



THE ROLE OF THE DEVELOPMENT COMMUNITY IN MARKET CREATING INNOVATION

November 2020





Introduction

This report details a webinar organized by The Finnish Development NGOs (Fingo) and Finn Church Aid (FCA) in collaboration with The Innovation Village (TIV) at the Kampala Innovation Week (KIW) on November 26, 2020 to discuss the role of the development community in market creating innovation.

Over the recent years, the development community has collaborated with the private sector to address pressing economic challenges to unlock the fortune at the bottom of the pyramid. This has resulted in improvement of livelihoods of the community and informed development of feasible policies in areas such as civic participation and women empowerment. This two hour session that happened during the 2020 KIW exposed the potential of the development community to enable market creating innovation and in particular the creative industry in Uganda.

The creative industry is one of the sectors that can be used to target developmental work for youths in the urban growing context. It is also one of the fastest growing industries in the world thereby enabling job, market and wealth creation. However, creatives in developing countries lack the know-how, networks and channels to benefit from their products. On that note, Fingo, FCA and TIV engaged 55 participants through a case study discussion on market creating innovation. This discussion included general studies in creative businesses and digital entrepreneurship with a focus on music and gaming especially in cases where the end product can be distributed digitally and the IP monetized.

About the Finnish Development NGO Platform (Fingo and Fingo power bank)

Fingo is a Finnish development NGO platform; an umbrella organization for Finnish Development NGOs with 280 members doing different development work all around the world. Fingo Power Bank is a project under Fingo that was started in 2020 and will continue until the end of next year 2021. Fingo operates in Finland and East Africa. Its main objective is to strengthen civil society organizations (CSO).

The Fingo Power Bank project supports CSO strengthening through increasing CSO's and their local partners' capacity to utilize technological solutions to improve their work for example by using different technological solutions for data collection. This is because technology seems to be the new normal and yet the small and medium NGOs haven't absorbed its use as compared to the corporate world.



Fingo also strengthens collaborations between CSOs, businesses and other actors in the innovation ecosystem. This they do through the four pillars below;

- 1 Partnerships and networks**
- 2 Experimenting new solutions**
- 3 Training and capacity building**
- 4 Advising and inspiring.**

Fingo has also done a lot of research studies and this information and learnings is available on their website; www.fingo.fi/powerbank

About Finn Church Aid (FCA)

Finn Church Aid is the largest Finnish NGO in international aid funded in 1947 after the 2nd world war. FCA is the largest Finnish international aid organization. They operate in countries where the needs are most dire. They work with the poorest people, regardless of their religious beliefs, ethnic background or political convictions. Their work is based on rights, which means that operations are guided by equality, non-discrimination and responsibility. It was established to receive and coordinate foreign aid. FCA now has about 300,000 learners in about 100 education projects.

FCA works in about 14 countries in Africa and Middle East Asia. Its programs are in 3 main areas which are livelihood, quality education and peace but there are interlinks within the 3 aspects. It mostly works with government and other public sector actors in its target countries as well as with the private sector and the community level actors.

FCA believes that permanent change in developing countries can only be achieved through persistent cooperation with local communities and people. Therefore, they are committed to working until the people in need can independently secure their livelihood and satisfy their basic needs. The reduction of poverty requires achieving peace and the realization of human rights. Through their projects, FCA works to ensure both.

More information is available on their website; www.kirkonulkomaanapu.fi/en/us/





About The Innovation Village

The Innovation Village is an ecosystem builder at the heart of an interconnecting network of entrepreneurs, academia, private sector, government and investors. The Village launched in 2015 and opened its doors to Uganda's innovation community. In 2019, it came up with the Future Lab and enacted 9 regional hubs. 2020 saw the launch of MOTIV, which is Uganda's largest maker space targeted towards Uganda's national creative economy and industry through leveraging technology in a factory setup that gives entrepreneurs access to production equipment, a marketplace for product sales and a community of like-minded individuals.

The Kampala Innovation week was hosted at MOTIV which has six key facilities; the metal workshop equipped to handle the needs of any small or large scale maker, wood work which is a stable source of income for a lot of young men, co-working space at the heart of MOTIV compound that allows resident designers and makers quick access to prototype tools, textile industry that has provided support for many young people especially women, Kitchen Station and media lab. The Kitchen Station is a culinary maker space and the media lab is the ultimate content creator paradise and where the Kampala Innovation Week 2020 was hosted.

Participants

55 participants attended the webinar with 25 on Zoom and 30 following live on the WHOVA app. The participants for the event came from all kinds of organizations including but not limited to Makerere University, United Nations Association of Tanzania, Challenges Worldwide, Centre for Ideas and Innovation Incubation, Nile Institute of ICT, Prudential Assurance Uganda Ltd, Scott and Scottish Agencies Ltd, Central University of Gujarat, Ready Media Africa Limited, HG Creations Ltd and many others.

Keynote Remarks

on the role of the development community
in market creating innovation

*By Mr. Richard Ndahiro, Digital Economics
Expert at United Nations Capital Development Form (UNCDF)*



Innovation has been at the heart of the development community for many years as they seek for ways on how the sector can be a source of growth that is market led. Previously, the development community championed the humanitarian needs of the people by using subsidized models whereas the private sector corporations have championed the for profit models by delivering goods and services and not solutions to the community.

However, there are new approaches coming up that are neither subsidized or driven by profits as core to the business model. These approaches are being championed by social enterprises who are creating a spot between private sector corporations and the developmental community and they include;

1 **Innovations and the opportunities.**

There is a need for both the development communities and the innovators to find a niche for themselves. A development partner should discover what it is good at; whether it is helping people learn through research, monitoring and evaluation or incubating new ideas and the same applies to the innovator as well. This will foster the intersection between the two thus enabling the development partners to be impactful to the innovation process.

2 **Enabling an environment for innovation.**

The development sector should nurture an environment within which innovation can thrive for years to come. This can be done through the following;



Policy and Regulation

As a startup or start up community, it might not be easy to influence policy and regulation. However, the development community given its perceived neutrality has a strong role to play in getting policy makers to understand what the challenges around policy and regulation are. Through funding research and learning, the development community is able to influence policy makers who pay a lot of attention to the facts brought about by strong research.

The development community should expose the policy makers to ecosystems around the world. For example, UNCDF is learning from Malaysia on how they built their ecosystem. This type of exposure helps in getting the local policy and regulatory stakeholders to understand what is possible for the local ecosystem.

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Capacity Building

It is very important to provide capacity building to innovators and the development community has already been leading on this because they have the funding and the network. It is also equally important to provide the innovators with the expertise needed within the innovation ecosystem so that they can innovate from an informed point of view. A lot of knowledge needs to come to the innovators so that they are able to understand the problem and develop the right approach. Already, UNDCF is helping to build the capacity of different incubation and acceleration hubs like The Innovation Village and Outbox so that even without their presence, these hubs can still incubate and accelerate solutions in Uganda.



Financing

There is a strong need for financing and currently, the private sector is the biggest financier of innovations although it only comes up to a certain point. Therefore, the development community should provide capital for innovators. They should find ideas that they think are worthwhile, give it the seed capital and let them try out their innovations. The development community should come in to close the gap between the missing space in early financing for innovators as because of this, a lot of innovations die before their first birthday. Financing research that informs innovators to find the right answers is key for the innovation space.



Information and Networks

Innovators are facing a challenge of penetrating the market and UNCDF uses brand recognition through its networks to unlock market potential for innovators both locally and globally. It also uses its sister UN agency to enable the ecosystem to prosper. Development partners should aim at changing how people interact with markets and the economy system which will go a long way to changing how the entire ecosystem interacts. This is because if they understand the challenges and contribute to solving them, the solutions will still work even when they are gone. Therefore there is a need to fix the entire ecosystem and the environment in which innovation operates including all the supporting structures like infrastructures, skilling and information.

2

Working at the intersection

There is a need for both development partners and innovators to work at the intersection between development outcomes and market innovations. The development partners should inform innovators about the challenges they face so that they can build the right businesses models. The development community can seek to understand better what drives the innovators to come up with better innovative models. It is the duty of the development partners to uplift the creative sector in the right way by changing the environment in which they operate.



Design Workshop

on the Creative Industry

By the Finn Church Aid (FCA)

What does the Creative Industry mean to you?

According to the participants, the creative industry meant showbiz, talent and an industry characterized as wild and crazy. The creative industry is based on the individual's creativity and it has the potential to create jobs and wealth through the development of intellectual property. However, it should be noted that defining the creative industry in these current times is challenging as things keep on changing as technology develops further. Therefore, there is no ultimate definition of the creative industry.

What are Creative Industries?

These are businesses that are based on individual creativity, skill and talent like design, music, publishing, architecture, film and video, crafts, visual arts, fashion, TV and radio, advertising, literature, games and the performing arts. They have the potential to create wealth and jobs through the development or production of intellectual property.

Digital Creative Industry

Most activities in the creative industry nowadays rely on digital technologies. Therefore, digital technology and the creative industry depend on each other and because of digital technology, there has been a rise in the gaming industry and now even the film business has changed. Digital creative industry is a new term that focuses on the creative sectors such as music, film, audio visual media, games, design and marketing. Though digitalization is still an academic definition, it is already at the core of the creative industry.



Why the creative industry?

There has been a rapid growth in the number of unemployed urban youths and NGOs don't have the tools to train these youths for meaningful employment. The creative industry employs more people especially in urban areas. It's also proven to be resilient in times of a crisis. However, in low income countries, creatives lack the know-how on how to deliver their products, the channels to use and the necessary networks. In many developing countries, governments also don't value the creative industry as a potential source of income.

The creative industry has the potential to create new work opportunities and also enable other industries to thrive. Therefore, there is a need for the other industries to create synergies with the creative industries. This is because the creative industry in time to come will have a strong presence in all future businesses.

Creativity is one of the most important future work life skills since Artificial Intelligence is eating up the traditional jobs in factories. It should be noted that there will never be a time when artificial intelligence will replace human creativity. In the film industry for example, real actors can be replaced by digital characters but there is still a need for someone to script or direct the film thus the need for human creativity will be on demand.

Trends in the creative industry in Uganda

There has been improvement in internet provision in Uganda even though the internet penetration is still low at 25%. However, access to the internet is improving and the data cost has been decreasing. This will therefore open up many opportunities for the different creative businesses in the future.

Plenary Discussion

There should be a conducive environment for innovators. There is a need to advocate for better technology infrastructure and more ICT literacy in the country to enable innovation to be inclusively beneficial to everyone, even the underprivileged. FCA is already doing this by promoting digital skills training even within the refugee settlement.



What can East Africa learn from Finland to support the creative industry?

In Finland, the creative industry includes about 10-15 sectors and 30% of the employees are entrepreneurs. It accounts for about 4% of the country's GDP and 7% of Europe's. Finland is making an effort to improve its creative sector, it has an official program for the creative industry that aims to create more jobs in order to increase the industry's shares in the national economy. The country also has a lot of business development services designed for the sector and also has financial insurance for the industry.

Finland has a strong education system that covers the creative industry and very strict copyright laws with clear policies on how to collect royalties. The government has also initiated the creative industry roadmap. The roadmap includes inventing new services and development measures to promote growth and identification of skills gaps. Important structural elements have been created which have a big impact towards the attitude of the creative industry.

However, despite all the government efforts, the creative industry in Finland still has its challenges. The small businesses don't have resources to grow and the Finnish market is small therefore getting to the international market would be essential to the business. The government also taxes the royalties making it hard for creatives and entrepreneurs to monetize their Intellectual Property (IP). It should be noted that creatives lack the skills to monetize their IP.

Since most parents in East Africa restrict their children to certain careers, the government needs to intervene to be part of the mindset change and paradigm shift that recognizes the creative industry as an important source of jobs and wealth within the communities.



How can people in the creative industry produce content with a market potential in the community?

Content is relevant everywhere and there is demand for good content thus the creative people should produce quality content and understand the competition. Every creative should use their surroundings as a source of inspiration since a lot of people can relate to that.

FCA Pilot Workshop

At the beginning of the year, Finn Church Aid facilitated a pilot workshop on music production and game development to gather learnings to be used during the actual programs. The pilot workshop took place in Uganda because of the country's familiarity to FCA. FCA has a long history in Uganda having its largest field office in the country.

Music and games were the sectors chosen because of their universality. FCA also has solid contacts in the music industry with a couple of close networks and internationally recognized music producers. The gaming industry in Uganda is still growing though its already flourishing in Kenya.

30 Ugandans from the age of **17-35** were gathered to learn about the music and gaming industry. In order to find the right people, FCA collaborated with EA records that helped to rally some of the young people by spreading the application form through WhatsApp, Instagram and LinkedIn.

More than **100** applications were received and **30** were selected to learn about the creative industry in a one week workshop. There was an overview of the creative industry and keynote and guest speeches on the industry trends. At the end of the workshop, the young game developers made 3 mobile games from scratch. Under the music production, there was a theme for each day and the young people were taught about collaboration in the music industry.

FCA partnered with Ugandan, Kenyan and Irish industry professionals to provide training and establish networks.

Learnings from the FCA Pilot workshop

The importance of networking was one of the key things that the participants noted.

Demand for training; There is no official training school in Uganda, no schools for game development and design and not so many schools for music production and the available talent shows huge potential and demand for training.

Teamwork and collaboration; It is important to work in teams, to collaborate with people and these were lacking. Right from kindergarten, children in Finland are taught about collaborations and sharing ideas and this isn't the case in Uganda.

Many of the gaming participants were women and yet the gaming industry is seen as a masculine business. Uganda has more women as game developers and designers.

FCA Pilot Impact Story by JC Muyingo - Participant and Music Producer

“The workshop helped me compartmentalize my career better as a Musician and as a producer. It also helped me give direction for my next projects which are intended to showcase my skills on a wider market” JC Muyingo.

JC was impressed by the way the gaming and music industry work together and the opportunities that exist especially for collaborations with artists during the creative process. He noted that different sectors within the creative industry were intersectional and encouraged the youths to be flexible. JC observed that it was important to create ecosystems in order to push local content.

Final discussion on How to boost the creative industry

It should be noted that if technology is not distributed evenly, it will affect the growth of the creative industry. There should be training programs to close the digital gap. There is also a need to collaborate with like-minded people to foster education and investment in the creative industry.

The local language should be used to promote inclusivity in the creative industry. During the pilot workshop by FCA, it was observed that the songs were better and interesting if used in a person's local language. Globally, many people are using English therefore it is important that creatives use their local languages to promote their cultural heritage other than copying.

There is a need to build programs that enable the industry to benefit from the different sectors within it. Partnerships with key players and actors will influence policy and regulations change. It is important to advocate for the potential of the creative economy to enable it to grow and win support.





Interview with
Mr. Richard Ndahiro,
Digital Economics Expert at
United Nations Capital Development Form (UNCDF)

1

What does market creating innovation mean to you?

Innovations that unlock market constraints, enabling demand and supply of products and services to function better for previously un(der) served market segments. Innovations that are based on a business model –and hence are sustainable. Innovations that identify new market opportunities and not compete in existing markets.

2

What does the intersection between development outcomes and market creating innovations look like for partners within the development community?

Most of the development oriented projects/programs /initiatives are currently run as “subsidized models”, on grants – which leads to perpetual need for grant support and usually cannot go to large scale. However, there are some areas where development needs can be served by new / innovative business models. This is the intersection. The current status is that the development sector is just trying to enter into this space – of working with market players to deliver on development related outcomes. Here, development partners might subsidise the initial capital investments, while ensuring that the business model is operationally self-sustaining and can break even in the medium term. Think of various areas like: access to energy (Paygo solar), access to water (water payment schemes), education (private sector led Early childhood development centers). A lot of the work UNCDF is doing in digital for agriculture and financial inclusion also fall in this bracket. Private sector led initiatives, supported by development sector are needed to scale to unserved communities.

3

How can development partners be more impactful to building innovation capabilities and processes in the areas where they operate?

It's a paradigm shift:

- towards market systems development approaches –which works to tackle the systemic challenges that inhibit markets from functioning properly to serve all market segments.*
- towards improving the ecosystem, and not just the players in the ecosystem.*
- delivering through private sector (for tradeable goods and services) or through government (for public services).*



Interview with
Ms. Olga Kiconco
Director, Envision Design.



1

Who are the main beneficiaries of market creating innovation and are there any key examples of market creating innovation in Africa?

Across multiple developing economies, the majority reside at the Bottom of the Pyramid (BoP) and due to numerous factors including limited access to financial services, basic healthcare, clean energy, poorly developed supply chains or low education attainment continue to reinforce that vicious cycle of poverty. Therefore, innovation targeted towards non-consumption through creating new markets has the potential to lift droves of under or unserved populations from their dire situation, more now than ever before.

Over the past decade, the proliferation of the mobile phone in Africa has played a pivotal role in transforming not only the lives of individuals and communities but economies overall. Last year, IMF stated that Sub-Saharan Africa was the only region in the world where close to 10% of GDP in transactions occur through mobile money, followed by 7% in Asia and less than 2% in other regions. Zooming in, in 2010, Safaricom reported that MPESA handled around \$320 million in person-to-person (P2P) transactions monthly and annual equivalent of about 10% of Kenya's GDP. This financial infrastructure has since laid the rails for other services such as microcredit and savings (M-Shwari) and key economic sectors such as clean energy by pioneering the Pay-as-You-Go solar model (M-KOPA) or agriculture microinsurance for rural farmers (Kilimo Salama).

Besides technology, other drivers that have influenced this paradigm shift include a booming population and rapid urbanization that translate into bigger opportunities for these economies. According to Brookings, more than 40% of Africa's population reside in the urban areas and it is estimated that by 2030, Africa's largest cities combined will have a spending capacity of \$1.3 trillion. Africa is also known to have the youngest population in the world with approximately 60% of Africans under the age of 25 and stand to become beneficiaries of market creating innovation.

By understanding the Customer Job To Be Done, startups can develop user centric products and ride off existing infrastructure to address the needs of their last mile customers. In Uganda for example, Fenix International, a Fintech tackling the challenge of energy poverty for rural households and small businesses leverages data analytics for credit scoring and customer profiling; a large network sales and distribution agents to provide excellent customer and after sales service; and integrating with MTN Uganda, a leading telecommunications company as a technology partner to power payments and a co-branding partner.

2 What role can the development community play to build innovation capabilities in the communities where they operate?



In the past, we have seen development agencies design programs or interventions with limited involvement of the local communities or end beneficiaries. Borrowing from the old adage, “Teach a man to fish and feed him for a lifetime”, the development community must empower local communities to take the lead in the transformation process and long-term prosperity with the objective of weaning them off a dependency lifestyle, and making them self-reliant.

These innovation capabilities can be built through a market systems development approach, taking on a three-pronged strategy as follows;



▶ INSIDE IN

This approach is built on the premise that the communities are best placed to identify and solve their own most pressing challenges – and that their active involvement will elevate their status through bottom-up innovation. A necessary starting point is to identify skills present and design enabling activities that allow these talents and skills to be consolidated and harnessed. Some solutions that arise may be readily executable or require involvement of other parties, in which case they could be shared with potential partners such as development agencies, government or the private sector.

◀ INSIDE OUT

Here, the development community can harness the potential of engaged local communities to contribute to socio economic transformation by identifying which ventures have the potential to scale up and out. This could be through a number of activities such as provision of financial support, technical support through up skilling and refresher training, as well as creating market linkages for goods and services produced within the communities, and inviting private sector actors to scope potential opportunities for collaboration.

▶ INSIDE IN

The objective is to create use cases for shared value by positioning local communities as viable and profitable markets for private sector players. However, being cognizant of the divergent realities of the local communities and the private sector where the private sector seeks to maximize profits and is attracted to markets with high purchasing power and most local communities are representative of the most financially challenged. The development community can establish third party partnerships needed to further support running pilots by availing seed investment or subsidizing costs, technical support and training for viable business models in order to ensure sustainability. Additionally, building capacity and engaging governments, regulators and policy makers to guide development of feasible policies and strengthen public private partnerships that will drive job and wealth creation.

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