



# Scaling Up Ecosystems for Small Businesses in the Democratic Republic of Congo

*Analysis based on data from  
Kinshasa, Lubumbashi, Matadi,  
and Goma*

JANUARY 2019

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# Contents

**I. Acknowledgments v**

**II. Foreword vii**

**III. Executive Summary xi**

Context xi

Methodology xii

Findings xii

Conclusions and recommendations xiii

**IV. Acronyms xv**

**V. Background 1**

**VI. Methodology 5**

1. Phases of MSME study 5

2. Analytical methods 7

3. Data collection methods 8

**VII. Summary of Survey Results and Ecosystem Analysis 11**

1. Overview of MSME mapping results in four locations 11

2. Findings from the MSME survey and focus groups 15

**VIII. Conclusions of the consultations on the MSME ecosystem 21**

**IX. Reinforcing the MSME ecosystem in Kishasa, Goma, Matadi, and Lubumbashi 31**

**References 39**

**Annex 1: Databases of MSMEs and their key characteristics 41**

**Annex 2: Mapping of the large companies 45**

**Annex 3: Financial inclusion for MSMEs in the DRC 49**

**Annex 4: Supply and demand of BDS for MSMEs 51**

**Annex 5: MSMEs ecosystem enablers 53**

**Annex 6: Different types of MSMEs 57**

## **Tables**

Table 1. Definition of MSMEs used in this report 5

Table 2. Definition of MSMEs by growth stage and likely growth trajectory 6

## **Figures**

Figure 1. Database of MSMEs 12

Figure 2. Representation of youth-led enterprises in the MSME population 12

Figure 3. Representation of women-owned enterprises in the MSME population 12

Figure 4. MSME trends in the four locations 13

Figure 5. MSME breakdown by sectors 14

Figure 6. Men- and women-owned enterprises by sectors 15

Figure 7. Data collection on MSMEs 15

Figure 8. Causes of revenue increase 16

Figure 9. Women and youth perspectives 18

Figure 10. Key conclusions from the MSME Ecosystem Diagnostic 21

Figure 11. The role of lead firms in the value chain integration 38

Figure 12. Value chains in the four locations with interest from lead firms 38

# I. Acknowledgments

This report was prepared by Natalia Agapitova, Milaine Rossanaly, Didier Kashala, and Janvier Kiambu as part of the preparation of the Small and Medium Enterprise (SME) Development and Growth Project in the Democratic Republic of Congo (DRC) with support and funding from the World Bank Group (WBG).

The report benefited from guidance and feedback by several WBG team members: Alain Traore, Alphonsus Achomuma, Anupa Pant, Chadi Bou Habib, Domoina Rambeloarison, Justin Hill, Roy Parizat, Tazeen Hasan, and Sharon Fisher.

Methodology development, data collection and analysis relied on contributions from the Deloitte Afrique-Target consortium led by Marie Sevellec and Serge Mumbu.

We thank our DRC government counterparts for their assistance, including Ministry of Small- and Medium-Sized Enterprises (SMEs), Ministry of Gender, governors of provinces of Haut Katanga, Nord-Kivu et Kongo Central, and provincial government organizations.

Our gratitude goes to the many businesses and business associations in the DRC that shared data and offered insights in interviews and focus groups.

Bernard De Schrevel, Jean-Claude Malongo, Patty Kalay, and Paulina Rozycka from the European Commission office in Kinshasa provided valuable technical inputs and participated in various activities during implementation.

Additional contributions and reviews were made by Papy Tshaba, Ezechiel Biduaya, Jean Pierre Mapual, and Jules Petit Tahata.

We thank the Competitive Industries and Innovation Program (CIIP) Trust Fund for providing financial support that made this report possible



# II. Foreword

## **Ministry of Middle Class, Small and Medium Enterprises and Handicraft of the Democratic Republic of Congo**

Congolese people are entrepreneurs in their flesh and soul, better yet, in their DNA. The famous, imaginary and mythical “article 15: get by” says a lot about this reality in our collective unconscious. The impressive number of formal and informal micro, very small, small and medium-sized enterprises (SME) in our country is an eloquent testimony to this entrepreneurial dynamic.

Thus, since the beginning, small and medium-sized enterprises, both formal and informal, have played and continue to play a remarkable and vital economic and social role in our country, the Democratic Republic of Congo. The profitability and performance of the Congolese company, and of the micro, very small, small and medium-sized enterprise (MSME), are partly dependent on its ecosystem. It is therefore right that the national development policy of the Democratic Republic of Congo considers MSMEs as “the central engine” of economic growth that is now intended to be inclusive and capable of guaranteeing the redistribution of income, through job creation in both rural and urban areas.

This study, launched by our partner, the World Bank Group, provides us with reliable and relevant information on the various actors involved in the Small and Medium Enterprise ecosystem. The result of this diagnostic study makes it possible to zoom in on the country’s SME sector thus facilitating the update of strategic data and a more relevant identification of new development niches for our MSMEs. No reform, i.e. no credible public policy, is possible in a country or in a sector if no reliable baseline data is available.

The President of the Republic, His Excellency Félix Antoine Tshisekedi Tshilombo, has made economic diversification one of the priorities of this five-year period. He wishes to stimulate a new dynamic in business practice to enable the emergence of a new generation of entrepreneurs, creating sustainable wealth for the nation, catalysts for the real middle classes, and capable of courageously engaging in the fight to reduce poverty in our country. Quite naturally, among these new generation entrepreneurs, women and young people are called upon to play a leading role.

Moreover, for some years now, the government has resolutely embarked on a path of pulling its economy out of the suffocating grip of extractive industries based on the colonial annuity model, which has long weakened our entire economy, subject to the vagaries of world market prices. The national strategy for the promotion of MSMEs, as adopted by Government in May 2016, is undoubtedly the cornerstone of this strategy. Its implementation resulted in the signing, on 15 September 2018, of the Financing Agreement for the Micro, Small and Medium Enterprise Development Support Project (PADMPME), which will soon be ratified by our Parliament.

This report provides interesting benchmarks on sectors that can not only create jobs, but also enhance the value of our urban and peri-urban areas. These include agri-food and its processing industry, as well as light industry and services (excluding commercial and financial services). For our government, it is a real dashboard that will allow us to calibrate our actions more effectively. We therefore invite all stakeholders in the SME sector to make the most of it, particularly within the framework of PADMPME to fully guarantee its success.

In fact, this study, underpinned by PADMPME, is a significant step in the right direction. However, this is only the very first step, to be followed by several others of the same scope, if not more, to achieve the rigorous objectives set by the government, under the coordination of the Prime Minister, His Excellency Sylvestre Ilunga Ilunkamba.

Indeed, starting from this exhaustive inventory of our SME sector, it is now up to us, as a public authority, to go much further and much faster, in a holistic but pragmatic way, with a view to achieving the economic and social transformation of our country. Promoting entrepreneurship has been long awaited by our people.

To close this statement, I would like to thank, on behalf of the Congolese government, our partner, the World Bank Group, for the technical and financial support that it provides us so pertinently!

Finally, I would like to congratulate all the experts who have contributed, in any way, to this first building block, in terms of updating data in this important sector of SMEs whose emergence is now and rightly perceived by the entire Congolese nation as “the priority of priorities”. This sector is expected to drive the diversification of our economy, the fight against poverty and, ultimately, the country’s overall transformation.

***Justin Kalumba Mwana Ngongo***  
*Minister of the Middle Classes,  
Small and Medium Enterprises,  
and Arts and Crafts*

## World Bank Group

The Democratic Republic of Congo (DRC) recognizes the tremendous impact and vast potential of formal and informal Micro, Small, and Medium-sized Enterprises (MSMEs) to the development of the country's economy. The government's SME Development and Growth Project, with support and funding from the World Bank Group, aims to support the growth of these enterprises and increase employment and entrepreneurship opportunities, especially for women- and youth-led businesses. At a time when the DRC is inaugurating a new page in its political history, it is noteworthy to highlight that human capital development through the promotion of young people and women is one of the government's priorities for the years to come. Local capacity building is key, and the World Bank Group plays a central role in this area.

Why MSMEs do or do not succeed generally begins and ends with systemic constraints, including financial access, infrastructure, market integration, and government rules and procedures. Yet, other challenges pertaining to market access and some very specific to the DRC exist. While there is overall progress in these areas, these challenges need to be fully explored. What are the root causes? We can only help MSMEs thrive with a detailed assessment of what supports or hinders their viability.

This report aims to shed light on this question. The World Bank Group, with support from the Competitive Industries and Innovation Program (CIIP), conducted an MSME ecosystem analysis through a myriad of data collection channels and methods—focus groups, interviews, consultations, online outreach, and so on—with a cross-section of entrepreneurs, companies, and stakeholders. The report targeted four project locations in the DRC, namely Kinshasa, Goma, Lubumbashi, and Matadi, and sectors that have potential for creating jobs and value adding locally—agribusiness, agri-processing, and light manufacturing and services.

The work created a unique database of more than 2,300 MSMEs and an exhaustive analysis of their ecosystem. This thought-provoking data helps us better understand the role systemic constraints, gender, age, skills gaps, and technology, among others, play in the productivity of formal and informal MSMEs in the DRC. The report illuminates the needs of various types of MSMEs and recommends how we can adapt policy responses and foster private investment to meet these needs.

Anyone interested in exploring innovative solutions and maximizing opportunities to support the MSME ecosystem will find this report relevant to their work, whether they are public or private practitioners or MSMEs themselves. The report offers insightful evidence and a meticulous examination to further a multi-stakeholder dialogue and inform the policy environment and private sector mobilization. MSMEs are critical to a stable and flourishing economy with repercussions for social progress—this report's analysis will help foster their development.

**Jean-Christophe Carret**

*World Bank Country Director*

*for the Democratic Republic of Congo, the Republic  
of Congo, the Central African Republic and Burundi*



# III. Executive Summary

## Context

**Micro, Small, and Medium-sized Enterprises (MSMEs) dominate the private sector of the Democratic Republic of Congo (DRC) and could serve as an engine of growth and job opportunities for the country.** Data from this report shows that firms six years and older contribute the most employment in the DRC at approximately 60 percent. Young firms account for more than 35 percent of total employment. However, significant barriers in the DRC ecosystem impede formalization, growth and competitiveness for these firms.

**To support the growth of MSMEs and increase employment and entrepreneurship opportunities, the DRC government prepared a SME Development and Growth Project with support and funding from the World Bank Group (WBG).** The US\$100 million investment project will be implemented in 2019–2024 to address ecosystem barriers facing MSMEs, especially women- and youth-led enterprises and Small- and Medium-Sized Enterprises (SMEs) with growth potential. This project is comprised of three components: support for entrepreneurship opportunities for youth and women; SME growth that provides matching grants to established SMEs with a good track record; and capacity building and project management.

**To better understand the challenges particular segments of MSMEs face, WBG with support from the Competitive Industries and Innovation Program (CIIP) conducted a MSME ecosystem analysis in four project locations in the DRC: Kinshasa, Goma, Lubumbashi, and Matadi.** The project focused on sectors that have the potential to create jobs and add value in urban and peri-urban areas: agribusiness, agri-processing, and light manufacturing and services (excluding trade and financial services). This work aimed to understand the root causes of the constraints MSMEs face and identify the characteristics needed for a successful project model to support MSMEs in the targeted regions.

## Methodology

**The study leveraged a diverse range of data collection channels and methods to capture deep, detailed, and meaningful insights on formal and informal MSMEs in the DRC.** Data was collected through the review of available public sources and internal WBG data; the establishment of an online outreach and registration platform for MSMEs; online surveys, semi-structured interviews (phone-based or face-to-face), and focus groups with entrepreneurs; consultations with established, large, multi-national, and national companies; and interviews with ecosystem stakeholders across the four cities. This created a unique database of 2,374 formal and informal MSMEs across the four locations and an analysis of their ecosystem.

**The WBG's Diagnostic Toolkit for Promoting SME Growth provided the basis for the methodology.** This toolkit provides a standardized process and tools that follow a systematic, market-focused approach to identify opportunities and challenges faced by SMEs, various stakeholders affecting the ability of an SME entrepreneur to start and grow a business, and the gap between what is available and what is required for SMEs to take advantage of viable market opportunities.

## Findings

**Overall, the MSMEs report a positive revenue growth trend in the past five years.** This increase is linked to growth in domestic demand and improved quality of suppliers. Micro enterprises are the most prevalent MSME and more likely to have young owners (ages 18–35) who report growth plans and ambition. For the majority of MSMEs, offering high-quality products and services at a competitive price constitutes their key competitive advantage. The most dynamic sectors are community and social services, followed by the primary sector.

**At the same time, MSMEs report systemic constraints that limit market access.** Outside of a lack of access to finance, entrepreneurs stress the poor quality and cost of inputs as one of the most limiting factors for growth. The poor quality of infrastructure further limits access to markets and increases production costs. The complexity of procurement rules restricts MSME participation in public procurement. There is low integration into national markets and value chains, and the country suffers from fragmentation of the internal market. MSMEs also stress the weight of foreign competition on the local market.

**While women increasingly engage in entrepreneurship, they report more internal and external constraints.** Women own or manage 28 percent of MSMEs mapped. The women-owned enterprises are more represented in sectors with lower profit margins, such as retail, and are particularly affected by limited access to markets and production costs. Women mostly see entrepreneurship as a necessity—a source of livelihood due to lack of alternative sources of income and employment. It is youth that drive the growth of opportunity entrepreneurship in the DRC.

**Skills gaps negatively affect MSME growth and productivity.** For 70 percent of MSMEs, the lack of qualified human resources is the first internal factor stunting growth. In addition, there is a

mismatch between the training offered in the market and the skills needs from the MSMEs specific to their company needs. The ecosystem analysis identified strong demand for a wide range of BDS. The ecosystem enablers report that their key challenge is to develop a viable business model. Seasonality also has implications for the capacity of MSMEs to attract and retain talent.

**MSMEs use technology in a limited way.** The use of new technologies is limited because of energy access challenges and frequent power cuts, lack of equipment, and limited ICT penetration. 77 percent of MSMEs identify the lack of modern equipment and technology as a constraint to productivity. There is a large age and gender gap in the use of technology: 57 percent of women report that they do not know how to make use of technology (compared to 37 percent of male respondents), and only 17 percent of young entrepreneurs do not use technology at all.

## Conclusions and recommendations

The key conclusions and recommendations reflect the needs of various types of MSMEs and the international experience of policy responses that are adapted on their needs:

- **Simplify and make more transparent the policy environment.** Access to information is one of the main requirements by the MSME ecosystem players. The ongoing single-window reform is the right step toward a system of incentives for formalization, and its implementation should be further expanded. A centralized MSME registry could help to consolidate data from various sources to better understand needs and opportunities.
- **Address market and institutional gaps to foster private investment in the MSMEs.** Recent trends demonstrate a growing interest from the domestic investors and diaspora. Startup capital will require more public support and innovative approaches to mobilize private investors. With regards to the design of the SME Development and Growth Project, the stakeholders noted that the project could play a catalytic role in building a pipeline of investable deals for the private investors through its Business Plan Competition.
- **Strengthen and expand the base of opportunity entrepreneurs.** Local role models could be recruited to foster the culture of opportunity entrepreneurship, and ecosystem support systems could be strengthened to facilitate business networks. Additionally, social entrepreneurship could be promoted as an alternative to profit-driven opportunity entrepreneurship because it provides a flexible model for employment and community-based development.
- **Devise innovative solutions to infrastructure challenges.** Infrastructure constraints are unlikely to be addressed in the short to medium term, so targeted solutions are required. The consultations highlighted the need to identify sustainable market-led solutions to infrastructure constraints. Partnerships can reduce barriers to infrastructure access.
- **Pilot approaches to address MSME skills gap at scale.** Labor skills gap cannot be addressed by private sector solutions and requires a public-private collaboration. Access to quality BDS that cater to the specific needs of entrepreneurs is critical for long-term sustainability.
- **Pursue integration into national market and value chains.** There are opportunities for value chain integration that can be maximized. The lead firm approach has the most potential for stimulating value chain creation and MSME upgrading.

**Recommendations from the multi-stakeholder dialogues about the SME ecosystem will support the implementation of the SME Growth and Development project but could also be applied more broadly and inform the design of government policies and reforms.** Additionally, the data collection tools and the unique database of MSMEs provide a good resource for public and private practitioners engaged in support on MSMEs in the DRC. These resources will be publicly available on the website for the SME Development and Growth Project.

# IV. Acronyms

<b>BDS</b>	Business Development Services
<b>BPC</b>	Business Plan Competition
<b>CIIP</b>	Competitive Industries and Innovation Program
<b>DRC</b>	Democratic Republic of Congo
<b>EIG</b>	Economic Interest Group
<b>FEC</b>	Federation des Entreprises Congolaises (Federation of Enterprises of Congo)
<b>GDP</b>	Gross Domestic Product
<b>ICT</b>	Information and Communications Technology
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>PAD</b>	Project Appraisal Document
<b>ROI</b>	Return on Investment
<b>SCD</b>	Systematic Country Diagnostic
<b>SME</b>	Small- and Medium-Sized Enterprise
<b>SSA</b>	Sub-Saharan Africa
<b>UNDP</b>	United Nations Development Programme
<b>WBG</b>	World Bank Group



# V. Background

**With a population estimated around 77 million, the DRC is the fourth largest country in Africa and the 11th largest country in the world.** The population of the DRC is expected to reach 85 million by 2020. The country is exceptionally rich in natural endowment. Yet, weak state institutions, political instability, poor governance, and erratic policy choices increased the vulnerability of the economy and exposed the society to violence and impoverishment (World Bank, 2018a). In January 2019, following chaotic and disputed presidential elections, the country went through its first transfer of power in 59 years of independence when opposition leader Felix Tshisekedi became the country's president, bringing an end to the 18-year rule of Joseph Kabila. Tshisekedi inherits an economy that's been buffeted by slowing growth since a commodity-price crash in 2014. The GDP per capita in 2017 shrunk to 40 percent of its 1960 level (constant USD of 2010, World Development Indicators); leaving 73 percent of the population under the US\$1.9 poverty line. Human development indicators are weak, with life expectancy not exceeding 60 years (175th over 189 countries, Human Development Report 2018). The country continues to struggle with ongoing insurgencies by more than 100 militia groups in the mineral-rich east that's in the grip of an Ebola outbreak.

**Since 2003, the DRC has experienced a positive Gross Domestic Product (GDP) growth, with acceleration above the average growth for Sub-Saharan Africa (SSA) between 2010 and 2015.** Starting the last quarter of 2015, economic turmoil due to the decline in commodities demand and prices and persistent political tensions narrowed the contribution of private investment from 2.5 percentage points in 2016 to 0.5 in 2017, while the double-digit inflation rate reduced private consumption growth to 1.6 percent. Exports remain poorly diversified and rely mainly on copper, cobalt, and oil, which account for more than 90 percent of export revenues.

**The private sector is dominated by informal Micro, Small and Medium-sized Enterprises (MSMEs) in the DRC.** Micro and small firms constitute the bulk of the economic activity, and there are significant barriers to growth and competitiveness for firms. Over 90 percent of firms are small (1–9 employees), and nearly half of them have been on the market for less than five years. Yet, firms six years and older contribute the most employment in the DRC (approximately 60 percent). Young firms account for more than 35 percent of total employment. The share of

young firms in the DRC is large even in the context of fragility. MSMEs demonstrate the strongest dynamic in creating new jobs compared to large firms. Small firms have an annual employment growth rate of 5.2 percent, and medium-size firms' growth rate is 6 percent, compared to only 1.3 percent for large firms.

**The growth rate of existing MSMEs is sluggish, and MSMEs in the DRC need to improve performance as an important engine of growth and job opportunities.** Congolese MSMEs do not have much incentive to expand into high growth potential sectors, such as manufacturing, agribusiness, fishing industry, energy, mining, and general/eco-tourism. Informality remains widespread and the DRC has a dual industrial structure characterized by many small and informal firms and a small number of large and formal firms. Most of the labor force in the DRC is trapped in low productivity activities. This occurs largely in the informal sector, which employs 89 percent of the working population nationally, with significant geographical disparity. Most of the informal firms have poor capital and underperform (Adoho & Doumbia, 2018).

**To support the growth of MSMEs and increase employment and entrepreneurship opportunities, the DRC government prepared a SME Development and Growth Project with support and funding from the World Bank Group (WBG).** The US\$100 million investment project will be implemented in 2019–2024 to address ecosystem barriers facing MSMEs, especially women- and youth-led enterprises and Small- and Medium-Sized Enterprises (SMEs) with growth potential. The project targets Kinshasa, Goma, Lubumbashi, and Matadi as the four focus cities due to the relative availability of adapted infrastructures, large communities of MSMEs, and/or the presence of large industrial companies that provide opportunities for MSMEs to be integrated into existing value chains. The project also focuses on productive sectors that have the potential to

### Objectives and components of the SME Development and Growth Project

The objective of the SME Development and Growth Project of the DRC is to support the growth of MSMEs and increase employment and entrepreneurship opportunities for youth and women in select areas. This project is comprised of three components:

- **Support for entrepreneurship opportunities for youth and women** who are self-employed, subsistence entrepreneurs, and those running home-based or family-owned business through Technical Assistance and financing of business plans.
- **SME development** that provides matching grants to established SMEs with a good track record, which face constraints to growth that cannot be addressed in the current context because of market and institutional gaps.
- **Capacity building and project management** that provide national and provincial actors (both public and private) with capacity-building opportunities to reinforce their skills and capabilities to perform support functions during program implementation.

Source: World Bank 2017.

create jobs and add value in urban and peri-urban areas: agribusiness, agri-processing, and light manufacturing and services (excluding trade and financial services).

**To improve the understanding of challenges facing these particular segments of MSMEs, WBG with support from the Competitive Industries and Innovation Program (CIIP) conducted a MSME ecosystem analysis in the four project locations.** This work aimed to understand the root causes of the constraints MSMEs face and to identify the characteristics needed for a successful project model to support MSMEs in the targeted regions.

**The output of this work informed the development and design of project instruments,** including:

- Support for women entrepreneurs and startups of young entrepreneurs.
- Support to investment climate reforms through public-private dialogue with MSMEs.
- Support to SMEs to enhance performance and growth.
- Development of ancillary MSME Hubs.
- Market creation for business development services (BDS) for SMEs.

**Although the data collected through this work focused on the project's specific beneficiary segments, several outputs may have broader implications for the DRC and other countries:**

- The methodology of the SME mapping and ecosystem analysis, and the concept of SME Hubs, applies broadly to other locations in the DRC and other countries.
- The tools that have been developed for primary data collection are available in English and French and can be used by development practitioners who are designing or implementing MSME support programs. The tools include an online MSME survey, questionnaires for structured interviews, guides for focus groups with entrepreneurs and ecosystem stakeholders, and an SME Hubs financial analysis tool.
- The collected data could be used for benchmarking in other fragile and conflict-affected contexts.



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# VI. Methodology

## 1. Phases of MSME study

The study was based on a multi-dimensional approach to data collection and analysis. This approach used a number of primary and secondary sources of data collection techniques to capture deep, detailed, and meaningful insights across the phases of data collection and ecosystem analysis on formal and informal MSMEs in the DRC.

This study uses a definition of MSMEs that takes into account the employment size, yearly turnover, and total assets (Table 1). This definition is based on a diagnostic of the SME sector conducted as part of the UNDP technical advisory on the National Strategy for the SMEs (UNDP, 2016) and discussions with the technical Ministry of SMEs. The definition in Table 1 reflects various legislations, discussions with the Ministry of SMEs, and charters signed with business associations in the DRC.

In addition to this legal definition of SMEs by size and turnover, this study adopted an additional categorization of MSMEs reflecting: (i) the nature of ownership (by age and gender), (ii) the growth stage, (iii) the legal form (registered company or informal), and (iv) the possible growth trajectories (subsistence enterprises, growth-oriented opportunity enterprises, and social enterprises). Table 2 describes various types of MSMEs by growth stage and growth trajectories.

**Table 1. Definition of MSMEs used in this report**

	<i>Employment (full-time equivalent)</i>	<i>Turnover (year)</i>	<i>Total Assets*</i>
Micro enterprises	1-10	< 10,000 USD	< 10,000 USD
Small enterprises	11-50	10,000-80,000 USD	10,000-150,000 USD
Medium enterprises	51-200	80,000-400,000 USD	150,000-350,000 USD

\* According to the Charter on the Small and Medium Enterprises and Artisanal Enterprises signed between the Ministry of SMEs and PME (abbreviation for *Organisations patronales et professionnelles des petites et moyennes entreprises et de l'Artisanat*).

Table 2. Definition of MSMEs by growth stage and likely growth trajectory

<i>New or Young MSMEs</i>
<p><b>New subsistence micro enterprises</b>—Youth, marginalized, unemployed, and/or underemployed individuals who start micro businesses generally for reasons of self-employment. The businesses are usually low-skill, they may be engaged in simple retail activities, and they are likely to stay informal.</p> <p><b>Growth trajectory:</b> Unlikely to ever grow.</p>
<p><b>New, competency-based enterprises</b>—The establishment of small businesses by entrepreneurs who have a skillset—a technical trade, profession, or work experience—around which the business is formed. Such enterprises are found in all sectors and generally do not involve a new business model or innovation.</p> <p><b>Growth trajectory:</b> Can potentially grow significantly if they have an entrepreneurial owner and/or right market conditions, although the owner may lack a broad skillset to manage this growth.</p>
<p><b>Start-ups</b>—New, innovation-based businesses that aim to scale quickly and use new technologies and business models to do so.</p> <p><b>Growth trajectory:</b> Start-ups are engineered to grow quickly and significantly. Successful start-ups will be “gazelles.”</p>
<i>Established MSMEs</i>
<p><b>Micro enterprises</b>—Micro businesses that have been running for some time, often informal.</p> <p><b>Growth trajectory:</b> Little potential for growth</p>
<p><b>Established SMEs</b>—Existing SMEs older than two years with some scale, usually mature “competency-based” businesses. They are found across the economy in all sectors and are often family businesses.</p> <p><b>Growth trajectory:</b> Most of these SMEs probably do not have growth aspirations, either because they provide a sufficient lifestyle to their owners or because of limited capabilities and market opportunities. Others will grow opportunistically but are not actively strategizing for it. However, their interest in growth can change, e.g., when there is generational change in family business.</p>
<p><b>Established, growth-oriented SMEs</b>—Existing SMEs older than two years with growth aspirations and a business model based (at least partially) on new product, business model development, or new market entry.</p> <p><b>Growth trajectory:</b> SMEs generally have growth intent and may invest in innovation. Growth can occur organically (e.g., through new products or new market entry) or through mergers and acquisitions, or a combination of the two.</p>
<p><b>Social enterprises</b>—Social enterprises tackle development challenges by creating market-based solutions to serve marginalized, underserved, and hard-to-reach populations. Social enterprises pursue creation of social, environmental, and economic values for their employees and customers.</p> <p><b>Growth trajectory:</b> Because social enterprises need to balance economic and social return on investments, their growth tend to be slower than profit-driven MSMEs. Social entrepreneurs often have growth aspiration in terms of social impact rather than profits. There are example of social enterprises on a national and even global scale, but most of them remain on a smaller, community-scale level.</p>

Source: Adapted from Rekas, Metz and Hill, 2017.

The above taxonomy can be applied to formal and informal firms. For example, the Systematic Country Diagnostic for the DRC (World Bank, 2018a) presents the informal sector in the DRC as a mix of three groups of enterprises. The largest group is subsistence micro enterprises mainly owned by the poor, which are low-performing firms that struggle to grow (“survivalist”).

The established, growth-oriented MSMEs (top performers) enjoy a higher level of capital. The third group (constrained “gazelles”) includes startups with high-unexploited growth potential but low performance.

The study was conducted in four phases:

1. **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 Target in the selected four cities. Both formal and informal enterprises were included in the database.<sup>1</sup> The informal enterprises were captured through the municipal registries of entrepreneurs holding a taxpayer number, through social media outreach, and through self-registration of the web platform. The next section shows the mapping results, which show the total number of MSMEs identified and included in the MSME database. The structure of the database is described in Annex 1.
2. **Survey of MSMEs:** Target then conducted 141 face-to-face interviews of MSMEs from the database. In addition, 521 enterprises responded to an online questionnaire about constraints MSMEs face. This 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.
3. **Mapping of established, large, multi-national and national companies:** 50 companies that already work or express interest in engaging with with local SMEs were mapped. The objective was to gain insights into potential upstream and downstream value chains. The structure for mapping the large companies is described in Annex 2.
4. **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).

## 2. Analytical methods

**The study employed a mix of proven analytical models for ecosystem diagnostics, as well as project and business model design informed by stakeholder consultations and workshops that created opportunity for the co-design of development solutions.**

**The WBG’s Diagnostic Toolkit for Promoting SME Growth (World Bank, 2017) provided the basis for the methodology.** This toolkit provides a standardized process and tools that follow a systematic, market-focused approach to identify:

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<sup>1</sup> For the purpose of this report, we use the definition of the The World Bank’s Informal Enterprise Survey, which defines informal enterprises as those operating without the official registration as a company World Bank. (2018b). Enterprise Surveys. World Bank Group, <http://www.enterprisesurveys.org/Data/ExploreTopics/informality>.

- Opportunities and challenges faced by SMEs,
- The various stakeholders affecting the ability of an SME entrepreneur to start and grow a business, and
- The gap between what is available and what is required for SMEs to take advantage of viable market opportunities.

Deloitte further enhanced and enriched this methodology through the adaptation of participatory approaches for stakeholder consultations, including “Lean Canvas”,<sup>2</sup> “Organizing to Win” framework<sup>3</sup> and other tools that helped to assess ecosystem maturity and augment the analysis and output.

**The SME ecosystem diagnostic analyzed various factors that affect growth and performance of firms:**

- *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.
- *Markets* — customers and distribution channels 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).

### 3. Data collection methods

**This study leveraged a diverse range of data collection channels and methods:**

- A document and literature review included publicly available resources (e.g., through web-based research) and other relevant WBG data collected through past or existing country programs.
- Online surveys, semi-structured interviews (phone-based or face-to-face), and focus groups were conducted. Various sources of qualitative data helped to gather a variety of opinions and progressively refine the hypothesis.

**The primary data collection engaged multiple stakeholders representing a set of key actors within the entrepreneurial ecosystem in the DRC.** They included: entrepreneurs, MSMEs, market representatives, business organizations, support organizations, government institutions, donors, finance institutions, and academia.

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2 ‘Lean Canvas’ is an approach that encourages participants to think about and analyze the identified problem, and generate a solution that is efficient, effective, and custom designed for the entrepreneur.

3 The “Organizing to Win” framework helps identify key components and parameters of the SME ecosystem.

**Multiple approaches to data triangulation were used to ensure the validity, robustness, and applicability of analysis, including investigator, method, and data source triangulation.**

These approaches enabled the team to converge upon evidence-based inferences that posit useful answers to this project's critical questions.



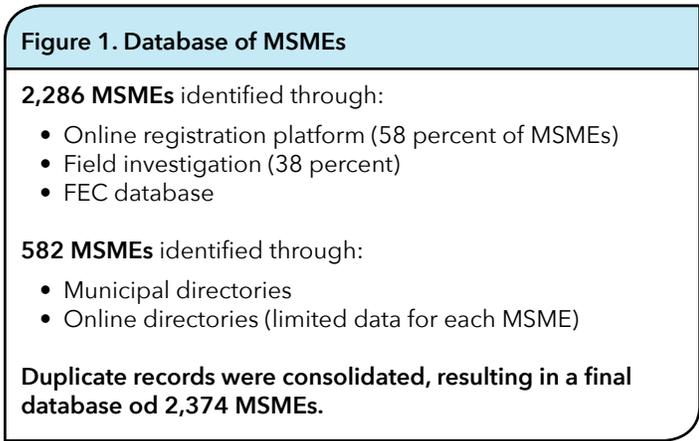
# VII. Summary of Survey Results and Ecosystem Analysis

## 1. Overview of MSME mapping results in four locations

**There is no unified data set on MSMEs in the DRC.** Data was collected through the review of available public sources (Congolese Business Federation directories, municipal directories), the establishment of an online registration platform and outreach through social media to invite MSMEs to self-register, and surveying of MSMEs in the four cities through on-the-ground methods, including door-to-door inquiries with locations that rent spaces to MSMEs.

- Document review from the WBG (enterprise surveys, project and analytical reports), the government, the donors, and web search provided a consolidated database of available MSME data.
- The resulted database was reviewed and expanded through in-person consultations with public and private sector organizations to gain insight on the validity of existing databases, and to leverage institutional databases and expertise. These organizations include the following (in order of prioritization): The Confederation of Small and Medium Enterprises of the Congo (COPEMECO), Federation of Private Enterprises in Congo (FEC), One-Stop-Shop for Business Registration (GUCE), Chamber of Commerce, municipal governments, microfinance and/or financial institutions linked with MSMEs and SMEs (e.g., FINCA), cooperatives, and/or other similar business organizations.
- An online tool was established for self-registration by the MSMEs and self-verification of existing data. Social media (Facebook, Twitter, newspaper advertising) were used to promote the MSME registration.
- Additional local outreach allowed verification of the validity of data and expansion of the database through on-the-ground methods, including door-to-door inquiries with key locations that rent spaces to MSMEs.

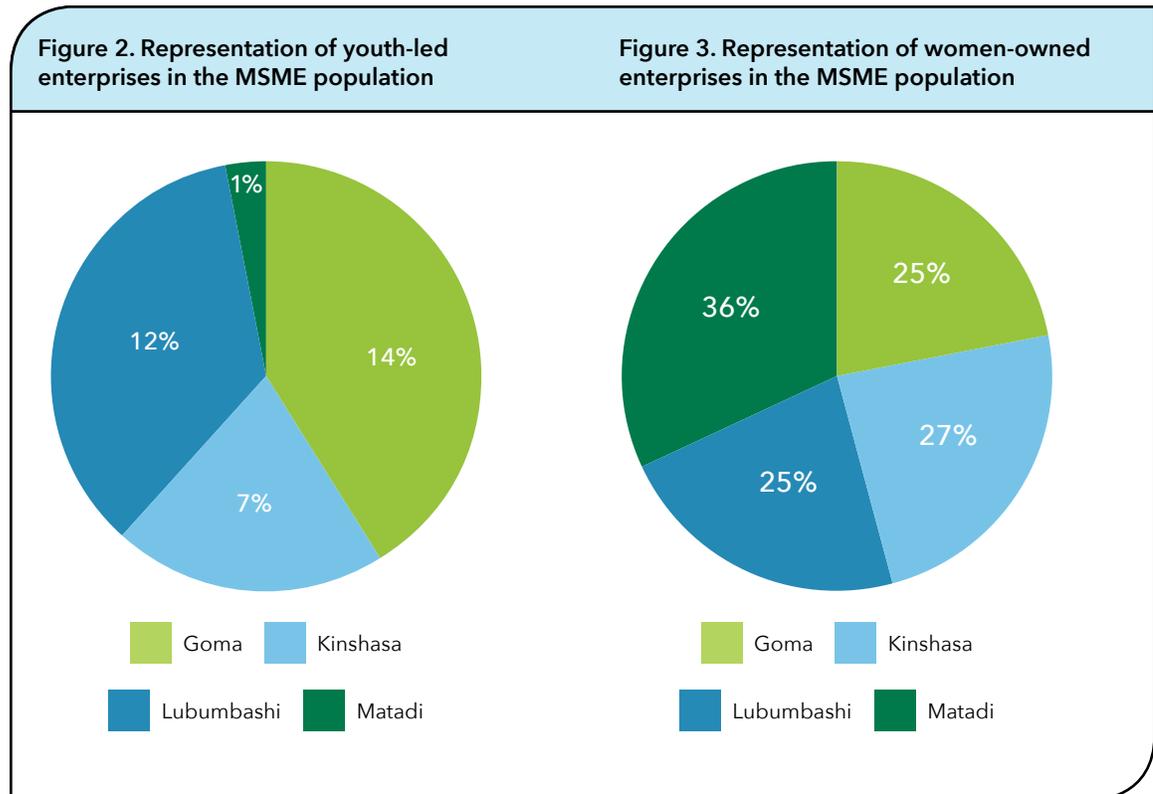
**The mapping created a unique database of 2,374 formal and informal MSMEs across the four cities.** The Excel-based database contains basic information, including company name, sector and key products/services, location, legal form, owner and manager data (name, percentage of ownership, owner, age, contact information, education), employment data, annual



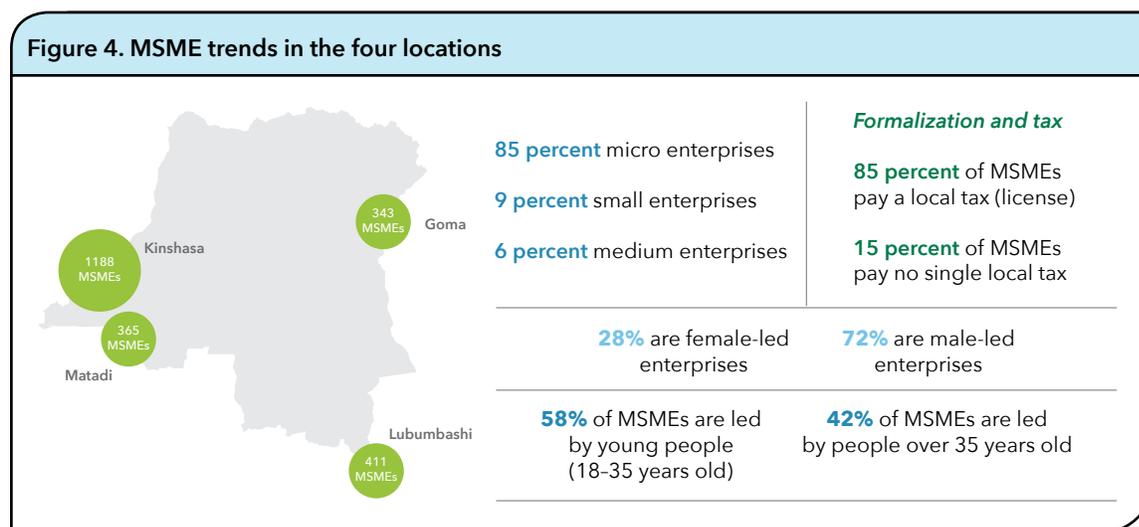
turnover, and data sources (Figure 1). This data is publicly available and could be used during project implementation. The data could also be used by academia, think tanks, donors, and investors for research purposes.

**However, this MSME mapping is non-exhaustive and does not represent the MSME population across the country, nor all**

**challenges faced by MSMEs.** The data needs to be analyzed carefully to account for biases in terms of sectoral and geographic limitations. Additionally, the number of MSMEs owned or managed by youths (18–35 years) is likely over-represented in the database compared to the national average because of the use of social media for outreach and the online registration platform. In the context of this report, the data was verified by cross referencing results with other analytics including the enterprises survey in the DRC (Figure 2). Representation of women-owned MSMEs in the mapping is also higher than the national average, which is estimated between 13 and 16 percent of formal firms according to enterprise surveys (Figure 3). The figure is higher because: (i) informal sectors, where most of women entrepreneurs operate, were included in the mapping, and (ii) women entrepreneurs were specifically targeted during the mapping process as a key beneficiary group for the lending project.



Analysis of the MSME mapping revealed several trends (Figure 4).

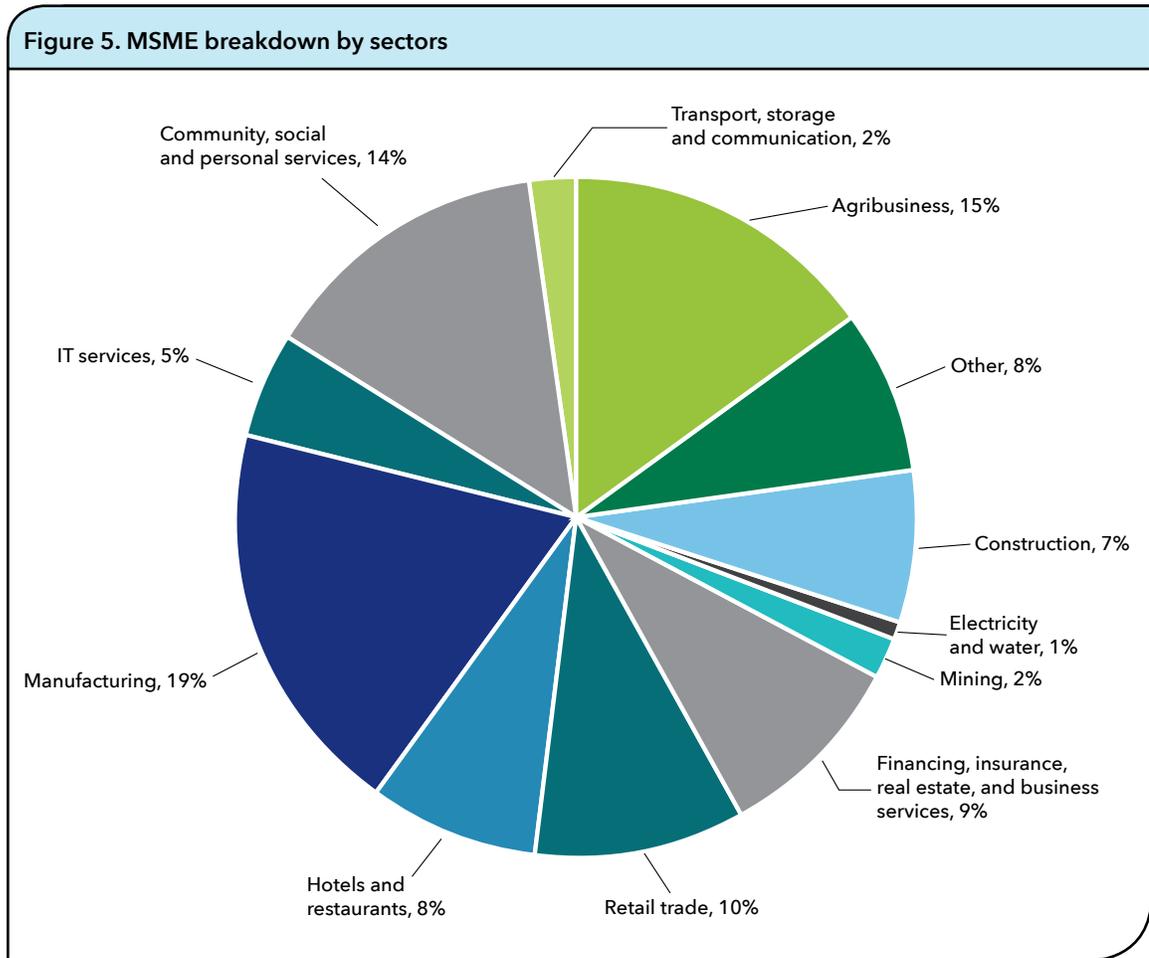


The high-level analysis of the data reveals the following trends:

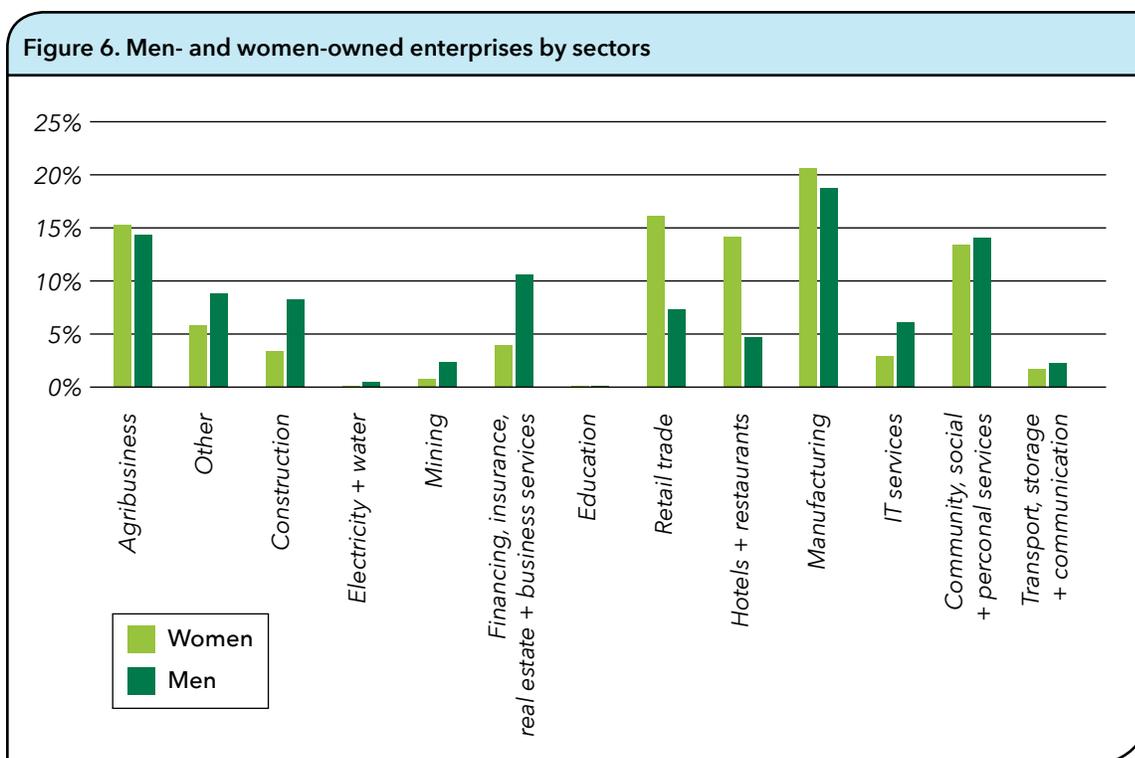
- **Micro enterprises are the most prevalent.** Micro enterprises are more likely to have young owners (ages 18–35), who, in turn, are more likely to report growth plans and ambition.
- **The overall distribution and representation of sectors are relatively even among the MSMEs (Figure 5).** 15 percent operate in the agribusiness sector including transformation. 19 percent of the MSMEs operate in the manufacturing sector. 7 percent operate in Construction and 2 percent in Mining. 49 percent of the MSMEs operate in the service sectors: 14 percent Community, social and personal services, 10 percent in Retail, 9 percent in ‘Financing, insurance, real estate and business services’; 8 percent in ‘Hotels and restaurant services’; 5 percent in ‘IT Services’, and 2 percent in ‘Transport, storage and communication’. 8 percent of the MSMEs reported areas of operations outside of the above categories (‘Other’).
- **Kinshasa and Lubumbashi follow these general trends.** In Goma, the agribusiness sector (22 percent) and ‘Financing, insurance and real estate’ services (15 percent) are most prominent. In Matadi, the manufacturing sector (40 percent) and the retail trade (16 percent), and hotels and restaurants (12 percent) are over-represented compared to the dataset average.
- **25 percent of MSMEs are registered companies, and 85 percent of MSMEs pay taxes to the government as individual entrepreneurs.** In the DRC, only businesses that are registered under the OHADA (*Organisation pour l’Harmonisation en Afrique du Droit des Affaires*) company law are considered as formal.<sup>1</sup> However, the majority of business owners

<sup>1</sup> OHADA is a system of corporate law and implementing institutions adopted by 17 West and Central African nations in 1993 to foster economic development by creating a better investment climate. OHADA is the acronym for the French “*Organisation pour l’harmonisation en Afrique du droit des affaires*” that translates into English as “Organization for the Harmonization of Corporate Law in Africa.”

are registered as entrepreneurs, have a taxpayer number (known as *la patente*) and operate as part of a formal system: they pay municipal, provincial, and state taxes. They often chose not to register their businesses under the company law because of the cumbersome registration procedure, to avoid additional taxes that they will need to pay as a company and as individual income of the business owner.



**Women own or manage 28 percent of MSMEs.** Almost three quarters of MSMEs owners and managers are men. Additionally, women-owned enterprises are more represented in sectors with lower profit margins. A third of women-owned businesses are in retail trade, restaurants, and hotels compared to 12 percent for men (Figure 6). Men are more active in services that are characterized by higher profit margins, such as ‘Financing, insurance, real estate and business services’: 11 percent of male-owned MSMEs vs 4 percent of women. The gender bias remains even across all age groups.



## 2. Findings from the MSME survey and focus groups

**The MSME database and the basic data analysis provided the foundation for a comprehensive assessment of the opportunities and challenges MSMEs face.** This analysis was conducted through interviews targeting a representative sample of the MSME database, followed up by an online survey and focus group discussions (Figure 7). The analysis shed light on the typical profile of MSMEs in the four locations, their growth aspirations, and internal and external constraints.

**More than 700 business owners participated in the analysis, 30 percent of the MSME database.** Of those interviewed, 48 percent were women (25 percent ages 18–35 years old) and 52 percent were men (49 percent ages 18–35 years old). Therefore, 38 percent of those interviewed were young people (ages 18–35 years old) and 62 percent were 35 years of age or older. MSMEs were selected at random for the interviews. The selection strived to ensure that

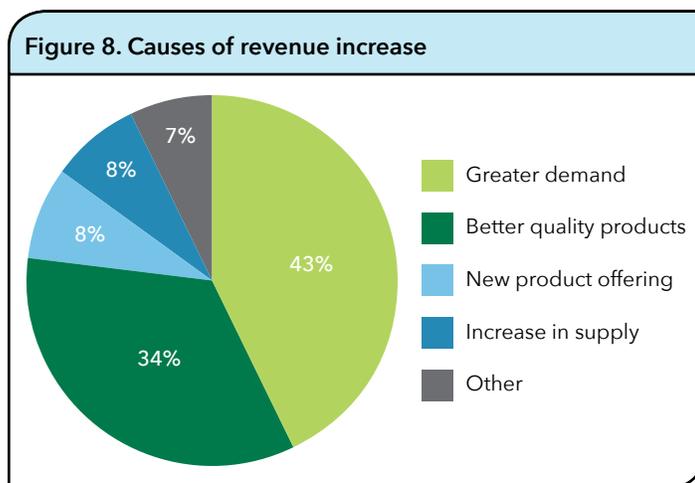
**Figure .7 Data collection on MSMEs**

-  141 entrepreneurs were interviewed (in a semi-structured questionnaire) to understand internal and external growth constraints.
-  Based on the findings of the interviews, a simplified web survey was distributed to test the validity of the findings. From the remaining MSMEs in the databased 521 entrepreneurs responded to the web survey (22.5 percent response rate).
-  Finally, 7 focus groups held in Kinshasa, Lubumbashi, and Matadi helped to validate the survey results and provide qualitative data on key beneficiary segments for the project (youth, women, and growth SMEs).

there was adequate representation of women, and sectoral and geographical spread. The sample was also constructed to evenly target those identified via online and non-online approaches. It is worth noting that younger women and men (18–35 years old) were under-represented in the interviews relative to the overall database because of two reasons: (i) the outreach was done through business associations and younger business owners are less likely to be members; and (ii) younger business owners, especially women, were not available for the interviews because of family reasons (for example, needing to take care of children or older relatives) and because they are more likely to combine business activities with other professional activities (for example, employment or studies). A targeted focus group was organized to address issues specific to young entrepreneurs.

**Overall, the MSMEs report a positive growth trend in the past five years.** Although the macro-economic data indicates the overall economic downturn, 65 percent of interviewed companies saw their revenue increase over the past five years: 26 percent estimate this increase between 10 and 20 percent, and 18 percent believe that their revenue increased by more than 50 percent. This figure is probably higher than the national average, because the unsuccessful MSMEs that would form part of a representative sample were out of reach for the interviews because they exited the market. There are sectoral differences in the growth patterns. The most dynamic sectors are community and social services (27 percent of companies experienced an increase), followed by the primary sector (15 percent). The sectors where companies saw less income growth are the mining sector and the electricity, gas, and water production and distribution sector, as well as financial and professional services.

**This revenue increase is linked to growth in domestic demand and improved quality of suppliers.** For the majority of MSMEs, offering high-quality products and services at a competitive price constitutes their key competitive advantage (Figure 8). According to the responses, the improved quality of local inputs and services help them increase the quality of their production at a reduced cost. 43 percent of MSMEs also report that their growth was linked to increased demand for Congolese products, especially in local markets. The focus groups indicated that there is better recognition and readiness to buy from local MSMEs. It is worth noting that for women, competitive prices are the first success factor (63 percent), and for men, the proposal of quality products and services is the main success factor (69 percent against 57 percent of women).



**At the same time, MSMEs report systemic constraints that limit market access.** Outside of a lack of access to finance, entrepreneurs stress the poor quality and cost of inputs as one of the most limiting factors for growth. Poor quality of infrastructure further limits access to markets and increases production costs. Women-owned MSMEs are particularly affected because they are more prevalent

in retail and agribusiness, the latter relying heavily on access to raw materials. The rehabilitation of road and transport infrastructure, particularly in rural areas, is crucial for improving the supply and production capacity of MSMEs. Many entrepreneurs see the public sector as a potential market for their products and services, but they stressed that the complexity of procurement rules restricts MSME participation in public procurement. MSMEs that experienced growth in the last five years also stress the weight of foreign competition on the local market.

**Upstream value chain integration remains weak and there are few occurrences of business-to-business transactions.** The majority of MSMEs rely on direct sales to individuals: 76 percent of buyers of goods and services provided by MSMEs are individuals (83 percent for micro, 65 percent for small, and 67 percent for medium enterprises). Business-to-business sales are dominated by sales to intermediaries (wholesalers).

**Key production costs are raw materials for manufacturing and agribusiness MSMEs and operating costs for the service industry.** This trend is broadly reflected across all sectors. A third of companies operating in the primary, industrial, and mass distribution sectors consider raw materials to be their main item of expenditure. On the other hand, 50 percent of companies operating in the community and individual services sector consider operating costs to be the most important cost and 20 percent consider it to be rent. Women pay a higher share of production costs for purchases of inputs: 40 percent of costs for woman versus 28 percent for men for the same sector of activity. Women also complain more often than men that they receive poor quality raw materials and inputs from their suppliers, particularly in the agricultural and agri-food sector. This is attributed to a higher level of negotiation power by men-owned MSMEs.

**MSMEs use technology in a limited way.**<sup>2</sup> 77 percent of MSMEs identify the lack of modern equipment and technology as a constraint to productivity. Only 29 percent of MSMEs use ICT to improve their company's visibility. For example, websites are used for communication with a broad customer base and to reach out to new clients. 9 percent of MSMEs use social media for networking and information sharing with their customers and partners. 7 percent of MSMEs use technology to access training and develop new skills and competencies. 6 percent of MSMEs use technology to facilitate their commercial operations (sales, purchases, production). This is the area that most entrepreneurs are interested in improving: 37 percent of respondents believe that technology can increase production through automation and economies of scale (including saving time, reducing labor costs, etc.).

**There is a large age and gender gap in the use of technology.** 57 percent of women report that they do not know how to make use of technology (compared to 37 percent of male respondents), which reflects a lack of knowledge and skills in this area. The use of technology is more prominent among youths: only 17 percent of young entrepreneurs do not use technology at all, and 86 percent are planning to expand their use of ICT.

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2 For the purpose of the project we define technology as the use of equipment and ICT in business processes and routines. This is a broad definition that encapsulates the intangible knowledge and tangible equipment that allow the use of general purpose technologies (older technologies, such as telephone) and modern technologies (such as Internet).

**The gender gap is also prevalent among startups.** Most of companies owned by women (52 percent) are more than five years old, and only 9 percent of startups less than one year old are owned by women. While women increasingly engage in entrepreneurship, they report more internal and external constraints. Women feel unsure of their businesses' legitimacy and report low confidence in their ability to manage a company. Women owners have less managerial experience than their male counterparts when they start their businesses. They also report a lack of trust from investors and financial institutions, which lowers their chances to raise capital.

**Women and men do not recognize gender-specific constraints equally.** Women are more aware of the specific challenges and inequalities they face compared to men. 42 percent of the entrepreneurs surveyed believe that businesses run by women face specific challenges. Women perceive these challenges more than men (49 percent versus 35 percent). On average, 28 percent of respondents believe inequalities exist between companies owned by women and those owned by men: 37 percent of women perceive these differences while only 20 percent of men do. For themselves, young people perceive gender challenges as less important than other group cohorts (34 percent). This might be related to the family status: younger women are less likely to be married and have kids. Women without husbands face fewer legislative and cultural barriers as entrepreneurs, and women without children commit more time to their businesses. At the same time, young people recognize that there is a difference in treatment of women and men in society. This discrimination against women is present from an early age and affects relationships in the professional world: women are taken less seriously; their leadership is not recognized; and they may be subject to prejudice. Most of the young entrepreneurs (71 percent) believe that in business, competence and profitability should be more important parameters for investors than gender.

**Livelihood is the key driver for entrepreneurship in the DRC, especially for women.** Lack of alternative sources of income and employment—or necessity entrepreneurship—drives 43 percent of business owners in general (Figure 9). Women mostly see entrepreneurship as a source of livelihood and do not aspire to professionalize their business (48 percent against 37 percent for men).

**Youth drive the growth of opportunity entrepreneurship in the DRC.** 42 percent of all respondents indicate that they are driven by market opportunities and long-term growth objectives. This figure is markedly higher among young entrepreneurs: 55 percent are opportunity entrepreneurs with the highest number in Goma (64 percent).

Figure 9. Women and youth perspectives

48 percent of women say their business is their only source of income and employment.

34 percent say they want to develop an opportunity in the market.

32 percent of youth say their business is their only source of income and employment.

55 percent say they want to develop an opportunity in the market.

**Seasonality heavily affects MSMEs.** 73 percent of companies report selling up to 80 percent of their products and services during specific periods. The most active period is between October and December, when 44 percent of MSMEs affected by seasonality (or 32 percent of the total number of respondents) produce and

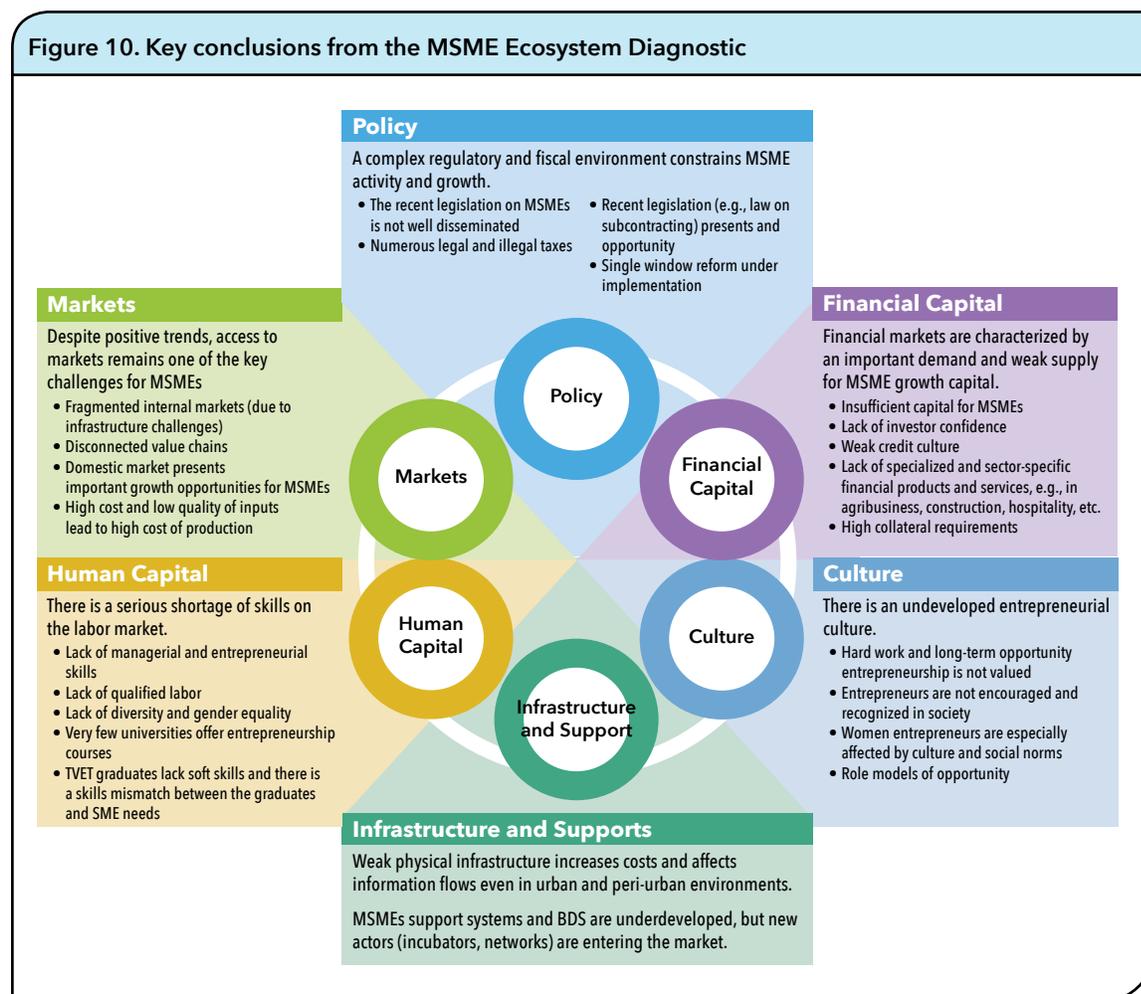
sell up to 80 percent of their products and services. Seasonality has implications for the capacity of MSMEs to attract and retain talent as well and puts additional pressure on an already weak infrastructure during specific periods. Markets are also affected: the entrepreneurs report that the demand for their products is relatively stable throughout the year, but the competition drives prices down during the peak season. Redistribution of sales is affected by a lack of infrastructure, such as cooling and storage facilities.

**Poverty and income inequality are more prevalent among informal enterprises, especially those that could be characterized as constrained gazelles and subsistence MSMEs than among top-performers.** Income inequality among informal enterprises is mainly explained by performance gaps, differences in educational attainment of the owners, and lack of access to credit. Drivers of micro enterprises performance include characteristics of entrepreneurs, such as age, education, and managerial skills, but also differs depending on whether the firms belong to the group of top-performers, constrained gazelles, or survivalists. Thus, policies aimed at reducing the performance gap between top performers and the two other categories of informal firms—constrained gazelles and survivalists—could decrease income inequality and reduce poverty (World Bank, 2018a).



# VIII. Conclusions of the consultations on the MSME ecosystem

The MSME ecosystem in the DRC is nascent (see Figure 10, next page). Expert interviews, focus groups with key ecosystem stakeholders, and co-design workshops in Kinshasa, Matadi, and Lubumbashi discussed the key barriers to MSME growth identified through data collection at the



enterprise level presented in the previous section. Many of these barriers were already discussed in the Systematic Country Diagnostic for the DRC (World Bank, 2018a). Stakeholders agree that the MSME ecosystem in the DRC currently does not meet the needs of entrepreneurs. However, stakeholders also note positive recent trends in terms of creation and expansion of entrepreneur networks, increased growth and creation of MSMEs, and enhanced interest from local investors, and some positive examples of public-private dialogues and collaboration. All of the actors note that despite the challenges, there are important opportunities for reinforcing the ecosystem.

Specifically, the ecosystem actors noted the following constraints and opportunities:



### Policy environment constrains MSME activity and growth.

**Despite recent encouraging sector and regulatory reforms, the DRC ranks 182nd out of 190 countries for Ease of Doing Business in the World Bank’s 2018 report.** Most of the problem stems from a significant challenge in the business environment that is “the huge gap between the introduction of formal policy reforms and their actual implementation, that is, the inability and/or unwillingness to enforce rules.” (World Bank, 2018a). Uncertainty created by this gap between regulatory requirements (de jure) and real practices (de facto), as well as discretion in enforcement and implementation of regulations, raises risk for small and medium firms. It affects their ability to effectively predict cost structures, and these firms have fewer resources to absorb uncertainty than large firms.

**Even if much has improved since 2001, the weakness of institutions and the country’s overall uncertain and risky political economy remain serious obstacles for most of the private sector (World Bank, 2018a).** The DRC became a member of OHADA in 2012, and various OHADA laws thus became applicable. Among others, the OHADA Revised Uniform Act on General Commercial Law regulates the new status of the “entrepreneur” (individual entrepreneur). Also, one of the OHADA Uniform Acts relates to cooperatives. Both represent useful instruments for the development of SMEs in the DRC, including migrating from the informal to the formal sector. Much remains to be done, though, to help with operationalizing OHADA laws in the DRC, including dissemination. In addition, some Congolese laws may remain applicable on subjects currently regulated under OHADA and relevant to SMEs. For example, the February 2017 law imposes a new requirement for local content in subcontracting, but it remains largely unknown to MSMEs. Overall, 87 percent of MSMEs reported challenges with accessing reliable information on legal and fiscal standards governing small businesses.

**Property rights and contract enforceability (rule of law) pose severe limitations to investment, particularly for new investors looking to enter the DRC market.** Investors report that credits taken for business might be used by the entrepreneurs for purposes outside of the business plans approved by the investors. However, the arbitration favors family issues rather than the company’s commitments.

**New Law on Subcontracting**

On February 8, 2017, the president of the Republic of Congo enacted Law 17/001 on Subcontracting in the Private sector in the DRC. This law is called in French *Loi n° 17/001 du 8 février 2017 fixant les règles applicables à la Sous-Traitance dans le secteur privé*. This law makes it compulsory to award related subcontracting activities or ancillary to the main activity to Congolese-owned companies with Congolese capital. Its application targets primarily Congolese SMEs with the objective of creating local value added and jobs.

**Legal and illegal taxes increase the costs of doing business.** 32 percent of MSMEs believe the tax burden is too high, tax regimes are complex and numerous, and there are no incentives for MSME creation and growth. Administrative delays make it difficult to regulate businesses and the weak legal framework does not protect entrepreneurs. Every second firm in the DRC experiences at least one bribery incident or is expected to give a gift when meeting with a tax official. Getting an import license, a construction permit, or a water connection appears to be most problematic in terms of corruption. Almost 60 percent of the formal firms in the DRC consider corruption a major constraint to their day-to-day operations.

Women entrepreneurs are particularly affected by lack of policy support for self-employment and cumbersome taxes for MSMEs that create barriers to formalization (65 different taxes are to be paid when starting a business).

**The MSMEs bear a higher burden of taxation than large firms.** In DRC, there are too many and too complex taxes and too many exemptions. Large firms have more opportunities for lobbying and negotiating special legislations and decisions that reduce their tax burden. They also have more means to protect themselves from government harassment or *tracasseries* in French (Adoho & Doumbia, 2018).

**On the other hand, the cost to start a business has been significantly reduced.** It is currently at 30 percent of the income per capita, almost half of the SSA average, but 10 times higher than the Organization for Economic Co-operation and Development (OECD) average. A number of new laws also offer opportunities for MSME growth: the new law on leasing will encourage the financing of MSMEs' equipment purchase. The law enables tripartite agreement with equipment suppliers, the MSME, and the investor to reduce the misallocation of credit and insolvency risks.<sup>1</sup>



### Financial capital for MSME growth is lacking

**The majority of MSMEs (79 percent) consider access to finance (startup capital, working capital, and guarantees) as the main growth constraint.** This is reflected in the amount of

<sup>1</sup> The new leasing law Law No. 15/003 was ratified on 12 February 2015. The law aims to promote access to investment finance for companies, especially SMEs. In March 2018, the Central Bank of Congo (*la Banque Centrale du Congo ou BCC*) published a special instruction No. 35 on leasing activity to promote effective implementation. In accordance with the Leasing Act, this instruction defines the conditions of access and exercise of leasing activity by leasing companies, credit institutions, and microfinance institutions (<http://microfinance.bcc.cd/reglementation>).

savings held by MSMEs (53 percent). On average, 85 percent of MSMEs use self-financing or rely on relatives to establish and expand their business. The proportion of companies using loans (6 percent) or equity financing (2 percent) remains very low. The largest proportion of self-financing is in Lubumbashi (93 percent) and Matadi (90 percent). Young entrepreneurs, who have limited funds on their own, rely on friends and family for funding (32 percent versus 19 percent on average).

**The demand for financing is high: 62 percent of MSMEs believe they have unmet financial needs for recruiting qualified personnel, upgrading equipment, renting workspace, increasing staff salaries, diversifying products and services, and expanding geographically.**

Financing need varies between US\$50,000 and US\$500,000, and loans granted are generally short- and medium-term, ranging from US\$300 to US\$100,000. Most of the loan requests are associated with purchases of equipment and production materials. In terms of the form of funding, 58 percent of MSMEs prefer equity investors and 35 percent prefer debt. When further questioned about their preference for equity, business owners explain that there are positive spillovers from equity investments that come in the form of mentoring and advice from investors, a longer-term investment timeframe, access to business networks of the investor, and help with securing sales contracts.

**Complex procedures and the assumption that credit would not be approved are the most common reasons why firms do not apply for credit in the DRC.** Entrepreneurs find loan application procedures too complex, especially in the service sector (retail, hotel, and restaurant industries).

**Young entrepreneurs with viable new ideas have difficulty sourcing seed capital.** The majority of young entrepreneurs cannot use real estate as collateral, and the supply of start-up capital is limited to informal loans from family and social networks and microfinance institutions with high interest rates. The lack of tax incentives for young entrepreneurs is a challenge and is currently under discussion (including tax exemption from provisions that would encourage bank investment or leasing law).

**Evidence shows that membership in a business association, the possession of financial knowledge, and being a man increases the probability of owning capital.** High credit risk is mainly due to missing business plans and the lack of cash flow history, thereby requiring banks to emphasize assets and liquid guarantees as collateral. Financial illiteracy seems to be a problem, even in urban areas. Real estate collateral is also challenging in the absence of trusted cadaster and registries.

**Lack of access to finance for domestic MSMEs stems from (i) legal and regulatory barriers affecting the overall availability of capital for SMEs, (ii) the preparedness of lenders/investors to engage with SME customers, and (iii) the low capacity of SMEs to match collateral requirements.** Larger companies have cash collateral or benefit from offshore guarantees to receive the bulk of credit or loans. Economic crises, lootings, and legal uncertainty of property rights have all caused difficulties to acquire land assets for MSMEs, especially startups.

**The Congolese banking landscape is dominated by five “local” banks that control more than 50 percent of the sector.**

In addition, 18 commercial banks are operational, including two placed under the supervision of the Central Bank of Congo: BIAC and FiBank. Financial instruments offered to MSMEs by commercial banks include loans, credits, and working capital, but availability of all of these instruments remain limited because of eligibility

criteria. In addition to the heavy collateral requirements, commercial banks finance exclusively MSMEs that are registered as companies and do not extend their services to startups due to the reported high insolvency ratio. Up to 90 percent of MSMEs in the DRC operate under a tax license owned by an individual entrepreneur (known as *la patente*) and are not registered as businesses. Annex 3 provides additional examples of commercial banks and microfinance institutions (MFIs) servicing MSMEs.

**MFIs are the most common source of credit for MSMEs and startups, at an annual cost averaging 40 percent.** MFI requirements usually include the tax license and a statement of accounts for the past three months. There are 102 MFIs in the DRC: 57 in North and South Kivu, 25 in Kinshasa, 15 in Kongo Central, two in Western Kasai, and three in Maniema.

**The Financial Infrastructure and Markets Project (PDIFM) has planned for the establishment of a line of credit to finance future investment needs and the working capital of sustainable projects for micro, small and medium-sized enterprises.** This line is administered by eligible intermediate financial institutions (IFIs) - the FPM SA in its pilot phase and CCB in its second phase. These IFIs refinance participating financial institutions (IFP), namely savings and credit unions, microfinance institutions and commercial banks. The latter directly finance the MSMEs.

**Status.** The CFEF and FPM SA signed a partnership agreement dated 16 June 2016, in the amount of US\$3 million for the pilot phase. This amount allowed the FPM SA to contract with Equity Bank RDC for US\$2 million, the CAHI savings and credit cooperative for US\$500,000 and VISION FUND DRC, a microfinance institution, for US\$500,000. It is worth noting that Equity Bank made the first reimbursement to FPM SA for US\$250,000, while CAHI paid US\$150,000. As of September 30, 2018, the first two institutions granted credits to 59 MSMEs, including 7 women.

**For the second phase, the CFEF and the Central Bank of the Congo signed a partnership agreement on 29 January 2019 to implement a credit line through the refinancing counter of CCB.** With the support of the international consultant supporting CCB in the implementation of

**King Kuba Fund**

The IFC's SME Ventures (operating commercially in the DRC as KingKuba Capital) is a pioneering private equity fund that provides risk capital (US\$100,000 to US\$500,000) and advice to entrepreneurs in health care, education, telecoms, agribusiness, logistics, transport, and hospitality.

Following the success and demonstration effect of the first US\$25 million fund, mostly financed by IFC, the fund manager raised US\$50 million from IFC and four other institutional investors, (US\$10 million equity per investor). More recently, IFC and the Central Bank of the DRC signed a currency swap agreement (US\$50 million) to support investments in local currency despite a heavily dollarized economy.

the refinancing counter, information sessions were organized, bringing together representatives of financial institutions (Bank, IMF and COOPEC). The offer form was transmitted directly to IFP and through their respective corporations (ACB, ANIMF and APROCEC). 8 refinancing application files were registered by CCB's services on 1 February 2019.

**Complementarity with the PADMPME and the ADB project with Raw Bank.**<sup>2</sup> As it is a revolving credit line, beneficiary MSMSEs of the ADB's PADMPME and/or project with Raw Bank will have the opportunity to benefit from this line of credit to finance their activities (and in particular their needs for financing investments requiring reimbursements beyond one year), provided that they are clients of the participating financial institutions and meet the required conditions.

**In the specific case of the PADPME's implementation, it would be advisable to put the beneficiary MSMEs in contact with the IFP who will agree to support them during implementation, while providing financial education.** These IFP may be invited to be project partners in the implementation of the various business plan competitions envisaged by this project. The 'matching grants' awarded to winners could be deposited in the participating financial institutions' accounts to encourage them to support these MSMEs.



**A culture of entrepreneurship is still underdeveloped in the DRC, but there are marked regional differences.**

**Overall, more entrepreneurs are more motivated by a culture of "resourcefulness" or "need" rather than a desire to become an entrepreneur and go into business.** Entrepreneurship is seen as source of livelihood of last resort and most people would prefer wage jobs. There is also lack of

#### **Makutano network**

Makutano is a new business network established by woman entrepreneur Nicole Sulu. Clustering more than 500 business actors, this "fair business network" aims to renew the dialogue among Congolese businesses and create an apolitical think tank that leads to locally owned solutions to business challenges. Focus groups with the Makutano members indicate their strong interest and capacity in investing in local MSMEs, especially in equity. Alongside investments, Sultani Makutano members offer advice and mentoring to their members and investees. This is the fastest growing informal network in the DRC, which reunites its members at an annual forum and partners with other business associations.

collaboration among ecosystem actors, and a lack of encouragement of entrepreneurship in society. For example, universities in the four cities has limited involvement in entrepreneurship development, with the exception of the University of Goma.

**However, the four cities have important differences.** For example, entrepreneurs are viewed much more positively in

2 African Development Group. « RDC: Rawbank obtient 15 millions de dollars de la Banque Africaine de développement pour stimuler les PME ». <https://www.afdb.org/en/news-and-events/rdc-rawbank-obtient-15-millions-de-dollars-de-la-banque-africaine-de-developpement-pour-stimuler-les-pme-18895/>

Goma and Kinshasa, especially young entrepreneurs. Startup owners in Goma also note positive experiences in collaboration with local business associations such as FEC, which is developing the first private guarantee fund for startups. In Kinshasa, several elements are leading to the emergence of digital startup ecosystem, for example the Congo Call Center.

**More and more entrepreneurs also have taken leadership roles in advocating for home-grown entrepreneurs and women's issues.** For example, the founder of Makutano network Nicole Sulu and the vice president of the National Commission of Women Entrepreneurs Angélique Buisine Thambwe Mwamba are playing an active role in advocating for women in business.



**Infrastructure challenges increase MSMEs' costs, and support systems are weak.**

**The use of new technologies is limited because of energy access challenges and frequent power cuts, lack of equipment, and limited ICT penetration.** Limited use of Internet also affects the visibility of companies and exchange of market information. Few stakeholders are engaged and consulted during public reform, and across the ecosystem they do not typically collaborate on ways to enhance the ecosystem and provide MSMEs needed services. The MSMEs' needs are not well known by ecosystem actors. The potential for using ICT is much higher in urban settings, especially Kinshasa. The capital has the highest concentration of IT startups and more mature firms, and incubators specialized in supporting tech startups.

**Only 10 percent of MSMEs received BDS in the last three years, mostly as training.** The ecosystem analysis identified strong demand for a wide range of BDS. The current supply does not fully meet this demand. Only 35 percent of companies believe they are able to find the services they need, and 47 percent believe these services are financially accessible. The situation is better in Kinshasa than in other cities: the range of offerings, ease of access, and service costs are more favorable in the capital. Annex 4 provides more details on specific areas of BDS.

**The ecosystem analysis identified ten enabling organizations (incubators, accelerators and other BDS providers) targeting MSMEs, seven of them are based in Kinshasa.**<sup>3</sup> There are some emerging examples in other cities, for example a dynamic SME incubator in Matadi targeting young entrepreneurs (see the example of I&F Entrepreneuriat) and another one in Goma (Kivu Entrepreneurs).

**Women-led MSMEs constitute approximately 20 percent of the customer base for the business services on average.** There are few organizations, such as the National Commission for Women Entrepreneurs, who provide support exclusively to women.

<sup>3</sup> The ecosystem analysis benefitted from the following Makutano members: Ecobank, Sunphenix, Ingenious City, Congo Invest Consulting, CFEF, Optimum, Medialab Group ADN-FGI, and Konnect.

### I&F Entrepreneurship

I&F Entrepreneurship is an incubator based in Matadi. It was initially funded through donor contributions: US\$55,000 for construction of the incubator from the Bank Of Africa, and lease financing for machinery and equipment from the Belgian Foundation for Shared Equipment and Machinery.

The SMEs are hosted in the incubator where they also receive technical support. Investments come from the commercial banks, with financial guarantees from the Belgian Foundation and I&F Entrepreneurs to SMEs applying for credit. The incubator also mobilized technical assistance from the diaspora in exchange of equity in incubated enterprises.

The incubator has a three-year business plan to achieve financial sustainability. It receives equity in incubated SMEs and fees for services to SMEs and entrepreneurs:

- 21 percent of the net profits of any financial commitment go to the incubator.
- The cost of rent and technical assistance is pro-rated depending on the revenue generated. The average income from services is US\$373 per month/per SME. All entry and exits of property is monitored (documents, guards, accounting documents).

### The ecosystem enablers report that their key challenge is to develop a viable business model.

Enabling organizations are mainly financed from their own funds, and their revenues rely on equity participation in their clients (shareholding or sales commissions). Some enablers introduced fee-based services (monthly flat rate for a package of services or rent), but the MSMEs' capacity and/or willingness to pay limits this revenue stream. The enablers also report failure from their clients to respect their payment obligations, and the claims for repayment of rent or service debt is rarely honored due to the weakness of the judicial system and contract reinforcement systems.



### Skills gaps negatively affect MSME growth and productivity.

For 70 percent of MSMEs, the lack of qualified human resources is the first internal factor stunting growth. In addition, there is a mismatch between the training offered in the market and the skills needs from the MSMEs that includes business management, accounting, financial management, business planning, strategy development, use of new technologies, and technical training specific to their company needs. The MSMEs believe that getting the right skills would increase their resilience to corruption and make them more credible to banks and investors.

**Gender inequalities do not benefit the entrepreneurship ecosystem.** While the DRC has significant human resources, the low availability of qualified personnel and lack of skills highlighted by MSMEs are a real obstacle to the development of a sustainable activity. In addition, there are gender constraints to the development of women's entrepreneurship: 49 percent of women say that a lack of legitimacy and lack of confidence among investors are two challenges they face.



There is low integration into national market and value chains.

**The country suffers from the apparition of economic enclaves and from the fragmentation of the internal market.** A lack of infrastructure, low road density, and underutilization of inland waterways increase transportation costs and limit the movement of goods and trade between regions.

**According to the MSMEs surveyed, the market is characterized by strong competition and rising demand, two fundamental signs of a well-functioning market.** There are notable examples of upward and downward link creation between SMEs and large companies, especially in the urban contexts. Congo Call Center is one of these examples. However, the value chain integration remains limited in general: the value chains are loose and the critical functions within the value chains are not specialized. This reduces the chain efficiency, and 76 percent of MSME production goes to individual buyers, 23 percent to wholesalers, and less than 1 percent to supermarkets or large enterprises. Supplier contracts with large companies are very limited. Among the reported difficulties are lack of adequate technologies, lack of qualified personnel, import competition, and infrastructure challenges.

**Large enterprises note the lack of local supplier that are capable of meeting their volume, quality and price requirements.** Based on the interviews with 12 large companies, there is a strong interest for local sourcing of packaged food and drinks, industrial clothing and packaging, and key inputs (e.g., cut wood, commercial grade sand) in all four locations. However, most companies met significant difficulties in working with local suppliers: the upfront costs of training the supplier, the need for tight quality control and supervision, and the lack of contract enforcement mechanisms complicate the relationships. Additionally, the costs of local producers are substantially higher than those of imports: cost of packaging materials can be twice as high as imports depending on location, the cost of locally produced industrial clothing is three times higher than imports, and the cost of local corn is four times higher. Services like cleaning, food catering, logistics and security also represent an important opportunity for local outsourcing. Several large

#### **Congo Call Center Economic Model (Kinshasa)**

Congo Call Center of the First&Future Enterprises Group is the first independent call center in the DRC. The call center is headed by two ambitious women, Annie Kwangu and Huguette Bakekolo, and powered by 300 employees. Initially supported by US\$520,000 from IFC's SME Ventures program, the call center later secured a loan from Rawbank and other private investors (30 percent of the capital investments).

The call center runs customer service hotlines in four languages for corporate clients such as Orange, TIGO, and Samsung. It also offers a rental space and service center for a vibrant MSMEs community, which generates 40 percent of the center's income. Finally, the call center supports an incubator where it connects startups to equity investors.

The recent introduction of the fiber optic cable offers an opportunity to reduce call costs and improve connectivity. The Congo Call Center is also exploring opportunities for expansion into other cities in the DRC.

**Partnerships for growth: the case of MIDEMA**

The partnership between IFC and Minoterie de Matadi, a flour and feed milling company known as MIDEMA, helped strengthen local value chains and facilitate SME access to finance. MIDEMA has invested over 400,000 USD to identify and select local SMEs and train them to meet company standards using IFC's Business Edge management workshops.

More than 400 bakers, 60 poultry farmers, and 60 distributors received training and on-the-ground post training support. Many of these SMEs were led by women. In one survey, 96 bakeries out of the supported group claimed an increase of more than \$1.2 million in cumulative sales. More than 100 bakeries have qualified for more than \$1 million cumulatively in loans from local banks.

The project increased the profits of both MIDEMA and its suppliers by strengthening the ability of local SMEs to beat the competition, become sustainable, and reverse the trend of bakeries going out of business. MIDEMA in return could rely on local producers for its mills and help consolidate jobs in local communities. The project with MIDEMA was so successful that its parent company, the Seaboard Corporation, has asked IFC to replicate the project in other African countries.

*Source: IFC 2013 and interviews with MIDEMA*

enterprises noted a positive development in the service area. Several positive examples have been provided with regards to women-led SMEs providing cleaning and catering services. There is an opportunity for expanding the scope of local services through the Corporate Social Responsibility programs, which target community, personal and social services to employees and neighboring communities.

**There is also a strong interest to build downstream value chains.** For example, in the production of cement-based construction materials (from cement plants such as CILU and PPC Barnett) and baked goods (based on flour from the MIDEMA milling company) in the Bas-Congo province. Mining companies around Lubumbashi indicated opportunities to provide metal scrap and other material for artisanal industries. With regards to agribusiness, there is a strong preference from large companies to work with cooperatives or associations of producers to reach economies of scale. There are several positive examples of large companies contributions to downstream value chain creation, like the training of local SMEs by IFC and Midema.

# IX. Reinforcing the MSME ecosystem in Kishasa, Goma, Matadi, and Lubumbashi

Although the data collection methods for this ecosystem analysis were designed to address the key design and implementation questions of the SME Development and Growth Project in the four cities, the findings from data analysis can be relevant for other locations in the DRC. Key recommendations from the multi-stakeholder dialogues about the SME ecosystem could also be applied more broadly and inform the design of government policies and reforms.

Additionally, the data collection tools and the unique database of MSMEs provide a good resource for public and private practitioners engaged in support on MSMEs in the DRC. These resources will be publicly available on the website for the SME Development and Growth Project. The SCD has identified the key reforms to promote private sector development, and the recommendations stemming from this study are more specific and detailed about concrete actions supporting the longer-term reforms (World Bank, 2018a).

The key conclusions and recommendations regarding the six ecosystem areas are described below. These recommendations reflected the needs of various types of MSMEs and the international experience of policy responses that are adapted on their needs (see Annex 6).



## The policy environment needs simplification and transparency

**Improve access to information on MSMEs laws and regulations. Access to information is one of the main requirements by the MSME ecosystem players.** Clear understanding of rights and responsibilities require transparency of laws and legislation and consolidation of the policy framework governing MSME activities at national and subnational levels.

### **Improving MSMEs' business environment**

The SME Development and Growth Project will support the enabling business environment for MSMEs, with a special focus on women-led SMEs and a dissemination campaign around laws that support female entrepreneurship and women's economic empowerment.

**Analytical studies, data collection, training and other advisory activities:** (i) review of the national strategy for SMEs promotion and development of an implementation action plan; (ii) review of the legal framework currently applicable to SMEs and TA to support modernization of existing regulations or the adoption of new regulations; (iii) review of the policy, institutional or other constraints, and proposal of incentive-based legal framework for SMEs in growth sectors; (iv) review of the tax regime applicable to SMEs and advising on appropriate measures to increase the equity of the tax system; (v) review of the subcontracting law, recommendations and support to ensure effective implementation on the ground; (vi) strengthening the institutional capacities for dispute resolution, including existing arbitration and commercial mediation centers; (vii) identification and piloting of specific tools for public-private dialogue that could be useful at provincial and local levels based on international best practices; and (viii) rollout implementation in the four locations targeted by the project.

**Dissemination campaign to improve awareness around the new Family Code and other women-friendly legal provisions within the Labor law, Land law, and the recent Equality law:** (i) consultative workshops will be held with public and private partners to identify the most appropriate means of dissemination; and (ii) the dissemination campaigns will involve local partners and be carried out in synergy with other ongoing government initiatives, other World Bank Global Practices, and donors.

**Expand the single window reform.** The boundary between formal and informal sectors are blurred. For example, formal firms are often subject to informal payments to government officials, and most informal firms are paying business taxes and are otherwise embedded in the formal economy. However, legal registration of the business under the company law is required for tax deductions: for instance, informal firms pay VAT on the purchase of inputs, but cannot claim reimbursement. Formalization will require a system of incentives that provide MSMEs with an economic rationale and reduced risk of doing business: access to new markets such as subcontracting to large companies or public procurement, access to finance through links to financial institutions, access to social services to employees, etc. The ongoing single-window reform is the right step in that direction, and its implementation should be further expanded.

**Maintain a centralized MSME registry.** There is a general lack of information on MSMEs and lack of understanding of their needs and opportunities. There is a lack of coordination and a disconnect among public and private agencies engaged with MSMEs. A centralized MSME registry could help to consolidate data from various sources and in the future develop into an MSME observatory that provides the foundation for improved understanding of needs and performance of local businesses, provides insights into their growth dynamics, and improves evidence for government dialogue with the business community.

With regards to the design of the SME Development and Growth Project, stakeholders were overall supportive of the actions planned to improve policies and regulations affecting

entrepreneurs and MSMEs in the DRC. However, they also made several recommendations for project implementation:

- Public-private dialogue and participation from the private sector should be embedded in the analytical and advisory activities.
- The emphasis should be placed on simplification and streamlining of the cumbersome legislative framework.
- Dissemination of the information regarding the MSME-related legislation, like the Family code and the new Law on Subcontracting, is essential for adoption of new practices by key stakeholders: bankers and investors, large companies, government officials at national and subnational levels. Acceptance and understanding of the new legislation on the part of local communities is essential for implementation. For example, the new Family Code is negatively perceived by the male heads of the households.<sup>1</sup> To gain their support in the application of the new laws, dissemination campaigns should include actions targeting behavioral change and take into account the social and cultural aspects of the country and differences among the provinces.



### Address market and institutional gaps to foster private investment in the MSMEs.

**Identify ways to maximize private sector finance for MSMEs, especially from Congolese investors.** The consultation highlighted the importance of the financing gap. The investment climate in the DRC is very challenging, but recent trends demonstrate a growing interest from the domestic investors and diaspora. A network of local investors indicated their interest in investing in SMEs at the growth stage. The banking sector also has a range of financial instruments catering to the growth-oriented SMEs.

**Startup capital is highly risky and will require public support.** The pipeline of the high potential startups is weak and there is limited interest from private investors in early stage capital. Time-bound subsidy and partnership with the private financial institutions during implementation is critical for any public-sector subsidies to lay the ground for future financial sustainability. Other innovative approaches to startup financing instruments could be explored to mobilize private investors. Suggested ideas include diaspora bonds, guarantee funds, and crowd funding.

With regards to the design of the SME Development and Growth Project, the stakeholders noted that the project will not fill the financing gap but could play a catalytic role in building a pipeline of

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1 For example, FEC representatives mentioned adverse reactions from women entrepreneurs and their husband about the new Family Code in the Haut Catanga region during dissemination activities in 2017–18, in the context of preparation of the women empowerment activities financed by the African Development Bank (PROCER program). This law is perceived as threatening to the authority of male household heads, and contradictory to the Congolese culture and traditions. Open dialogue and clarifications about the meaning and implications of the new Family Code helped to improve the discussion but did not seem to change the attitude of women entrepreneurs and their spouses in a major way after one meeting.

### A Business Plan Competition to provide funding to MSMEs

The SME Development and Growth Project will finance a Business Plan Competition (BPC) to provide grants and matching grants to address the financing gaps in MSMEs' early stage and growth stage.

**Startup financing:** The objective is to build the entrepreneurial capacity of youth and nurture a pipeline of new ventures to expand the pool of local MSMEs. The BPC will finance training and cash grants to young entrepreneurs (ages 18-35) with business ideas in targeted productive sectors that do not require substantial capital investments. Startups and existing MSMEs with less than two years in operations, formal or informal, will be eligible to apply.

**Growth capital:** Matching grants (40-60 percent of the cost) to established SMEs that operate in light manufacturing and service sectors excluding trade, with a maximum allocation of US\$200,000 per SME (average allocation US\$75,000 per SME, total allocation pool of US\$32.5 million) for two years of supervised implementation and BDS.

To address market distortion and not compete with commercial finance institutions, the BPC will target SMEs that have growth potential but are not considered investment-ready by the banking sector. Where possible, the project will link SME beneficiaries to commercial finance by: (i) allowing commercial loans or credits to be used as "matching" contributions; (ii) partnering with the local banks during the selection of BPC winners; and (iii) linking the BPC winners to the financial and non-financial services offered by commercial banks and MFIs.

investable deals for the private investors through its Business Plan Competition. The stakeholders noted that the transparency of funding allocation and buy-in from local investors will be critical to creating a pipeline of financially sustainable MSMEs.



### Strengthening and expanding the base of opportunity entrepreneurs

**Recruit local role models.** To foster the culture of opportunity entrepreneurship, the country needs to celebrate the success stories of homegrown entrepreneurs. These role models could be identified with the help of local business associations and informal networks, and their stories could be shared through innovative approaches that build on Congolese tradition of performing art. These role models can also serve as mentors to facilitate peer-to-peer learning.

**Nurture an entrepreneurship spirit.** Recent research suggests that entrepreneurial mindset can be nurtured. New approaches like the personal initiative training lead to more than just a boost in profits in MSMEs (Campos, et al., 2017).

**Promote social entrepreneurship.** Social entrepreneurship—when entrepreneurs pursue social and/or environmental objectives in addition to economic goals—is an emerging model in the DRC. Social entrepreneurs are rooted in local communities where they play a positive role. They are often powered by women who usually focus on service sectors and are committed to solving

community issues. Social enterprises also offer more flexible models for employment that allow women to combine business aspirations and household duties. Social entrepreneurs have high standing with their communities and provide positive examples of how businesses could improve the lives of local people.<sup>2</sup>

The SME Development and Growth Project will work closely with local ecosystem actors to identify existing role models for entrepreneurs, especially among women, and nurture new ones. Innovative approaches, such as the personal initiative training, will be tested in the DRC context and—if successful—streamlined through the appropriate components in addition to the technical, financial, and business training packages.

As part of the BPCs for young entrepreneurs and in addition to grants for profit-driven startups, the SME Development and Growth Project will provide grants and technical support to startup social enterprises. To identify the most impactful social enterprises, the project will build on the large body of knowledge developed by the WBG through its Development Marketplace program.



### Infrastructure challenges require innovative solutions

**Targeted solutions to address infrastructure challenges.** Infrastructure constraints are unlikely to be addressed in the short to medium term, so targeted solutions are required. There are sectoral differences in terms of infrastructure requirements. In the service sectors, the key MSMEs requirement is access to reliable and affordable ICT infrastructure and skilled labor force. For agribusiness and manufacturing, reliable and affordable sources of energy, access to roads, and availability of secure production facility are the key requirements.

**Partnerships can reduce barriers to infrastructure access.** The consultations highlighted the need to identify sustainable market-led solutions to infrastructure constraints. Urban areas and proximity to large companies that already maintain key infrastructure could anchor MSME development. Cooperatives and other community-based models could provide effective mechanisms for economies of scale.

The consultations confirmed the interest of stakeholders toward the concept of SME Hubs proposed by the SME Development and Growth Project. The consultations confirmed the validity of the SME Hubs model and the motivation of stakeholders to contribute to implementation:

- Nine large companies (three in each Matadi and Kinshasa, two in Lubumbashi, and one in Goma) confirmed their interest in contributing to the hubs, and there is a network of potential local investors ready to invest. Each large company had specific economic

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<sup>2</sup> A library of social enterprise business models is available at <https://www.innovationpolicyplatform.org/inclusive-innovation-development/models>.

### **The concept of SME Hubs in the DRC**

SME Hubs are conceived as a tract of land located near existing large companies (lead firms) around which a cluster of SMEs can be developed to achieve economies of scale through shared public utilities, ICT, facilities, equipment, and access to soft infrastructure. The hubs will be privately managed by private investors selected through a call for proposals. The concept of SME Hubs stems from a combination of special development models, such as industrial estate and business parks, and the lead firm approach to SME upgrading and supplier development programs.

SME Hubs will focus on agribusiness (mainly food processing and packaging), mining, light manufacturing, and services. Additionally to collaboration with the lead firms and private investors, SME Hubs will be connected with BDS and supplier development programs and other players in the MSME ecosystem. The motivation for participation in SME Hubs will be as follows:

- **Large companies** that 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** that will provide space dedicated to the hub (land/lease) and manage it. In return, they will benefit from financial support from the government, 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, the outsourcing to large local companies, a more sustainable business environment, better access to infrastructure, the economies of scale offered by the hub, and networking with other SMEs hosted by the hub.

interests in the SME Hubs model, including: the need to comply with the new Law on Sub-Contracting (e.g., for the mining companies), the need to reduce cost and improve quality of inputs (e.g., for cement producers), 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.

- 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 investments of key partners in the SME hubs. The EIGs would represent the interests of its participants, create the framework for financial and non-financial contributions, facilitate relations with tax authorities, and lower the administrative and financial constraints.
- To address the lack of specialization among value chain participants and increase cost efficiencies, SME Hubs will also promote investments (e.g., 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 MSMEs.



### Pilot approaches to address MSME skills gap at scale.

**Labor skills gap cannot be addressed by private sector solutions and requires a public-private collaboration.** A wide range of skills are needed to boost MSME development: business management, accounting, financial management, business planning, strategy development, and use of new technologies, as well as technical training. The entrepreneurs also highlighted the importance of soft skills and digital skills, especially in the service sector.

**Skills gaps are also important among entrepreneurs themselves.** Access to quality BDS that cater to specific needs of entrepreneurs is critically important. BDS offerings should consider the business and personal needs of the entrepreneurs and be accessible and affordable.

**Creating BDS markets will be critical for long-term sustainability.** Stimulating demand—the willingness and the ability to pay for BDS from MSME clients is as important as creating quality supply—or provision of BDS services by private providers in a financially sustainable basis.

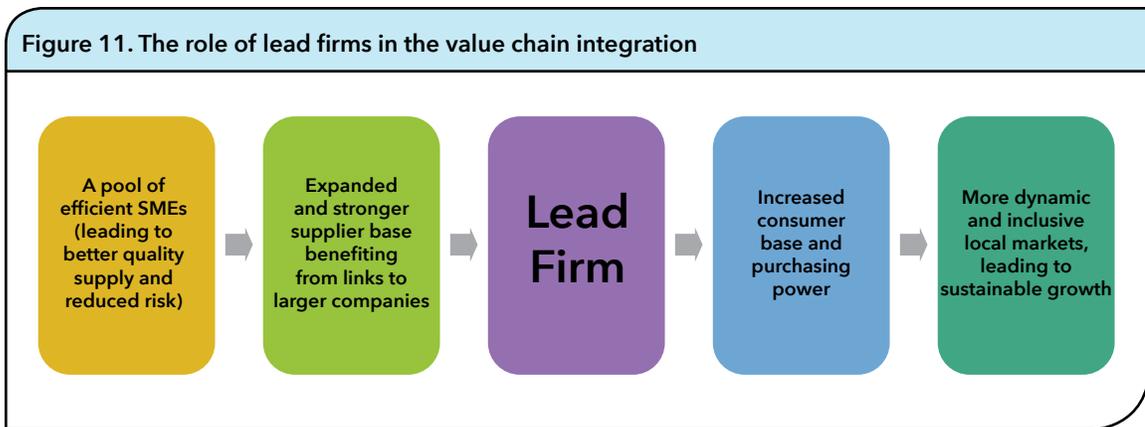
The consultations recommended launching a market assessment for BDS in the DRC with the initial focus on the BDS targeting the project beneficiaries in the four locations. The BDS market assessment will identify local partners that could participate in a long-term strategy for BDS market creation in the DRC. The project can serve as a testing ground for the BDS approaches, including opportunities for increasing reach and gaining efficiencies through the use of models for remote BDS support, and creating a customer base among the MSMEs that will be supported through the project.



### Low integration into national market and value chains

**The lead firm approach has the most potential for stimulating value chain creation and MSME upgrading.** Lead firms can be an easy option for gaining leverage in a value chain (Figure 11). Lead firms in the DRC can be sellers of inputs or buyers of value chain products. They also have potential to shift the norms of behavior in an industry by providing training and advisory services and imposing quality standards.

There are opportunities for value chain integration. The potential value chains identified based on the needs of the local economy vary by province (Figure 12). This potential was identified based on the willingness of various actors to engage in productive relationships: market representatives (e.g., PPC Barnett, Tiger, TMB, Deloitte RDC), support structures for MSMEs (Kivu, ELAN, I&F Entrepreneurship, Congo Call Center, Kinshasa Digital), and three members of professional organizations (Makutano network, CEEDIREME, FEC Goma).



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Plus savoureux

RAEL

500

500

Coca-Cola

# Annex 1: Databases of MSMEs and their key characteristics

An iterative mapping process helped to develop a database of MSMEs and their key characteristics across the four regions. The following data was recorded in an Excel-based tool:

No.	Question	Format
1	MSME company name	Open-ended
2	Sector	Select one: <ul style="list-style-type: none"> <li>• Primary agriculture, hunting, forestry and fishing activities</li> <li>• Processing (e.g., agro-processing)</li> <li>• Agro-retail</li> <li>• Mining and quarrying</li> <li>• Manufacturing</li> <li>• Electricity, gas and water</li> <li>• Construction</li> <li>• Wholesale and retail trade (other than agriculture) and restaurants and hotels</li> <li>• Transport, storage and communication</li> <li>• Financing, insurance, real estate and business services</li> <li>• Community, social and personal services</li> <li>• Activities not adequately defined</li> </ul>
3	City	Select one: <ul style="list-style-type: none"> <li>• Matadi</li> <li>• Goma</li> <li>• Kinshasa</li> <li>• Lubumbashi</li> <li>• Other</li> </ul>
4	Form of registration	Select one: <ul style="list-style-type: none"> <li>• Sole proprietorship</li> <li>• Limited liability company (e.g., SA and SARL)</li> <li>• Cooperative</li> <li>• Corporation</li> <li>• Partnership</li> <li>• Other, explain: _____</li> </ul>
5	Principal owner name	Open-ended
6	Percentage of ownership	%

*Scaling Up Ecosystems for Small Businesses in the Democratic Republic of Congo*

No.	Question	Format
7	Principal owner sex	Select one: <ul style="list-style-type: none"> <li>• Male</li> <li>• Female</li> </ul>
8	Principal owner age	Select one: <ul style="list-style-type: none"> <li>• Less than 18</li> <li>• 18-24</li> <li>• 25-35</li> <li>• 36 and older</li> </ul>
9	Principal owner marital status	Select one: <ul style="list-style-type: none"> <li>• Single</li> <li>• Married</li> <li>• Widowed</li> <li>• Divorced</li> <li>• Other</li> </ul>
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: <ul style="list-style-type: none"> <li>• No education</li> <li>• Primary school completion</li> <li>• High school completion</li> <li>• Trade/other technical training</li> <li>• Bachelor's degree</li> <li>• Postgraduate degree</li> </ul>
14	Primary manager (if different from Principal Owner)  If not, skip questions 14-17.	Open-ended
15	Primary manager sex	Select one: <ul style="list-style-type: none"> <li>• Male</li> <li>• Female</li> </ul>
16	Primary manager age	Select one: <ul style="list-style-type: none"> <li>• Less than 18</li> <li>• 18-24</li> <li>• 25-35</li> <li>• 36 and older</li> </ul>
17	Primary manager marital status	Select one: <ul style="list-style-type: none"> <li>• Single</li> <li>• Married</li> <li>• Widowed</li> <li>• Divorced</li> <li>• Other</li> </ul>
18	Primary manager phone number	Open-ended
19	Primary manager email address	Open-ended

No.	Question	Format
20	Secondary manager (if female)	Open-ended
21	Secondary manager sex	Select one: <ul style="list-style-type: none"> <li>• Male</li> <li>• Female</li> </ul>
22	Secondary manager age	Select one: <ul style="list-style-type: none"> <li>• Less than 18</li> <li>• 18-24</li> <li>• 25-35</li> <li>• 36 and older</li> </ul>
23	Secondary manager phone number	Open-ended
24	Secondary manager email address	Open-ended
25	Number of employees, total	Select one: <ul style="list-style-type: none"> <li>• 1 to 10</li> <li>• 11 to 50</li> <li>• 51 to 200</li> <li>• 201 or more</li> </ul>
26	Percentage of total employees that are female	Select one: <ul style="list-style-type: none"> <li>• Less than 25 percent</li> <li>• 25-49 percent</li> <li>• 50-74 percent</li> <li>• 75-94 percent</li> <li>• 95-100 percent</li> </ul>
27	What percentage of jobs are full-time?	Select one: <ul style="list-style-type: none"> <li>• Less than 25 percent</li> <li>• 25-49 percent</li> <li>• 50-74 percent</li> <li>• 75-94 percent</li> <li>• 95-100 percent</li> </ul>
28	What percentage of these full-time jobs are occupied by women?	Select one: <ul style="list-style-type: none"> <li>• Less than 25 percent</li> <li>• 25-49 percent</li> <li>• 50-74 percent</li> <li>• 75-94 percent</li> <li>• 95-100 percent</li> </ul>
29	What percentage of jobs are part-time?	Select one: <ul style="list-style-type: none"> <li>• Less than 25 percent</li> <li>• 25-49 percent</li> <li>• 50-74 percent</li> <li>• 75-94 percent</li> <li>• 95-100 percent</li> </ul>
30	What percentage of these part-time jobs are occupied by women?	Select one: <ul style="list-style-type: none"> <li>• Less than 25 percent</li> <li>• 25-49 percent</li> <li>• 50-74 percent</li> <li>• 75-94 percent</li> <li>• 95-100 percent</li> </ul>

*Scaling Up Ecosystems for Small Businesses in the Democratic Republic of Congo*

No.	Question	Format
31	What percentage of jobs are seasonal/temporary?	Select one: <ul style="list-style-type: none"><li>• Less than 25 percent</li><li>• 25-49 percent</li><li>• 50-74 percent</li><li>• 75-94 percent</li><li>• 95-100 percent</li></ul>
32	What percentage of these seasonal/temporary jobs are occupied by women?	Select one: <ul style="list-style-type: none"><li>• Less than 25 percent</li><li>• 25-49 percent</li><li>• 50-74 percent</li><li>• 75-94 percent</li><li>• 95-100 percent</li></ul>
33	Annual turnover	Select one: <ul style="list-style-type: none"><li>• Micro: &lt;10,000 USD</li><li>• Small : 10,000-80,000 USD</li><li>• Medium: &gt;80,000 USD</li></ul>
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: <ul style="list-style-type: none"><li>• Yes</li><li>• No</li></ul>
36	Source document/informant	Open-ended

# Annex 2: Mapping of the large companies

The analysis of the ecosystem included a mapping of established multi-national and national companies to gain insight into potential value chains for which MSMEs may have the opportunity to engage with. During this mapping process, the following data was collected for each business using an Excel-based tool.

No.	Question	Format
1	Company name	Open-ended
2	Sector	Select one: <ul style="list-style-type: none"> <li>• Primary agriculture, hunting, forestry and fishing activities</li> <li>• Processing (e.g., agro-processing)</li> <li>• Agro-retail</li> <li>• Mining and quarrying</li> <li>• Manufacturing</li> <li>• Electricity, gas and water</li> <li>• Construction</li> <li>• Wholesale and retail trade (other than agriculture) and restaurants and hotels</li> <li>• Transport, storage and communication</li> <li>• Financing, insurance, real estate and business services</li> <li>• Community, social and personal services</li> <li>• Activities not adequately defined</li> </ul>
3	City	Select one: <ul style="list-style-type: none"> <li>• Matadi</li> <li>• Goma</li> <li>• Kinshasa</li> <li>• Lubumbashi</li> <li>• Other</li> </ul>
4	Form of registration	Select one: <ul style="list-style-type: none"> <li>• Sole proprietorship</li> <li>• Limited liability company (e.g., SA and SARL)</li> <li>• Cooperative</li> <li>• Corporation</li> <li>• Partnership</li> <li>• Other, explain: _____</li> </ul>

*Scaling Up Ecosystems for Small Businesses in the Democratic Republic of Congo*

No.	Question	Format
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: <ul style="list-style-type: none"> <li>• 1 to 500</li> <li>• 501 to 1000</li> <li>• 1001 to 5000</li> <li>• 5001 to 10000</li> <li>• 10000 +</li> </ul>
12	Percentage of employees female	%
13	Annual turnover	Select one: <ul style="list-style-type: none"> <li>• &lt;3 million USD</li> <li>• 3 million USD &lt; 15 million USD</li> <li>• 15 million USD &lt; 50 million USD</li> <li>• 50 million USD &lt; 100 million</li> <li>• 100 million USD +</li> </ul>
14	Which product/activity produces the most turnover for your business?	Open-ended

No.	Question	Format
15	Roughly how many MSMEs do you source from?	Select one: <ul style="list-style-type: none"><li>• 1 to 10</li><li>• 11 to 50</li><li>• 51 to 200</li><li>• 201 or more</li></ul>
16	Can you please provide a list of the top 10 MSMEs you work with (by volume)?	Yes/No



# Annex 3: Financial inclusion for MSMEs in the DRC

The analysis of the ecosystem included a mapping of established multi-national and national companies to gain insight into potential value chains for which MSMEs may have the opportunity to engage with. During this mapping process, the following data was collected for each business using an Excel-based tool.

Name	Financial services provided	Non-financial services	Presence in cities	MSME clients	Start-up capital	Startups	Early expansion	Growth capital
Micro Baobab	<ul style="list-style-type: none"> <li>Offers savings accounts</li> <li>Offers credit for investment, financing of working capital needs</li> </ul>	<ul style="list-style-type: none"> <li>A real support services is offered to micro businesses</li> <li>Financial assistance and education are guaranteed by portfolio managers to enable them to better organize themselves</li> </ul>	Kinshasa, Kikwit	80%				
FINCA	<ul style="list-style-type: none"> <li>Offers group loans to those who have no collateral to pledge</li> <li>Offers individual loans in return for a mortgage or financial guarantee</li> </ul>	<ul style="list-style-type: none"> <li>Management training</li> <li>Support in the management of the activity</li> <li>Assistance in drawing up balance sheets and profit and loss accounts</li> </ul>	Kinshasa, Kongo Central, Katanga, South Kivu	99%				
Advans Bank	<ul style="list-style-type: none"> <li>Deposit products (of all types of accounts)</li> <li>Credit products</li> <li>Means of payment (card, cheque, national and international transfers)</li> <li>Advans mobile (mobile money)</li> </ul>	<ul style="list-style-type: none"> <li>Management training</li> <li>Support in the management of the activity</li> <li>Assistance in drawing up balance sheets and profit and loss accounts</li> </ul>	Kinshasa, Kikwit, Tshikapa, Mbuji-Mayi, Kananga	100%				

Scaling Up Ecosystems for Small Businesses in the Democratic Republic of Congo

Name	Financial services provided	Non-financial services	Presence in cities	MSME clients	Start-up capital	Startups	Early expansion	Growth capital
TMB Banque	<ul style="list-style-type: none"> <li>Bank loans and credits for companies over 3 months, capital for investment</li> <li>Current accounts, savings products, transfer products</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	Lubumbashi, Kinshasa, and Goma	35%				
Procredit	<ul style="list-style-type: none"> <li>Credits for companies older than 6 months (less than 10,000USD)</li> <li>Growth and diversification capital</li> <li>Employee credit for young entrepreneurs</li> <li>e-banking service</li> </ul>	<ul style="list-style-type: none"> <li>Advice to companies with regard to management</li> </ul>	Kinshasa, Matadi, and Lubumbashi	25%				
RawBank	<ul style="list-style-type: none"> <li>Bank loans and credits for companies over 3 months, capital for investment</li> <li>Current accounts, savings products, transfer products</li> </ul>	<ul style="list-style-type: none"> <li>Short training courses for informal entrepreneurs or those in the process of formalization</li> <li>Capacity building of target companies by enabling them to structure their projects and provide sufficient guarantees to ensure the loan</li> </ul>	Kinshasa, Goma, Matadi, and Lubumbashi	un-known				

# Annex 4: Supply and demand of BDS for MSMEs

Services	Coverage level	Other relevant actors covering the service
<b>Market access</b> —seek market opportunities, linking demand and supply		FEC, CCIFC, Makutano Network, COPEMECO, OPEC, Specialized Associations
<b>Access to market information</b> —procurement rules, regulation, opportunities		FEC, CCIFC, Specialized Associations, Incubators, COPEMECO, OPEC
<b>Support on administrative formalities for the establishment of businesses</b> —link with administrations		GUCE, ANAPI, OPEC COPEMECO
<b>Linking SMEs with suppliers of raw materials and good value quality goods</b> —integration of MSMEs in the national value chains, supply in raw materials and good value goods		ELAN, Incubators
<b>Support to the development of development strategies</b> —start of a new activity, consulting and strategy		ELAN, I&F Entrepreneurship, KIVU Entrepreneurs, DELLIONS
<b>Communication and marketing</b> —Visibility, linking MSMEs with large national and international enterprises		FEC, CCIFC, Makutano Network
<b>Technical capacity building</b> —Support to the development of a business plan, consulting and strategy		Congo Call Center, I&F Entrepreneurship, Kivu Entrepreneurs, Congolia, Silikon Bantu, Proxytech, DELLIONS, ELAN
<b>Capacity building in business management</b> —Management consulting, management, marketing and trade, legal, financial and tax support		
<b>Coaching and mentoring</b>		
<b>Incubation</b> —Growing a business, moving from idea to project, development support		
<b>Access to energy</b> —Provide energy access from a well-performing grid		

*Scaling Up Ecosystems for Small Businesses in the Democratic Republic of Congo*

Services	Coverage level	Other relevant actors covering the service
<b>Access to modern equipment and production technologies</b>		Congo Call Center, I&F Entrepreneurship, Kivu Entrepreneurs, Congolia, Silikon Bantu, Proxytech, DELLIONS, ELAN ( <i>continued</i> )
<b>Access to bank credit</b> —Loans and credit for the financing of MSMEs		TMB, Raw Bank ProCredit
<b>Access to microcredit</b> —Allowing micro enterprises and women-led businesses to access financing		FINCA, Microcredit Baobab, ProCredit Bank, ADVANS Bank
<b>Startup capital</b>		N/A
<b>Growth capital and working capital</b>		King Kuba, SOFIDE and FPI (in the process of change)

# Annex 5: MSMEs ecosystem enablers

Organization name	Organization description	Experience with BPC	Notable partnership strengths	Notable partnership weaknesses
<i>National initiatives</i>				
BRALIMA	N/A	<p>The SME Contest (first edition in 2018) is a business creation competition that consists of putting the most viable business ideas into competition. The SME competition is open to all university graduates without a job, ages 22-35 and living in Kinshasa.</p> <ul style="list-style-type: none"> <li>• 1st round: 20 scalable projects selected for two weeks of coaching and business planning support; two projects eliminated.</li> <li>• 2nd round: case studies written on businesses; eight projects eliminated.</li> <li>• 3rd round: five winners selected by the selection panel and public vote.</li> </ul> <p>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).</p>	N/A	<p>Limited geographical scale (operating in Kinshasa only)</p> <p>In its first year and therefore, not yet able to demonstrate successful implementation of the project</p>
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.	<p>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.</p> <p>An Entrepreneurship Contest was organized in September 2017, taking place over six months and engaging over 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.</p>	<p>Ability to generate strong interest with youth due to the association with the festival and music culture</p> <p>Since the support provided by local incubators can vary, some entrepreneurs have not been developed as far as expected.</p>	Limited capacity and experience to work with other organizations

## Scaling Up Ecosystems for Small Businesses in the Democratic Republic of Congo

Organization name	Organization description	Experience with BPC	Notable partnership strengths	Notable partnership weaknesses
KA Foundation and the Kin start ups	Kin Start Up Academy is supported by KA Foundation, a non-profit association focused on providing training and support to youth leaders, as well as the Hans Seidel Stiftung Foundation and other partners.	<p>“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.</p> <p>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.</p> <p>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 business.</p>	<p>Good publicity</p> <p>Supporting and connected with institutions and key leaders in the entrepreneur-ship ecosystem</p>	Focused on media and publicity (potential for reputational risk)
UNDP and Konnect Digital Economy and Investment Conference - Hackathon	Konnect is a local incubator providing support to mainly technology SMEs in Kinshasa.	<p>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 through providing business plan support and capacity building.</p> <p>The event was supported by a number of partners, including private sector association the Federation des Entreprises du Congo, the 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.</p>	<p>Strong representation by many stakeholders within the ecosystem</p> <p>Strong brand recognition through its leadership in hosting the first startup competition and investment conference on the digital economy</p>	Technology-sector focused
<i>Regional initiatives</i>				
Elumelu foundation	Founded in 2010, the Foundation is focused on supporting African youth through entrepreneurship.	<p>Launched in 2015, The Tony Elumelu Foundation Entrepreneurship Program is the largest African philanthropic initiative devoted to entrepreneurship and represents a 10-year, US\$100 million commitment, to identify and empower 10,000 African entrepreneurs, create a million jobs, and add US\$10 billion in revenue to Africa's economy.</p> <p>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. They receive up to US\$5,000 to support their business.</p>	<p>The program provides critical 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</p>	<p>There are few Congolese projects running for the competition because of the use of English language</p> <p>Limited familiarity within Congolese entrepreneur-ship community</p>
Orange	Orange is an international telecommunications company, with a focus on supporting technology startups through its corporate philanthropy strategy.	<p>The Orange Social Entrepreneur Award in Africa rewards three startups offering information technology-based solutions (using mobile or the Internet) to meet the needs of young people.</p> <p>The BPC entails two stages:</p> <ul style="list-style-type: none"> <li>• National competition across the continent</li> <li>• International competition whereby the three winners from each country will compete for the international prize.</li> </ul>	Global reach and network provided to entrepreneurs	<p>Despite level of support provided to SMEs, business often continues to struggle to grow and scale</p> <p>Technology-sector focused</p>

Organization name	Organization description	Experience with BPC	Notable partnership strengths	Notable partnership weaknesses
Orange (continued)		<p>Winners receive financial support and six-month support from mentors and ICT professionals.</p> <ul style="list-style-type: none"> <li>• 1st Grand Prix: €25,000</li> <li>• 2nd Grand Prix: €15,000</li> <li>• 3rd Grand Prix: € 10.000</li> </ul>		
African Leadership Academy and Mastercard Foundation	<p>The African Leadership Academy, a secondary institution focused on growing the next generation of African leaders, based in South Africa and the Mastercard Foundation, focused on youth development, have partnered to form the Anzisha Prize.</p>	<p>The Anzisha Prize seeks to award young entrepreneurs who have developed and implemented innovative solutions to social challenges.</p> <p>Anzisha strategy has three pillars:</p> <ul style="list-style-type: none"> <li>• Celebrate young entrepreneurs (ages 15-22) and actively share their stories</li> <li>• Train and accelerate young entrepreneurs</li> <li>• Influence entrepreneurship education</li> </ul> <p>15 finalists from across Africa win a spot in a lifelong fellowship what 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 long entrepreneurship workshop and conference at the African Leadership Academy campus on the outskirts of Johannesburg. The grand prize-winners will share prizes worth US\$100,000.</p>	<p>Global network Accelerate camp and fellowship program providing access to highly qualified mentors</p>	<p>Limited local knowledge of the Congolese context</p>



# Annex 6: Different types of MSMEs

<i>Type of MSME</i>	<i>Potential Policy Interventions</i>
<p><b>New Subsistence micro businesses</b>—youth; the marginalized, unemployed, and underemployed who start micro businesses generally for reasons of self-employment. Usually low skill, may be engaged in simple retail activities and likely to stay informal.</p>	<p>Improving Firm Capability</p> <ul style="list-style-type: none"> <li>• Simple how-to business management guides (e.g., online)</li> <li>• Basic business advisory services and training</li> </ul> <p>SME Access to Finance</p> <ul style="list-style-type: none"> <li>• Microfinance</li> </ul> <p>SME Support environment</p> <ul style="list-style-type: none"> <li>• Making it easy to formalize and operate, one stop-shop for business registration</li> </ul>
<p><b>New skill-based MSMEs</b>—the establishment of small businesses by entrepreneurs who have a skillset—a technical trade, profession or work experience—around which the business is formed. Generally does not involve a new business model or innovation.</p>	<p>Improving Firm Capability</p> <ul style="list-style-type: none"> <li>• Simple how-to business management guides (e.g., online)</li> <li>• Business plan competitions</li> <li>• Basic business advisory services and training</li> </ul> <p>SME Access to Markets</p> <ul style="list-style-type: none"> <li>• Supply chain/supplier development initiatives</li> </ul> <p>SME Access to Finance</p> <ul style="list-style-type: none"> <li>• Small “start-up or pre-seed” grants/loans</li> </ul> <p>SME Support environment</p> <ul style="list-style-type: none"> <li>• Business climate reforms (making it easy to formalize and operate), one stop-shop for business registration.</li> <li>• Industrial parks, industrial estates, hubs and incubators</li> </ul>
<p><b>Startups</b>—new, innovation-based businesses that aim to scale quickly and utilize new technologies and business models to do so.</p>	<p>Improving Firm Capability</p> <ul style="list-style-type: none"> <li>• Start-up competitions/hackathons/challenges</li> <li>• Accelerators and acceleration programs</li> <li>• Mentoring</li> </ul> <p>SME Access to Finance</p> <ul style="list-style-type: none"> <li>• Pre-seed funding, seed co-investing</li> <li>• Small ‘start-up or pre-seed’ grants/loans</li> <li>• Support to angel investors</li> </ul> <p>SME Access to Markets</p> <ul style="list-style-type: none"> <li>• Commonly included in other interventions: mentoring, angel investors, accelerators, etc.</li> </ul> <p>SME Support environment</p> <ul style="list-style-type: none"> <li>• Networking (e.g., diaspora groups)</li> </ul>

<p><b>Micro businesses</b>—established subsistence - Informal micro businesses that have been running for some time</p>	<ul style="list-style-type: none"> <li>• Formalization—through business registration</li> </ul>
<p><b>Established SMEs</b>—Existing SMEs older than 3-5 years with some scale, generally mature “skill-based MSME,” found across the economy in all sectors, often family businesses.</p>	<p>Improving Firm Capability</p> <ul style="list-style-type: none"> <li>• Business advisory services (management improvement)</li> <li>• Productivity enhancement (e.g., lean manufacturing) through technology extension services</li> <li>• Grants to upgrade plant and equipment, subsidize management improvement advice (or combination)</li> <li>• Skills upgrading (for workforce)</li> </ul> <p>SME Access to Markets</p> <ul style="list-style-type: none"> <li>• Supply chain/supplier development initiatives,</li> <li>• Value chain competitiveness initiatives</li> <li>• Export promotion and development initiatives</li> </ul> <p>SME Access to Finance</p> <ul style="list-style-type: none"> <li>• Growth financing, venture capital</li> </ul> <p>SME Support environment</p> <ul style="list-style-type: none"> <li>• Clusters and networks</li> <li>• Industrial or S&amp;T Parks</li> </ul>
<p><b>Established, growth-focused SMEs</b>—Existing SMEs older than 3-5 years with some scale, with growth aspirations and business model based (at least partially) on new product, business model development or new market entry.</p>	<p>Improving Firm Capability</p> <ul style="list-style-type: none"> <li>• Technology advice, market opportunity awareness through extension services</li> <li>• R&amp;D/innovation support (through grants, tax concessions)</li> <li>• Productivity enhancement (e.g., lean manufacturing) through Technology extension services</li> <li>• Grants to upgrade plant and equipment, subsidize management improvement advice (or combination)</li> </ul> <p>SME Access to Markets</p> <ul style="list-style-type: none"> <li>• Supply chain/supplier development initiatives</li> <li>• Value chain competitiveness initiatives</li> <li>• Export promotion and development initiatives</li> </ul> <p>SME Access to Finance</p> <ul style="list-style-type: none"> <li>• Growth financing, venture capital</li> </ul> <p>SME Support environment</p> <ul style="list-style-type: none"> <li>• Clusters and networks</li> <li>• Industrial or Science &amp; Technology Parks</li> </ul>

Source: Rekas Metz & Hill, 2017.