Promoting MSME development and entrepreneurship in and around Special Economic Zones in Africa

A guide for practitioners
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This publication on Promoting MSME Development and Entrepreneurship in and around Special Economic Zones in Africa – A Guide to Practitioners was prepared under the overall guidance of James Zhan, Director, Division on Investment and Enterprise, UNCTAD. It was led by Richard Bolwijn, Head of the Enterprise Branch, UNCTAD and coordinated by Arlette Verploegh, Chief Enterprise Development, UNCTAD.

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Introduction

Special Economic Zones (SEZs) are an ever-popular policy tool for the promotion of investment, employment generation, and the stimulation of innovation. Current estimates suggest that there are around 240 SEZs in Africa alone, with the total number worldwide passing 5,000.\(^1\) While traditionally, SEZ policies have focused on the attraction of foreign large-scale industrial investors, there has been an increasing interest on how to leverage SEZ policies to support local firms, in particular micro, small and medium-sized enterprises (MSMEs)\(^2\) and foster local entrepreneurship.

The importance of MSMEs and entrepreneurship for economic and social outcomes has been extensively documented. In most economies, MSMEs represent the vast majority of firms, in particular in the developing world. They contribute to the lion share of formal and informal employment and typically grow faster than large established companies. The entry of new firms has been shown to promote productivity and value added. However, MSMEs also encounter particular challenges. Among other, they face higher hurdles to access finance, struggle more with bureaucratic processes, and often have lower managerial and technological capabilities. These difficulties make it even more challenging for them to realize market opportunities and their growth potential.

Given the proliferation of SEZs in Africa, the question arises to what extent SEZ policies are suited and can be leveraged to alleviate these constraints and support local MSME growth and entrepreneurship. The topic is of great relevance for several reasons, the first one being that while SEZs have proven to be an effective policy tool in some countries, many SEZ regimes have struggled to fulfil their promise. Occupancy rates, employment generation and linkages to the local economy have frequently remained limited, leading to a low developmental impact on the host economies. In addition, an ever-increasing number of SEZs around the world, competing for a limited number of foreign direct investment, will put further competitive pressure on existing SEZs. In this context, targeting local entrepreneurs rather than foreign investors could be an opportunity to improve the performance and developmental outcomes of SEZs.

Secondly, SEZ policies will have to adapt to a changing international regulatory landscape in which providing incentives to large established firms – the core of many SEZ policies, will become increasingly difficult. The Organization for Economic Co-operation and Development and the Group of 20 (OECD/ G20) Global Anti-Base Erosion Rules (GloBE) foresees a minimum tax of 15 per cent on multinational companies with a yearly revenue of more than $740 million\(^3\) from 2023 onwards. A shifted focus on promoting local MSME growth could therefore be an important strategic consideration (Figure 1).

Against this backdrop, the United Nations Conference on Trade and Development (UNCTAD) and the Africa Economic Zones Organization (AEZO) have joined forces to explore the opportunities and challenges involved in promoting entrepreneurship in and around SEZs in Africa.

The objective of this effort is to offer practical guidance to policymakers, SEZ authorities and management companies, and other institutions and stakeholders engaged in MSME support in the development of policies, initiatives, and facilities for the effective promotion of entrepreneurship in and around SEZs.

The development of the guide was informed by a wide range of sources. In a first step, a survey was conducted among AEZO members to document the state of play of entrepreneurship promotion in African SEZs. Fifty-three SEZs across 28 countries provided inputs for the guide through this survey. Secondly, a regional focus group discussion was held in Tanger, Morocco, followed by in-depth interviews and correspondence with stakeholders involved in promoting entrepreneurship in African SEZs. An extensive review of academic literature, policy reports and other relevant material formed the basis for a further analysis and the development of the recommendations. The guide, furthermore, complements other work conducted by UNCTAD on

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1 UNCTAD (2019)
2 While there are varying definitions of the term MSME, we will rely on the IFC definition: micro <10 employees, small 10–49 employees, medium 50 – 300 employees
3 OECD specifies EUR750 million as the cut-off
national entrepreneurship strategy design, entrepreneurship capacity-building workshops, business linkages and business facilitation and accounting advisory services.

Figure 1 – Rationale for promoting local MSMEs and entrepreneurship in and around SEZs

The guide is structured as follows: Section 1 explores the different ways in which SEZs can contribute to promote entrepreneurship and MSMEs, develops a typology of interventions and provides international examples of initiatives. Section 2 maps the current initiatives in African SEZs related to entrepreneurship support, followed by an in-depth description of nine selected initiatives in African SEZS in section 3. The final section summarizes the lessons learned and presents a practical guide for policymakers.
1. SEZs, entrepreneurship and MSME development around the world

Entrepreneurship promotion and MSME development have traditionally not been at the core of SEZ policies. Historically, SEZ policies were the instrument of choice in many countries for attracting and facilitating foreign direct investment, in particular large-scale industrial investors. Hence, the incentives, services and facilities offered within SEZs were largely tailored to the needs of these investors rather than smaller local firms. Moreover, the original concept of SEZs evolved around the promotion of export processing, resulting in limited links to local economies outside the zones. However, in recent years there has been an increasing interest on how to leverage SEZ policies to support local firms, in particular MSMEs, and foster local entrepreneurship (Table 1).

### Table 1 – Categories of support to local MSMEs with examples

<table>
<thead>
<tr>
<th>Categories of instruments</th>
<th>Examples of instruments used by SEZs</th>
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| **Policy measures**       | • Standards and regulations accommodations for MSMEs (e.g. start-up act)  
                           | • Simplified economic/fiscal regimes for MSMEs  
                           | • Fiscal incentives (e.g., taxes, charges, accelerated depreciation schemes, capital expenditures tax deductions)  
                           | • Other non-fiscal subsidies and incentives (financial and non-financial)  
                           | • Dispensation of other requirements and concession of soft conditions (temporary or permanent)  
                           | • Required local content in inputs |
| **Physical facilities**   | • Dedicated and adapted physical space for MSMEs (e.g., offices and warehouses adapted in size)  
                           | • Subsidized costs for use of facilities  
                           | • Common spaces (e.g., labs, maker spaces, meeting rooms, conference rooms, conference theatres)  
                           | • Incubators  
                           | • Other subsidized services and maintenance costs |
| **Initiatives**           | • Streamlined administrative procedures (e.g. one-stop-shops)  
                           | • Informational instruments (e.g. websites for administrative facilitation and transparency)  
                           | • Guidance with administrative procedures  
                           | • Subsidized capacity building initiatives (e.g. trainings and learning programmes: cross-sectoral, industry-specific, needs-based, …)  
                           | • Business linkages programmes  
                           | • Platforms and events to promote linkages and market opportunities  
                           | • Awareness raising events  
                           | • Networking events  
                           | • Local MSME roadshows and promotional events  
                           | • Contests and prizes  
                           | • Grants and other non-regulatory incentives  
                           | • Financing support schemes  
                           | • Collaboration with/connection to other national, foreign or multilateral support programmes for MSMEs (including technical upgrade, financial support)  
                           | • Adaptation of demand to MSMEs’ capacities (e.g., unbundling large procurement contracts into smaller packages) |

Source: UNCTAD based on inputs from SEZs and review of academic literature

SEZs have the potential to support the local MSME sector and entrepreneurship through two channels namely the promotion of MSME growth within the SEZs, and the promotion of spillovers to MSMEs located outside of the SEZs.
The first channel aims to **support local MSME growth and entrepreneurship within the SEZs** themselves. MSMEs face a wide range of growth constraints which could be alleviated by being located within SEZs. Benefits could, among others, include (1) a conducive business environment within the zones, (2) facility and service offerings specifically tailored to the needs of MSMEs, (3) the provision of training and capacity building, as well as (4) networking and clustering among firms to increase innovation and technological capabilities.

Traditionally, efforts to reap the benefits of SEZ policies for the local economy have focused on the second channel, the **promotion of spillovers to MSMEs located around the zones**. The development and running of SEZs and the presence of international firms are thought to create new market opportunities for local firms as well as lead to increased innovation and productivity. These so-called spillovers can occur through (1) labour mobility between SEZs and local firms, (2) the creation of sourcing linkages between SEZ firms and domestic producers, and (3) the imitation of technology and/or management practices of SEZs tenants by local firms.\(^4\) While spillovers are not limited to MSMEs specifically, they present an important avenue to consider when exploring options to promote MSME growth and entrepreneurship.

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**Figure 2 - SEZs, local entrepreneurship and MSMEs growth**

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Both channels hold the potential to promote MSME growth and entrepreneurship, however policymakers need to carefully consider what support measures should be in place for these benefits to materialize. It has been shown that spillovers from SEZ firms to local companies are by no means automatic and that a concerted effort is needed to enable local firms to realize the opportunities presented by the presence of SEZs. This is particularly true for MSMEs that are likely to require more support in this respect than larger established companies. Similarly, the promotion

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\(^4\) see for example Farole, 2011; World Bank, 2011
of MSME growth and entrepreneurship within the premises of SEZs requires a careful analysis of what policies and initiatives can provide the largest benefit.

The support that is given to local MSMEs can be categorized under three groups of instruments, namely policy measures in favour of MSMEs to level the field and promote local entrepreneurship, physical facilities to better cater the needs of MSMEs, and initiatives to facilitate and promote local entrepreneurship and support MSMEs as presented in table 1.

The UNCTAD Entrepreneurship Policy Framework (EPF) provides a useful tool to determine the needs of entrepreneurship and MSME development in and around SEZs. It outlines five priority areas\(^6\) that have a direct impact on a country’s entrepreneurial activity as presented in figure 2.\(^6\)

**Regulatory environment**

The first pillar of the EPF is the most straightforward and common intervention space for SEZ authorities, given that optimizing the regulatory environment is already the inherent objective for SEZs to develop – whether for foreign and large established firms or local entrepreneurs and MSMEs.

It can be done in a variety of ways. First, some of the general fiscal and non-fiscal incentives, offered in many SEZ programmes, can also be beneficial for local MSMEs. For instance, local MSMEs within the Santander Zona Franca in Colombia emphasized the importance of the tax incentives provided to lower their costs of importing machinery and inputs and gradually nationalize these. This in turn helped them to manage their cash-flows.\(^7\) Administrative incentives, i.e. SEZ services supporting firms to navigate more easily through bureaucratic processes, can furthermore be an effective tool to promote local entrepreneurship. Transparency of rules and regulations, access to streamlined regulatory processes and information provision can be particularly beneficial for local MSMEs, which typically struggle more with bureaucracy than larger firms.

Second, SEZ policies can also offer additional and/or more tailored fiscal and non-fiscal benefits for MSMEs within the zones. These can be common to all industries or industry specific. MSME specific incentives are often more generous than the general incentives offered to all firms or specifically target areas which are more relevant for smaller firms. Similarly, administrative facilitation can be tailored to the needs of smaller local firms rather to those of foreign investors.

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**International examples**

Firms within the five SEZs and freeports in **Latvia** can benefit from up to 80 per cent of corporate income tax and 100 per cent of real estate tax relief. The total amount granted to each firm depends on the size of the firm. Small firms with less than 50 employees and a balance sheet of less than €10 million can receive up to the equivalent of 60 per cent of their investments in the zone in tax relief, while large companies can only claim up to 40 per cent.\(^8\)

In 2015, the Board of Investment Promotion of **Thailand** established additional incentives specifically for MSMEs in order to promote investments into border SEZs. Eligible SMEs, having at least 51 per cent local ownership, were entitled to three to eight years of corporate income tax exemptions in addition to the general exemption provided to all firms.\(^9\)

**Malaysia** has implemented several initiatives to promote the development of sourcing linkages between foreign firms and local MSMEs over the years. Among others, the Industrial Linkage Programme grants Pioneer Status to local firms involved in the programme, which entitles them to 100 per cent income tax exemption over 5 years. Similarly, foreign firms can deduct expenditures for supplier capacity building and auditing of local supplier plants to create incentives for them to engage in the upgrading of local suppliers.\(^10\)

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\(^5\) The sixth priority area, the development of a national entrepreneurship policy, has been excluded as this is beyond the realm of SEZ policies

\(^6\) [https://unctad.org/topic/enterprise-development/entrepreneurship-policy-hub](https://unctad.org/topic/enterprise-development/entrepreneurship-policy-hub)

\(^7\) LSE(2018) – refers to a set of LSE background documents

\(^8\) PWC (2022) & Rezekne SEZ (2023)


\(^10\) World Bank (2020)
Finally, the regulatory environment also needs to be considered for the promotion of entrepreneurship outside the zone, especially related to the development of sourcing linkages between local MSMEs and SEZ firms. Local firms can be disadvantaged from a cost perspective vis-à-vis foreign suppliers if foreign inputs are exempt from custom duties. Hence, incentives such as value-added tax (VAT) exemptions on local inputs or corporate tax relief contingent on using local suppliers can help level the playing field.

While some form of fiscal incentives is widely used in SEZ efforts to promote local MSME growth, tax incentive provision also comes with certain risks. Local firms might simply relocate to SEZ regimes specifically for the purpose of benefiting from advantageous tax rates without expanding current or developing new activities, which can result in decreased tax revenues rather than increased entrepreneurship. A careful consideration of the risks and benefits associated with fiscal incentives is therefore paramount.

**Education and skills development**

Initiatives around the second pillar of the EPF on education and skills development can take several forms, including the provision of training courses and internship and mentoring programmes.

Training and capacity building can target a wide range of disciplines, such as core entrepreneurship competencies and general business skills on for instance accounting and reporting. These are necessary for access to finance and regulatory filings, sound business planning, export promotion and management practices as well as more sector specific programmes tailored to the needs of firms in specific industries (for example on specific international quality standards required for exporting).

Capacity building for the promotion of sourcing linkages with MSMEs outside of the zone will typically also be sector specific and frequently involves topics such as quality assurance and sustainability standards. Internship and mentoring programmes for owners and managers of local MSMEs can also promote innovation and entrepreneurship by allowing local entrepreneurs, located within or outside SEZs, to learn from management and production processes within the frequently larger or more productive SEZ firms.

For instance, local entrepreneurs around the Kigali SEZ in Rwanda set-up their own businesses after working for and learning from foreign SEZ firms for multiple years. While this did not happen through a specific programme, the example shows the potential impact of this sort of interactions which could be promoted in a more structured way through mentoring and internship programmes.

**International examples**

Lodz SEZ in **Poland** has been lauded for its efforts to promote SME growth along several dimensions. Amongst its efforts in the area of education and skills development are the setting up of free training on taxes in the zone and the facilitation of contacts and cooperation between companies and vocational schools on the creation of vocational training classes and the adaptation of school curriculum to the requirements and expectations of future employers.

Among the initial efforts of **Singapore** to increase the embeddedness of foreign firms within the local economy, the Local Industry Upgrading Programme supported the implementation of a mentorship programme aimed at capacity building and knowledge transfer into local firms. It covered part of the salary of a manager or an engineer of a foreign firm who would work closely with a local supplier on developing new products and processes and joint research and development (R&D) efforts.

**Technology exchange and Innovation**

The third EPF pillar on technology exchange and innovation can be addressed through programmes for local entrepreneurs within or outside SEZs. The latter can host dedicated start-up incubators or growth accelerators within the zones, provide dedicated facilities to local entrepreneurs which facilitate knowledge exchange, and specific training programmes supporting technological upgrading and innovation, for example targeting the introduction of ICT software.

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11 LSE (2018) – refers to a set of LSE background documents
12 Lodz SEZ (2022)
13 World Bank (2020)
Fostering horizontal linkages and networking between firms can further support peer learning among local MSMEs and larger or foreign firms within the zones.

To promote innovation amongst local MSMEs outside the zone, supplier development programmes can be implemented, which typically involve elements of technological upgrading of and innovation in the local firms. These would usually target multiple policy areas to address the bottlenecks preventing these linkages to form automatically. This could include, for example, training on international quality standards for local suppliers, developing a platform and initiatives to match SEZ firms with domestic producers to overcome information mismatches, financing schemes to support the upgrading of machinery required to become part of international supply chains as well as the above-mentioned incentives for foreign and local firms to create linkages.

Internship and mentoring programmes in SEZ firms for local entrepreneurs outside the zones can also facilitate innovation and technological upgrading among local firms by giving MSME managers and owners the opportunity to observe and mirror practices in the SEZ firms.

### International examples

**Odisha**

Odis state owned and operated start-up incubator ‘O-Hub’ at Bhubaneswar SEZ in **India** was launched in 2021 and aims to create an entrepreneurial ecosystem in collaboration with different partners to promote the growth of MSMEs in the state. It is equipped with plug-and-play infrastructure and provides co-working spaces and modular manufacturing sites at a subsidized rate. It also offers services such as mentorship programmes, investment facilitation and capacity building to the start-ups accepted into the programme.14

Poland’s Lodz SEZ has implemented four different accelerator programmes over the past years. One of their key objectives is to match tech entrepreneurs with mature multinationals located in the SEZ. This provides them with the opportunity to leverage the infrastructure, resources, and experience of the larger firms present in the SEZ. The latter, such as Erikson, Miele and Bosch, also benefit by gaining insights into the needs of the wider industry and by connecting with new start-up technologies. In this sense, multinationals primarily fulfil two roles. First, they provide capacity building to the start-ups, and second, they work with selected start-ups as technology partners to develop and bring to the market new technologies. The programme is embedded into a wider entrepreneurial ecosystem, which provides incentives, capacity building and business development services to the entrepreneurs located in the zone.15

### Access to Finance

Support for MSMEs and entrepreneurs in the fourth pillar of the EPF on access to finance is particularly important and remains one of the biggest challenges for MSMEs and new firms, particularly in developing countries. Thirty-eight per cent of firms in Sub-Saharan Africa identify lack of access to finance as a major constraint for their operations.16 While financing programmes are typically not part of the standard offer within SEZs, they can help addressing this challenge in several ways. For instance, they can provide financial literacy and investor readiness training to MSMEs within the zone and/or supporting them to access national programmes. Specific grant and loan programmes for MSMEs can also form part of the support and are usually implemented in the context of supplier development programmes. COEGA IDZ in South Africa, for example, provides a bridge financing scheme to local MSMEs around the zone, which are involved in providing services and construction works for SEZ operations and firms.

### International example

The Czech Pilot Supplier Development Programme is among the most well-documented case studies on supplier development and operated from 2000 to 2002. As part of the holistic programme, local firms were closely advised by Czech and international consultants to upgrade their offering to meet the demands of multinational cooperations, which required many local firms to invest heavily into the upgrading of production processes. In order to support local firms to shoulder these expenses, the

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14 Startup Odisha (2022)
15 Investment Monitor (2022)
16 World Bank Enterprise Survey
country’s investment promotion agency, CzechInvest, administered a 95 per cent matching grant for the costs involved in the upgrading.  

**Awareness and Networking**

The fifth and last pillar of the EPF on awareness and networking can be addressed by the SEZ’s active involvement in these areas. Awareness raising campaigns on the importance of entrepreneurship and highlighting possible opportunities coming out of the SEZ operations can be held as well as the strengthening of networks among entrepreneurs. Dedicated spaces set aside for local entrepreneurs, export fairs and trade shows, the promotion of interactions between SEZ firms and local MSMEs both inside and outside the SEZs as well as platforms which promote supplier linkages can all contribute to this endeavour.

**International example**

Launched in 2020 by Chile’s Punta Arenas Free Trade Zone, ‘Emprende Zona Franca’ is an entrepreneurship competition seeking to identify the most innovative entrepreneurs in the region. The five winners of the competition are provided with free space of up to one year within the zone as well as advisory services in several fields such as patent applications and marketing campaigns. To raise awareness for the competition and the importance of MSMEs in the region, the free trade zone collaborates with other actors in the entrepreneurship ecosystem, such as the multimedia platform PYMESFestival, aiming to promote entrepreneurship and MSME development.

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17 World Bank (2020)
18 Zonaustral (2020)
2. The state of play in African SEZs

This section explores to what extent African SEZs are currently active in promoting entrepreneurship and MSMEs, the type of policies and initiatives implemented in this regard as well as the perceived effectiveness of the measures. It is based on the responses of a survey conducted by UNCTAD and AEZO in April 2022. Fifty-three SEZs across 28 countries participated in the exercise.

Overall, a positive picture emerges from the survey. Almost three quarters of the respondents confirm having measures in place that can be considered to support local MSMEs and entrepreneurship as can be seen in figure 3. Responses show that these measures are frequently not targeting local MSMEs specifically but rather apply to all firms located in the SEZ.

![Figure 3 - Existence of support measures in SEZs to support local entrepreneurship](image)

Source: Survey UNCTAD and AEZO (2022)

Considering the two channels through which SEZs can impact local MSMEs and entrepreneurship, the main focus of existing support measures in African SEZs is on promoting MSME growth within the zones (Figure 4).

![Figure 4 - Target group and channels](image)

Source: Survey UNCTAD and AEZO (2022)

Among the respondents with support measures in place, more than half target local MSMEs within the SEZ and a third targets MSMEs located both outside and within the SEZ. Fourteen per cent of SEZs focus on MSMEs outside the SEZ only. In line with this, over three quarter provide dedicated services and facilities for MSMEs within the zones in order to facilitate local MSME growth and more than half promote links between SEZ firms and local MSMEs as suppliers. Less than a handful aim to ensure that local MSMEs benefit from procurement and contracting resulting from the SEZ operations. The relatively low share of SEZs supporting MSMEs outside the zones might be reflective of the well-known difficulties many supplier development programmes have faced in the past to establish sourcing linkages between SEZ firms and local suppliers, and hence might have resulted in a reduced focus on this topic.

Regarding the five EPF pillars, there is a clear focus on education and skills development as well as awareness and networking among the existing initiatives (Figure 5). Almost three quarters of...
those SEZs that have reported having measures for local MSMEs in place, target these policy areas respectively. Trade fairs, support programmes to promote exports and supplier development programmes feature most prominently in the category of awareness and networking.

Examples in the areas of skills development and education are training of local MSMEs to enhance their ability to benefit from procurement coming from SEZ development and operations. Capacity building on the importance of international certifications and skills development for the local workforce is another important area.

While almost half of the SEZs report promoting MSMEs through the provision of an optimal regulatory environment, many of these measures are not specific to MSMEs and it remains unclear to what extent they address the most pressing issues for local MSMEs. A third of SEZs confirm to promote technology exchange and innovation through dedicated start-up incubators. And finally, initiatives to promote access to finance among local MSMEs is almost absent among the respondents of the survey. The only example is a World Bank sponsored project in Ethiopia providing match funding for local MSMEs to upgrade their machinery in order to enable them to become suppliers for SEZ firms.

**Figure 5 - Initiatives in UNCTAD’s EPF policy areas***

Besides initiatives in the five key policy areas, adapting the SEZ offering to the needs of MSMEs is also an important part of the current measures (Figure 6). Roughly four out of ten SEZs with support measures in place mention having a dedicated area set aside for local entrepreneurs or production facilities only available to local MSMEs. This is important since land plots, production facilities and office spaces within the SEZ are frequently designed with larger firms in mind, hence making it challenging for local MSMEs to benefit from the advantages offered by being located within a SEZ. Forty-two per cent of respondents furthermore offer reduced rent of office spaces, however this is likely to be a general incentive open for all firms within the SEZ rather than a targeted measure for local MSMEs.

**Figure 6 - Adapting SEZ facilities for local MSMEs***

*Source: Survey UNCTAD and AEZO (2022)*
A third of respondents consider the support measures to be very successful (Figure 7), while just over half report them to be averagely successful. Only one in ten think they are not successful at all.

Responses to what is seen as the most effective way of promoting local entrepreneurship were varied and are likely to reflect the need to carefully consider the local context when designing interventions. A few common themes could, however, be identified. Respondents frequently cited capacity building and training for local MSMEs on topics such as quality standards, investor readiness and exporting. Specific tax incentives and subsidies to support the start-up phase of new enterprises were also mentioned several times among the most effective means to promote MSMEs and entrepreneurship. The same can be said for the promotion of supply chain linkages with SEZ firms. Other topics that were mentioned include access to infrastructure, stability of foreign exchange and consistency and sustainability of the fiscal and economic policies.

Factors reported to facilitate or hamper the effectiveness of the measures are instructive for understanding potential changes that need to happen to increase the effectiveness of policies and initiatives targeting the promotion of local MSMEs. One of the primary issues that was mentioned is the inadequacy of many zones for local MSMEs in relation to the size of land plots, production facilities and/ or office spaces. One respondent explained that a project targeting to adapt the zone for local firms failed due to its financial non-viability. However, a zone design not suited for the needs of MSMEs makes it difficult for MSMEs to actually move into the zones and hence making any effort to promote MSME growth within the zones challenging, even if other support services would theoretically be in place. Access to finance was, furthermore, highlighted as an important factor to promote the effectiveness of initiatives to support local MSMEs and entrepreneurship. And finally, dialogue and collaboration between the relevant stakeholders within and outside the zones as well as a coherent overall policy framework are also seen as important ingredients to make the measures work.

In summary, the survey results show that there is significant appetite among African SEZs to promote local entrepreneurship with the majority of SEZs offering some form of support for local MSMEs. The support is focused on promoting MSME growth within zones; only a smaller percentage of SEZs currently has measures in place to promote spillovers. Despite this appetite, it seems less clear what the best way is to accomplish the task. Many of the policies, facilities and services offered can be described as open to local MSMEs rather than being tailored specifically to their needs, hence making it difficult for them to benefit. The support required in some policy areas also seem to be more straightforward than in others. Many SEZs already implement initiatives around skills development and networking. Other fields such as access to finance and innovation, even though deemed to be very important, currently receive less attention in terms of concrete policies. SEZs also implement initiatives to adapt their offer to the needs of local MSMEs, which is seen as one of the key barriers to increase the effectiveness of the measures.

Source: Survey UNCTAD and AEZO (2022)
3. Case studies of entrepreneurship promotion in and around African SEZs

The following section describes nine initiatives across African SEZs targeting the promotion of local MSMEs and entrepreneurship, each with a different focus (Table 2). The cases of Athi River EPZ in Kenya, Tetouan Park in Morocco and the Suez Canal Economic Zone in Egypt described in section 3.1 showcase the different approaches, benefits and challenges of initiatives aiming to promote local entrepreneurship within the zones. Those of Bole Lemi IP in Ethiopia, Coega IDZ in South Africa and Nkok SEZ in Gabon outlined in section 3.2 illustrate the different strategies for fostering entrepreneurship and MSME growth around the SEZs through different types of linkages with the local economy. Some of the initiatives have a long track record while others are more recent, showing the increased interest in this topic. The six in-depth case studies are complemented with three additional ‘insight boxes’ of relatively recent and ‘non-traditional forms’ of entrepreneurship promotion, namely digital investment and administrative facilitation in Togo’s SEZ (Box 1), the tech-focused start-up incubator Technopark Abuja in Nigeria (Box 2) and the case of the start-ups resulting from learning in SEZ firms in the Kigali SEZ in Rwanda (Box 3).19

3.1 Entrepreneurship promotion within the zones

3.1.1 Athi River EPZ, Kenya – Developing SME exports through a dedicated SME development programme

<table>
<thead>
<tr>
<th>Basic SEZ Info</th>
<th>Athi River EPZ, Kenya</th>
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<tbody>
<tr>
<td>Name</td>
<td>Athi River</td>
</tr>
<tr>
<td>Country</td>
<td>Kenya</td>
</tr>
<tr>
<td>Nature of SEZ entity</td>
<td>Public</td>
</tr>
<tr>
<td>Size</td>
<td>339 ha</td>
</tr>
<tr>
<td>Year operational</td>
<td>1990</td>
</tr>
<tr>
<td>Sector / Specialization</td>
<td>Garments, pharmaceuticals, agro-processing and electronics</td>
</tr>
<tr>
<td>Share local vs foreign investors (2019)</td>
<td>37.2% local, 22.6% JVs, 40.2% foreign20</td>
</tr>
<tr>
<td>Number of firms</td>
<td>75 firms</td>
</tr>
<tr>
<td>Employment (2019)</td>
<td>21,458 among the Athi river region</td>
</tr>
</tbody>
</table>

The EPZ SME development programme, initially named the Export Business Accelerator, was launched in 2013 in the Athi River EPZ. It was set up with the objective to create synergies between the SEZ policy and local industries to speed up the growth of operational local SME exporters. It targets SME exporters with a majority of Kenyan shareholding.

Kenyan MSMEs face several challenges, preventing them from developing stronger export capabilities. Inadequate managerial training, a lack of knowledge of export markets and slow technology adoption, among others, lead to weak operations and thereafter performance. Many entrepreneurs are not trained in management practices, trying to set up business in a lonely journey while learning and unlearning along the way. This method can lead to failure and loss of resources. Similarly, as in many other developing countries, access to finance remains one of the most important challenges limiting MSME development.

To address these challenges, the EPZ SME development programme aims to attract local MSMEs to the Athi River EPZ and provide an attractive business environment, capacity building and experience sharing. MSMEs can benefit from the general tax incentives offered to firms within the EPZ as well as the administrative facilitation of the one-stop-shop. Tax incentives include but are not limited to a 10-year corporate tax holiday, 100 per cent investment deduction on new investments and perpetual exemption from payment of stamp duty on legal instruments and VAT and customs import duty on inputs. The one-stop-shop provides advice related to labour regulations, registration with the tax authorities, application to utility connections, among others.

19 References and sources used for each of the case studies are included in Appendix 1
20 Numbers refer to all EPZs in Kenya, not only Athi River
MSMEs receive capacity building on a case-by-case basis linking them with national and regional solution providers for specific challenges. An adaptation to the training component was considered necessary as previous courses in various areas relevant to export were too generic and the number of MSMEs participating too low. These were related to, among others, strategic business planning, quality standards and financial management, human resource management and export marketing.

Finally, to make the SEZ programme more accessible and attractive for local SMEs, the general offering was adapted to their specific needs, including a reduced rent rate and service charge. They correspond to $2 per sq.ft. per annum and 10 per cent service charge for the first five years of operation, as well as a rent-free period of four months to allow for setting up. Participating MSMEs also benefit from a differential treatment in term of the export restrictions normally applied within the zone. Firms are allowed to sell 80 per cent of their production to the local market in the first year, decreasing to 40 per cent by the fourth year (in contrast to only 20 per cent of the annual company's output to be sold to the local market after approval by the Minister of Industrialization, Trade and Enterprise Development for other firms). This allows local MSMEs, whose export volumes are not yet sufficiently high, to fulfil the requirements for enrolment in the SEZ programme while building up their export capacities. The available infrastructure offering has, furthermore, been adapted by providing purpose-built infrastructure with smaller warehouses ranging in size from 2,500 - 7,500 sq.ft.

The EPZ SME development programme targets MSMEs from several sectors including horticulture and food processing, textiles and apparel, leather and commercial crafts. MSMEs desiring to scale up their exports through the programme should have a total initial capital investment of less than Kshs.40 million (around $340K) and less than 100 employees. Furthermore, while joint ventures with foreign companies are allowed, local Kenyan ownership should be at least 75 per cent. Space requirements should also be in line with the available offer (less than 750sqm) and firms should be prepared to accept the rules and business development services provided under the programme.

The programme is one of the most important drivers for the number of firms in the Athi River EPZ with local ownership that rose from 25 per cent in 2012 to 38 per cent in 2018. Currently, eleven MSMEs are established under the programme, mostly operating in the textile and agro-processing sectors. The attractiveness of the programme is demonstrated by the high occupancy rates, with the industrial space available to MSMEs reaching an occupancy rate of 84 per cent in 2016. Furthermore, a SME investor in the zone highlighted that the fiscal incentives and reduced rent rates have been particularly beneficial for his firm, allowing it to increase its export competitiveness.

The EPZ SME development programme is implemented by a dedicated unit of the Export Processing Zones Authority working on its key mandate which is the promotion and facilitation of export-oriented investment. It collaborates with Kenya Industrial Estates and the Kenya Export Promotion and Branding Agency. Both organizations are very active for MSME development in Kenya.

The SME, Linkages & Resource Mobilization Section Research, Strategy & Compliance Directorate within the Export Processing Zones Authority is seen as an important facilitator for the effectiveness of the EPZ SME development programme as it allows a dedicated resource to look after the MSMEs. The procedure to become part of the programme is also easy which minimizes the effort for MSMEs to enrol. Given the administrative challenges typically faced by SMEs, this is an important aspect to bear in mind.

The main challenge the programme is facing is the lack of funding which led the EPZA Authority to transform the incubator into an export business accelerator and difficulties in constructing smaller spaces and more tailor-made capacity building support.

The majority of Kenyan MSMEs are also in the informal sector, known as jua kali. According to estimates, the jua kali sector contains 98 per cent of the business in the country, contributing to 30 per cent of jobs and 3 per cent of its GDP. Due to the informal nature that these jua kali MSMEs
operate under, most of the information about them is often based on estimates. It is therefore difficult to have a clear idea about their needs and hence the delivery of tailored programmes.

**Box 1 - SEZ in Togo – Administrative and investment facilitation through digital innovation**

Togo’s Ministry of Investment Promotion aims to turn the country into an international reference for digital investment and administrative facilitation. The new Free Zone and Investment Promotion Agency (API-ZF) is developing three innovative tools for this purpose:

1. An online information portal that provides a step-by-step description of more than 60 administrative procedures related to business operations (business registration, tax payment, social security, trade facilitation, and investment authorizations), available at [www.investirautogo.tg](http://www.investirautogo.tg)

2. An electronic single window that makes available all the services operated by API-ZF (free zone, investment code, and other SEZ benefits). Everything can now be processed from a single computer, without dealing with endless administrative hurdles, available at [www.guichet-unique.investirautogo.tg](http://www.guichet-unique.investirautogo.tg)

3. An online marketplace that promotes to potential investors some selected business opportunities sponsored by API-ZF. The tool displays information on more than 80 investment projects in Togo and makes easier contact with investors, available at [www.projets.investirautogo.tg](http://www.projets.investirautogo.tg)

API-ZF expects a huge impact on MSME local network and works on sharing the benefits of administrative and investment facilitation with all businesses in Togo.

Source: UNCTAD

3.1.2 Suez Canal Economic Zone, Egypt – Promoting entrepreneurship through cluster development

<table>
<thead>
<tr>
<th>Basic SEZ Info</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Suez Canal Economic Zone (SCZONE)</td>
</tr>
<tr>
<td>Country:</td>
<td>Egypt</td>
</tr>
<tr>
<td>Nature of SEZ entity</td>
<td>Public</td>
</tr>
<tr>
<td>Size</td>
<td>Corridor of 461km² with a total of 4 zones and 6 ports</td>
</tr>
<tr>
<td>Year operational</td>
<td>2016</td>
</tr>
<tr>
<td>Sector / Specialization</td>
<td>Fifteen target sectors including rolling stocks, textiles and pharmaceuticals</td>
</tr>
<tr>
<td>Share local vs foreign investors</td>
<td>Mixed</td>
</tr>
<tr>
<td>Number of firms</td>
<td>250</td>
</tr>
<tr>
<td>Employment</td>
<td>19,000</td>
</tr>
</tbody>
</table>

Launched in 2016, the Suez Canal Economic Zone (SCZONE) is part of the expansion of the Suez Canal waterway project. A network of four industrial zones and six ports is currently under development on a corridor of 421km². While targeting international investments, SCZONE’s efforts to promote local entrepreneurship revolve around a cluster-based approach.

The zone targets fifteen sectors as investment priorities, among which rolling stock, textiles and the pharmaceutical industry. The underlying idea is to expand market opportunities for local MSMEs by co-locating them with (foreign) anchor tenants in these industries and hence creating opportunities for sourcing linkages and developing strong self-sustaining clusters. Recent developments in this area include the building of an assembly line for different types of rolling stock for metro and rail networks with a target of at least 5 per cent of components manufactured locally within the first three years up to 45 per cent after seven years of operations. The automotive manufacturing initiative counts with similar targets.

In order to facilitate these linkages, SCZONE currently works around three thematic areas to support MSMEs. First, it aims to provide a conducive business environment for local SMEs with

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access to incentives and one-stop-shop services, including one single point of contact for tenants, a short registration and licensing process of 1 to 3 days, and an integrated digitized setup for other key processes. While this is not unique to the MSMEs located in the zone, streamlined administrative procedures are of relevance for them as they often struggle disproportionately with bureaucratic processes. SCZONE is also considering the introduction of specific SME incentives in the future and aims to tailor them to the specific needs of the different sectors rather than providing one-size-fits-all incentives across all MSMEs.

Second, the zone operates a plug-and-play model which allows for an easy and quick setting up and expanding of operations and focuses on one that specifically targets the needs of MSMEs. Plots are available in different sizes starting from 500m² and can be both rented and purchased.

Finally, SCZONE collaborates with several national programmes to facilitate access to finance and improve sustainability standards. For example, as part of the efforts of the Egypt Central Bank (CBE) to support the MSMEs, the latter instructed the banking sector to increase allocations for MSMEs from 20 to 25 per cent of their credit facilitations, leading to a possible stream of finance to the MSME sector of about EGP117 billion by the end of 2022. As a public entity, the zone’s Authority will continue supporting the MSMEs within the zone to access these funds when requested. These partnerships are considered crucial due to the major challenge MSMEs face in accessing finance.

Due to its short existence and ongoing development, the impact of the efforts to promote local entrepreneurship within SCZONE is largely still to be seen. Going forward, SCZONE seeks to develop a more long-term plan to develop the feeding industries and local MSMEs, including the facilitation of knowledge transfer between anchor tenants and feeding industries and more tailored services and incentives for MSMEs.

3.1.3 Tetouan Park, Morocco – Supporting local SME growth by providing a conducive business environment

<table>
<thead>
<tr>
<th>Basic SEZ Info</th>
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<tbody>
<tr>
<td><strong>Name</strong></td>
</tr>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td><strong>Nature of SEZ entity</strong></td>
</tr>
<tr>
<td><strong>Size</strong></td>
</tr>
<tr>
<td><strong>Year operational</strong></td>
</tr>
<tr>
<td><strong>Sector / Specialization</strong></td>
</tr>
<tr>
<td><strong>Share local vs foreign investors</strong></td>
</tr>
<tr>
<td><strong>Number of firms</strong></td>
</tr>
<tr>
<td><strong>Employment</strong></td>
</tr>
</tbody>
</table>

Tetouan Park is an industrial and logistics park that is part of the wider Tanger Med ecosystem. The latter is comprised of five industrial parks and free zones located close to Tangier on the strait of Gibraltar in Northern Morocco. Tetouan Park was launched in 2014 and became operational four years later.

The overall development cost of Tetouan Park was approximately $45 million. Tetouan Park’s objective is to diversify and boost the region’s socio-economic activity by providing a logistics platform that meets the needs of firms both in the region and nationally. It was initially exclusively dedicated to local MSMEs and very small businesses targeting national and international markets, in addition to any company operating in light industry, manufacturing, trade and logistics.

The zone aims to provide an optimal business environment for local MSMEs to grow by taking advantage of its strategic position, an infrastructure provision adapted to the clients’ needs and services of high quality, including a one-stop-shop for administrative facilitation. It is being developed in five phases on an area of 156 hectares which benefits of good transport connections due to its location on the expressway linking Tangier to Tetouan. Firms receive a varied and flexible real estate offer, including the purchase of vacant lands and rent of industrial warehouses.

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23 Exchange rate as of 20/8/2022
and office space. An important element of the zone’s endeavour to support MSMEs was the construction of three rental buildings for young and female entrepreneurs and people with reduced mobility, comprising of smaller workshops between 300 and 600m$^2$ as part of the development of phase 4 of the zone.

A one-stop-shop was set up within Tetouan Park in order to support tenant firms with administrative processes, which is of great benefit to smaller firms. Other services include facility management such as the maintenance of the common areas of the zone and its installations, sanitation services as well as collection of domestic waste, and security, as well as the development of green spaces and a friendly environment of common spaces.

The zone also collaborates with several national programmes developed by different national agencies that support MSMEs, among which in the areas of competitiveness, investments and access to finance.

Tetouan Park has attracted 79 MSMEs since its establishment. Given the strong demand from investors and the marketing of more than 85 per cent of the first three phases (phase 3 being reserved for a hotel project), the launch of a fourth tranche was essential. The latter was financed through a grant from the Sustainable Industrial Zones Fund (FONZID). A fifth is planned to be dedicated to companies wishing to acquire large areas.

A business located within the zone highlighted the quality of the services provided as important factors for them locating in the zone besides its strategical geographical position. It particularly emphasized the role of the zone for them being able to meet customer standards due to their location within the zone which allowed them to start-up and scale their activities in an efficient way.

Among the factors that contributed to the successful operation of the zone and attraction for MSMEs are the combination of the park’s strategic location as well as the one-stop-shop which has proven as important to simplify and provide companies with all necessary help.

The collaboration with other important actors in the support ecosystem for MSMEs has also been an important facilitator. The vast ecosystem of MSMEs in the country enables a relatively easy targeting of the businesses as tenants of the zone. In addition, the important mobilization of different stakeholders across the country, including the ministries in charge and specialized agencies for the development of MSMEs, are seen as helpful to improve dialogue and cooperation at the national level for the development of MSME related initiatives. In this sense, the zone could contribute to the national efforts to encourage the development of MSMEs.

On the other hand, it has proven challenging to fill the zone entirely with local MSMEs as initially envisioned. The limitation of activities authorized to settle in industrial zone projects subsidized by FONZID, being mandatorily non-polluting industrial activities, can clash with the reality on the ground and makes it challenging to find suitable tenants. It would also be perceived as beneficial if some sort of fiscal incentives could be provided with Tetouan Park as in some of the other zone forming part of the Tanger Med ecosystem.

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24 FONZID is a fund launched by the Millennium Challenge Account-Morocco Agency, with the aim to support sustainable zone development with an emphasis on improving governance and economic, social and environmental sustainability within new and existing zones. Projects receiving financing from this fund must meet the eligibility and selection criteria defined in the procedures’ manual of the fund. FONZID has a budget envelope of 30 million US dollars, mobilized in equal parts by Compact II funds and by public funds allocated by the Ministry of Industry, Investment, Trade and of the digital economy.
Box 2 - Technopark Abuja, Nigeria – High-tech incubator in development

The Abuja Technology Village Science and Technology Park (STP) is a new generation of SEZs currently under development in Abuja, Nigeria. It is dedicated to promoting the growing local tech-sector with the mission to deliver an efficient and competitive platform for technology incubation, innovation and commercialization in selected sectors.

The STP aims to support four industries: Information and Communication Technology, Biotechnology, Minerals Technology and Energy Technology. Construction is in an advanced state and the government has granted Special Economic Zone status to Abuja STP. The site of the zone has been strategically chosen to promote cluster development with other science-based organizations. It is adjacent to the Nelson Mandela Institution’s African University of Science and Technology and close to other Science and Technology Institutions. In addition, the prospects of a new ‘superhighway’ connecting it to Abuja City Centre and Nnamdi Azikiwe International Airport could further increase the attractiveness of the location in the future.

Besides the provision of SEZ incentives for tenant firms, such as tax and custom duty waivers and a one-stop-services for all business registration and licensing needs, Abuja STP has partnered with Enspire to provide a platform for facilitating the growth of viable technology businesses through entrepreneurship by providing training, mentoring, networking opportunities, infrastructure and access to finance among others. Enspire is an incubation programme that was launched in 2013 for early-stage startups focused on building viable businesses. To date, it has supported more than 200 start-ups and individuals in various economic sectors in Nigeria.

Source: UNCTAD based on inputs from SEZs and review of academic literature

3.2 Entrepreneurship promotion around the zones

3.2.1 Bole Lemi IP, Ethiopia – Supporting SME growth through sourcing linkages with SEZ firms

### Basic SEZ info

<table>
<thead>
<tr>
<th>Name</th>
<th>Bole Lemi Industrial Park (BLIP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
<td>Ethiopia</td>
</tr>
<tr>
<td>Nature of SEZ entity</td>
<td>Public</td>
</tr>
<tr>
<td>Size</td>
<td>327 ha</td>
</tr>
<tr>
<td>Year operational</td>
<td>2014</td>
</tr>
<tr>
<td>Sector / Specialization</td>
<td>Textile and apparel, leather and leather products</td>
</tr>
<tr>
<td>Share local vs foreign investors</td>
<td>100% foreign</td>
</tr>
<tr>
<td>Number of firms</td>
<td>14</td>
</tr>
<tr>
<td>Employment</td>
<td>24,000</td>
</tr>
</tbody>
</table>

Established in 2014, Bole Lemi Industrial Park (BLIP) is the first SEZ established under Ethiopia’s Industrial Parks programme. The latter has been highly successful in attracting foreign investment to the zones, primarily for the garment sector. One of the key challenges, however, has been to increase the sourcing linkages with local MSMEs which would lead to decreased costs for the foreign investors and increase the impact on the local economy. Quality concerns, a lack of adherence to international standards and costs are some of the factors inhibiting the linkages.

In order to address these issues, the government of Ethiopia, in collaboration with the World Bank Group, has implemented the Competitiveness and Job Creation (CJC) Project. Sub-component 3 of the project aims to facilitate business-to-business (B2B) linkages between foreign firms located within the Bole Lemi Industrial Park and domestic MSMEs to enhance value addition, develop local supply chains and hence promote local entrepreneurship.26

The project aims to remove the binding constraints currently hindering the development of these linkages. An important gap of information has been identified, limiting access of large firms to local employment rates.

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26 Additional components of the project include the strengthening of the regulatory and institutional framework for the industrial park program, support for investment promotion and industrial infrastructure in and around the zone.
qualified MSMEs and vice-versa. Scarcity of local skilled labor is also an important challenge faced by large firms, in addition to the poor quality and a lack of adherence to international standards of the domestic MSMEs’ products.

It addresses these issues through several interventions with a Business-to-Business Linkage (B2B) Fund at its core. With an initially budgeted volume of $17.2 million, the B2B fund provides matching grants up to $300,000 to local MSMEs aiming to upgrade their production machinery. Upgraded production machinery is key to enable MSMEs to increase their productivity and the quality of the products produced. Furthermore, the programme provides technical assistance to MSMEs, among others on areas related to international quality standards, certifications as well as logistics. A B2B portal and supplier exhibitions also support networking and awareness among local and SEZ firms to close the information gap.

As part of the project, the Industrial Parks Development Corporation (IPDC) signed grant agreements with seven SME companies in the first round of the matching grant scheme. Of the seven companies, three provide packaging materials (cartons and polybags), two supply leather and leather products and two accessories including buttons and labels. In addition, by September 2021, an additional 29 local MSMEs were supported in further rounds of the linkage programme and are now working with firms located within Industrial Parks. Twenty-six of those are owned by women.

It has also resulted in job creation and multiplier effects among local entrepreneurs, including local value addition, import substitution, technology transfer, and the creation of competitive industries. The beneficiaries of the B2B Linkage fund generated additional sales of $390,000 to firms located in the Industrial Parks by 2019, only two years after the start of the programme; benefitting Ethiopian communities and its growing SME sector.

Burayu Development PLC, for example, a small sized boxing and labelling services firm, benefited from the programme and was enabled to supply its products to firms in several Industrial Parks. This resulted in more than $97,000 in additional sales after the initial two years of implementing the programme as well as creating many job opportunities for members of neighbouring communities.

The project is coordinated by IPDC, in close collaboration with the Ethiopian Investment commission (EIC) and the Ethiopian Revenue and Customs Authority. The Enhancing IZ linkages to the local economy component of the project is of a total cost of $17.2 million and is funded by the International Development Association (IDA), and the World Bank International Financial Institution which offers concessional loans and grants to developing countries. It started in 2014 and will close by May 2023.

While the project has made important steps to increase linkages with the local economy and hence stimulate local entrepreneurship, several challenges remain. The limited range of products available in the local market has limited the scope and opportunities to attract more local suppliers to serve the international firms within the industrial parks. A mismatch of the business cases from both ends with regards to volume and price presents a further hurdle. In addition, a lack of confidence on the part of buyers makes it challenging to establish more sourcing linkages despite the efforts of the programme.

The cost of local products also causes challenges. For instance, there is a misalignment of incentives for local sourcing with VAT and duties incurred while imported inputs on foreign inputs are exempt. This and other reasons can make locally purchased goods 30 per cent more expensive than imported products.

### 3.2.2 Coega IDZ, South Africa – Opening opportunities for MSMEs through linkages to SEZ development and operations

<table>
<thead>
<tr>
<th>Basic SEZ Info</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Coega IDZ</td>
</tr>
<tr>
<td>Country:</td>
<td>South Africa</td>
</tr>
<tr>
<td>Nature of SEZ entity</td>
<td>Public Private</td>
</tr>
<tr>
<td>Size</td>
<td>11,500 ha</td>
</tr>
</tbody>
</table>
The Small, Micro and Medium-sized enterprise (SMME) programme of Coega IDZ was established in 2016. It aims to create an enabling environment for the development and participation of MSMEs to ensure sustainability and empowerment. It targets MSMEs located around Coega IDZ to enable them to participate successfully in the procurement for the provision of services in the zone. Coega IDZ has the explicit target to source 40 per cent of its procurement through local MSMEs.

A recent study in which the challenges MSMEs face in the country are described specifically points to access to opportunities, access to finance as well as a lack of technical experiences and know-how for MSMEs around the Coega IDZ. To address these issues and achieve the intended procurement target, the MSME programme takes a holistic approach, addressing issues surrounding raising awareness and networking, skills development and improving access to finance. It is based on six strategic pillars. In a first step, interested MSMEs can register into a MSME database for which sustainable opportunities are then identified in the procurement process of the zone. Those MSMEs registered in the database are subsequently assessed in order to identify their capacity development needs and a tailored training plan is developed. Capacity building is conducted specifically in the areas of (1) tendering for construction contracts, (2) applying basic business concepts, (3) applying health and safety to a work area, and (4) understanding and applying business finance.

The Coega Development Corporation (CDC) also unbundles large contracts into smaller packages to open opportunities for smaller contractors. Once contracted, MSMEs receive onsite mentoring including mobilization and demobilization. After completion, MSMEs are further supported to upgrade their ratings by sectoral bodies which allows them to bid for higher value-added tenders. Complementary initiatives include the Broad-Based Black Economic Empowerment Programme and the organization of supplier development days, which gather MSMEs, local and national governments, and other entities involved in supporting MSMEs to learn about the opportunities available within the zone.

In addition, and via its subsidiary the Small Business Finance and Support Unit (SBFS), the Coega SEZ offers a financing support scheme to those MSMEs that were awarded a contract for a project within the zone to ensure the successful implementation of the projects by the MSMEs. It specifically offers different types of loans, which are crucial for many small and emerging businesses to be able to deliver on their projects. The types of loans are (i) bridging finance loans (for the primary material needed for construction-related projects), (ii) order finance loans (for MSMEs providing non-construction services to the CDC), and (iii) revolving facility loans (for MSMEs delivering ongoing services to the CDC).

In its initial phase, targeted MSMEs were primarily from the construction industry; MSMEs that provide day-to-day cleaning, equipment and stationery type of services, and security services to the zone. Participating firms have to be at least 51 per cent black-owned and have an industry rating of 1-7. Going forward, CDC aims to also target other sectors to increase the participation of local MSMEs in supply chains with SEZ firms.

The CDC reached an MSME procurement rate of 35 per cent over the period of 2015–2020, which was close to its ambitious corporate target of 40 per cent. Given the size of the procurement undertaken by the CDC, the amounts flowing into local MSMEs are significant: R609 million or approximately $40 million in fiscal year 2019-2020 alone. With regard to the individual programme components to support MSMEs, almost 400 MSMEs benefited from training programmes, including the 191 that received training accredited by the Construction Education and Training Authority. Furthermore, 80 per cent of the MSMEs awarded contracts by the CDC successfully completed the mentorship programme and 72 firms successfully upgraded their ratings by the respective sectoral bodies (Coega Development Corporation, 2020a). Finally, by 2018, the Small Business Finance and Support Unit had funded 76 subcontractors, 39 per cent of which were
female entrepreneurs and 22 per cent youth. Overall, these outcomes indicate that the efforts by the CDC to promote local MSMEs have yielded significant results. MSMEs involved in the programmes have strongly lauded these efforts and emphasize their utility.

The CDC is a mission driven, state-owned enterprise tasked with the development and operations of the Coega IDZ. The MSME programme is run by a dedicated unit within the CDC and financed through the CDC MSME Unit Opex and through clients where the service is provided.

The funding support scheme is provided by SBFS and is financed through a capital investment by CDC. While being a subsidiary of CDC, SBFS maintains a certain level of independence of CDC. It has its own board of directors and is being audited separately from CDC, maintaining a separate client list and accounting system. It is licensed through the National Credit Regulator and also holds membership with the Microfinance Institute of South Africa and Experian (Credit Bureau services). Its annual financial statements are, however, also consolidated within those of CDC.

For the support of the MSMEs within the programmes, CDC further collaborates with the Small Enterprise Development Agency, the Construction Industry Development Board and the National Youth Development Agency, which provide support for the programme in the form of training and access to market for MSMEs.

A key factor supporting the success of the MSME programme is its holistic approach and tailored approach, comprising of a model that targets the key challenges of MSMEs within proximity of the project. For this purpose, a needs analysis is conducted at the beginning to create a design the programme to the specific needs to the MSMEs it works with. Different areas are addressed including regulatory requirements, capacity building, networking and access to finance. This allows the programme to support local MSMEs to overcome the bottlenecks they are facing. Its dedicated focus on a very specific target group and sector helps tailor the support they need.

An important factor is also the availability of projects and investments into the SEZ which facilitate the programme as it creates opportunities. In contrast, the key challenge is the availability of funding. The programme is a cost centre for the SEZ operator rather than generating revenues as it provides free support and resources to MSMEs. This can be challenging as CDC as a SEZ operator is not allocated funding targeting specifically to driving the programme.

### 3.2.3 Nkok SEZ, Gabon – Upgrading local industry through the promotion of international sustainability standards

<table>
<thead>
<tr>
<th>Basic SEZ Info</th>
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<tbody>
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<tr>
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<td>Gabon</td>
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<td>Nature of SEZ entity: Private/ Public/ PPP</td>
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<td>Year operational:</td>
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<tr>
<td>Sector / Specialization</td>
<td>Multi-sectoral industrial park, including a cluster dedicated to Wood processing (58 per cent of total companies)</td>
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<tr>
<td>Share local vs foreign investors:</td>
<td>19 countries present in the zone</td>
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<tr>
<td>Number of firms:</td>
<td>144</td>
</tr>
<tr>
<td>Employment:</td>
<td>16,000 direct and indirect jobs created</td>
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</tbody>
</table>

Gabon’s economy has been heavily reliant on primary exports in sectors such as oil, agricultural produce, fishing and mining. The oil sector, in particular, has been the main driver of foreign exchange earnings and has driven economic growth in the past decades. Over the past few years, the Gabonese government has strongly promoted the diversification of the economy away from its reliance on oil exports with a special emphasis on promoting local processing activities to increase value added and local industry development. The timber sector has been one of the strategic industries in this regard already contributing 3 to 5 per cent of Gabon’s GDP and with significant potential. The long-term vision for the industry is not only to be an exporter of raw materials but to create a centre for the manufacture of “Made in Gabon” furniture by 2025. The export of unprocessed timber was, therefore, banned entirely to foster this development.
In order to reach the ambitious targets of developing the local timber industry and adding value along the value chain, Gabon has relied on a strategy that ensures a sustainable use of its forests while also meeting international sustainability standards – key to opening global markets. The Nkok SEZ located 30 kilometres of Libreville, is a cornerstone of this strategy. Launched in 2010, Nkok SEZ is a multisectoral industrial park on 1226 ha of land with a cluster dedicated to wood processing with 84 companies.

The TraCer project was launched at the end of 2018 by GSEZ, the operator of the Nkok SEZ. It aims to filter and record all log flows entering the Nkok SEZ to ensure that 100 per cent of the timber is legal, traceable and responsible. In order for suppliers to be certified through the scheme, a document review phase and field visits ensure that the wood production complies with all rules and regulations, among others the payment of employees’ social security contributions, formal registration and compliance with the Gabonese forestry code. The TraCer project also raises awareness with suppliers of logs and, crucially, provides technical assistance to firms to be able to comply with the required standards. In addition, all logs entering Nkok SEZ are checked and registered to ensure traceability. Through these activities the TraCer project also aims to gradually promote the certification of all timber activities, from log production to processing.

At the start of the project, timber logs were supplied by over 100 firms without the possibility of tracing the origin of the woods and its compliance with standards. In 2020, the number of suppliers had been reduced to 50, all in full compliance with the requirements. The Tracer-Nkok system was also recognized by the European Union since September 2021, making access to the European market significantly easier, hence enhancing the opportunities for local industry development and entrepreneurship.

Tracer Project was initiated by NSEZ, the developer and operator of Nkok SEZ. NSEZ is a public-private partnership between the Gabonese Government, Olam International and the Africa Finance Corporation. The TraCer-Nkok agency oversees the management of the project and is a joint venture between Forêt Ressources Management group, which specializes in sustainable forest management, and the Gabonese non-governmental organization Brainforest.

The TraCer project is integrated into a nationwide effort with different programmes to develop the local timber industry, which has been important for its success and impact. However, while significant progress has been made, the case also highlights the challenges associated to MSME development when implementing policies to upgrade the local production base. SME timber loggers mainly form part of the informal sector, which hinders a more effective integration into the process. A concerted effort to facilitate formalization and capacity building is hence required.

Box 3 - Kigali SEZ, Rwanda – entrepreneurial spin-offs through learning within SEZ firms

While rarely done in an explicit way, SEZ policies can be an effective tool to promote entrepreneurship through labour circulation between a SEZ and local firms. Callanan (2000), for example, shows that managerial turn-over in SEZ firms in the Shannon SEZ in Ireland was an important source of spin-offs in the local economy. Similarly, state-appointed managers in Chinese SEZs were restricted to three-year fixed contracts before having to move to the domestic economy and hence facilitating the absorption of the acquired knowledge into local firms (Leong, 2007).

In the Kigali SEZ in Rwanda similar dynamics can be observed and there are examples of new firms being set up by workers previously employed in foreign SEZ firms. In general, these workers had tended to hold managerial or technical positions ranging between 2 and 15 years before setting up their own business. The garment sector has been particularly prone to this sort of spillover. One of the large foreign SEZ firms, for example, introduced advanced assembly-line production methods and various other distinguishable business services in the country. The multinational corporations recruited local workers out of the vocational colleges, from trainee to managerial level positions. A significant number of those undergoing this training left their positions after a few years with the foreign firm to set up garment operations outside the zone and serve the domestic market. They took with them industry-specific managerial knowledge, employing the same exact assembly-line techniques as in the SEZ firm but adapting the final products to cater to the domestic market. In this way, the learning within the SEZ firms promoted local entrepreneurship.

Source: Based and adapted from LSE (2018)27

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27 Refers to a set of LSE background documents
### Table 2 - Summary of case studies

<table>
<thead>
<tr>
<th>SEZ</th>
<th>Overarching objective</th>
<th>EPF areas addressed</th>
<th>MSMEs Targeted</th>
<th>Policy instruments for MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athi River (Kenya)</td>
<td>Exports through dedicated MSMEs program</td>
<td>RE ES AN</td>
<td>Inside SEZ</td>
<td>• Fiscal incentives (P)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Administrative facilitation (I)</td>
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<td>• Capacity building (Business development services) (I)</td>
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<td></td>
<td>• Subsidized facilities (F)</td>
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<td></td>
<td>• Adapted infrastructure (F)</td>
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<td></td>
<td></td>
<td>• Dispensation of SEZ’s export requirements (P)</td>
</tr>
<tr>
<td>Suez SCZONE (Egypt)</td>
<td>Entrepreneurship through cluster development</td>
<td>RE ES AF</td>
<td>Inside SEZ</td>
<td>• Fiscal incentives (L)</td>
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<td>• Administrative facilitation (I)</td>
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<td>• Adapted infrastructure (F)</td>
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<td></td>
<td>• Collaboration with other national support programs (I)</td>
</tr>
<tr>
<td>Tetouan Park (Morocco)</td>
<td>Local growth through conducive environment</td>
<td>ES TI AF AN</td>
<td>Inside SEZ</td>
<td>• Collaboration with other national support programs (I)</td>
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<td></td>
<td>• Adapted infrastructure (F)</td>
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<tr>
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<td></td>
<td></td>
<td>• Collaboration with other important actors in the ecosystem (I)</td>
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<tr>
<td>Bole Lemi (Ethiopia)</td>
<td>Growth through sourcing linkages</td>
<td>ES TI AF AN</td>
<td>Around SEZ</td>
<td>• Collaboration with other multilateral support programs (I)</td>
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<td></td>
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<td>• Grants for technology replacement (I)</td>
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<td>• Capacity building (Technical assistance) (I)</td>
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<td></td>
<td></td>
<td>• Platform for B2B linkages (I)</td>
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<tr>
<td>Coega (South Africa)</td>
<td>Open markets through linkages to SEZ development and operations/procurement</td>
<td>ES AF AN</td>
<td>Around SEZ</td>
<td>• Platform for procurement opportunities (I)</td>
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<td></td>
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<td></td>
<td>• Capacity building (tailored training plans) (I)</td>
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<td>• Mentoring program (I)</td>
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<td></td>
<td>• Adaptation of demand to MSMEs (unbundling contracts into small packages) (I)</td>
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<td></td>
<td>• Collaboration with other domestic support programs (I)</td>
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<td></td>
<td>• Events to support business linkages (supplier development days) (I)</td>
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<td></td>
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<td></td>
<td>• Financing support schemes (I)</td>
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<tr>
<td>Nkok (Gabon)</td>
<td>Local industry upgrade through international sustainability standards</td>
<td>RE ES TI AN</td>
<td>Around SEZ</td>
<td>• Collaboration with other national and foreign support programmes (I)</td>
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<td></td>
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<td></td>
<td>• Support with administrative procedures (I)</td>
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<td></td>
<td></td>
<td></td>
<td>• Capacity building (technical assistance to standards compliance) (I)</td>
</tr>
</tbody>
</table>


**Categories of Policy Support** → P: Policy measures accommodating MSMEs / F: Facilities & infrastructure adaptations for MSMEs / I: Initiatives & events support for MSME
4. Practical guide for the promotion of MSME growth and entrepreneurship

SEZ policies have traditionally focused on the attraction of foreign investments and the facilitation of the establishment of large companies. The promotion of local entrepreneurship and MSME growth through SEZ policies have mainly been considered in the context of the development of sourcing linkages between SEZ firms and local suppliers. Experiences in the area are therefore not very widespread yet, besides the traditional supplier development programmes. However, with an increasing interest in the topic, the number, types and objectives of the initiatives for entrepreneurship promotion linked to SEZ development have steadily grown over the years, both globally and in Africa. While the experience with these initiatives has shown that promoting entrepreneurship and MSME growth through SEZs is not a straightforward undertaking and different aspects need to be considered, many encouraging examples can be found. This section summarizes the most important lessons learnt and provides practical steps for policymakers, considering MSME and entrepreneurship promotion through SEZ policies.

4.1 Lessons learned

<table>
<thead>
<tr>
<th>Overview lessons learned</th>
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<tbody>
<tr>
<td>1) Design broad programmes to promote local MSME development rather than single initiatives</td>
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<td>2) Avoid overreliance on fiscal incentives</td>
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<td>3) Carry out an assessment of MSMEs’ hurdles and opportunities</td>
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<td>4) Favor sector-specific support to develop strategic sectors and industries</td>
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<td>5) Customize measures to target group and align them with strategic priorities</td>
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<td>6) Promote innovative initiatives to support the creation of new local MSMEs, like mentoring and manager mobility programmes</td>
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<td>7) Adapt facilities and services offered allowing for MSMEs’ smaller size</td>
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<td>8) Streamline access to support programmes considering restricted resources and capabilities in MSMEs</td>
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<tr>
<td>9) Build institutional support for resources needed and explore multilateral priorities and funding</td>
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<tr>
<td>10) Build partnerships and collaborations, including with other national and international support schemes</td>
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</table>

The promotion of entrepreneurship requires broad programmes, addressing multiple policy areas as defined in UNCTAD’s EPF, rather than single initiatives. Current initiatives in African SEZs frequently involve the adaptation of the zone’s infrastructure and the policy requirements to the needs of local MSMEs, hence providing access to the cost-reducing and conducive business environment within the zones. While this is an important step and particularly helps to improve the regulatory landscape for local MSMEs, the latter face multifaceted challenges which cannot be overcome by these measures alone. More comprehensive support packages targeting multiple EPF policy areas including capacity building and access to finance are therefore more likely to succeed. The experience of COEGA IDZ in South Africa and Bole Lemi IP in Ethiopia, which both promote supply linkages between local entrepreneurs and SEZ firms, illustrate this point clearly. Multiple EPF policy areas including access to finance were addressed in these initiatives to overcome the existing bottlenecks which prevented the links to develop automatically. The need for comprehensive support applies to both the promotion of entrepreneurship within the zones as well as outside the zones.
(2) An overreliance on tax incentives should be avoided. While fiscal incentives can certainly be an important instrument within the wider toolbox of entrepreneurship and MSME promotion, they will rarely be effective in isolation. Ideally, they should also be tailored to the specific needs of smaller firms, for instance by focusing on the types of incentives that encourage capital expenditures, employment or innovation. Their use is also not without risks, including revenue loss from local firms moving to SEZ regimes specifically for the purpose of benefiting from advantageous tax rates without creating additional economic activities. Policymakers should therefore carefully consider the extent and design of tax incentives to ensure their effectiveness.

(3) Initiatives based on a clear assessment of the current challenges and opportunities for local MSMEs have a greater potential for impact. In this sense, policymakers and SEZ managers should consider how SEZs and SEZ policy more generally can help MSMEs to overcome specific obstacles in the entrepreneurship environment across the five EPF policy areas rather than seeing the filling of the SEZ with MSME investors as an objective in itself. Initiatives across African SEZs still primarily focus on the latter rather than taking a more strategic perspective. In contrast, the example of the promotion of the local wood sector in the Nkok SEZ in Gabon and the feeder industries in the SCZONE in Egypt illustrate how SEZs can be leveraged as a tool for MSME promotion in the context of a wider strategy and understanding of the needs of the sector.

(4) Careful consideration needs to be given to the question of providing sector specific versus general support. Effective programmes for the promotion of entrepreneurship outside the zones in the form of sourcing linkages are typically targeted to specific sectors and hence can tailor the capacity building and other support measures to the specific needs of the industry. All three case studies outlined in section 3.2 on the promotion of entrepreneurship around the zone were sector specific. The experience in the three case studies on entrepreneurship promotion within the zone also highlighted the challenge of providing effective support when not sector specific. In the case of the Athi River SME Development Programme in Kenya for example, capacity building was deemed too generic as the number of MSMEs in the programme was not sufficiently high to provide sector specific trainings. Managers in the SCZONE in Egypt also emphasized the need for tailored support to the priority clusters including possible MSME specific incentives, varying by sector.

(5) The size and type of the target firms requires consideration in the planning of the interventions. Support for micro enterprises, for instance, might be more suited in the form of developing linkages with the development and running of the zones as in the case of Coega IDZ in South Africa. High-tech start-ups in contrast would likely require more of an incubator approach as the one in the Technopark Abuja in Nigeria currently under development.

(6) Non-traditional forms of promoting spillovers and SEZ internal capacity building for MSMEs, including mentoring and internship programme in SEZ firms, can be very effective. The case of Rwanda where entrepreneurs set up their own businesses after working in SEZ firms for some time as well as examples in other parts of the world, such as the mentoring programme in Singapore, show the potential for this sort of interventions. This is currently rarely done across African SEZs in a structured way. At the same time, this can be a relatively low-cost way of providing support to local MSMEs. Policymakers should therefore consider these ‘non-traditional’ options at the design stage as well.

(7) SEZ infrastructure and services need to be adapted to the needs of MSMEs. Many African SEZs are currently theoretically open to local MSMEs, however, in practice, MSMEs do not access the advantages of being within a zone as the provided infrastructure is not suited to their requirements or they are not aware of the possibility. Plots sizes, warehouses or ready-built infrastructure are typically too large for MSMEs and marketing efforts target large and international firms. Requirements for SEZ firms may also need to be adapted to allow smaller firms to benefit from the SEZ policy as minimum investment and/or export
requirements can be challenging for MSMEs firms. In the case of the Athi River EPZ in Kenya, for example, export requirements are lower for the first few years of participation in the SME development programme to allow participating firms to build up their export capacity over time while benefiting from the support of the programme.

(8) It is paramount to make access to support programmes as easy as possible for MSMEs. They already struggle more with administrative procedures due to their inherent lower management and human resource capacities. Hence, to make the SEZ programmes attractive for MSMEs requires the additional bureaucratic burden of joining to be minimal. This includes making information about the initiatives widely available and the streamlining of administrative steps for joining.

(9) Building institutional support for the programmes is important to secure the needed resources. MSME programmes can be difficult to implement for SEZ developers and operators due to the costs associated with them and the often-lower returns in comparison to larger clients. This is particularly true for private operators and developers, while not exclusive to them. The costs of adapting a zone’s infrastructure in combination with typically lower rents is frequently not an attractive business case for operator and developers. The survey as well as the case of Tetouan Park in Morocco highlighted this challenge in which the park was also opened to larger and foreign firms after initially only be designated for MSMEs. Similarly, the lack of resources was mentioned as one of the key challenges in South Africa’s COEGA IDZ MSME development programme as well as in the Athi River EPZ, in Kenya where it prevented the implementation of a fully-fledged incubator programme as initially envisioned. Hence, support from the public sector or international organizations is required for the programs to be feasible.

(10) And finally, collaborations and coordination with existing programmes and partner organizations are crucial. This is important both for reducing the costs of the interventions and to leverage the strength of each partner in the ecosystem. While SEZs are well placed to address some of the EPF policy areas, others are better addressed in collaboration with partners. Improving the regulatory environment for instance is a natural fit for SEZs to take on, while access to finance and capacity building are possibly easier to be addressed in collaboration with partners. Collaborations and coordination also create coherence within the wider system promoting MSMEs and entrepreneurship.

4.2 Practical steps

To maximize the effectiveness of initiatives and policies aiming to promote MSME development and entrepreneurship in and around SEZs, policymakers and SEZ managers should consider the following four building blocks: (1) a situation assessment and the setting of the strategic direction; (2) the design of specific initiatives for the priority areas identified in the previous step; (3) the adaptation of the SEZ policy and zones to the needs of MSMEs; and (4) the institutional set-up and funding. Figure 8 provides an overview of the four steps and the key aspects to consider in each.

The first step consists of taking stock of the status of the MSME sector and entrepreneurship in the country, the SEZ policy and SEZs as well as the setting of the strategic direction. This requires a careful analysis of the opportunities and specific challenges entrepreneurs face in the country and around the zones more specifically. An assessment of the suitability of the SEZ policy and the SEZ(s) for the promotion of entrepreneurship, including the sectorial composition within the zones, the existing infrastructure and services, and the potential for sourcing linkages, further helps to identify the most promising opportunities related to the SEZ policy. Both assessments provide the basis for the development of a strategic and tailored approach. This is important to ensure the effectiveness of the initiatives which can be hampered by not tailoring them to the specific conditions in the country. The resulting strategy should clearly identify the channel, i.e., the promotion of entrepreneurship within and/ or outside of the SEZ, the target group(s) and the priority areas for action.
In a second step, the specific interventions across the five EPF policy areas are designed, based on the outcomes of the situation assessment and strategic direction setting in step 1. This should include a careful exploration of the different options outlined in section 1 and summarized in Table 3. The specific action plan should ideally cut across the five EPF policy areas to ensure a holistic support to MSMEs, while considering the priorities identified in step one.

Figure 8 - Steps to design initiatives for promoting MSMEs and entrepreneurship in and around SEZs

The third aspect to consider is how the SEZ policy and zones may need to be adjusted to allow MSMEs to set-up within the SEZs and to benefit from the support programmes. Many SEZs and SEZ policies across Africa are currently in theory open for MSME investments. However, in practice an infrastructure offering not suited for MSMEs, certain SEZ policy requirements or a lack of awareness stand in the way of MSMEs setting up in the zones. Potential adaptations of the infrastructure are dedicated buildings for MSMEs, smaller land plots, office spaces and warehouses as well as the option to scale up operations flexibly when the business grows. The SEZ policy requirements related to minimum investment, employment and/or export may also need modifications. These can initially be challenging to fulfil for smaller firms and start-ups. Particular attention should, furthermore, be given to making the support programme as accessible as possible for MSMEs. The processes for participating in the support programmes should be simple and straightforward to minimize the administrative burden of joining and information about the programs should be made widely available.

And finally, careful considerations need to be given to the institutional set-up, funding, and possible collaborations with different national and international partners to ensure the sustainability of the initiatives. This is particularly important in light of the experiences of many MSME support programmes which have struggled with a lack of, or limited funding as seen across the survey answers (section 2) and the case studies (section 3). It can also ensure coordination and coherence across the national entrepreneurship ecosystem. Policymakers should therefore analyze which part of the support measures can be implemented ‘in-house’ by the SEZ authority, developer and/or operator and which initiatives are more effectively implemented by or in collaboration with national and international partners. Ideally, a dedicated unit or assigned person for the day-to-day running of the MSME promotion efforts should be created internally to ensure sufficient capacity. For those areas deemed to be implemented more effectively in collaboration with or by other organizations, a mapping exercise can help to identify possible partners and funders.
### Table 3 - Options for the promotion of MSMEs and entrepreneurship

<table>
<thead>
<tr>
<th>EPF policy areas</th>
<th>Policy options to consider</th>
</tr>
</thead>
</table>
| **Regulatory Environment** | • Minimize regulatory challenges for MSMEs through a) existing incentives and services of administrative facilitation and b) MSME specific incentives and services (either sector specific or general)  
• Create incentives and reduce administrative challenges for linkage creation between local suppliers and SEZ firms  
• Increase awareness among MSMEs of the benefits of being in a SEZ related to the regulatory process and guide them through the process of setting up |
| **Education and Skills Development** | • Provide capacity building on general business skills and/or sector specific trainings depending on the specific needs of the targeted MSMEs  
• Introduce mentoring and internship programmes in large (foreign) SEZ firms to facilitate learning for MSME owners and managers (both located within the SEZ and outside) |
| **Technology Exchange and Innovation** | • Establish and collaborate with start-up incubators and growth accelerators if suitable for the target group  
• Create co-working spaces and dedicated facilities for MSMEs and local entrepreneurs to facilitate networking, resource and knowledge sharing  
• Promote horizontal linkages, networking and learning between smaller and larger SEZ firms as well as between SEZ firms and local entrepreneurs outside the zone  
• Facilitate ICT training and other capacity building supporting technological upgrading  
• Consider different aspects required for local supplier development including assistance for standardization and quality certification and machinery upgrading |
| **Access to finance** | • Provide capacity building to improve the financial acumen of MSMEs  
• Develop SEZ specific financing schemes to address the financing gaps of the targeted MSMEs  
• Collaborate with and facilitate access to national programmes and private providers of MSME financing solutions |
| **Networking and Awareness** | • Raise awareness of the opportunities for MSMEs within SEZ through targeted information campaigns  
• Facilitate networking between SEZ firms, in particular large foreign firms and MSMEs as well as between SEZ firms and MSMEs outside the zone  
• Create co-working spaces and dedicated facilities for MSMEs and local entrepreneurs to facilitate networking, resource and knowledge sharing  
• Organize and facilitate participation in export and trade fair for MSMEs |

Source: UNCTAD
5. Conclusion

SEZs are an ever-popular policy tool for the promotion of investment, employment generation, and the stimulation of innovation. While, traditionally, SEZ policies have focused on the attraction of foreign investment, there has been an increasing interest on how to leverage SEZ policies to support local firms, in particular MSMEs and foster local entrepreneurship. This question is seen as particular pertinent due to the challenges some existing programmes face to fulfil their potential attracting foreign investments, increased competitive pressures from the increasing number of SEZs around the world as well as the looming regulatory changes related to the minimum tax rate proposed for large firms in the context of the OECD/ G20 Global Anti-Base Erosion Rules. A shifted focus on promoting local MSME growth is therefore an important strategic consideration for SEZs.

To provide policymakers with practical guidance around the promotion of local MSMEs and entrepreneurship, this guide has developed a framework to identify the different options available (section 1), mapped the current state of play in African SEZs in terms of entrepreneurship support (section 2), followed by an in-depth description of selected initiatives in section 3. The final section summarized the lessons learnt and presented a practical step-by-step guide.

While the examples of the case studies and the results of the survey described in this guide have shown that promoting entrepreneurship and MSME growth through SEZs is certainly not an easy undertaking and different aspects need to be carefully considered, many encouraging examples were also found. There is a significant appetite among African SEZs to promote local entrepreneurship with the majority of SEZs already offering some form of support to local MSMEs. However, despite this appetite and first steps in the right direction, a lot of question marks remain what the best way is to accomplish this task. Many of the policies, facilities and services offered can be described as open to local MSMEs rather than being tailored specifically to their needs, limiting the ability of MSMEs across African countries to take up the support to date. The framework and step-by-step guide will, therefore, hopefully provide useful guidance for policymakers to maximize the effectiveness of initiatives and policies aiming to promote MSME development and entrepreneurship through SEZs.
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• Mr. Vincent Heynes – Programme Director of SBFS