

Mbarara Gatsby Business Park

Small and medium-sized enterprises (SMEs) are central to driving economic growth and job creation in poor countries but numerous blockers blight the potential for entrepreneurs to deliver. While a great deal of attention has focused on the enabling environment - poor regulatory and fiscal conditions - one of the major blockers to growth remains simple bricks and mortar. Across Africa, millions of small and micro businesses are paying high rents in return for small, inaccessible, dangerously cramped premises with little security of tenure.



For example, small-scale entrepreneurs and manufacturers are often forced to move entire operations at short notice since landlords favour larger companies with the cash flow to pay a year's rent up front. Meanwhile, local banks exacerbate the problem by refusing loans to small-scale entrepreneurs, forcing the latter to pay rent out of profits and impeding investment and growth.

This is very much the story in the southern Ugandan town of Mbarara. Except here a business park developer and a community of entrepreneurs have come together to provide an occupancy solution aimed at the 500 or so SMEs engaged in manufacturing and industrial services in the centre of Mbarara.

In 2005, Gatsby Mbarara Workspace - a spin-off of the Uganda Gatsby Trust founded by the Sainsbury Family Trust - approached the Business Linkages Challenge Fund (BLCF) with a commercial proposal to invest in the phased development of a business park. Prelet or anchor tenants for the initial phase were to be drawn from members of Mbarara **Gatsby** Enterprise Club - a network of 60 small businesses engaged in textiles, carpentry, leather, handicrafts, metal works and food processing. The companies - the majority of which were renting poor quality space in the centre of town - had already contributed funding towards the cost of financing the land for the park.

In response to the proposal, the BCLF agreed match funding of £120,000 on the grounds that key funding criteria had been met in terms of both risk sharing and the business linkages forged between developer, target tenants and the Mbarara's local authority. In turn, Gatsby Mbarara Workspace leveraged BCLF sponsorship and the owner's start-up capital to secure a discounted £341,000 loan from the East African Development Bank to meet the cost of construction.

Gatsby Mbarara Workspace's intention is to generate a commercial rate of return after loan repayments and running costs have been met. Would-be tenants provide this income stream as mortgage repayments - rather than rent - providing them with a credit history that will allow them to borrow from the local banks in the future.

If successful – that is to say commercially viable – the Mbarara Gatsby Business Park could be replicated across Uganda and Kenya, while access to finance among small-scale entrepreneurs could potentially be enhanced as local banks better appraise risk.

As of **July** 2007, the first phase of development is well underway. **Five** blocks of out of **six** have been completed and occupied by **30** SMEs. Units in the next two phases have also been pre-let and many of the entrepreneurs are booking two units as one large space.

It is expected that this pioneering business park facility will be commissioned by Lord Sainsbury and H.E. The President of Uganda during November 2007.