrepreneurial ecosystem in and across East Africa: Seeing East Africa's strong entrepreneurial position in Africa such an event could attract not only strong regional participation but also continental and international participation across stakeholders.

It is worth noting that despite access to finance being a key challenge to startups and growing young businesses there are no events co-organised by ESOs, ESO associations and investor associations.

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*Outbox is a space for collaboration that supports techies and entrepreneurs turning their tech ideas into businesses. Outbox accelerates promising startups, helping them refine their businesses and raise funding. Website: [www.outbox.co.ug](http://www.outbox.co.ug)*

#### **Outbox's role and mandate:**

"Our core mandate is to bring together the infrastructure, knowledge, people, and capital necessary to propel early-stage businesses to success. Initially focused on tech startups, Outbox has evolved to support both tech and non-tech startups, emphasizing the adoption of digital technologies for delivering value."

#### **Evolution of Uganda's ESO ecosystem:**

"When we started in 2012, the ESO ecosystem in Uganda was nascent, with only a handful of organisations. Over the last 5 years, we've witnessed significant growth and government support for tech startups and support from organisations like the Mastercard Foundation, and focused efforts to build a robust entrepreneurial support network."

"The landscape looks promising, with intentional efforts, such as the NSSF High Innovator, bringing together multiple ESOs to implement impactful interventions."

#### **Coordination within the ESO ecosystem:**

"Coordination within Uganda's ESO ecosystem has improved, with the setting up of Startup Uganda. However, there's a need for more collaboration across boundaries, fostering joint programs and capacity building among different ESOs. The potential for greater collaboration exists, especially at the regional level, where coordinated efforts could bring more value to entrepreneurs."

#### **Challenges faced by the ESO ecosystem in Uganda:**

"Limited financial capacity among early-stage entrepreneurs poses a significant challenge. Donor financing plays a crucial role, but there's a need for increased corporate involvement and recognition of the value of intermediary work by ESOs."

"Talent acquisition is another hurdle, with competition against large NGOs and consulting firms. Additionally, social-cultural norms and financial constraints limit gender-inclusive services, particularly in rural areas."

"One of the significant challenges is the young demographic dividend, where many first-time entrepreneurs operate informal and micro businesses with limited ability to pay for support services."

"Talent acquisition, competition with larger NGOs for skilled individuals, and the struggle to secure long-term funding for ESOs are ongoing challenges."

#### **Developments and achievements in the last 3 years:**

"The growth in coordination among ESOs stands out as a positive development. Initiatives like Startup Uganda and collaborative programs with NSSF have enhanced visibility and value for ESOs. The introduction of BDS standards, contributions to the Startup Act, and involvement in policy development showcase the

increasing maturity and impact of ESOs in Uganda."

#### **Priorities for the ecosystem the next 3 years:**

"Policy advocacy for local capital formation and incentives is a top priority to create an enabling environment for ESOs, financiers, and entrepreneurs."

"Building trust for local capital investment in startups, addressing the data gap, and investing in research are critical priorities to enhance the ESO ecosystem's effectiveness."

#### **International integration and networking:**

"ESOs in Uganda actively engage with networks like Afrilabs and Google for Startups, offering opportunities for knowledge exchange, introductions to investors, and global exposure. International networks play a crucial role, providing platforms for training, collaboration, and financial support."

#### **Policy and regulatory environment:**

"Policy changes are needed to make local capital formation more favorable, with a focus on incentives for both financiers and intermediaries. Enhancing benefits for startups, improving awareness of existing incentives, and fostering better collaboration between entrepreneurs and tax bodies are crucial recommendations."

#### **Comparisons with Kenya:**

"Kenya's ecosystem is more mature, attracting global operations from startups, while Uganda's strength lies in government support for vulnerable startups."

#### **Measuring impact:**

"Metrics for measuring impact include revenue growth, employment generation, adoption of best practices, gender inclusivity, financing rates, and the ability of businesses to operate beyond 3 years. Satisfaction scores, return on investment, and active engagement metrics provide a comprehensive view of the success and impact of support initiatives."

#### **Future priorities:**

"Key priorities for the next 3 years include policy changes supporting local capital formation, enhancing data-driven decision-making through research, and strengthening associations like Startup Uganda for effective advocacy. Long-term programming, knowledge exchange across borders, and derisking entities for local capital deployment are essential for the continued growth of the ecosystem."

#### **Hopes for the next 5 years:**

"Wishes for the ecosystem include favorable policy changes, increased local capital formation, and a focus on long-term, intentional programming for sustainable growth. Building stronger associations and advocating for the collective voice of both entrepreneurs and ESOs are critical aspirations for the next five years."

# 11: Public support

East Africa's entrepreneurial scene is uniquely shaped by varying legal frameworks in Ethiopia, Kenya, and Uganda. Each country is crafting its distinct legislative paths to spur innovation and support burgeoning businesses, creating tailored environments conducive to startup growth in their national context. In the next section, the startup legislation is reviewed and highlights made on how policies are designed to meet specific economic challenges and capitalise on opportunities for fostering business ecosystems.

## 11.1: Acts, bills and proclamations

A brief overview of the startup acts, bills, and proclamation status in Ethiopia, Kenya, and Uganda reveals distinct approaches to fostering innovation and entrepreneurship across these countries. In Ethiopia, the drafted Startup Act awaits finalising approval and aims to establish institutional mechanisms such as the National Startup Council and an innovation fund to facilitate resource mobilisation and create an enabling environment for startups. This Act seeks to streamline startup registration and offer tax incentives to attract investment, ultimately easing operational barriers and enhancing the startup ecosystem.

Kenya, on the other hand, has passed its Startup Act, which establishes the Kenya Innovation Agency and outlines roles for both national and county governments in supporting innovation. While the Act addresses existing ecosystem gaps and aims to provide fiscal support and intellectual property protection, its full impact hinges on operational implementation.

Uganda's ongoing development of a national startup policy, supported by organisations like PSFU and Mastercard Foundation, reflects a forward-looking approach to promoting innovation and entrepreneurship. Although the policy is still conceptual, it aims to address critical needs such as access to finance and ease of startup operations, positioning Uganda for future growth in its startup ecosystem.

Table 30: Startup acts, bills and proclamation status

	Ethiopia	Kenya	Uganda
Status	Drafted in 2020, the Ethiopian Startup Act is awaiting approval.	Presented in 2021 and passed by the Senate. It awaits concurrence by the National Assembly and presidential assent.	In development, with a national startup policy led by PSFU and supported by Mastercard Foundation.
Key features	Establishes an innovation fund, National Startup Council for resource mobilisation, and an enabling environment. Introduces streamlined startup registration and innovative business labelling.	Defines roles of national and county governments in innovation, establishes Kenya Innovation Agency and County Executive Committees, provides startup registration and incubator certification, and outlines startup incentives.	Focuses on governing interactions between government, incubators, startups, and investors. Plans to streamline registration, improve access to finance, protect intellectual property, establish government support programs, offer tax incentives, and develop digital infrastructure.
Impact	The Act aims to ease startup operations by removing barriers like needing a business license to commence operations and offering pre-registration certificates. It includes tax incentives and funding support for incubators to attract more	Addresses ecosystem challenges like double registration and patent/trademark requirements. It aims to subsidise startup formation, protect intellectual property, and provide fiscal support.	The upcoming Act is anticipated to promote innovation and entrepreneurship, addressing needs like access to finance and ease of startup operations.

	investment and enhance the startup ecosystem.		
Challenges and opportunities	The Act addresses ecosystem needs by providing institutional mechanisms, tax breaks, and investment incentives, though operational details are pending final approval.	Recognises existing gaps in the ecosystem and seeks to provide a foundation for dialogue and improvement.	Aims to create a cohesive policy environment but is still in the conceptual stage, making its future impact largely prospective.

Source(s): *Ecosystem input.*

Ethiopia and Kenya have progressed further in the legislative process than Uganda. Ethiopia's startup act is comprehensive, offering a range of support mechanisms, whereas Kenya's startup act focuses on defining roles and responsibilities within the ecosystem. Uganda's policy is still in the planning phase, indicating a nascent stage in ecosystem development.

Each country's approach reflects unique challenges and opportunities. Ethiopia's startup act is broad and holistic, Kenya's addresses specific operational issues, and Uganda's is yet to be fully defined.

The effectiveness of these acts will depend on their implementation and the ongoing commitment of each government to nurture their startup ecosystems.

Table 31: Comparisons of startup acts

	Ethiopia	Kenya	Uganda
Tax relief	No	No	No
Granting of guarantees for obtaining credit	Yes	Yes	Yes
Government support (monetary or otherwise)	Yes	Yes	Yes
Access to public funding	No	No	No
Access to public order/ procurement	Yes	Yes	Yes
Favourable investment measures	Yes	No	No
Implementation of capacity-building measures	No	Yes	Yes
Facilitating the grant or revocation of patents (protection of IP)	Yes	Yes	Yes
Establishment of an investment fund	Yes	Yes	Yes

Source(s): UKaid - *Understanding the Kenyan Startup Ecosystem*, [Kenya - Understanding the Kenyan Startup Ecosystem Report.pdf](#)

Ethiopia's startup act appears more inclined towards creating a favourable investment climate, with provisions encouraging local and foreign investment into the startup ecosystem. On the other hand, Kenya's startup act significantly emphasises capacity building, recognising the importance of equipping entrepreneurs and their teams with the necessary skills and capabilities for long-term success.

The absence of tax relief and direct public funding in the startup legislation of both countries might be areas where further policy development could be beneficial. This is particularly relevant considering that tax incentives and public funding can be critical levers in stimulating startup growth and innovation. Furthermore, the effectiveness of these legislative frameworks will largely depend on their implementation on the ground. The actual impact on startups might differ from the intended outcomes outlined in the legislation, necessitating continuous assessment and adaptation

of these startup acts to ensure they remain relevant and effectively support the evolving needs of the startup ecosystem.

## 11.2: Key public actors

The key government actors in Ethiopia, Kenya, and Uganda highlight the varied support structures for entrepreneurship. Ethiopia's Ministry of Innovation and Technology (MiNT) and Ministry of Labor and Skills (MoLS), alongside institutes Entrepreneurship Development Institute (EDI) and Agricultural Transformation Institute (ATI), focus on innovation and agricultural transformation. Kenya's Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSME) and Kenya National Innovation Agency (KeNIA) drive small business growth, while Uganda's Ministry of Trade, Industries and Cooperatives (MTIC) and Uganda Investment Authority (UIA) drive the trade and investment, supported by entities like Uganda Export Promotions Board (UEPB). Collaboration among these actors is crucial for advancing entrepreneurship and innovation agendas. engagement.

Table 32: Key government actors

	Ethiopia	Kenya	Uganda
Ministries	<ul style="list-style-type: none"> <li>Min. of Innovation and Technology (MiNT)</li> <li>Min. of Labor and Skills (MoLS)</li> </ul>	<ul style="list-style-type: none"> <li>Min. of Co-operatives and Micro, Small and Medium Enterprises (MSME)</li> <li>Min. of Trade, Investments and Industry</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Trade, Industries and Cooperatives (MTIC)</li> <li>Ministry of ICT &amp; National Guidance (National ICT Innovation Hub)</li> </ul>
Agencies / authorities	<ul style="list-style-type: none"> <li>Entrepreneurship Development Institute (EDI)</li> <li>Agricultural Transformation Institute (ATI)</li> </ul>	<ul style="list-style-type: none"> <li>Kenya National Innovation Agency (KeNIA)</li> </ul>	<ul style="list-style-type: none"> <li>Uganda Investment Authority (UIA)</li> <li>Directorate of MSMEs</li> </ul>
Others	<ul style="list-style-type: none"> <li>Central Bank of Ethiopia</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>NSSF</li> <li>Uganda Export Promotions Board (UEPB)</li> </ul>

Source(s): Ecosystem input

## 11.3: Other government initiatives

Ethiopia has significantly committed to enhancing its entrepreneurial ecosystem through the Digital Ethiopia 2025 strategy and the Science, Technology and Innovation (STI) policy. These initiatives underscore the government's recognition of digital transformation as a cornerstone for economic growth. The STI policy, in particular, aims to foster a competitive and innovative environment with better access to finance and incubation of research and development. This ambitious policy targets Ethiopia to become a leader in STIs within 15 years. The recently passed Micro and Small Enterprises (MSE) policy is another stride towards formalising and creating a conducive atmosphere for smaller enterprises.

Uganda's support of its entrepreneurship ecosystem is centred on infrastructure development and funding initiatives. The National ICT Initiatives Support Program stands out as a critical initiative, offering grants to startups, along with the National Social Security Fund's Hi-Innovator program, which provides early-stage funding. Additionally, establishing the National ICT Innovation Hub provides startups with essential resources such as stable internet and workspace, underpinning the government's dedication to cultivating a fertile ground for ICT innovation.

Project lead

Consortium partners



Kenya's government initiatives are diverse and numerous, reflecting a holistic strategy to support the innovation and entrepreneurship ecosystem. The Digital Economy Strategy, along with the Startup Act, is a clear indication of Kenya's commitment to fostering an innovation-driven economy. The Kenyan government has also implemented several policies and acts to guide the ICT and startup sectors, such as the National ICT Policy and the Data Protection Act. Public sector involvement began with the launch of Konza Technopolis and has continued with initiatives like Enterprise Kenya and the Kenya National Innovation Agency (KeNIA), which focus on supporting local ICT innovations and promoting research-based enterprise development.

Comparing the three countries, Kenya's initiatives appear the most comprehensive and structured, encompassing a wide array of policies and acts that integrate various aspects of innovation and support mechanisms for startups at different stages of growth. Kenya's strategic plans and the establishment of entities like KeNIA and the regulatory sandbox demonstrate a mature understanding of the needs of an innovation ecosystem.

While still in an earlier stage of development, Ethiopia shows promise with its focus on digital transformation and an overarching STI policy that could serve as a blueprint for sustained growth. The MSE policy indicates a willingness to tackle the formalisation and support of micro and small enterprises.

Uganda focuses on creating a supportive infrastructure and providing funding, which is crucial for early-stage startups. However, compared to Kenya, Uganda's initiatives seem more focused on the infrastructural and financing aspects, potentially leaving gaps in policy development and creating a comprehensive support system that includes legal and market-access frameworks.

In conclusion, while all three countries are working towards enhancing their entrepreneurial ecosystems, the degree and nature of government support vary significantly. Kenya's structured approach places it at the forefront regarding policy and ecosystem development. Ethiopia's policies suggest a strategic vision that could lead to substantial growth if effectively implemented. With its focus on infrastructure and funding, Uganda lays a foundation that could benefit from additional policy development to stimulate a more consistent and supportive startup ecosystem. The synthesis of these initiatives provides a roadmap for other African nations looking to cultivate a thriving entrepreneurial landscape.



Argidius Foundation is a leading philanthropic foundation supporting entrepreneur support organisations and initiatives since 1956 as means to grow and create decent, fulfilling and good jobs in emerging economies. Website: [www.argidius.com](http://www.argidius.com)

**Role of Argidias Foundation:**

"I work as a program manager with the Argidias Foundation. We've been active in the Kenyan ESO ecosystem since about 2015. We make grants to organisations providing business development support, conduct research, and share lessons from our portfolio and other research."

**Description of the Kenyan ESO ecosystem:**

"I describe it as vibrant, growing. That's how I see it."

**Comparison with East African region:**

"Kenya is probably the most vibrant ecosystem in the region in terms of dollars."

**Key developments in the last 3 years:**

"The number of ESOs has grown significantly, and there's more specialisation. We've seen trends like more focus on climate action and supporting women-led businesses."

**Improvements in the ecosystem:**

"Specialisation has improved. It's easier to identify the specific market segment ESOs serve. There's more awareness, if not necessarily collaboration, and some increase in collaboration between actors."

**Talent challenge and skills building:**

"There's a talent challenge in the ESO space, especially at the leadership level. Quality of training is a concern, and gaps in leadership capacity can hinder staff training efforts."

**Technology adoption in the ecosystem:**

"Technology is a tool; its use doesn't define effectiveness. The methodology is crucial. Adopting technology won't change an organisation's effectiveness if the methodology is flawed."

**Main priorities for the ecosystem:**

"I'd say a focus on results and business outcomes. More focus on clients' needs as opposed to the donor, understanding what businesses need." Clear measurement, monitoring, and data utilisation to improve service delivery."

On International Networks and ESOs:

"ESOs connected to international networks are better placed in terms of funding and learning. These networks offer access to research, knowledge, and conferences at the cutting edge of the sector."

**Impact of policy and regulatory frameworks:**

"In Kenya, government focus on micro-enterprises and digitisation influences funding to smaller businesses. The Startup Act may impact certain ESOs, especially those focused on innovation, but operationalisation is

yet to be seen."

**Identifying gaps in the ecosystem:**

"One significant gap is the limited interconnectivity between government efforts and ESOs. Language and segmentation differences create challenges in communication. Funding diversification and interconnectivity between public and private sectors remain gaps."

**Support and resources for ecosystem growth:**

"Support is needed in different places - funding for ESOs, quality research, improved data collection, collaboration facilitation, and connecting public and private sectors. Different parts of the ecosystem require specific support."

**Effectiveness of support services:**

"Effectiveness varies among providers. Some offer highly effective services, evidenced by business performance and evaluation. Argidius, as a grantmaker, supports a range of partners with varying effectiveness."

**Metrics for measuring impact:**

"Common metrics include tracking revenue growth, jobs created, women supported, and finance unlocked by businesses post-intervention. Different ESOs may emphasise varying metrics like profit or other specific indicators."

**Collaborations and partnerships in the ecosystem:**

"Collaborations often involve ESOs bidding for projects together, contributing to funding and co-designing interventions. More collaboration is seen in networks focused on learning or joint project development."

**Comparison of ecosystems:**

"Kenya's ecosystem is more mature in SME business development services compared to Uganda. Ethiopia has a gap in SME services with a focus on micro and larger businesses. Kenya stands out as more developed in this regard."

**Wishes and hopes for the ecosystem:**

"I hope for a more focused discussion on impact and methodologies that offer the best return on investment. Emphasising cost-effective interventions over a broad range of activities will unlock growth for businesses."

**Closing remarks and future aspirations:**

"I'd like to see more discussions around impact and effective methodologies in the ecosystem, focusing on the core challenges that unlock growth. Less emphasis on specific sectors and themes, and more on targeted, impactful interventions."

## 12: Developments

*Expanding from a capital city base a geographical presence of ESOs is emerging. As ESOs are maturing ESO associations are being set up to support and resource activities while building the structures for a recognised industry. Collaboration and coordination remain some of the challenges for the associations to tackle.*

All 3 ecosystems are evolving and developing. In each their unique way reflecting country-specific dynamics, key funders and government engagement. Whereas about half the ecosystems are members of industry associations and networks effort is still needed to create engagement across members and their organisations to fully power the associations internally and externally.

Despite continuously challenging external environments, the emerging industry is showing remarkable resilience and an ability to manoeuvre the circumstances though struggling to decisively accelerate the development of funding streams, internal resources and infrastructure for a secured growth path.

- **Forming and developing ESO associations**  
*Associations are being formed based on organic demand or government- or funder-facilitated. The subsequent strategy for their development and capacity building to serve their members is now the key priority – and challenge.*
- **Geographical footprint and inclusion**  
*ESOs develop from the capital cities and then inspire and necessitate the setting up of ESOs in secondary, and tertiary cities and beyond. ESO associations are largely centered on and serve capital city ESOs and more work is needed here for geographically inclusive coverage and support.*
- **Growing domestic, not yet regional collaboration**  
*Trust and collaboration among domestic ESOs are growing. A sense of competition is primarily / only present in the capital cities and fuelled by a (funding) scarcity mentality. ESO associations are not yet looking at opportunities and value of regional experience sharing or collaboration.*
- **Themes and focus: Evolving from “tech” hubs**  
*Many ESOs were initially set up and communicated as “tech hubs”. Whereas this brand persists only few ESOs today focus (only) on “tech” – largely because it is not financially sustainable.*
- **Different models for different contexts**  
*Each ecosystem is learning and developing on its own from its context. While there are differences there are bigger similarities and opportunities for joint learning.*
- **Engagement vs. membership**  
*The ESO associations gained good initial traction but their membership base has since then only grown marginally through organic signups. There is no instituted annual recruitment drives. Creating engagement with the members is now the key challenge and work in progress*
- **Universities instrumental – some places**  
*Ethiopia is, largely by a government push, relying on institutions of higher learning for entrepreneur support beyond Addis Ababa. In Kenya, the universities are not playing a key role outside Nairobi. Uganda is yet to develop its own “model”.*
- **Policies and regulatory progress – and gaps**  
*Pending leaping policy and regulatory upgrades cut across the region. While ESOs continue to deliver entrepreneur support the policies would greatly support and elevate their work. The sense of almost approved policies remains.*
- **Missing coordination among funders**  
*Whereas funding to the sector isn’t decreasing there is missing coordination among funders and collective engagement with ESOs and associations for funding focus and priorities.*
- **Data and insights in short supply**  
*Standardised and annual collection of comparative data remains a core ecosystem weakness. Annual “snapshots” continue to be commissioned with little or no coordination. Conversations are emerging with development partners to address this.*

Project lead

Consortium partners



## 13: Challenges and opportunities: Top 10

*As the entrepreneurship sector continues to grow in recognised importance and attention by stakeholders with different interests Where there is significant growth and development there is learning and elevated challenges and opportunities. Success will to a large degree be a result of how these are anticipated and proactively addressed. While each ecosystem is unique valuable learning and insights can be drawn from other ecosystems and stakeholders.*

From the research and our interviews some of the key challenges as well as - and more importantly - opportunities that the Ethiopian ecosystem of ESOs have are:

### ① SERVING ECOSYSTEM + MEMBERS

The ESO associations are at risk of mission drift when development partners offer them to run and/or project management entrepreneur support activities. These ought to be entirely run by their members.

The projects' financial incentives provide the risk of the associations focusing on serving the projects and their funders at the expense of delivering on their core mandate of supporting their members.

### ② MEMBER BASE = INFLUENCE

A strong and representative member base provides the ESO associations with the optimal potential influence. Fragmentation or lacking collaboration means less or no influence.

There is power in numbers and as the associations' mandate is to represent the industry, they ought to proactively work towards having the majority of the ESOs as their members.

### ③ POLICY EXPERIENCE + EXPERTISE

ESOs and their associations will increasingly be asked and tasked to contribute to policymaking by government and development partners.

They are often not equipped to engage optimally and are learning on the go.

### ④ FUNDER COORDINATION

Entrepreneurial funding activities remain largely un(der)coordinated resulting in duplication, risk of overfunding of perceived "sexy" themes and a lack of strategic view of the activities and underlying infrastructure being funded.

### ⑤ SHORT TERM, PROJECT FUNDING

A lot of funding is very short-term, project activity-based funding creating counterproductive dependencies that don't contribute to building or strengthening infrastructure or the ecosystem but solely fund the execution of entrepreneur support activities.

## ⑥ FINANCIAL SUSTAINABILITY

Across ecosystems the business modelling and strategic planning supporting a pathway towards financial sustainability is missing or at best work in progress. Research is missing and this is an area that will require African and local solutions. This cuts across ESOs and ESO associations.

With little long-term and strategic funding this remains a strategic challenge across the sector.

## ⑦ TRUST AND COLLABORATION

As ecosystems evolve the level of trust is increased. More deliberate effort and attention is needed though to craft much needed collaboration among ESOs.

The associations are key but is not focused on or equipped to facilitate and build trust. Collaboration is not a KPI and activities aimed at crafting trust and collaboration are not prioritised.

## ⑧ REGIONAL COLLABORATION

Once national collaboration has been fostered a logical next step will be to develop regional collaboration among ESOs and the associations. Beyond experience sharing and collaborative learning, this ultimately supports entrepreneurs who want to grow and expand regionally.

Events serve as a logical forum to meet and create some of this collaboration. From attending each other's events this

could lead to a regional collaborative event and forum.

## ⑨ DATA, INSIGHTS AND LEARNING

At large the ESOs and the associations are short of the capacity and capabilities to conduct needed research meeting required quality standards.

Collaboration within and with external partners is missing to move beyond piecemeal and very operational data collection to collaborative, strategic ecosystem research driving insights and learning that enhances and builds the sector.

Hence the research that is conducted is often conducted by external consultants with no or minimal (local) sector insights, and little or no stake in the research outcome.

## ⑩ BUILDING NEEDED CAPACITY

A significant part of the capacity building currently provided to ESOs is supply- and not demand-driven whereby it doesn't (fully) address the actual or most important needs of the ESOs and the ecosystems. This is primarily driven by well-intended but inadequately informed donor efforts.

The associations should champion this agenda and through engagement with and data from their members ensure a demand-driven capacity development and resourcing of ESOs.

## 14: Reflections and considerations

*The ecosystems are evolving and developing. Supporting infrastructure such as ESO associations are driving the “formalisation” and maturing of the ecosystems.*

*The next phase will focus on the strategising, business modelling, and financial sustainability required to rightly serve ESOs and their ability to continuously improve their support to entrepreneurs to ultimately unlock impactful growth.*

We have compiled a list of reflections along with areas and actions to be considered especially by government institutions, development partners and funders, ESOs and ESO associations.

### ① REGIONAL, NATIONAL AND EAST AFRICAN EVENTS

Develop a structured series of interconnected and coordinated events and conferences to build regional, national, and East African networks and capabilities.

These events will foster geographically inclusive growth and a sense of belonging within the larger entrepreneurial ecosystem.

### ② STRENGTHENING ESO ASSOCIATIONS

Support ESO associations in their strategic planning and development of solid plans, a capability that associations should cascade to their members, most of whom currently lack strategic plans.

This effort includes enhancing or developing policies, guidelines, and other resources to strengthen governance, foster transparency, and improve documentation and reporting. Ultimately, this will enhance the association's ability to professionally absorb and deploy more funding for their activities and support of their members.

### ③ FUNDING DIVERSIFICATION

Currently, associations are largely funded by the same donors, posing significant financial risks. Increasingly, these associations are engaging in project management and -implementation to generate revenue, which is often misaligned with their core mandates. There is a need to refocus funding efforts to align with the associations' mandates and the needs of their members.

Associations should prioritise fundraising efforts aimed at building member capabilities and developing ecosystem infrastructure. This includes focusing on skills development, tool creation, research, and leadership initiatives. By aligning fundraising with their core objectives, associations can better support their members and foster a sustainable entrepreneurial ecosystem.

### ④ FOCUS ON SERVING MEMBER NEEDS

Conduct a national mapping of ESO needs, led by the associations, to identify demand-

driven requirements. Use this data to develop a comprehensive training and capacity development framework and annual program, catering to members at different stages and with diverse focuses.

Engage development partners and stakeholders to deliver the necessary training and capacity-building activities. These activities should include virtually-delivered sessions, extending beyond the national level to foster networking among ESOs across East Africa.

## ⑤ DONOR COLLABORATION AND COORDINATION

At the association level, develop a more strategic approach to engaging with donors and funders. Consider partnering with organisations that have expertise in this area to enhance the association's strategic capabilities in addressing funders. This includes lobbying, effective communication, and negotiation with donors. These enhanced capabilities can then be cascaded to member ESOs to strengthen their funding efforts as well.

## ⑥ BUILD AND STRENGTHEN MEMBERS BASE AND ENGAGEMENT

Develop clear strategies and activities aimed at increasing membership, setting specific targets and KPIs as part of the annual activities. In parallel, focus on activating and engaging members at all levels within their organisations, ensuring that not just the leadership, but entire teams identify as active members of the associations.

The goal is to build a comprehensive network and ecosystem that facilitates collaboration, coordination, and the strengthening of ESOs' capacity and resources. An expanded membership base should translate into a stronger

position and increased engagement with the government for policy formulation and with development partners for support. and funders

## ⑦ EAST AFRICAN ESO ASSOCIATION COLLABORATION

While continental associations like AfriLabs exist, creating a dedicated East African collaboration among ESO associations would be highly relevant and valuable.

Despite differences in context, the functions, underlying infrastructure, roles, responsibilities, and challenges faced by the associations are often similar.

Significant learning and joint resource development could result from such collaboration. This initiative could then lead to activities aimed at fostering collaboration between ESOs from different East African countries.

## ⑧ GOVERNANCE AND LEADERSHIP DEVELOPMENT

As the industry and its associations mature and funding allows for the hiring of full-time secretariat teams, there is a need to reconfigure governance structures and right-size boards to assume more strategic and oversight roles. Strengthening governance and transparency is essential to attract more resources and enhance the voice of the associations.

Focused leadership development among members will not only build stronger ESOs but also ensure effective succession planning at both the ESO and association levels, addressing a current challenging gap. This will create a more sustainable and resilient

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