SME CENTER DESIGN TOOLKIT

A Spatial Solution to Support Small and Medium Enterprises in Fragile Contexts

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Acknowledgments

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Foreword

Firms in countries affected by fragility, conflict, and violence (FCV) typically contend with high levels of risk and uncertainty. Uncertainty and volatility in the macro-economic context, security conditions, business regulation and its implementation, and market conditions mean that individuals and businesses face both personal and financial risks.

While SMEs operating in fragile and conflict-affected situations (FCS) may not face the same scale of financial risk as larger enterprises, they are more vulnerable due to having less means to mitigate those risks. This is particularly true of small and micro enterprises, which tend to be informal and represent 80 to 90 percent of businesses operating in this context. On the other hand, as small firms grow and become more visible, their level of risk can increase due to insecurity, so small firms may stay small as a coping mechanism to protect themselves from being exposed to corrupt or predatory practices.

SMEs play an important role in the recovery process of FCV countries by providing jobs and essential goods, whereas larger firms that are less adaptable to volatile environments often cease their operations. Thus, it is critical to find solutions to support SMEs' activity and growth. Financial instruments to mitigate risks offered under economic development programs, such as investment guarantees and insurance, are often designed for larger enterprises and not accessible to smaller firms. Larger firms are also better equipped to take other actions to mitigate risks, such as investing in security and capacity to handle uncertain and complex regulatory implementation or macro-economic and market context.

An SME Center seeks to provides an innovative solution to the gap in SMEs' capabilities to address uncertainty and risk, whereby services, infrastructure, and security, which larger firms can provide for themselves, can be made accessible to SMEs through a shared platform. No tested approach for such a solution exists, but this toolkit is a useful guide to support the piloting of such a concept.

Development in FCS demands innovative and varied approaches, so this is a valuable contribution to the set of approaches and tools that can be used for SME development in FCV countries, which can hopefully contribute to knowledge and learning. The experience from the work done so far in the DRC, a country that demonstrates these complex challenges, can help us learn what works and does not work, and provide a practical, well-grounded toolkit for application in other FCV countries.

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Abbreviations

BDS	Business Development Services
CIIP	Competitive Industries and Innovation Program
CSR	Corporate Social Responsibility
DRC	Democratic Republic of Congo
EIG	Economic Interest Grouping
FCS	Fragile and Conflict-affected Situation
FCV	Fragility, Conflict, and Violence
ICT	Information and Communication Technology
IFC	International Finance Corporation
IT	Information Technology
KPI	Key Performance Indicator
M&E	Monitoring and Evaluation
MSME	Micro, Small, and Medium Enterprise
PPP	Public-Private Partnership
SEZ	Special Economic Zone
SME	Small and Medium Enterprise
TOR	Terms of Reference
WASH	Water Supply, Sanitation, and Hygiene
WBG	World Bank Group


" One person can
change the world ! "
Rosa PARKS

Summary

Supporting SMEs in the fragile context

SMEs are key players in the economic and social recovery of fragile states, often due to their smaller size and adaptability. They continue to operate amid war and insecurity, providing employment, delivering key services and products, and offering the hope of social cohesion.

Thus, there is a crucial need to support the growth of, and access to, soft and hard infrastructure for existing SMEs in FCV countries. Findings indicate this support should focus on establishing well-functioning markets and institutions, not simply providing a temporary supply of benefits to a small group of firms. Findings further point to the need for flexible design and the importance of engaging the local private sector and including business development services (BDS).

Spatial solutions to promote SME creation and growth—such as industrial estates, special economic zones, incubators, and accelerators—have been popular in FCV countries because they help create a protective environment and isolate some external constraints. Due to the agglomeration of SMEs, spatial solutions also better allow for economies of scale, collaboration and peer learning, and the mitigation of dysfunctional SME ecosystems. Spatial solutions are pre-conditions for positive spillovers through market creation, value chain integration, and transfer of knowledge and technologies. However, most spatial projects worldwide have not attained their original vision and promise for several reasons, including often poor site selection, a poor policy framework, or lack of demand. It is vital to incorporate international lessons learned into any spatial solution pursued in support of SMEs to avoid the pitfalls that FCV countries have so often encountered.

A spatial and adaptable solution: SME Centers

Development practitioners, governments, private investors, and SMEs can use this toolkit to guide them through the design and implementation of an SME Center—a spatial solution to support existing and targeted SMEs in productive sectors in FCV countries (Box 1).

BOX 1. Definition of an SME Center

Privately managed and serviced workspace for lease to SMEs that provides cost-effective infrastructure and communal services. The range of services provided by SME Centers vary depending on the implementation context and demand from beneficiary SMEs.

Because the range of services could vary widely depending on the context, sector, and need of local SMEs, the design of SME Centers could vary from simple rental solutions to more sophisticated one-stop-shops where SMEs can find solutions to most of their needs, including

equipment, storage, regulatory and financial services, and BDS. The SME Center is therefore an amalgam of a spatial solution, such as an industrial park, and a service solution, such as a business center.

This toolkit provides suggested guidelines for practitioners to: (i) evaluate if this SME Center instrument is the right one to use in their specific context; (ii) design a relevant program that will support the growth of local SMEs; and (iii) evaluate and monitor the performance of the SME Center. A systematic approach for planning and implementing the SME Center is detailed through three phases: validation, design, and implementation and monitoring. The toolkit emphasizes the importance of early diagnostics to identify a large enough pool of SMEs that could be potential tenants or clients of the center, as well as engaging with the private sector to improve access to infrastructure and fill in SME ecosystem gaps.

Stakeholders can use the toolkit to design an SME Center that will rely on four building blocks—access to infrastructure and basic production facilities with cost sharing; private ownership, development, and/or management; financial sustainability; and local SME involvement—that can be enhanced with additional services and equipment when relevant to the context. Real-world examples and practical tools are also featured, such as business plans, mapping exercises, and revenue schemes for the SME Center developer. These examples and tools are based on an SME Development and Growth Project carried out in the DRC.

Rationale

Importance of SMEs to FCV countries' economic growth, job opportunities, and social cohesion

The FCV[1] countries are largely small business economies (Binzel and Brück 2007). Compared to other countries at the same income level, on average, firms in FCS differ in their size and growth as they operate in constrained and fragmented markets where little investment takes place. Economic activity also differs in terms of sectoral and market focus. As a result, 80–90 percent of businesses operating in these markets are micro or small businesses, and most of those formally registered are SMEs (World Bank 2014). Box 2 provides the definition of SMEs used in this toolkit.

SMEs play a critical role in the economic recovery of fragile states. Local firms, albeit mostly informal, continue to operate amid war and insecurity, whereas larger firms—notably foreign and more risk-averse companies, other than resource-extracting companies—typically decide to relocate or leave the country (Kolk and Lenfant 2012). More than 50 percent of the population in emerging markets is estimated to work for SMEs (Stein and others 2010), and 80 percent of full-time employees in the formal sector of FCV countries are employed by SMEs (Ayyagari and others 2011).

SMEs are recognized to have the potential to generate even more jobs (World Bank 2013) and be more flexible and adaptable than larger firms in such context (Naude 2007). As key players in fragile markets, SMEs could become an engine of growth and jobs by creating employment and income for a substantial share of the local population and by providing needed services, products, and infrastructure.

BOX 2. Definition of SMEs

There is no unified definition for an SME. One of the first criterion used to define SMEs is often their size; the International Finance Corporation (IFC) considers an SME size to range from 10 to 99 employees, while the World Bank's enterprise survey considers the following categories: 5–19 (small), 20–99 (medium), and more than 100 employees (large-sized firms). However, analysis of World Bank lending concludes that for a meaningful design of support systems, targeted SMEs should encompass firms that are differentiated by the way they experience policy, institutional, or market failures or the way they benefit the economy or the poor. This toolkit will define its target SME population based on these premises: the characteristics (such as number of employees and amount of sales and assets) will vary depending on the implementation context (such as local constraints and market failures and opportunities). The beneficiaries will represent a subset of the larger population of SMEs that share the same binding constraints to growth.

Additionally, the impact of SME firms goes beyond their economic effects. SMEs can contribute to social cohesion, state legitimacy, and community security. Even if a business stagnates commercially and fails to grow or meet its commercial targets, it can still be productive and have positive effects on the broader political and social environment (Naude 2007). A company that fails to create paid jobs (to non-family members) and expand operations may still deliver a key service or product to the community and sustain hope for a more peaceful and prosperous future. A growing body of literature and policy documents advocates several non-economic ways through which these firms can go beyond their positive economic impact and contribute to broader state and peacebuilding goals (Hoffman and Lange 2016).

How we can better support SMEs in FCV countries

SMEs face challenges that companies of a different size do not experience. Larger firms can benefit from economies of scale, bargaining power, or better access to information, while micro-enterprises often operate informally without complying with taxation laws or regulation. SMEs, even if they are often informal, have stronger taxes and regulation obligations while not benefiting from economies of scale, and they face stronger barriers to enter some markets than larger firms given their smaller size and limited reach.

To date, a broad range of approaches has been used to address the specific challenges faced by SMEs, such as targeted support mainly in the form of credit lines, advising to financial intermediaries, risk-sharing and credit guarantee schemes, BDS, matching grants, assistance with value chain links, or assistance with general investment climate reforms (World Bank 2019b).

Most fragile countries face similar challenges in helping their SMEs achieve growth potential: the population of formal SMEs is usually small, and the rest of the private sector is dominated by informal, subsistent micro-entrepreneurs. While many development efforts tend toward the needs of subsistent entrepreneurs and creating new formal SMEs, there is also a need to address existent SMEs.

Although only a small number of SMEs have managed to establish themselves in fragile markets and generate a level of revenue that allows them to break even and even be profitable, they could become a driver of local development because they are managed by experienced entrepreneurs and generate value added and jobs locally. These SMEs face many difficulties in seizing the full potential of their market due to lack of access to infrastructure and growth capital, among other reasons. While these relatively well-functioning SMEs should not be directly subsidized for extended periods of time, they do need government or donor support to overcome systemic barriers for growth.

IEG findings highlight that any credible justification of targeted support to SMEs must focus on establishing well-functioning markets and institutions, not simply providing a temporary supply of benefits to a small group of firms during a project's lifespan. Findings point to the importance of flexible design and expeditious processing and underline the importance of engaging the local private sector. They also suggest that BDS support schemes need to rely on collaboration with private providers and a coordinated delivery of complementary services among various providers (World Bank 2013; 2019b).

However, in FCV countries the extent and complexity of constraints to SMEs provide a challenging context for systemic changes that

will achieve sustained impact in a lifespan of a development project (usually five years). Targeted approaches are more suited in the FCV context, where specific instruments are designed for a subset of SMEs defined around sectoral, geographical, or other parameters, such as gender of the owner or age of the firm.

Spatial solutions to promote SME creation and growth have been particularly popular in FCVs—they help build a productive environment for firms that often cannot afford this on an individual basis and isolate some external constraints, such as risks related to crime. Growth poles, industrial districts and estates, special economic zones, incubators, and accelerators have been implemented in FCVs with varying degrees of success. Spatial solutions feature common motivations:

- The agglomeration of SMEs allows for economies of scale, collaboration, and peer learning.
- Special conditions mitigate the negative effects of dysfunctional SME ecosystems.
- In case of success, spatial solutions could generate positive spillovers through market creation, transfer of knowledge and technologies, and value chain integration.

Implementing spatial solutions in FCVs is challenged by the difficult environment, where they often require significant investment in infrastructure entailing lengthy procedures for land acquisition that are often accompanied by multiple social and environmental safeguards risks. The development process for spatial solutions could be slowed by a lack of local skills and materials, procurement complications, safeguards issues, and misuse of funds. Additionally, spatial solutions in the world are usually developed and operated by the private sector, which is expected to pay for the infrastructure. But in FCS, where fewer developers are able or willing to start this type of project without subsidies, management by the public sector could be more common. In that case, governance issues may stem from inexperience and limited capacity to manage spatial solutions and lack of transparency in allocation of support to SMEs. Finally, sustainability of results is a long-term challenge because spatial solutions in FCVs often depend on public endowments and a continuous stream of subsidies.

Despite these challenges, successful examples of spatial solutions exist. Starting in the 1970s, industrial estates have been used as an economic growth strategy, and, when used alongside other economic tools, in many instances have been instrumental in encouraging links between large companies and SMEs providing inputs and services. Several developing countries, such as India, Korea, and Turkey, have been among the champions of industrial estate development throughout the countries' industrialization process.

The World Bank and IFC have championed many successful industrial estate projects. Their evaluation draws several lessons for successful implementation, including the catalytic role that the WBG and other donors could play in facilitating public-private collaboration and the creation of a vibrant SME ecosystem. Box 3 provides an example of World Bank support to industrial estates in South Korea. There are multiple examples of IFC investments in industrial estates, with recent projects in Palestine, India, Indonesia, and Jordan. Although these investments yielded mixed results, industrial estates remain a promising instrument for SME support and market creation.

The SME Centers are promising instruments that may serve as a step toward more advanced industrial infrastructure projects, such as Special Economic Zones (SEZs), business incubators, and so on.

BOX 3. Example of industrial estates in Korea: Development of the Cholla Region

For nearly three decades, Korea's economic miracle did not include the southern region of Cholla. Through the 1960s, as the country's economy expanded at a rate of nearly 10 percent annually, regional income disparities grew between Cholla and the two most industrialized regions, Seoul and Kyungsang. In the 1970s, despite government policies aimed at spreading population and jobs to less developed areas, industries seldom relocated to South Cholla, the country's poorest region.

Between 1975 and 1984, the World Bank approved three projects to help the government develop Cholla and reduce inter-regional inequalities. The projects were complex, together covering seven cities and five islands in South Cholla and North Cholla, with a total of 22 components, including housing, tourism estates, city markets, roads and bridges, fisheries, and urban services.

These projects triggered industrialization in the region and created the opportunity for local officials to learn and manage the development process, initially with help from central government agencies and later by themselves, with strong private sector participation.

- *Industrial estates attracted large "anchor" firms to the new locations and spurred their collaboration with local SMEs.* SMEs were attracted by new markets created by the large firms, and the availability of new production facilities and equipment. Subcontracting firms quickly cropped up. Demand for space grew quickly and additional financing was requested before the completion of the first project.
- *Industrial infrastructure expanded to more than five times the project's original investment in the industrial estate of Kwangju.* Project evaluation found significant increase in the cost and quality of energy supply, utilities, and other infrastructure services to SMEs inside the project's industrial estate. Private investors and the business community recognized the catalytic role of the World Bank in initiating a sustainable development process in the region based on a collaboration between the private and public sector.
- *The implementation involved private actors and public agencies at the local and national level.* This collaboration stimulated rapid learning and uptake of the industrial estate model in other regions of the country. It also stimulated local ecosystems for SMEs and allowed for an efficient operation and timely expansion of industrial estates to urgently meet additional demand.

Source: World Bank 1997.

How this toolkit will help stakeholders support SMEs

The toolkit is designed for development practitioners and governments who are looking for novel spatial solutions to support existing SMEs in productive sectors that operate in FCV countries. It can help them engage with the private sector and start a dialogue with private investors looking for sustainable opportunities to support local SME growth through financial (equity investment, loan) and non-financial contributions (BDS, networking, knowledge transfer). By highlighting the potential contribution of every stakeholder and the benefits they could get from the implementation of an SME Center, this toolkit will help to start the conversation around how to effectively address

local constraints and support local SMEs in their growth. The different stakeholders will then use the toolkit to design and implement an SME Center according to the core building blocks described and customize the design thanks to the available menu of options.

The SMEs targeted by this toolkit share similar characteristics in the sense that they are well-performing firms and their constraints to growth are more driven by external than internal factors. FCV countries have a large population of necessity entrepreneurs who are not targeted by this toolkit. Rather, this toolkit is designed for SMEs led by opportunity entrepreneurs who have identified local markets or market opportunity, gone beyond the idea stage, and already possess a track record of generating revenue. A firm's age or growth dynamics could provide targeting criteria with regards to potential for growth that cannot materialize due to a lack of access to hard or soft infrastructure (such as road, electricity, water, sanitary arrangements, BDS, or access to finance) or capital-intensive productive installation (such as loom or wood machine) (World Bank 2019b).

The SME Center might be less suitable for supporting micro-firms whose activities often depend on family labor and a geographically limited business network that may not extend beyond a city block. Any type of managed workspace for these enterprises should therefore be located close to their markets and the homes of the owners-entrepreneurs. The design of the SME Center could accommodate various parameters within this broad group of SMEs (Table 1).

Binding constraints to SME performance and growth

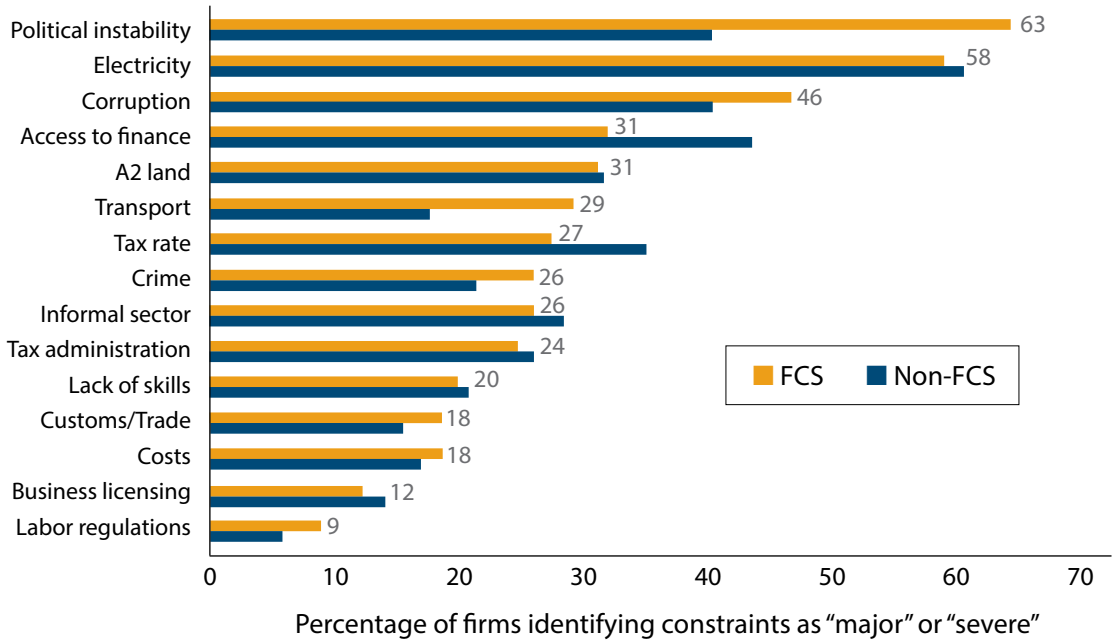
Many local businesses in FCV countries are limited in size, scope, skills, and capacity. Growth can be thwarted by different binding constraints, such as physical insecurity and illegal harassment by predatory public officials, poor business environment (macroeconomic instability, corruption, regulatory challenges, lack of basic services, and lack of social capital and trust[2]), poor firm capabilities (low level of education and productivity[3]), poor market access, and lack of access to finance (Figure 1).

In FCVs, all SMEs confront a resource-scarce environment and a multitude of market and institutional failures, including volatile economic shifts, unpredictable regulation, information gaps, lack of property rights, and corruption. Additionally, the lack of hard

TABLE 1. Key SME beneficiaries of an SME Center

Parameters	
Size/Growth dynamic	Between 10 to 50 employees, with stagnating sales or profit despite market potential.
Revenue	Profitable or breaking even but sales are below median.
Owner profile	Experienced entrepreneurs with motivation to grow the business but lacking the support system to scale up (that is, opportunity entrepreneurs).
Sector	Productive firms that can create value and/or jobs locally in the service or industry sectors.
Geography	Proximity to market—either in terms of inputs, such as for agribusiness or agriprocessing facilities, or in terms of customers, such as lead firms or urban markets.
Constrained growth	Lack of access to infrastructure (soft or hard) or production facilities, or lack of information on larger firms in national, regional, or global value chains.
Market opportunity	Existing or potential market demand. In the case of potential demand, a preliminary market study will be needed to quantify and qualify the market opportunity.

FIGURE 1. Leading constraints for the private sector in FCV countries



Source: IEG 2013.
Note: Based on World Bank Enterprise Surveys (2006–11; comprising survey results from 46 countries).

infrastructure (roads, energy, information and communication technology [ICT]) and soft infrastructure (BDS, networks, SME ecosystem) presents a systemic growth constraint, often outside of the scope of SME development interventions.

This toolkit offers solutions to address identified growth and market constraints related to information gaps (such as lack of awareness of opportunities, value-chain integration, market demand, and so on), relevance to market needs (such as lack of understanding of and adaptability to market needs in terms of quality, timing, and volumes), cultural barriers (such as for women) or lack of business skills.

Opportunities for local SMEs

FCV countries tend to have a comparatively higher number of firms operating in the agricultural and services sectors that support the immediate needs of the population and sectors relying on natural resources, such as mining, sustained by foreign demand that tend to remain stable throughout the post-conflict years. Those sectors can present opportunities for local SMEs through the presence of a large firm or group of firms looking to bridge the gap in their upstream or downstream value chain or to comply with regulation incentives on local procurement rules (Box 4). However, local suppliers in the host country cannot always provide the quantity, quality, or price needed, and large firms are generally reluctant to absorb high search-and-find costs or to assist local suppliers with upgrading efforts. Likewise, local firms are generally keen to supply to foreign firms but are often not ready or able to make the necessary investments to meet strict quality standards required by this type of client. In this context, the SME Center addresses some of these constraints, for example, by overcoming information failures and coordinating targeted suppliers to close the standards gap.

Opportunities may also arise based on the needs of a dynamic local market, such as the desire for new types of digital solutions and services by the market. Generally, in the context of FCVs, opportunities change with the reconstruction process; whereas the agriculture and services sectors are predominant during conflict years, the construction and services sectors tend to increase after peace has been established, and the telecom and transport sectors show higher growth rates in the medium term (World Bank 2019a).

Underlying logic of SME Centers

The SME Center concept stems from a combination of (i) spatial development models, such as industrial estates and business parks, and (ii) links programs, such as the lead firm approach to SME upgrading and supplier development programs. It is designed to help local SMEs overcome some of the constraints described in Figure 1, in particular access to electricity (through shared electric power infrastructure in the SME Centers) and land (Table 2).

The business model of the SME Center involves a privately owned or managed estate that offers paid access to productive infrastructure to a pool of local SMEs. Such estates could include pre-existing buildings suitable for productive use and connected to basic infrastructure, such as roads, energy, ICT, and water supply, sanitation, and health (WASH). The business model derives from the assumption that a developer can earn sustainable income by bringing together SMEs facing the same constraints. The economies of scale result from the sharing of infrastructure, equipment, and other services.

TABLE 2. Constraints the SME Center can address

Building blocks	*Optional modules*	*Out of scope*
Access to land	Corruption	Political instability
Electricity	Access to finance	Custom
Operational costs	Logistics Lack of skills Value chains	Labor regulation Tax rate Crime

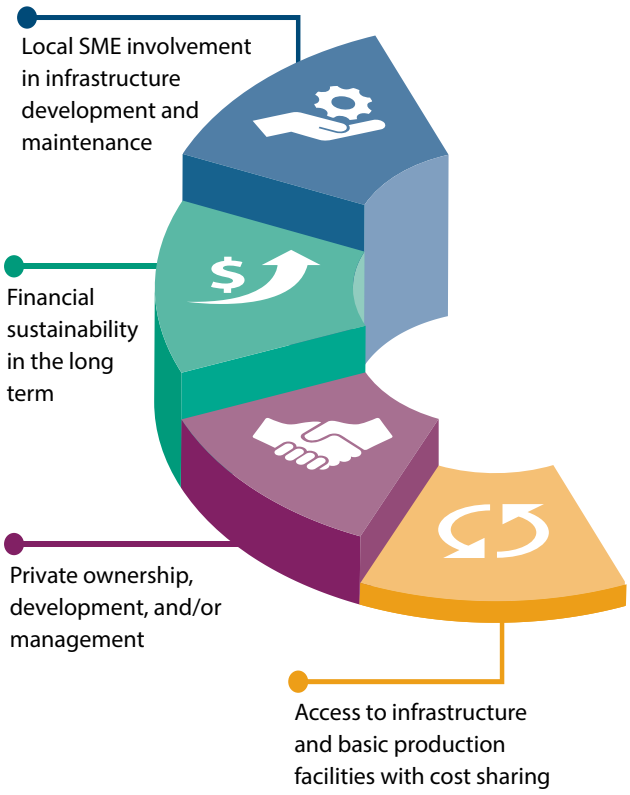
Source: IEG 2013.
Note: The categories reflect the taxonomy of constraints to SME growth.

BOX 4. Example of a local procurement regulation incentive: Subcontracting law in the DRC

Governments can use laws and regulations to impose mandatory requirements that force big companies to source locally. Local procurement of multinational or large national companies is a meaningful way to create economic and social development, particularly a natural resource-seeking or market-seeking environment. In 2017, the DRC government adopted a legislation on subcontracting, making it mandatory for large firms to reach 40 percent outsourcing to locally owned SMEs. The legislation targets the mining sector, where the government sees a potential for creating value chains and markets for local SMEs. However, without the appropriate capacity of local SMEs, it will be impossible to properly implement the law, and there is a risk of negative effects, such as compromising quality, price, and delivery targets because the local suppliers are less efficient than international competitors. This type of "set aside" regulation, as defined in a 2017 Donor Committee for Enterprise Development (DCED) report, may also distort incentives for the targeted group (in this case SMEs) to become cost-competitive if companies know they can participate in the smaller, less competitive SME pool and be protected from the competition of larger companies. Following that legislation in the DRC, the local business organizations and chambers of commerce have called on the government, donor community, and private sector to help SMEs avoid those pitfalls.

The SME Center relies on several building blocks (Figure 2) and a set of additional features and complementary options (modules) that can be added and declined according to the context and specific needs of the SMEs.

FIGURE 2. Building blocks for an SME Center



Building blocks of SME Center design

Access to infrastructure and basic production facilities with cost sharing. Evidence from similar initiatives demonstrates that access to good infrastructure, often coupled with additional security measures that shelter SMEs from crime and government harassment (provided that there is government collaboration in the creation of the SME Centers and government leadership of the initiative), could create economies of scale and help firms overcome constraints associated with factor conditions, demand conditions, and size. Improved access to basic production facilities and soft and hard infrastructure promotes technology and productivity enhancements and improves the firms' ability to compete in local and global markets. SMEs sharing the operating costs increases their ability to afford it and allows for potential additional services.

The SME Center can provide common infrastructure that is custom-built for the prospective tenant companies; some are essential to every center while others are optional or only relevant in a certain context:

- Basic production facilities
- Electricity
- Road access
- Water
- Sanitary arrangement
- Telecommunication and internet access
- Waste collection and disposal
- Office space and meeting facilities

Private ownership, development, and/or management. A key design element of the proposed SME Center model, based on international experience, is that it be privately owned, developed, and/or operated. This will help ensure that the location, type, size, and level of service provided in the SME Center responds to demand and is economically viable. Evidence also shows that in the instance of lead firms (larger companies to which SMEs can provide inputs and services) that are connected to SMEs in the agri-processing sector, sustainability was the strongest with privately led initiatives (World Bank 2018).

Financial sustainability. The SME Center is based on a business model that is sustainable and does not rely on public funding or multi-lateral grants or loans in the long term. The business model is based on the assumption that a private developer or operator can earn sustainable income through rental fees to tenant companies for the space in the SME Center, as well as fees to these companies for providing a superior infrastructure and

auxiliary services. Typically, a private developer or operator will, on this basis, formulate a sustainable, profitable business model with minimal reliance on subsidies.

Local SME involvement. Bringing together a community of SMEs around shared goals will also contribute to building social capital, which evidence shows is "the core driver in building resilience to conflict and disaster through mutually-reinforcing functions of 'bonding' within communities, 'bridging' across communities, and 'linking' between communities and formal institutions for access to information, resources, and responsive action. When incorporated as an organizing principle into large-scale development programs, social capital can strengthen the norms and networks between fragmented communities and institutions to better mitigate risks and cope with crisis" (Ingram and Papoulidis 2018).

Modular approach with a menu of design options

SME Centers should have agglomeration effects on the SME community, but evidence also shows that providing access to infrastructure alone in developing countries does not suffice. Additional criteria need to be considered when designing the SME Center to maximize success and sustainability.

The gaps between local SMEs' offer and the demand of local markets and regional or global value chains will vary depending on the context. In addition to its four building blocks, the SME Center presents a flexible and adaptable approach to addressing these gaps by presenting a menu of options for services and tools (termed modules) for the design of the center. This approach allows customized services offered by the SME Center for the specific needs and constraints identified in every context where the center will be implemented (Table 3).

Notes

1. Fragile, Conflict, and Violence (FCV) refers to the challenge of fragility, defined by Binzel and Brück (2007) as "the existence of persistent, systematic, significant and interrelated social, political and economic uncertainties," conflict, and violence regardless of classification as Fragile and Conflict-affected Situations (FCS). WBG's Fragile, Conflict and Violence Group annually releases the Harmonized List of Fragile Situations. For

TABLE 3. Examples of modules that can be offered by the SME Center (directly or indirectly through external providers) depending on the context

Constraint or market failure	*Module*
Poor firm capability	Soft infrastructure (such as BDS, skills, and training)
Physical insecurity and harassment	Specialized services (such as security services and fences)
Lack of basic equipment	Equipment (such as computers and supplies)
Regulatory challenges	Access to administrative or government office (such as single window government offices for SME registration and tax payments), and special simplified or streamlined procedures available to the SMEs located in the SME Centers
Lack of social capital	Networking, coaching, or mentoring
Lack of basic services	Common services: warehouse, retail, or wholesale facilities, cold storage, conference centers, hotel or accommodations, and so on
Poor access to market and competition[4]	Onsite testing, certification, and quality control services, and so on

more information, see http://pubdocs.worldbank.org/en/586581437416356109/FCS-List-FY16-Information-Note.pdf.

2. Many SMEs that operate in places of insecurity and high risk, although equipped and eager to grow, deliberately deploy coping strategies rather than realizing their growth ambitions. Such strategies are sometimes economically less efficient and come at the expense of economies of scale, increased transaction costs, and missed opportunities in terms of unserved additional markets. This allows them to operate below the radar, minimize exposure to risks, and circumvent relations of mistrust (Hoffman and Lange 2016).
3. Enterprises in FCV tend to be less productive than similar firms in more stable environments. They generally use less of their production capacity and have lower and less predictable growth rates of labor productivity and sales (Assaf and others 2015).
4. Enterprise competitiveness is the ability to sustain a market position by, among other things, supplying quality products on time and at competitive prices through acquiring the flexibility to respond quickly to changes in demand and through successfully managing product differentiation by building up innovative capacity and an effective marketing system (Altenburg and others 1998).

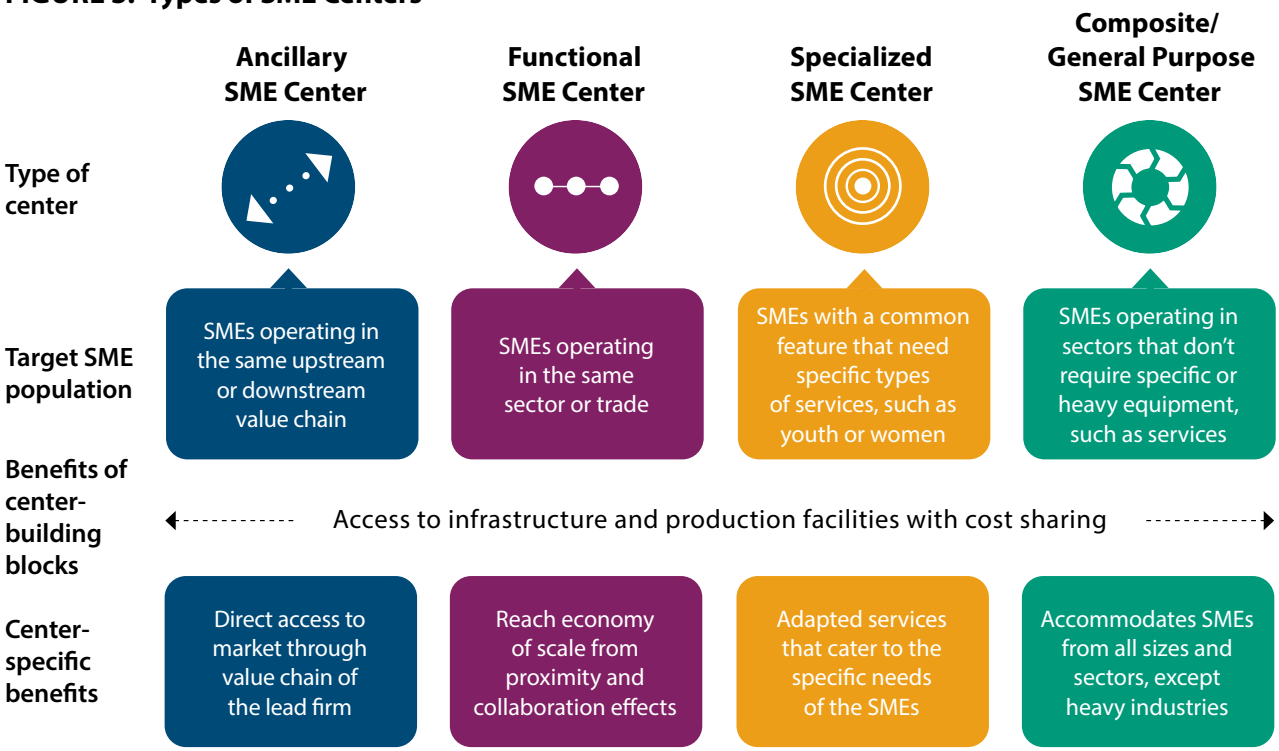
Elements of SME Center Design

Center design options

Different types of SME Centers could flexibly fit local conditions (Figure 3). The Ancillary Center helps the value chain integration of SMEs with lead firms, the Functional Center creates economies of scale for SMEs engaged in similar activities, the Specialized Center supports SMEs with particular needs, and the Composite/General Purpose Center accommodates a range of cross-cutting services. The type of design chosen will depend on the local context (such as sectors of activity represented, resources available, and local market needs) and the results of preliminary studies that would typically be carried out by a multilateral aid organization (such as value chain analysis, market demand, and operational constraints).

Ancillary Center. All SMEs are in the vicinity of a multinational corporation (MNC) or large national company that can contract out services or procure inputs locally. They can therefore be potentially integrated in the upstream or downstream value chain of the same large firm. The ancillary center is erected on surplus land ideally owned or leased by a larger lead firm and made available at a lower cost or no cost to the SME Center. This land is already connected to the main infrastructure,

FIGURE 3. Types of SME Centers



BOX 5. Importance of the lead firm commitment in ancillary center design

An IFC project involved constructing and operating an industrial estate in the Middle East. Only one year after IFC's disbursement, the foreign sponsor suspended the project after construction delays and disputes with the local partner. In the following year, the project company shut down its operations after having only one short-term tenant and laid off 150 employees. The project thus failed to achieve the expected job creation, promotion of foreign investment, and technology transfer. The company was diligent in meeting all of the environmental and social requirements during the construction phase, but the project stalled prior to completion and never resumed at the time of IFC's exit.

Source: IEG 2009.

and if needed, the lead firm can facilitate access or extension of these infrastructure for the center. Support from the management of the large company or MNC is critical for success. The dependence on the lead firms, especially foreign investors, can make these types of SME Centers vulnerable to changes in the lead firm's commitment (Box 5). Appendix A describes how the SME Development and Growth Project project is designing ancillary centers.

Functional Center. All SMEs engage in the same sector or trade (agro-industry, woodworking, cement, and so on) or produce the same class of products or services. They can be grouped in the center around common production facilities, bulk purchases, shared security services, and other agglomeration effects for similar activities that could reach economy of scale from proximity and collaboration effects. Functional centers can combine facilities for SMEs and large companies (Box 6).

Specialized Center. All SMEs or SME owners share a common feature—such as nursery, gender, or youth solutions—that needs special types of adapted services.

- *Nursery/Incubator:* This design is indicated when the SMEs are on the smaller and younger side. They generate revenue and have an identified market, but they often lack the necessary infrastructure to grow their business, access to production facilities, and technical and managerial skills.
- *Women-centered Center:* This design is indicated when the SMEs are owned by women who could benefit from the provision of specific services to increase their business performance. Appendix B details women-specific constraints that this toolkit could address.
- *Youth Center:* SME Centers could be associated with incubators and provide the next stage solution for entrepreneurs who have already developed a viable business model but struggle with access to quality production facilities. This could also provide the growth-stage solution for startups that are ready to exit the incubators and looking to get access to infrastructure at a competitive price to support their business growth.

Composite/General Purpose Center. All SMEs operate in different and unrelated sectors, usually services or light industries and manufacturing sectors that do not require heavy installations or equipment. It can accommodate SMEs from all sectors and sizes, except heavy industries.

Necessary conditions for SME Center success and sustainability

Understanding the local ecosystem and context. Prior understanding of the local constraints to growth for SMEs and local ecosystem dynamics is essential for designing the SME Center. Identifying the targeted group of SMEs, market potential and failures, and key stakeholders will inform the design and maximize the center's sustainability. Even if ultimately the responsibility of the design of the SME Center will belong to the private developer or operator, the government can provide initial recommendations for a design based on a preliminary diagnostic (for example, a demand survey, industry and sector analysis of the surrounding area of an identified SME Center, or site evaluation).

Associating local stakeholders and potential investors in the preliminary analysis of the ecosystem and market gaps is always important to gain local insight and understanding of the opportunities and challenges. This could be done through partnerships with local business associations or chambers of commerce. For example, in the DRC the Federation of Congolese Industries was an essential partner in the assessment of demand from SMEs and interest of potential developers.

Good management. Including a preliminary analysis as a requirement in the procurement process could help ensure that the center will be implemented by an operator that understands the local constraints and market dynamics. Inexperienced management often leads to poor implementation and maintenance

BOX 6. Example of an industrial estate in Jordan: ATIC

IFC invested US$8 million in Specialized Investment Compounds Company Plc., which owns and operates Al-Tajamouat Industrial City (ATIC), an industrial estate in Amman, Jordan. The investment will support an important sector of Jordan's economy, increase the country's export competitiveness, generate foreign currency earnings, introduce new technologies and training to the workforce in the estate, and help create up to 10,000 new jobs.

The US$18.5 million expansion project will add 60,255 square meters of industrial space to the existing fully occupied 88,500 square meters. ATIC, established in 1996 and located 20 kilometers from Amman, was granted the status of a Qualifying Industrial Zone in October 1999, providing tenant companies with duty- and quota-free access to the U.S. market. Given its proximity to Amman, ATIC will help boost the local economy through increased demand for goods and services that supply the manufacturing companies located in the industrial estate.

Specialized Investment Compounds Company Plc. is listed on the Amman Stock Exchange and is 32 percent owned by the Salfiti Group. ATIC hosts more than 40 local SMEs involved in light engineering, plastic goods production, beverages, furniture, fixtures, and distribution activities, as well as 13 large garment manufacturing companies from Pakistan, Jordan, Hong Kong, the Philippines, United States, Korea, and United Arab Emirates. ATIC employs approximately 5,000 people.

Source: IFC 2001.

of facilities, which results in decaying of investments prior to achieving their full benefits. The private developers or operators of the SME Centers should be selected by an open, competitive tender to select those with the greatest experience in establishing such centers, with goals for the project that align best with the government's end goals, and the greatest likelihood for profitability and sustainability.

Good communication strategy. The SME Centers' management needs to actively promote the centers' services among local entrepreneurs to ensure that existing targeted SMEs are aware of the opportunity.

Private sector motivation, such as SME interest, investors' readiness to invest, center operator or developer's incentive. All of the stakeholders of the SME Center should benefit from the center, so they have an incentive to be a part of it. Even if business benefits may differ for each stakeholder, the SME Center needs to yield tangible business benefits to prospective tenant companies.

Local supply of SMEs. A critical mass of SMEs needs to join the center. Without a sufficient number of SMEs joining, the center's sustainability will not be possible. Therefore, it is important to confirm that enough SMEs in the proximity of the center meet the criteria previously defined in terms of growth stage (ability to pay their fee) and binding constraints (lack of access to infrastructure). The Accra Digital Center in Ghana is an example of a center facing challenges in attracting the targeted number of SMEs (Box 7).

BOX 7. Example of uncertain demand from SMEs: Accra Digital Center

The Accra Digital Center is a 9,000 square meter technological park located on government land that was established in 2016, with the support of the World Bank and the Rockefeller Foundation. It is operated under the Ministry of Communications with a mandate to provide a conducive environment for innovators and entrepreneurs in the technology industry. The center is comprised of 12 large buildings of 750 square meters each and 24 rooms serving as common spaces. The center targets three types of clients: (i) micro-enterprises and startups, (ii) SMEs with 5 to 50 employees looking for affordable space and subsidized utilities, and (iii) large IT companies. A third of the available space is reserved for SMEs and startups.

- *Services and fees for SMEs:* The center offers plug-and-play facilities at an affordable price, shared facilities, such as conference and meeting rooms, and networking services to facilitate introduction between SMEs and investors or the government. There are plans to open a government one-stop shop in the future. SMEs are charged a quarterly fee of US$8 per sqaure meter to have access to office space, which includes a reliable supply of electricity and access to the internet.

- *Challenges:* While the demand from large firms to locate their business in the center is strong (such as World Vision), the SME corner is having challenges filling its space. Current tenants have difficulties paying their rent on a timely basis despite the competitive prices, and the center might have to rethink its offer package to SMEs.

Source: Accra Digital Center (http://adc.gov.gh/) and onsite interviews.

Clearly identified profitable local market or regional and global value chain integration opportunities. These opportunities can be, for example, driven by the presence of a large firm or group of firms and the size and dynamism of a local or regional market, which could be assessed through the size of population and per capita income.

Government buy-in. The public sector will serve as a facilitator for the SME Center to help address market failures and constraints and to improve infrastructure access and the enabling environment.

Potential benefits and opportunities of SME Centers

The primary role of the SME Center is to address the spatial constraints that many SMEs face. It provides the necessary infrastructure and generates economies of scale in the provision of services and utilities. It also maximizes efficient land usage and reduces the cost of land development.

In addition to the spatial constraints, the SME Center could address the lack of specialization among value chain participants and increase cost efficiencies. It could bring in specific support organizations in packaging, storage, wholesale, and transport for economy of scale through collective sourcing from SMEs. If the SME tenants have access to BDS through the SME Centers or ecosystem partners, they could also improve their quality and productivity.

The center also plays a critical role in catalyzing the ecosystem and engaging different stakeholders from the beginning, to facilitate the flow of information among the stakeholders of the ecosystem and improve business links between the SMEs and market opportunities at every level. It could help develop markets (upstream and downstream) and attract local and international private investment, such as among the expat community, through promoting the development and growth of SMEs.

Another role of the center developers and operators is to identify and engage the relevant stakeholders of the ecosystems—institutions, technical experts, service providers and networks—who could properly directly or indirectly support the SMEs in achieving their growth potential. To do so, it will be imperative to understand the main challenges and opportunities that SMEs face in the ecosystem. The experience of the SME Center developers or operators and their understanding of the local specificities are essential to the center's success. Depending on the maturity and complexity of the ecosystem, the types and number of stakeholders will vary and evolve. However, identifying and engaging from the beginning the most important stakeholders—center sponsor, government and local authorities, influential networks, and major market players—will contribute to the ecosystem's growth and success. Appendices C, D, and E offer examples of mapping the ecosystem stakeholders.

It will be difficult for the SME Centers to offer all of these value-adding services without external support or subsidies. Financially independent SME Centers will likely offer only essential services (such as access to land, infrastructure, and basic production facilities) where there is demand and willingness to pay from SMEs. Government, donors, and other ecosystem players can play an important role in helping to maximize the value added of the centers through incentives, subsidies, and externally provided services.

The SME Center will be a part of the ecosystem and therefore will be able to facilitate relationships among SMEs and the other actors of the ecosystems, that is, markets, financial institutions, and service providers, such as BDS

providers or consulting firms. Depending on the type of design implemented, the SME Center could, for example, ease access to local authorities or government officials (one-stop shop), offer access to BDS and consulting services relevant to SME tenants (productivity, quality, and so on), or connect SMEs with global or regional value chains.

Roles and contributions of SME center actors, stakeholders, and partners

Tenant SMEs

Role: Targeted tenant SMEs of the SME Centers, as described in the previous sections, will be the main stakeholders and beneficiaries of the center. They will benefit from the infrastructure, equipment, and services proposed by the center in exchange for a fee. The fee structure will be defined for each center and could be a full-service agreement or cover a customized menu of services.
Contributions: SMEs will pay a fee to access the resources of the SME Center, such as usage of space, infrastructure and services, and shared teleconferencing or other facilities when needed. They will also share their business information with the center, such as employment, total volume of annual sales, or total volume of exports and imports. This information will help to monitor the SMEs' progress and gather data relevant to potential investors.
Benefits: SMEs will have access to the hard and soft infrastructure of the center at a reduced cost, known as cost sharing. They can benefit from technical assistance, support, and coaching to get better access to markets, funding, and mentoring.

Development practitioners: Multilateral or bilateral aid agency

Role: The agency may provide all or part of the necessary funds and technical assistance to kick off the project. Development practitioners will play a vital role in the first stage of the center's implementation. Evidence from the examples of industrial estates shows how important the role of the development agency is in catalyzing and initiating the development process and in bringing together the public and private sectors (World Bank 1997). Donors will contribute much to the process of implementing spatial solutions to boost enterprise growth.
Contributions: The rationale for donor support is to help address information failures and lack of capacity among private SME Center developers or operators and the government, in which case they can help to expedite the learning processes involved (in a preliminary study) and provide temporary incentives that will offset the entry barriers of setting up the center. Through these incentives, the donor can facilitate public-private collaboration, create a demonstration effect, and reduce the risks associated with private sector investment.
Benefits: The SME Center will plug SMEs into local market, regional, or global value chains and will create SME growth. It will reinforce social cohesion and strengthen local ecosystems due to the agglomeration and demonstration effects.

SME Center developers and operators

The SME Center's operators and developers could be two separate entities. Developers invest in the center and should be private, or if it is a government, it should be actively involved in the design and development of the center. Developers can decide to manage the center themselves; in this case the developer and operator are the same person and both long- and short-term interests align. Or, they can decide to hire an operator to take care of the day-to-day management of the center. In any case, the SME operator should be an experienced private sector entity.

Operator

Role: The SME Center operators' role is to manage the center and ensure the good

BOX 8. Example of a business incubator in the DRC: I&F

I&F is a business incubator founded in 2007 by Val Masamba, a doctor in management science and professor in management at the Kongo University in Kinshasa. I&F's vision is to help young entrepreneurs in the DRC start and grow their company to address the challenges faced by the DRC, such as pollution, biodiversity preservation, or financial inclusion. Val Masamba raised money from the diaspora to start his incubator, and he now catalyzes the money of the diaspora to invest in its incubated companies. He leverages the trust he has built with investors from the diaspora over the last 13 years to raise money for the startups and SMEs with potential in his incubators.

Source: Interview with Val Masamba by World Bank, 2020.

provision of rental space, infrastructure, and services to allow SME tenants to function. Operators are in charge of the management of facilities, supervision of activities, and overall sustainability of the center. If relevant, their role could also include potential investment in tenant SMEs, coaching and technical assistance, or other possible contributions.

Depending on the size of the SME Center, the operators' role could be taken on by a single person with experience in SME management and market links, such as an entrepreneur, a strategy or management consultant, or an investor (Box 8). It could also be an entity specialized in SME support, such as incubators, accelerators, professional associations, or private companies.

One of the main challenges in the center's implementation will be to find a qualified center operator since there is a scarcity of relevant experience, especially in facility management expertise in FCVs. Given the critical role the operator will play in the center's success, it will be important to invest substantial effort in identifying the type of center operators needed and to engage with the rest of the local and national ecosystems and networks to reach out to the largest base of potential good candidates.
Contributions: SME Center operators' essential contribution is to facilitate the operations of their tenant SMEs. They facilitate access to infrastructure and equipment (internet, electricity, computers, and so on) as well as services that the SME tenants need to function. Based on their expertise and the context, they can also choose to provide directly or indirectly (through the selection of relevant external providers) technical assistance or advisory services to the SMEs. To ensure the relevance and added value of the services provided by the center, operators need to understand thoroughly the market gaps and failures as well as opportunities to ensure good market links.
Benefits: Benefits include earnings from center activities and support of the international agency through technical assistance and subsidies for the first year of operating costs. They can leverage the center to have SMEs speaking with one voice to the government to advocate for their interests.

Developer

Role: The SME Center developer's role is to provide the upfront investment, design, and delivery of the center's rental space and infrastructure. Examples of center developers could be financial institutions, private companies, donors, or a consortium of investors, such as investors from the diaspora.
Contributions: Developers offer funding and potential business expertise and coaching to the SME Center operator.

TABLE 4. Overview of role, contributions, and benefits of various SME Center actors

Actor	Role	Contributions	Benefits
Tenant SMEs	Targeted tenant SMEs will be the main stakeholders and beneficiaries of the center. They will benefit from the infrastructure, equipment, and services proposed by the center in exchange for a fee.	SMEs will pay a fee to access the resources of the SME Center. They will also share their information with the center, which will help to monitor their progress and gather data relevant to potential investors.	SMEs will have access to the infrastructure of the center at a reduced cost (cost sharing). They could also benefit from technical assistance, support, and coaching.
Development practitioners: Multilateral or bilateral aid agency	The agency may provide all or part of the necessary funds and technical assistance to kick off the project. Development practitioners will play a vital role in the first stage of the center's implementation. Donors will contribute to implementing spatial solutions.	The rationale for donor support is to help address information failures and lack of capacity among private SME Center developers or operators and the government, in which case they can help to expedite the learning processes involved and provide temporary incentives that will offset the entry barriers of setting up the SME Center.	The SME Center will plug SMEs into local market, regional, or global value chains and will create SME growth. It will reinforce social cohesion and strengthen local ecosystems and regional and global value chains due to the agglomeration and demonstration effects.
SME Center operator	The center operator will be in charge of the management facilities, supervision of activities, and overall sustainability of the center.	Operators facilitate the operations of their tenant SMEs. They facilitate access to infrastructure and equipment (internet, electricity, computers, and so on) as well as services that the SME tenants need to function.	Benefits include earnings from center activities and support of the international agency. The operator can leverage the center to enter into and impact dialogue with the government to influence policies.
SME Center developer	Developers invest in the center and potentially in the SMEs hosted by the center. The center developer could be the same entity.	Developers offer funding and potential business expertise and coaching.	Benefits include a direct return on investment and the stabilization and growth of local SMEs that create more secure investment opportunities.
Government	The government will support the implementation of the center at both the national and local level. At the national level, SME and enterprise agencies or ministries of trade and industry could typically be involved in such projects. At the local level, regional or municipal funds and resources could be allocated to such projects.	Contributions can take many forms. The government can lend or rent pre-existing public infrastructure; facilitate access to pre-existing infrastructure; set up a one-stop office to help SMEs navigate administrative processes and requirements; regulate the centers and ensure compliance with their licenses; and/or make a financial contribution to help start the project.	Benefits include improved market efficiencies, economic growth, social cohesion, and job creation.
External and optional partners	External partners or secondary stakeholders are critical to the long-term sustainability of the center. Following the preliminary study and identification of gaps in the ecosystem and market, external actors will help bridge those gaps in terms of SME skills, access to finance, regulatory requirements, and access to information or relevant networks and services.	The center will select relevant stakeholders to concentrate the best expertise and enhance local partnerships. Sample external partners include: BDS to address SME skill gaps; consulting firms to provide specific expertise and training; professional organizations to support SME growth; financial institutions; private investors; incubators; and universities to share knowledge and provide qualified staff.	Benefits include increased earnings (access to new clients), return on investment, networking, and investment and market opportunities.

Benefits: Benefits include a direct return on investment and the stabilization and growth of local SMEs that create more secure investment opportunities.

Government

Role: The government will be one of the key actors of the SME Center. They can provide an initial recommendation for a design, when accompanied by proper diagnostics—demand survey, industry and sector analysis of the surrounding area of an identified SME Center, site evaluation, and so on—even if it will be up to the private developer to design the SME Center, and they will be in charge of delivering the license to the SME Center. They can support the implementation of the center at both the national and local level. At the national level, SME and enterprise agencies or ministries of trade and industry could typically be involved in such projects. At the local level, regional or municipal resources could also be allocated to this type of project, especially through a one-stop public space, where local government officials could help SMEs navigate administrative processes and requirements.
Contributions: The contribution of the government can take many forms:

- Lend or rent some pre-existing public infrastructure to the SME Center.
- Facilitate access to pre-existing infrastructure.
- Play an active role inside the center by setting up a one-stop office to help SMEs navigate administrative processes and requirements.
- Make a financial contribution to help launch the project, in the form of a grant for capital or operational expenses.
- Regulate the SME Centers and ensure compliance with the conditions of their licenses as well as the laws of the land.

Benefits: Benefits include better market efficiencies, improved economic growth, social cohesion, and job creation.

External and optional partners

Role: External partners or secondary stakeholders are critical to the long-term sustainability of the center. Following the preliminary study and the identification of gaps in the ecosystem and market, those external actors will help bridge those gaps in terms of SME skills, access to finance, regulatory requirements, and access to information or relevant networks and services, and so on. These partners' engagement will depend on the maturity of the ecosystem and their relevance to every context.
Contributions: The center will select relevant stakeholders to concentrate the best expertise and enhance local partnerships. A sample list of external partners may include:

- BDS to address SME skill gaps, such as soft skills, ICT, marketing, and so on.
- Consulting firms to provide specific expertise and trainings.
- Professional organizations to support SME growth.
- Financial institutions to bridge the financial gap.
- Private investors to sustain and boost the local ecosystem.
- Incubators to provide local expertise and a network.
- Universities to share knowledge and provide qualified staff.

Benefits: Benefits include increased earnings (access to new clients), return on investment, networking, and investment and market opportunities.

Appendix F has a sample template for the roles and responsibilities of actors in the SME Center.

Risks and challenges for supporting SMEs in FCV context

Designing a solution to support local SME growth in the context of FCVs can bear many risks and challenges. The unpredictability of business operations in countries affected by

BOX 9. Example of challenges when implementing SME support in FCV countries: Gaza Industrial Estate

The World Bank Gaza Industrial Estate (GIE) Project (1998–2004) did not meet its development objectives, which depended on the success of GIE businesses to create employment. Despite an overall good design and risk assessment of the project and confidence from all parties in the project's relative feasibility, the GIE was never fully implemented, even after close to 60 percent of the funds were disbursed, due to escalating political tension and open conflict around and on the premises of the GIE. Borders were closed for sustained and unpredictable periods. The efficient import of raw materials and export of finished goods, business travel across the Gaza-Israel border, and reliable and efficient conduct of trade, which is essential for attracting investors and running export businesses—that is, the essence of the GIE—became ultimately impossible. Unsurprisingly, as manufacturers suffered major delays in the movement of goods in and out of the estate, as their costs increased and they lost customers when they were unable to deliver finished goods on time and undamaged, their businesses collapsed. This forced many GIE tenants to close up. The few that survived curtailed employment and postponed investment. The developer (PIEDCO) sensibly reduced the scope of onsite development as the prospect of new tenants disappeared. There was no way to insulate the GIE from these overwhelmingly negative impacts.

violence and instability and the lack of basic infrastructure, functioning markets, and public support present common barriers that prevent those countries from having the basic condition for doing business. The example in Box 9 shows how complex it is to implement a sustainable project in FCS, and that one should always acknowledge the potential complications and failure of a project in this context. When it is hard to anticipate and mitigate risks related to FCV countries, a few rules could be applied to maximize the chances of success and sustainability of the SME Center:

- Keep the design as simple as possible and focus the design on market links to address existing market failures. This could be achieved by starting with the minimal no-frill design and gradual addition of features or services as the center starts to become financially stable.
- Confirm there is a real need and potential for growth through the feasibility study.
- Ensure there is a critical mass of potential beneficiaries of the SME Center and try to engage them early for better relevance and resilience of the project.

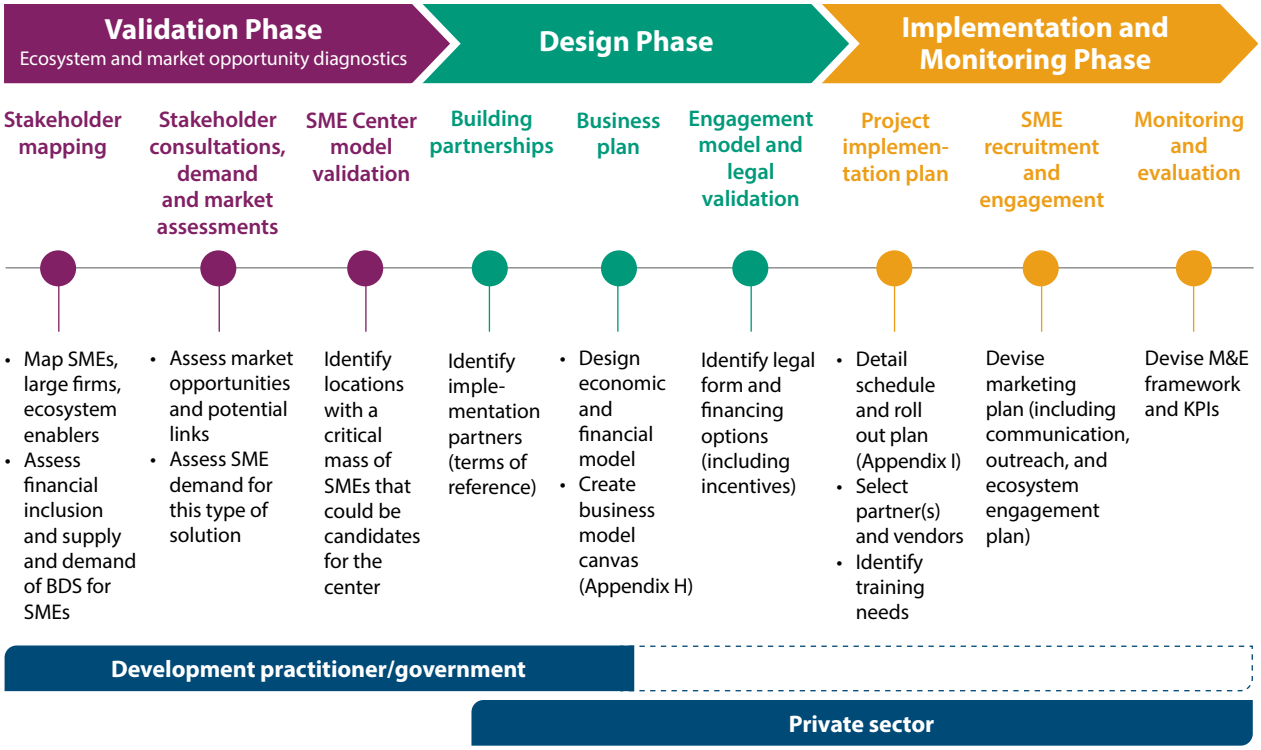
Practitioner Roadmap

This toolkit provides a concrete roadmap for practitioners to: (i) evaluate if this instrument is the right one to use in their specific context; (ii) design a relevant program that will support the growth of local SMEs; and (iii) evaluate and monitor the performance of the SME Center. Figure 4 shows a three-phase, systematic approach for planning and implementing the SME Center.

Validation phase

It is important to run a preliminary analysis that will validate the adequacy of the SME Center tool to the needs of a certain context. This analysis should include an ecosystem diagnostic and the mapping of ecosystem stakeholders, including local SMEs, large companies, BDS, and investors. The mapping of the ecosystem can use different sources of data, such as public registries, chambers of commerce, business federation registries, and data collection approaches, such as online or in-person surveys and consultations. Appendix G offers an example of the methodology used for the SME study in preparation for the SME Development and Growth Project of the DRC.

FIGURE 4. Three phases for SME Center planning and implementation



BOX 10. Four phases of the MSME preliminary analysis for the SME Development and Growth Project of the DRC

Mapping of MSMEs: Data was collected through a review of available public sources (Congolese Business Federation directories, municipal directories), the establishment of an online registration platform, and surveying of MSMEs by a local firm in the selected four cities. Both formal and informal enterprises were included in the database. The informal enterprises were captured through municipal registries of entrepreneurs holding a taxpayer number, social media outreach, and self-registration of the web platform. Mapping results show the total number of MSMEs identified and included in the MSME database. Appendix G shows the structure of the database.

Survey of MSMEs: 141 face-to-face interviews of MSMEs from the database were conducted. In addition, 521 enterprises responded to an online questionnaire about the constraints MSMEs face. This survey was followed by seven focus groups, with 7–12 entrepreneurs each. The focus groups targeted different MSME segments, namely women-led businesses, young entrepreneurs, and enterprises with growth potential.

Mapping of established, large, multi-national and national companies: 50 companies that already worked with or expressed interest in engaging with local SMEs were mapped. The objective was to gain insights into potential upstream and downstream value chains. Appendix J shows the structure for mapping the large companies.

Interviews with ecosystem stakeholders: 32 interviews were conducted across the four cities, including professional organizations, SME support organizations, financial institutions, and government institutions. In addition, 91 ecosystem representatives participated in three workshops in the cities of Kinshasa (19 participants), Lubumbashi (20 participants), and Matadi (52 participants).

If this diagnostic leads to identifying locations where there is a large enough pool of SMEs facing the same binding constraints to growth related to the lack of access to infrastructure, then the SME Center is the right tool to roll out. The SME ecosystem diagnostic can have several phases (Box 10) and analyze various factors that affect the growth and performance of SMEs:

- Policy—laws and regulations affecting entrepreneurship and SMEs.
- Financial capital—sources of capital available for entrepreneurs, including debt, equity, grants, and blended financing, and also informal sources of capital, such as social networks (Appendix H).
- Markets—customer and distribution channels, local, regional or global value chains, and connectivity of entrepreneurial networks.
- Culture—societal attitudes toward entrepreneurship and availability of role models.
- Human capital—state of educational institutions and access to skilled labor.
- Supports—infrastructure and BDS available through private providers, including business networks, incubators, accelerators, entrepreneur-friendly associations, and other non-governmental institutions (formal or informal).

Design phase

The design phase consists of (i) identifying the right partners for the center, (ii) putting together a business plan, and (iii) defining the right engagement model for the center.

Building productive partnerships

Engaging the right partners for the center is critical. This will require identifying the skills and profile needed for the position of center operator, and then engaging and leveraging the ecosystem to disseminate the terms of reference and maximize the chances of finding the right candidate. This search can be challenging in the context of FCV countries.

Professional associations, business and support networks, civil society organizations, chambers of commerce and industry, or any relevant enabling organization for the SME ecosystem should be consulted and engaged throughout the SME Center lifecycle. These organizations possess in-depth information on small businesses and entrepreneurship and the types of obstacles they face, and they will provide insight into the targeted beneficiaries and their respective sectors and markets at the design stage. They will be able to refer the design team to relevant additional partners and help engage the larger ecosystem during the preliminary analysis and implementation phase of the center. When the SME Center begins to yield its first results and spur its members' growth, these organizations can also become investors in the center or directly in the SME members.

To build productive partnerships, early engagement is essential. The preliminary ecosystem analysis should include the screening of all relevant existing sectorial professional organizations that support SMEs and then make sure to consult with them during the center design process.

Prepare the business plan, including financial analysis and funding options

The center developer or operator will prepare the business plan with the technical assistance of the development practitioner. The plan will present a comprehensive analysis of the ecosystem and market opportunities for the target SMEs (Appendix K offers examples of a business canvas), as well as a financial analysis of the center's sustainability and profitability.

The SME Center needs to be sustainable, and if it is arguable that it might need some financial help from the government or any other institution willing to help kick start the project in the first years, it should be considered as a normal commercial operation charging an appropriate price for the services offered. The financial support during the first years should help to attract the critical mass of SMEs for the center to be profitable and build a positive track record of revenue that will convince private investors to locate in the center.

The business model should include various hypotheses on: (i) the SME members (number, size, survival rate, and so on); (ii) the type of revenue generated (fixed, variable, recurring, one off); (iii) the type of investment needed (capital expenses or CapEx); and (iv) the cost of operations (operational expenses, or Opex). In the business plan, there can be a segmentation of SMEs, for example, according to their revenue size. A gradual fee can then be applied to the different segments to attract as many SMEs as possible, while maximizing revenues Appendix L offers an example of a business plan.

Different revenue models can be applied to the SME Center, which can or cannot include public money. Initial capital investments can be funded by a mix of private and public sector

TABLE 5. Pros and cons of incentives for SME Center developer provided by the donor agency

Type of incentive	*Examples*	*Pros*	*Cons*
CapEx	Land and building, productive equipment, renovation, and so on	Upfront investment that can be provided at preferential lending condition or rate and incentivize private investors. Provides enhanced control to the donor. Reduces long-term risks for stakeholders.	Land tenure, property rights, environmental and social safeguards challenges may arise in difficult FCV contexts. Government controls might lead to distortions.
Subsidized Opex (temporary)	Salary participation, utilities, consumables, and so on	Relatively easy and quick to implement and arm's length government participation. Provides temporary incentives without creation of a long-term dependency.	Might not be sufficient to de-risk private investments in CapEx.
Technical assistance	Preliminary study, marketing studies, engineering services, safeguards studies, market research, and so on	Enhances quality of private investments. Improves alignment with good practices, such as safeguards.	Needs to be combined with other types of support.
Access to finance	Credit line, guarantee, and so on	Market-based solution	Financial markets are generally less developed in FCVs, the risks for financial investors might be too high, and long-term investment instruments are not available.

funding. For example, while private investors (including the SME Center developer or operator) will finance major capital investment related to building improvements, equipment, and hardware purchase, donors and government can contribute to the renovation investments and funding for preliminary studies and technical assistance (Table 5). Public authorities and donors can contribute to the funding of the center directly through the distribution of grants or subsidized credits or indirectly through matching grants to SMEs.

The SME Center developer will contribute to the initial funding of the center. Attracting private investors will be challenging in the center's initial phase. The general lack of quality and integrity of investees as well as limited exit strategies from investments in FCV countries often deter private investors (World Bank 2019a). However, once the center can provide a track record of generating revenue and impacting the growth of its members, it will be easier to attract private funds.

Remuneration schemes for the center

There are many options for the design of the SME Center revenue schemes, and the schemes can evolve over time as the SMEs and ecosystem get more mature and robust (Table 6). The center developer or operator can establish the parameters of services offered by the center, depending on need and demand. There could be in-house services provided by the center staff that could be included in the fee. Additional services provided by the center or other BDS providers could be optional and present variable options for payments (one-off

TABLE 6. Revenue schemes for the SME Center

Scheme 1. Fee-based	*Scheme 2. Equity investment*	*Scheme 3. Success fees*
SME tenants will pay a fee in exchange for access to the center's infrastructure, equipment and services. The fees can be fixed or variable, can vary depending on the size (sales) of the SME, the type of equipment or services used and can evolve over time. It is up to the SME operator to define the appropriate fee structure to be competitive and sustainable.	The SME Center will participate in the capital of the SME and will earn dividends or cash out their participation (acquisition) to finance their activity. If the market is mature enough and can generate a series of fundraising and acquisitions, and if the SMEs generates enough revenue to distribute dividends, the center could consider taking an equity stake in the SMEs.	The SME Center will take a percentage of the total turnover or fundraising achieved by its members. The center can commit to achieving an annual turnover, such as US$50,000 per year within two years of one year of support. In which case, it is remunerated at the percentage of achievement of this objective below a minimum threshold of turnover, such as US$10,000. Otherwise, with a view to raising funds, the center can be remunerated on a percentage of the fundraising that would take place, for example, in the 24 months following the incubation.

payment, monthly fee, hourly rate, and so on). Considering the complexity of securing private investment in the context of FCV countries, it is likely that Scheme 1 will be implemented initially in most cases (Appendix L shows a detailed business plan based on Scheme 1). Then, when the ecosystem becomes more mature and the business environment improves, the center could pivot to another type of business model, such as Scheme 2. Equity investment.

Engagement model and legal validation

The SME Center could have many legal forms, depending on the type of ownership (private, public, or private-assisted). The idea is for the center to be at least partially owned by private investors. The center could be in the form of a co-operative society, limited company, or association of firms that could benefit or not benefit from government assistance through the grant of a long-term loan or the lease of public premises through a public-private partnership (PPP).[1]

Public sector involvement: When the SME Center will use premises and infrastructure belonging to public authorities, PPPs could be an option, in particular in the form of a concession[2] or lease contract[3]. In the context of FCVs, PPPs can bear an increased risk related to the lack of capacity and reliability of the government to comply with the requirements of the agreement (property land and safeguards issues), which will require any agreement to be clearly designed to avoid any complications during the partnership.

Private ownership: An open SME Center model to promote local ownership and allow local investors and economic operators to invest in the center could help the model to gradually become self-reliant and sustainable. Sustainable partnerships among private companies could be formalized as an Economic Interest Grouping (EIG). The formalization of roles and responsibilities of various actors can stabilize and de-risk the key partners' investments in the SME Centers. The EIGs would represent its participants' interests, create the framework for financial and non-financial contributions, facilitate relations with tax authorities, and lower administrative and financial constraints (less burdensome constraints than for a limited company).

Implementation and monitoring phase

Detailed schedule and updated business plan

The business plan can also be a management tool. Even if it is often prepared prior to setup to secure stakeholder support and finance, the center management team should regularly review and update the business plan and ensure any changes are integrated into operations in an organized way. It is recommended that all of the center's stakeholders formally review the business plan at least once per year, and the progress of key objectives outlined in the business plan are measured on a regular basis. A business plan review will ensure that the center management team is aware of changing market trends and stakeholder priorities and is able to adapt their operational policies accordingly. In this way, the center will remain relevant to local SMEs' needs.

Marketing and communication plan

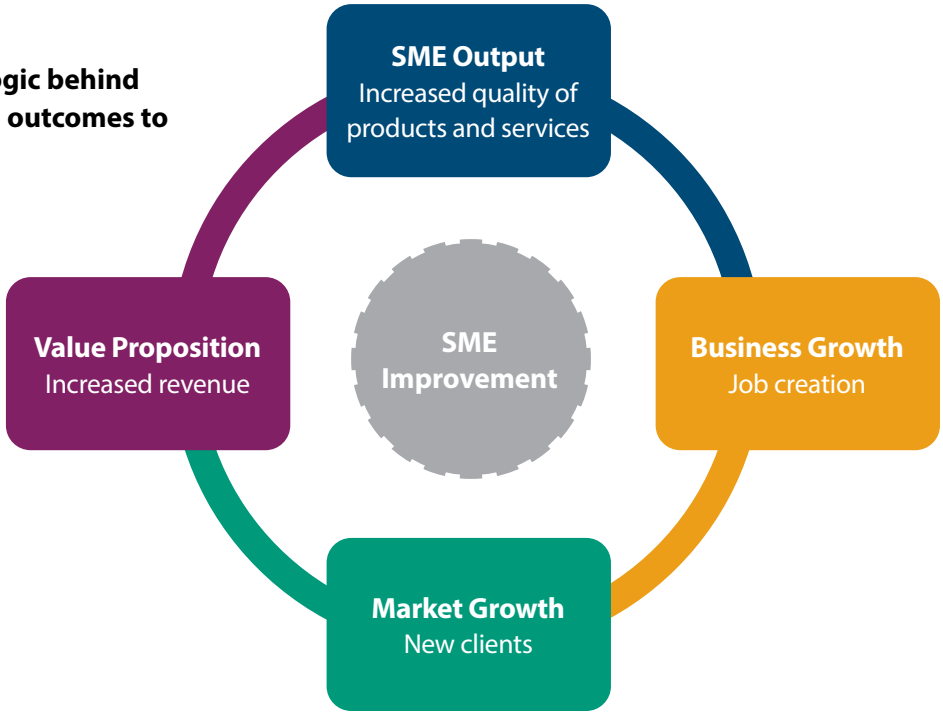
The marketing plan should:

- Clearly target businesses.
- Illustrate an SME Center tenant's specific needs and detail how to address them.
- Indicate how the center will reach its target market. The plan should include a summary of the promotional plan, the value proposition to prospective tenant SMEs, an indication of the type of promotional material to use, and how it will be deployed.

Monitoring and evaluation plan

The center developer should define Key Performance Indicators (KPIs) and targets to measure the center's performance and that of its beneficiaries (Appendix M). In addition to measuring results, monitoring and evaluation (M&E) plans should assess whether the process, methodologies, and tools being used to support SMEs are the most appropriate to achieve the center's objectives to boost the SMEs' growth. The logic behind M&E can be seen as a virtuous circle (Figure 5) in which measuring the outcomes (such as business growth) enables the incubator to improve its inputs (such as better support to improve SME outputs).

FIGURE 5. The logic behind M&E: Measuring outcomes to improve inputs



Defining the right indicators

KPIs are quantifiable measurements, agreed beforehand, which reflect the critical success factors of an organization. They must reflect the goals of the organization. KPIs therefore may change from center to center. When defining KPIs, the minimum elements to consider are the indicators' adequacy, their relevance related to the object, and their comparability. Box 11 details the SMART criteria for good indicators.

BOX 11. SMART criteria for indicators

A model often used to define good indicators is **SMART,** which requires indicators to be:

SPECIFIC: Measures as closely as possible the result it is intended to measure.

MEASURABLE: Quantitative, it provides no ambiguity on what is being measured.

AMBITIOUS AND ACHIEVABLE: It is technically possible to obtain data at a reasonable cost.

RELEVANT AND RESULTS-ORIENTED: Maximum 6 to 10 indicators, reliable, there is a general agreement over interpretation of the results.

TIME-BOUND: Data can be collected frequently enough to inform progress and influence decisions.

Notes

1. "There is no single definition of PPP. It covers a wide range of transactions where the private sector is assigned some responsibility, including investment. It ranges from management contracts with no investment obligations to concessions contracts with significant investment obligations in addition to operational and management obligations" (Marin 2009).
2. "A concession makes the private sector operator (concessionaire) responsible for the full delivery of services in a specified area, including operation, maintenance, collection, management, and construction and rehabilitation of the system. The operator is responsible for all capital investment. The public sector is responsible for establishing performance standards and ensuring that the concessionaire meets them. A concession contract is typically valid for 25–30 years… The concessionaire collects the tariff directly from the system users" (Ministry of Foreign Affairs of the Netherlands 2013).
3. "Under an affermage or a lease contract, the private partner is responsible for the service in its entirety and undertakes obligations relating to quality and service standards. Except for new and replacement investments, which remain the responsibility of the public authority, the operator provides the service at his expense and risk. The duration of the leasing contract is typically for 10 years and may be renewed for up to 20 years… Under a lease contract the financial risk for operation and maintenance is borne entirely by the private sector operator. The private sector retains revenue collected from customers and makes a specified lease payment to the contracting authority… An affermage allows the private sector to collect revenue from the customers (typically an agreed rate per unit sold), pays the contracting authority an affermage fee, and retains the remaining revenue" (ADB 2008).

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Appendix

Appendix A. Example of design of the SME Centers in the context of the SME Development and Growth Project of the DRC

The SME Development and Growth Project of the DRC led by the World Bank will support the growth of SMEs and increase employment and entrepreneurship opportunities for youth and women in select areas. The project has three components: (1) support entrepreneurship opportunities for youth and women; (2) SME development; and (3) capacity building and project management. Under component 1, the project will finance 3 to 4 ancillary SME Centers near existing large companies around which a cluster of SMEs can be developed (ancillary model).

The three project components are interconnected, and their results will be mutually reinforcing. Component 1 will create a pipeline of new companies created by women entrepreneurs and young entrepreneurs. To maximize the return on investment and improve the performance of the new startups, the project will rely on local providers of BDS, whose capacity will be reinforced under component 3. That will reinforce the pipeline of growth-ready SMEs that could apply for the later stages of a matching grants competition and possibly establish their activities under the SME Centers' umbrella.

For the purpose of this project, SME Centers are defined as a tract of land with pre-built SME shells or buildings developed according to a comprehensive plan, with provision for roads, public utilities, and ICT, possibly with common facilities, shared equipment, and access to soft infrastructure, for lease to SMEs. The SME Centers will be privately managed by large companies or firms selected through a call for proposal. Private management organizations will be responsible for managing facilities, supervising activities, and promoting SME Centers' services among local entrepreneurs.

The project will help define market demand by mapping products and services needed by large firms and by identifying their main priorities and requirements, including, but not limited to, technical requirements, delivery times, product and service quality, and compliance to standards. It will also help identify a pool of SME suppliers interested in becoming a part of the supplier development program and potentially investing in SME Centers. The project will finance technical assistance, studies, and other marketing and communications activities.

In addition to collaboration with the lead firms and private investors, SME Centers will be connected with BDS and supplier development programs and other players in the SME ecosystem and feed off of the pipeline of SMEs created in other project components. The centers will be operational in year 3–4 of the project implementation, and by that time they

Appendix A, continued

will be able to host the SMEs resulting from the activities of women entrepreneurs, young entrepreneurs, and SMEs supported though the project.

The SME Centers' design was informed by consultations that confirmed the validity of the SME Center model and stakeholders' motivation to contribute to implementation.

- Nine large companies (three in Matadi, three in Kinshasa, two in Lubumbashi, and one in Goma) confirmed their interest in contributing to the centers and the presence of a network of potential local investors ready to invest. Each large company has specific economic interests in the SME Center model, including: the need to comply with the new Law on Sub-Contracting (such as for the mining companies), the need to reduce cost and improve quality of inputs (such as for cement producers), and the desire to expand their customer base and create new local markets (for financial service, milling, and cement). In many cases, the economic motivations combine with the desire to develop local communities, expand business networks, and improve standing with the local government.
- To address the lack of specialization among value chain participants and increase cost efficiencies, SME Centers will also promote investments (such as from local financial institutions and potential venture investors, including from among the diaspora), and bring in specific support organizations in packaging, storage, wholesale, and transport for economy of scale through collective sourcing from SMEs.

SME Centers will focus on agribusiness (mainly food processing and packaging), mining, light manufacturing, and services. The project will target growth-oriented SMEs, where continued demand and willingness to pay are likely, and link the services to value chains through coordinated mechanisms to ensure pressure from upstream customers.

The motivation for participation in SME Centers will be as follows:

- Large companies will contribute mentoring and management support services, share market data, and provide access to infrastructure. In return, they will benefit from the strengthening of the local entrepreneurial fabric and the creation of a pool of high-performance SMEs, resulting in better quality and more subcontractors, a reduction of supply-related risks, and a wider market for the distribution of large companies' products.
- Local investors will provide space dedicated to the center (land or lease) and manage it. In return, they will benefit from government financial support, reduced risks, and accelerated return on investment. In the long term, they will benefit from a profitable and sustainable business.
- Local SMEs will pay for the services received. In return, they will receive support, technical assistance, and training. They will also benefit from market access, outsourcing to large local companies, a more sustainable business environment, better access to infrastructure, the economies of scale offered by the center, and networking with other SMEs hosted by the center.

Appendix A, continued

Design of SME Center

Type	Lead Firm	Center Manager	World Bank
Roles and contributions	**Contributions** • Mentorship for MSMEs • Technical advice on supply and distribution • Contribution to quality assurance • Grants for access to public services, infrastructure, and equipment **Incentives** • Strengthens supplier base • Improves quality of raw materials • Broadens potential customer base	**Contributions** • Expertise, training, and coaching • Contribution toward center amenities (infrastructure, equipment) • Participation in financing (optional) **Incentives** • Potential for higher return on investment in MSMEs • Widens potential investment pool	**Contributions** • Technical assistance for training • Marketing and communication activities • Subsidies/guarantee fund for center management and startup costs coverage in the first year • Links with, and leverage of, existing WBG projects in the country • Supports investment climate reforms
Service offering (up to 30–40 MSMEs per center)	**Market access** • Analysis of each company's needs • Market links upstream and downstream • Network of investors **Dedicated spaces** • For the development of MSMEs near the lead firm	**Business development services** • Formalization • Technical assistance • Personalized or custom support **Qualified human resources** • Center manager • Specialized staff from the lead firm, technical advisors, coaches, and mentors	**Access to infrastructure** • Subsidize/facilitate access to energy, internet, and other services (such as water) **Access to modern equipment** • Computers • Printers • Sector-specific technologies and communication tools
Value chain benefits	Pool of efficient SMEs (leading to better quality supply and reduced risk) → Expanded and stronger supplier base benefiting from links to larger companies → **LEAD FIRM** → Increased consumer base and purchasing power → More dynamic and inclusive local markets, leading to sustainable growth		

Appendix B. Examples of women-specific constraints and how to address them in the design of an SME Center

The World Bank "Profiting From Parity" 2019 report highlights how growth-oriented female entrepreneurs often benefit the most from skills development programs but will only participate after they understand their added value. The report also mentions that some interventions are only successful for groups of female entrepreneurs who have access to satisfactory infrastructure, such as roads, energy, and communications. The report identifies nine underlying constraints that account for the difference in female-owned SME performance and suggests evidence and solutions to address them.

This toolkit shows the constraints that could be addressed by a women-centered SME Center and corresponding modules:

- *Risk of gender-based violence.* Engage men to potentially foster a more supportive environment for female entrepreneurs.
- *Education and skill gap.* Provide women-friendly training design, including peer support. As opposed to standard managerial training programs, training programs that address socio-emotional skills and include gender-specific content that apply lessons from psychology to encourage women to act with an entrepreneurial mindset have proven effective in numerous contexts in Africa and pay for themselves in increased profits over the long term.
- *Finance and asset:* Introduce financial innovations that reduce collateral requirements, including psychometric studies.
- *Access to network and information.* Expand women's links with new business networks.
- *Time constraint and care.* Facilitate access to childcare services. Providing childcare can increase female participation in the workforce.

As mentioned, the first step in the design of a program is to understand the landscape of women-owned firms and the constraints they face. In-depth, qualitative research can shed light on questions at design. Consultations with women business associations and individual business owners can also help identify underlying constraints and hone program design. Also, of note, when gathering information on sensitive topics, such as domestic violence or psychological well-being, a mixed-methods approach can be most effective. An example of a checklist for assessing potential constraints follows.

Appendix B, continued

Sample checklist for assessing potential country- or community-level gender-specific constraints

Business typology and performance	❏ Number and size of female-owned businesses ❏ Sector disaggregation ❏ Formal versus informal status of female-owned businesses ❏ Wage employment opportunities available for women
Business operating context	❏ Legal discrimination ❏ Political voice ❏ Sexual and gender-based violence ❏ Participation in social and business networks ❏ Interactions with individuals of the opposite sex ❏ Perceptions about women's role in household and caregiving activities ❏ Perceptions about sector choice ❏ Mobility constraints
Education and skills	❏ Literacy levels ❏ Educational attainment at secondary and tertiary levels ❏ Access and use of ICT ❏ Availability of business and technical skills training programs, and women's participation in such programs
Finance and assets	❏ Ownership of land and property ❏ Ownership of other tangible assets ❏ Access to savings mechanisms ❏ Access to finance
Confidence/Risk-taking	❏ Willingness to compete ❏ Risk appetite
Household-level constraints	❏ Control of household assets ❏ Patterns of household collaboration ❏ Time use preferences ❏ Availability and affordability of childcare

Appendix C. Example of the mapping of financial services provided to MSMEs for the SME Development and Growth Project of the DRC

Name	Financial services provided	Non-financial services	Presence in cities	MSME clients	Startup capital	Startups	Early expansion	Growth capital
Micro Baobab	• Offers savings accounts • Offers credit for investment and financing of working capital needs	• Support services offered to micro businesses • Financial assistance and education are guaranteed by portfolio managers to enable them to better organize themselves	Kinshasa, Kikwit	80%	✗	✓	✓	✓
FINCA	• Offers group loans to those who have no collateral to pledge • Offers individual loans in return for a mortgage or financial guarantee	• Management training • Support in the management of the activity • Assistance in drawing up balance sheets and profit and loss accounts	Kinshasa, Kongo Central, Katanga, South Kivu	99%	✗	✓	✓	✓
Advans Bank	• Deposit products (of all types of accounts) • Credit products • Means of payment (card, check, national and international transfers) • Advans mobile (mobile money)	• Management training • Support in the management of the activity • Assistance in drawing up balance sheets and profit and loss accounts	Kinshasa, Kikwit, Tshikapa, Mbuji-Mayi, Kananga	100%	✗	✓	✓	✓
TMB Banque	• Bank loans and credits for companies over three months, capital for investment • Current accounts, savings products, and transfer products	• N/A	Lubumbashi, Kinshasa, Goma	35%	✗	✗	✓	✓
Procredit	• Credits for companies older than six months (less than US$10,000) • Growth and diversification capital • Employee credit for young entrepreneurs • e-banking service	• Advice to companies with regard to management	Kinshasa, Matadi, Lubumbashi	25%	⚑	✓	✓	✓

Appendix C, continued

Name	Financial services provided	Non-financial services	Presence in cities	MSME clients	Startup capital	Startups	Early expansion	Growth capital
RawBank	• Bank loans and credits for companies over three months, capital for investment • Current accounts, savings products, and transfer products	• Short training courses for informal entrepreneurs or those in the process of formalization • Capacity building of target companies by enabling them to structure their projects and provide sufficient guarantees to ensure the loan	Kinshasa, Goma, Matadi, Lubumbashi	unknown	✗	✗	✓	✓

Appendix D. Example of the supply and demand of BDS for MSMEs for the SME Development and Growth Project of the DRC

Services	Coverage level	Other relevant actors covering the service
Market access—seek market opportunities, linking demand and supply		FEC, CCIFC, Makutano Network, COPEMECO, OPEC, Specialized Associations
Access to market information—procurement rules, regulation, and opportunities		FEC, CCIFC, Specialized Associations, Incubators, COPEMECO, OPEC
Support on administrative formalities for the establishment of businesses—link with administrations		GUCE, ANAPI, OPEC COPEMECO
Linking SMEs with suppliers of raw materials and good value quality goods—integration of MSMEs in the national value chains, supply in raw materials, and good value goods		ELAN, Incubators
Support for the development of development strategies—start of a new activity, consulting, and strategy		ELAN, I&F Entrepreneurship, KIVU Entrepreneurs, DELLIONS
Communication and marketing—Visibility and linking MSMEs with large national and international enterprises		FEC, CCIFC, Makutano Network
Technical capacity building—Support for the development of a business plan, consulting, and strategy		Congo Call Center, I&F Entrepreneurship, Kivu Entrepreneurs, Congolia, Silikon Bantu, Proxytech, DELLIONS, ELAN
Capacity building in business management—Management consulting, management, marketing and trade, legal, and financial and tax support		
Coaching and mentoring		
Incubation—Growing a business, moving from idea to project, and development support		
Access to energy—Provide energy access from a well-performing grid		
Access to modern equipment and production technologies		
Access to bank credit—Loans and credit for the financing of MSMEs		TMB, Raw Bank ProCredit
Access to microcredit—Allowing micro enterprises and women-led businesses to access financing		FINCA, Microcredit Baobab, ProCredit Bank, ADVANS Bank
Startup capital		N/A
Growth capital and working capital		King Kuba, SOFIDE and FPI (in the process of change)

Appendix E. Example of the mapping of MSME ecosystem enablers for the SME Development and Growth Project of the DRC

Organization name	Description	Experience with business plan competition	Notable partnership strengths	Notable partnership weaknesses
National initiatives				
BRALIMA	N/A	The SME Contest (first edition in 2018) is a business creation competition that puts the most viable business ideas into competition. The contest is open to all university graduates without a job, ages 22–35 and living in Kinshasa. • 1st round: 20 scalable projects selected for two weeks of coaching and business planning support; two projects eliminated. • 2nd round: case studies written on businesses; eight projects eliminated. • 3rd round: five winners selected by the selection panel and public vote. The five best candidates will benefit from a startup fund of 13 million Congolese francs each and professional support of six months to establish their companies (through an incubator).	N/A	Limited geographical scale operating in Kinshasa only. In its first year and not yet able to demonstrate successful implementation of the project.
Festival Amani	Founded by Goma's Foyer Culturel and now registered as a non-profit. The festival is supported by Orange, the United Nations, RawBank, and France 24.	For the last five years, the Festival Amani (Festival for Peace in the Great Lakes Region) claimed that entrepreneurship is a major pillar for peacebuilding through the fight against youth underemployment and poor economic development in the Great Lakes region. An entrepreneurship contest was organized in September 2017, taking place over six months and engaging more than 100 young entrepreneurs. The Amani Festival selected 10 finalists to pitch their business plans. An expert panel awarded four winners a prize of US$2,500. Winning business plans were incubated in a local incubator.	Ability to generate strong interest with youth due to the association with the festival and music culture. Since the support provided by local incubators varies, some entrepreneurs did not develop as far as expected.	Limited capacity and experience to work with other organizations.
KA Foundation and the Kin Start Ups	Kin Start Up Academy is supported by KA Foundation, a non-profit association that provides training and support to youth leaders, as well as the Hans Seidel Stiftung Foundation and other partners.	"Kin Start Up Academy" is a TV show that supports entrepreneurship and promotes competition to identify the best business ideas while promoting the entrepreneurship culture in the country. The Academy had a call for proposals through the radio. It received more than 300 applications, leading to 60 projects and 30 short-listed entrepreneurs. Through competition, five winners were awarded. During the process, candidates are coached by world-class experts and experienced business leaders, while being judged by a panel of professionals from financial institutions and businesses.	Good publicity. Supporting and connected with institutions and key leaders in the entrepreneurship ecosystem.	Focused on media and publicity, with a potential for reputational risk.

Appendix E, continued

Organization name	Description	Experience with business plan competition	Notable partnership strengths	Notable partnership weaknesses
National initiatives, continued				
UNDP and Konnect Digital Economy and Investment Conference – Hackathon	Konnect is a local incubator that supports mainly technology SMEs in Kinshasa.	Konnect organized a hackathon, financed by UNDP, with a focus on plastic waste management in Kinshasa. Ten projects were selected and eventually three were awarded a prize. Konnect now supports the winning organizations by providing business plan support and capacity building. The event was supported by several partners, including private sector association Federation des Entreprises du Congo, Makutano Network, Silikon Bantu, and Procredit Bank. International organizations, such as the African Business Angels Network (ABAN) and the European Business Angels Network (EBAN) were also a part of the event.	Strong representation by many stakeholders within the ecosystem. Strong brand recognition through its leadership in hosting the first startup competition and investment conference on the digital economy	Technology-sector focused.
Regional initiatives				
Elumelu Foundation	Founded in 2010, the Foundation focuses on supporting African youth through entrepreneurship.	Launched in 2015, The Tony Elumelu Foundation (TEF) Entrepreneurship Program is the largest African philanthropic initiative devoted to entrepreneurship. It represents a 10-year, US$100 million commitment, to identify and empower 10,000 African entrepreneurs, create one million jobs, and add US$10 billion in revenue to Africa's economy. Currently in its fourth cycle, the program selects entrepreneurs based on the viability of their idea, including their identified market opportunity, financial understanding, scalability, leadership, and entrepreneurial skills. The entrepreneurs receive up to US$5,000 to support their business.	Provides tools for business success, including 12 weeks of intensive online training, which teaches SMEs about business management, provides funding, and gives access to the largest network of African startups and TEF's own global contacts.	Few Congolese projects enter the competition because of the use of the English language. Limited familiarity within Congolese entrepreneurship community.
Orange	Orange is an international telecommunications company, with a focus on supporting technology startups through its corporate philanthropy strategy.	The Orange Social Entrepreneur Award in Africa rewards three startups offering IT-based solutions (using mobile or the internet) to meet the needs of young people. The competition has two stages: • National competition across the continent. • International competition whereby the three winners from each country compete for the international prize. Winners receive financial support and six-month support from mentors and ICT professionals. • 1st grand prize: €25,000 • 2nd grand prize: €15,000 • 3rd grand prize: €10,000	Global reach and network provided to entrepreneurs.	Despite the level of support provided to SMEs, businesses often continue to struggle to grow and scale. Technology-sector focused.

Appendix E, continued

Organization name	Description	Experience with business plan competition	Notable partnership strengths	Notable partnership weaknesses
Regional initiatives, continued				
African Leadership Academy and Mastercard Foundation	The African Leadership Academy, a secondary institution based in South Africa focusing on growing the next generation of African leaders, and the Mastercard Foundation, focusing on youth development, partnered to form the Anzisha Prize.	The Anzisha Prize awards young entrepreneurs who have developed and implemented innovative solutions to social challenges. The Anzisha strategy has three pillars: • Celebrate young entrepreneurs (ages 15–22) and actively share their stories. • Train and accelerate young entrepreneurs. • Influence entrepreneurship education. Fifteen finalists from across Africa win a spot in a lifelong fellowship that will help to accelerate their path to entrepreneurship success. In addition, they win an all-expenses paid trip to South Africa to be a part of a 10-day entrepreneurship workshop and conference at the African Leadership Academy campus on the outskirts of Johannesburg. The grand prize-winners share prizes worth US$100,000.	Global network. Accelerates camp and fellowship program, and provides access to qualified mentors.	Limited local knowledge of the Congolese context.

Appendix F. Template for roles and responsibilities of the SME Center

	Center developer or operator	*Government*	*Development practitioner*	*SME investors*
Roles	General idea: Detailed list of roles	General idea: Detailed list of roles	General idea: Detailed list of roles	General idea: Detailed list of roles
Financial/ Non-financial contributions	Financial contributions: Non-financial contributions:	Financial contributions: Non-financial contributions:	Financial contributions: Non-financial contributions:	Financial contributions: Non-financial contributions:
Financial/ Non-financial incentives	Financial incentives: Non-financial incentives:	Financial incentives: Non-financial incentives:	Financial incentives: Non-financial incentives:	Financial incentives: Non-financial incentives:

Appendix G. Example of questionnaire used to assess the characteristics of the pool of local MSMEs

An iterative mapping process helped to develop a database of MSMEs and their key characteristics across the four regions of the DRC in the SME Development and Growth Project. The data was recorded in Excel.

No.	Question	Format
1	MSME company name	Open-ended
2	Sector	Select one: • Primary agriculture, hunting, forestry and fishing activities • Processing (such as agro-processing) • Agro-retail • Mining and quarrying • Manufacturing • Electricity, gas and water • Construction • Wholesale and retail trade (other than agriculture) and restaurants and hotels • Transport, storage, and communication • Financing, insurance, real estate, and business services • Community, social, and personal services • Activities not adequately defined
3	City	Select one: • Matadi • Goma • Kinshasa • Lubumbashi • Other
4	Form of registration	Select one: • Sole proprietorship • Limited liability company (such as SA and SARL) • Cooperative • Corporation • Partnership • Other, explain: _____
5	Principal owner name	Open-ended
6	Percentage of ownership	%
7	Principal owner sex	Select one: • Male • Female
8	Principal owner age	Select one: • Less than 18 • 18–24 • 25–35 • 36 and older
9	Principal owner marital status	Select one: • Single • Married • Widowed • Divorced • Other

Appendix G, continued

No.	Question	Format
10	Percentage ownership by women (if any)	%
11	Principal owner contact phone number	Open-ended
12	Principal owner email address	Open-ended
13	Principal owner highest level of education	Select one: • No education • Primary school completion • High school completion • Trade/other technical training • Bachelor's degree • Postgraduate degree
14	Primary manager (if different from principal owner) If not, skip questions 14–17	Open-ended
15	Primary manager sex	Select one: • Male • Female
16	Primary manager age	Select one: • Less than 18 • 18–24 • 25–35 • 36 and older
17	Primary manager marital status	Select one: • Single • Married • Widowed • Divorced • Other
18	Primary manager phone number	Open-ended
19	Primary manager email address	Open-ended
20	Secondary manager (if female)	Open-ended
21	Secondary manager sex	Select one: • Male • Female
22	Secondary manager age	Select one: • Less than 18 • 18–24 • 25–35 • 36 and older
23	Secondary manager phone number	Open-ended
24	Secondary manager email address	Open-ended
25	Number of employees, total	Select one: • 1 to 10 • 11 to 50 • 51 to 200 • 201 or more

Appendix G, continued

No.	Question	Format
26	Percentage of total employees that are female	Select one: • Less than 25 percent • 25–49 percent • 50–74 percent • 75–94 percent • 95–100 percent
27	What percentage of jobs are full-time?	Select one: • Less than 25 percent • 25–49 percent • 50–74 percent • 75–94 percent • 95–100 percent
28	What percentage of these full-time jobs are occupied by women?	Select one: • Less than 25 percent • 25–49 percent • 50–74 percent • 75–94 percent • 95–100 percent
29	What percentage of jobs are part-time?	Select one: • Less than 25 percent • 25–49 percent • 50–74 percent • 75–94 percent • 95–100 percent
30	What percentage of these part-time jobs are occupied by women?	Select one: • Less than 25 percent • 25–49 percent • 50–74 percent • 75–94 percent • 95–100 percent
31	What percentage of jobs are seasonal/temporary?	Select one: • Less than 25 percent • 25–49 percent • 50–74 percent • 75–94 percent • 95–100 percent
32	What percentage of these seasonal/temporary jobs are occupied by women?	Select one: • Less than 25 percent • 25–49 percent • 50–74 percent • 75–94 percent • 95–100 percent
33	Annual turnover	Select one: • Micro: <10,000 US$ • Small: 10,000–80,000 US$ • Medium: >80,000 US$
34	What type of final product/activity do you produce? If multiple, name the highest grossing.	Open-ended
35	Payment of any national or municipal tax (including the patent)	Select one: Yes No
36	Source document/informant	Open-ended

Appendix H. Example of a template for a business model canvas

The canvas is a simple tool for business model capturing and brainstorming. Traditional business plans are long documents and usually take a few months to create. The business plan canvas captures the important elements of a business model on a single page.

<table>
<tr><td rowspan="2">KEY PARTNERS

Local SMEs

Local government authorities

BDS providers

Other ecosystem enablers</td><td>KEY ACTIVITIES

Services, such as training, consulting, and mentoring

Use of office space and conference rooms, as well as other facilities</td><td rowspan="2">VALUE PROPOSITION

To support growth of business</td><td>CUSTOMER RELATIONSHIPS

Personal assistance</td><td rowspan="2">CUSTOMER SEGMENTS

Well-performing firms led by opportunity entrepreneurs who have identified local markets or market opportunity, gone beyond the idea stage, and already possess a track record of generating revenue, but who face common binding constraints to growth</td></tr>
<tr><td>KEY RESOURCES

SME Center operator, technical experts, and equipment</td><td>CHANNELS

Communication campaign, events, and information sessions</td></tr>
<tr><td colspan="3">COST STRUCTURE

Opex, such as rent, staff, and equipment

Capex, such as renovation of premises and equipment</td><td colspan="2">REVENUE STREAMS

SME fees

External</td></tr>
</table>

Appendix I. Example of a detailed schedule for a project launch

No.	*Date*	*Activity*	*Leader*	*Weeks*							
				1	*2*	*3*	*4*	*5*	*6*	*7*	*8*
1		**Renovate the premises**									
1.1	TBD	Find furniture and equipment	Staffx	X							
1.2	TBD	Clean and renovate	Staffx	X							
1.3	TBD	Specify other	Staffx		X	X	X				
2		**Identify key staff and business partners**									
2.1	TBD	Ecosystem outreach	Staffx			X					
2.2	TBD	Train selected partners	Staffx		X						
2.3	TBD	Specify other	Staffx		X						
3		**Run communications and marketing campaign**									
3.1	TBD	Community outreach	Staffx					X	X	X	X
3.2	TBD	Radio ad campaign	Staffx								
3.3	TBD	Open house - information sessions	Staffx								
3.4	TBD	Specify other	Staffx								
4		**Prepare materials for SMEs**									
4.1	TBD	Contracts	Staffx								
4.2	TBD	Information sessions on center	Staffx								
4.3	TBD	Specify other	Staffx								

Appendix J. Example of questionnaire used to assess the characteristics of large companies and gain insight into potential value chains for SMEs

The SME Development and Growth Project's analysis of the ecosystem included mapping established multi-national and national companies to gain insight into potential value chains for MSMEs to engage with. The data was collected for each business using Excel.

No.	Question	Format
1	Company name	Open-ended
2	Sector	Select one: • Primary agriculture, hunting, forestry and fishing activities • Processing (such as agro-processing) • Agro-retail • Mining and quarrying • Manufacturing • Electricity, gas and water • Construction • Wholesale and retail trade (other than agriculture) and restaurants and hotels • Transport, storage and communication • Financing, insurance, real estate, and business services • Community, social, and personal services • Activities not adequately defined
3	City	Select one: • Matadi • Goma • Kinshasa • Lubumbashi • Other
4	Form of registration	• Select one: • Sole proprietorship • Limited liability company (such as SA and SARL) • Cooperative • Corporation • Partnership • Other, explain: _____
5	Principal owner name	Open-ended
6	Principal owner contact phone number	Open-ended
7	Principal owner email address	Open-ended
8	Primary manager name (if different from principal owner)	Open-ended
9	Primary manager phone number	Open-ended
10	Primary manager email address	Open-ended
11	Number of employees, total	Select one: • 1 to 500 • 501 to 1000 • 1001 to 5000 • 5001 to 10000 • 10000+

Appendix J, continued

No.	Question	Format
12	Percentage of employees that are female	%
13	Annual turnover	Select one: • < US$3 million • US$3 million < US$15 million • US$15 million < US$50 million • US$50 million < US$100 million • US$100 million+
14	Which product/activity produces the most turnover for your business?	Open-ended
15	Roughly how many MSMEs do you source from?	Select one: • 1 to 10 • 11 to 50 • 51 to 200 • 201 or more
16	Can you provide a list of the top 10 MSMEs you work with (by volume)?	Yes/No

Appendix K. Business canvas offering illustrative examples for the four cities in the SME Development and Growth Project of the DRC

Business Canvas for Lubumbashi: Mining Sector

SERVICE OFFERINGS

Shared services provided to companies over 1 to 2 years

Office automation tools

Overall support program

- *Product development:* Benchmarking, competition, prototyping, monetization, market analysis.
- *Marketing:* Sales, pricing, branding, acquisition, loyalty.
- *Operations:* Purchasing/procurement, human resources, finance, legal, governance, process.

Two steps in support program

Challenge product/service and grow business

- Occasionally, consulting services at a reduced price: Accounting, legal, tax, communication.
- One-stop shop linking SMEs with public administrations and services.
- Mandatory hosting of company. Access to a workspace, workshops (catering, cleaning, other), premises, ICT, electricity, internet, infrastructure available.
- Access to network of mentors and experts within leading company.
- Financing of startups – equity investment.
- Payment platform between companies and SMEs.
- Guarantee of effective payment of center at variable base level.

KEY RESOURCES

Two full-time people in center

- *Center manager:* Strategy and management of center. Design and implementation of SME support program. SME business challenge.
- *SME manager:* Challenges SMEs on technical and managerial issues. Ensures link between SMEs and private market.

Additional resources

- *Staff from mining companies:* Contribution of business expertise.
- *Part-time technical advisers as needed:* Management, technical expertise, product development.

TARGET CLIENTS

Progressive volume from 20 to 40 companies supported/year

Selection criteria:

Target activities

- General construction: Carpentry, plumbing, piping, etc.
- Babysitting, janitorial, cleaning.
- Food/catering.
- Provision of equipment (e.g., tires, clothing).
- Transport and logistics.

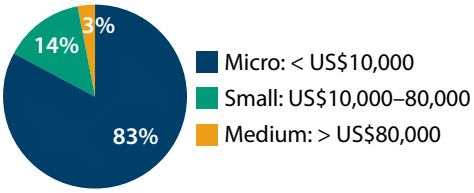
Maturity level

Company has gone beyond good idea stage, has an identified market, and generates income (minimum annual turnover of US$7,000). Payment of demonstrated patent. Minimum capital of US$6,000.

Team formed > 2 full-time equivalents

222 companies identified in Lubumbashi in target sectors (industry, construction, mining, transport and logistics, business services, hotels, and restaurants). 95% of them have between 1 to 10 employees.

Enterprises by size and revenue



PARTNERSHIP MODELS AND LEGAL STRUCTURE

Legal structure in form of an EIG, which brings together various mining companies.

Note: Mining companies recently demonstrated their ability to federate as part of their negotiations on law on subcontracting (collective G7).

Center currently meets sector need: To develop reliability, credibility, and production capacity of subcontractors. Companies are required to pre-finance subcontractor by 30% of amount at contract signing.

COSTS

Startup costs

Renovation of premises, IT equipment (computers, printer, renovation costs/preparation of installations), furniture, marketing costs, communication, training equipment.

Operating costs

Space rental (US$8,000/month), internet, energy/electricity, maintenance, replacement of computer equipment, promotional material, staff salaries, daily costs for administrative operation, payroll.

SOURCES OF INCOME

Payment by SMEs of a fixed base and variable portion

A monthly fee of US$250 is required from startup for turnover of business < US$10,000. US$350 for annual turnover between US$10,000 and US$80,000. US$600 for income > US$80,000. For 36 months after first six months of support, the center takes 10% of income for group < US$10,000; 15% of income for group 10 to US$80,000, then 20% of income for group > US$80,000.

WBG grant for center management, financing of support activities, and technical assistance.

Optional participation from SMEs by center manager. Investment in supported SMEs: return on investment of 15% for 50% of them. Tickets from US$5,000 to 10,000.

Appendix K, continued

Business Canvas for Kinshasa: Digital Sector and Other Services

SERVICE OFFERINGS

Shared services provided to companies over 1 to 2 years

Secretariat to manage logistics issues

Sales representative trained in products and services of center companies, who approaches prospects daily and makes links with market.

Training provided

- *Frugal and agile product methodologies:* Lean startup, design thinking, Agile, Scrum, etc. (short development cycles based on permanent iteration loops).
- *Product development:* Benchmarking, competition, prototyping, monetization, market analysis.
- *Marketing:* Sales, pricing, branding, acquisition, loyalty.
- *Operations:* Purchasing/procurement, human resources, finance, legal, governance, process.

Two steps in support program

Challenge product/service and grow business

- Occasionally, consulting services at a reduced price: Accounting, legal, tax, communication.
- One-stop shop linking SMEs with public administrations and services.
- Hosting of supported companies. Access to shared equipment (premises, ICT) and infrastructure (electricity, internet) in same space.
- Access to network of mentors and experts within leading company but also from diaspora (50 experts from voluntary diaspora).
- Financing of startups – equity investment.

KEY RESOURCES

Two full-time people in center

- *Center manager:* Strategy and management of center. Design and implementation of SME support program. SME business challenge.
- *Technical manager:* Challenges SMEs on technical and managerial issues and develops necessary tools to manage the center.
- *Commercial:* Ensures link between SMEs and private market (from year 3).

Additional resources

- *Staff from leading company:* Contribution of business expertise.
- *Part-time technical advisers as needed:* Management, technical expertise, product development.

TARGET CLIENTS

Progressive volume from 20 to 40 companies supported/year

Selection criteria:

Strong digital component

Uses internet as distribution channel, with transaction, marketing, or distribution of a digital technology.

Types of products and services provided

Business consulting, website design, software (desktop, web and mobile app), online sales, training.

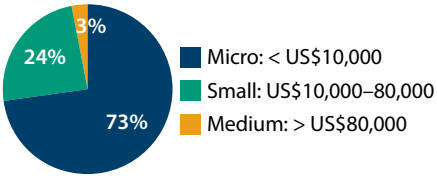
Note: With low maturity of digital ecosystem, it is appropriate to extend incubator to other service activities: hotels, restaurants, communication, transport, and logistics.

Maturity level

Company has gone beyond good idea stage, has an identified market and generates revenue (minimum turnover of US$5,000). Payment of demonstrated patent. Minimum capital of US$6,000.

Team constituted and complete with full-time staff available. 81 companies identified in IT/telecommunications services in Kinshasha as part of Deloitte study.

Enterprises by size and revenue



PARTNERSHIP MODELS AND LEGAL STRUCTURE

Leading company

Involvement of several large companies from banking (FINCA, TMB), telecom (Orange, Africell, Vodacom, and Airtel), and innovation (Microsoft, Facebook, and Google) sectors.

Note: TMB (bank) is interested in investing in implementation of digital hub. Interest = innovative digital banking solutions. Possible contributions: hosting center, investing in startups, access to infrastructure. Google, Facebook, and Microsoft volunteers to conduct technical training for startups.

Center manager/investor

Makutano network identified as a relay. Provides network of mentors. Investment capacity in startups Congo Call Center and Kinshasa Digital interested in center manager position.

COSTS

Startup costs

Renovation of premises, IT equipment (computers, printer, renovation costs/preparation of installations), furniture, marketing costs, communication, training equipment, machinery.

Operating costs

Space rental (US$8,000/month), internet, energy/electricity, maintenance, replacement of IT equipment, promotional material, staff salaries, daily costs for administrative operation, payroll.

SOURCES OF INCOME

Payment by SMEs of a fixed base and variable portion

Monthly fee of US$250 required from startup for turnover of business < US$10,000. US$350 for annual turnover between US$10,000 and US$80,000. US$600 for income > US$80,000. For 36 months after first six months of support, the center takes 10% of income for group < US$10,000; 15% of income for group 10 to US$80,000, then 20% of income for group > US$80,000.

WBG grant for center management, financing of support activities, and technical assistance.

Optional participation from SMEs by center manager. Investment in supported SMEs: return on investment of 15% for 50% of them. Tickets from US$5,000 to 10,000.

Appendix K, continued

Business Canvas for Goma: Agricultural Sector

SERVICE OFFERINGS

Shared services provided to companies over 1 to 2 years

Compliance: Certifications, standards (in particular to supply export market).

Office automation tools

Overall support program

- *Product development:* Benchmarking, competition, prototyping, monetization, market analysis.
- *Marketing:* Sales, pricing, branding, acquisition, loyalty.
- *Operations:* Purchasing/procurement, human resources, finance, legal, governance, process.

Two steps in support program

Challenge product/service and grow business

- Occasionally, consulting services at a reduced price: Accounting, legal, tax, communication.
- One-stop shop linking SMEs with public administrations and services.
- Mandatory hosting of company. Access to a workspace, workshops (catering, cleaning, other), premises, ICT, electricity, internet, infrastructure available.
- Services for sharing purchases (seed, fertilizer) and laboratory tests (nutritional analysis, shelf-life study).
- Access to network of mentors and experts within leading company.
- Financing of startups – equity investment.
- Payment platform between companies and SMEs.
- Guarantee of effective payment of center at variable base level.

KEY RESOURCES

Two full-time people in the center

- *Center manager:* Strategy and management of center. Design and implementation of SME support program. SME business challenge.
- *SME manager:* Challenges SMEs on technical and managerial issues. Ensures link between SMEs and private market. Strong experience in creation of an agrifood company.

Additional resources

- *Staff from large companies:* Contribution of business expertise.
- *Part-time technical advisers as needed:* Management, technical expertise, product development.

TARGET CLIENTS

Progressive volume from 20 to 40 companies supported/year

Selection criteria:

Target activities

- SMEs capable of bringing added value to sector and strengthening link between producers and consumers.
- Packaging (coffee bags, vegetables, etc.)
- Agricultural processing.

Target sector

Cocoa and coffee processing, milk/livestock processing, vegetable processing.

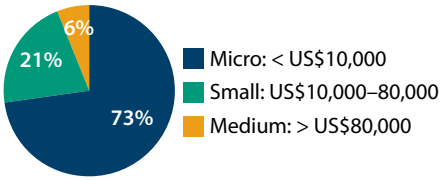
Maturity level

Company has gone beyond good idea stage, has an identified market, and generates revenue (minimum turnover of US$7,000). Payment of demonstrated patent. Minimum capital of US$6,000.

Established team > 2 full-time equivalents

125 companies identified in target sectors in Goma. 82% of them have between 1 to 10 employees.

Enterprises by size and revenue



PARTNERSHIP MODELS AND LEGAL STRUCTURE

Legal structure in form of an EIG, which brings together large companies, FEC, and university.

FEC of Goma very dynamic and able to federate the players.

Dynamic and legitimate incubator Kivu Entrepreneurs interested in project.

ULPGL University active in development of an entrepreneurial culture and promotion of models.

COSTS

Startup costs

Renovation of premises, IT equipment (computers, printer, renovation costs/preparation of installations), furniture, marketing costs, communication, training equipment, machinery.

Operating costs

Space rental (US$8,000/month), internet, energy/electricity, maintenance, replacement of computer equipment, promotional material, staff salaries, daily costs for administrative operation, payroll.

SOURCES OF INCOME

Payment by SMEs of a fixed base and variable portion

A monthly fee of US$250 is required from startup for turnover of business < US$10,000. US$350 for annual turnover between US$10,000 and US$80,000. US$600 for income > US$80,000. For 36 months after first six months of support, the center takes 10% of income for group < US$10,000; 15% of income for group 10 to US$80,000, then 20% of income for group > US$80,000.

WBG grant for center management, financing of support activities, and technical assistance.

Optional participation from SMEs by center manager. Investment in supported SMEs: return on investment of 15% for 50% of them. Tickets from US$5,000 to 10,000.

Appendix K, continued

Business Canvas for Matadi: Cement Industry

SERVICE OFFERINGS

Shared services provided to companies over 1 to 2 years

Office automation tools

Overall support program

- *Product development:* Benchmarking, competition, prototyping, monetization, market analysis.
- *Marketing:* Sales, pricing, branding, acquisition, loyalty.
- *Operations:* Purchasing/procurement, human resources, finance, legal, governance, process.

Two steps in support program

Challenge product/service and grow business

- Occasionally, consulting services at a reduced price: Accounting, legal, tax, communication.
- One-stop shop linking SMEs with public administrations and services.
- Mandatory hosting of company. Access to a workspace, workshops (catering, cleaning, other), premises, ICT, electricity, internet, infrastructure available.
- Access to network of mentors and experts within leading company.
- Financing of startups – equity investment.
- Payment platform between large companies and SMEs.
- Guarantee of effective payment of center at variable base level.

KEY RESOURCES

Two full-time people in center

- *Center manager:* Strategy and management of center. Design and implementation of SME support program. SME business challenge.
- *SME manager:* Challenges SMEs on technical and managerial issues. Ensures link between SMEs and private market.

Additional resources

- *Staff from mining companies:* Contribution of business expertise.
- *Part-time technical advisers as needed:* Management, technical expertise, product development.

TARGET CLIENTS

Progressive volume from 20 to 40 companies supported/year

Selection criteria:

Target activities

- General construction: carpentry, plumbing, piping, etc.
- Babysitting, janitorial, cleaning
- Food/catering
- Provision of equipment (e.g., tires, clothing)
- Transport and logistics

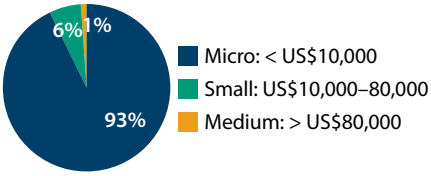
Maturity level

Company has gone beyond good idea stage, has an identified market, and generates revenue (minimum turnover of US$7,000). Payment of demonstrated patent. Minimum capital of US$6,000.

Established team > 2 full-time equivalents

197 companies identified in target sectors in Matadi (75% in industry and 25% in hotels and restaurants). 93% are micro-enterprises.

Enterprises by size and revenue



PARTNERSHIP MODELS AND LEGAL STRUCTURE

Leading company

Leading companies interested in cement works: PPC, CILU, and CIMCO.

Center manager/investor:

I&F Entrepreneurship, one of DRC's legitimate incubators, is interested in the scheme. Note that it is in discussion with sugar company of Kwilu Ngongo (200 km from Matadi) to set up partnership.

COSTS

Startup costs

Renovation of premises, IT equipment (computers, printer, renovation costs/ preparation of installations), furniture, marketing costs, communication, training equipment.

Operating costs

Space rental (US$2,000/month), internet, energy/electricity, maintenance, replacement of computer equipment, promotional material, staff salaries, daily costs for administrative operation, payroll.

SOURCES OF INCOME

Payment by SMEs of a fixed base and variable portion

A monthly fee of US$250 is required from startup for turnover of business < US$10,000. US$350 for annual turnover between US$10,000 and US$80,000. US$600 for income > US$80,000. For 36 months after first six months of support, the center takes 10% of income for group < US$10,000; 15% of income for group 10 to US$80,000, then 20% of income for group > US$80,000.

WBG grant for center management, financing of support activities, and technical assistance.

Optional participation from SMEs by center manager. Investment in supported SMEs: return on investment of 15% for 50% of them. Tickets from US$5,000 to 10,000.

Appendix L. Example of a business plan's financial assumptions

This business plan is based on the market assessment conducted for the SME Growth and Development Project of the DRC and has been adapted for the purpose of this toolkit. All costs are based on local estimates from the DRC in 2017–2018. The business plan includes the following assumptions.

Timeline. Five-year business plan simulation based on the assumption of ecosystem growth over the first four years of operation responding to the following dynamics:

- Year 1: Creation of the center resulting in investment costs but no income.
- Year 2–3: Strong mobilization of actors and dynamics around the center.
- Year 4–5: Controlled growth and professionalization of the center team during the third and fourth years of operation.

Number of SMEs per center. Total of 48 paying SME tenants by year 5:

- Retainment rate of 75 percent (25 percent of SME members leave the center every year).
- 20 new SMEs join year 2 and 3.
- 15 new SMEs join in year 4 and 5.

Revenue streams.
From SME tenants:

- Monthly rental fee paid by SMEs according to a sliding scale based on their size (yearly sales).

SME size (yearly sales)	*Monthly rent*	*Share of total SMEs in the center*
<US$10,000	US$300	50%
>US$10,000 to <US$80,000	US$450	40%
>US$80,000	US$650	10%

- Optional fees, such as conference and meeting room rental, printing, hardware rental, and video conference.

From external companies: Temporary rent of commercial space, accommodation, or food service.

Operating expenses (Opex). Staff salary, rent, travel material and equipment, SME technical assistance, as well as purchase of other services are included in the operating expenses.

Capital expenses (CapEx). A total of US$65,700 needs to be invested by the developer in year 1. A growth investment of US$100,000 is also included in year 4.

Grants and subsidies. The business plan relies on subsidies for operational costs (training of SMEs and staff, communication and marketing expenses, intellectual services, and utilities) and initial costs related to preliminary study, renovation of premises, and equipment. Overall, over a period of five years, subsidies amount to US$660,000.

Sustainability. In the case of the DRC, it is expected that the project breaks even by year 3. By year 5, the project should be able to run with a minimal amount of subsidies (below US$10,000). Between years 2 and 5, subsidies represent 25–40 percent of yearly Opex. The internal rate of return of the project is estimated to be 14 percent by year 5.

Appendix L, continued

Example of cost and revenue parameters used in the business plan for the SME Development and Growth Project of the DRC

Revenue parameters

Rental income	*Unit*	*US$*	*No. of units*	*Occupancy rate*	*Annual increase in occupancy rate*	*Description*
Rental of commercial space for SME's sales plus 10% occupied from external enterprises	Package/ company per day	25	1	10%		Daily cost per SME at a 10% occupancy rate.
Rental of event room/ meeting room	Rent per day	850	1	30%	10%	1 event room booked 30% of the time in the first year and then occupancy increases yearly by 10%
Other commercial services (hotels, other)		2,000	1			Average monthly revenue
Video conference rental	Rent per day	50	1	25%	10%	Indexed on the rental of the room, 25% of the rental companies subscribe to the solution
Hardware rental (computer and smartphone)	Rent per day	7	8	25%	5%	Daily cost per device. Total of 8 devices rented 25% of the time with a usage rate increasing by 5% on a yearly basis
Printer usage	Price/ unit/A4	0.25	20			20 copies per SME per month

Cost parameters

Operating and recurring expenses	*US$*	*Description*
Rent per month	8,000	
Furniture	1,000	New or replacement furniture on a yearly basis
Consumables and supplies	0	0.5% of total revenues generated
IT and telecom, such as computers or phones	5,000	Maintenance or replacement
Communication and marketing	0	3% of total revenues generated
Intellectual services, such as lawyers and accountants	1,200	Price for an SME per year for 1 day of support per SME
Internet telecom and broadband	5,000	Monthly cost
Electricity, water, other	4,000	Monthly cost
Gross salary of the operational team per month	10,000	2 full-time executives: US$3,000 net for the chief executive offcer; US$2,000 net for the SME coach plus taxes
Training of SMEs: technical assistance support services	1,500	Price for an SME per year. Calculated on the basis of 30 days of support per year at the rate of US$1,000 per day for 20 SMEs
Training and support for the center's operational team	0	10% of the wage bill
Operating expenses, such as travel	0	2.5% of total revenues generated
Other purchases for services	0	4% of revenues generated from the provision of services
Investment or initial expenses	***US$***	***Description***
Furniture	30,000	Furniture needed to start the center
Consumables and supplies	5,000	0.5% of total revenues generated
Communication and marketing	25,000	3% of total revenues generated
Intellectual services, such as lawyers and accountants	20,000	Price for an SME per year for 1 day of support per SME
Technical assistance (including preliminary analysis)	30,000	For the design and launch of the center
Renovation of premises	25,000	
IT and telecom	20,000	Server, switch, router, firewall, wifi, other
IT and telecom	50,000	Computers, phones
Growth investment	100,000	In year 4

Appendix M. Example of a KPI table

Type of KPI	*Indicator/KPI*	*Unit measure*	*Data source*
Center KPIs	Size	Number of full-time employees	SME Center
	Attraction	Number of new SMEs by year	SME Center
	Attrition	Number of SMEs that leave every year	SME Center
	Funding	Amount of funding raised and number of deals	SME Center
	Sustainability	Center's yearly income	SME Center
SMEs KPIs	SMEs' output quality improvement	To be tailored to the type of SMEs in the center (time to market, improved quality standards, increased output, and so on)	SME surveys
	SMEs' business growth	Number of jobs created by year	SME surveys
	SMEs' revenue growth	Percentage of yearly revenue increase	SME surveys
	SMEs' market growth	Number of new clients (or number of new products or services in the case of the ancillary center)	SME surveys

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