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SMALL AND PRIVATE ENTERPRISE DEVELOPMENT IN MALI

Report and Recommendations
from a visit to Mali

September 8 - 25, 1982

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MALI: PRIVATE SECTOR DEVELOPMENT

Project Rationale and Summary

CONSTRAINT	NEED FOR AID ACTION	COMMENT	PROPOSED USAID RESPONSE	COST ESTIMATE (very rough)
Policies require tuning to development objectives of pvt.ent., employment and growth	Possibly substantial	Reviews already underway, e.g., IBRD.	Coordinate with other donors and possibly provide additional analysis and recommendations, if required. Seek PRE support.	$50,000
Weak business management skills	Very great	Problem widely recognized.	Develop small and medium agribusiness project with mgmt consulting and training at core.	$12,000,000 for total project (ABS84) $3m for mgmt
Information and statistical base weak.	Considerable	Low cost-high yield activity.	Include in above project and involve ATI, VITA, and Dept. of Commerce.	$400,000 (included in 12m)
Technical skills weak.	Considerable	Important but lower priority than mgmt.	Provide some resources beginning in 2nd or 3rd year of above project.	$2,000,000 (already in 12m)
Credit system inadequate	Possibly great	Credit reported by some as available; problem appears primarily to be developing more efficient financial system. The GRM and Malian entrepreneurs report severe long-term fund shortage.	Tentatively in 2nd or 3rd year, extend line of credit if severe shortage confirmed; otherwise reprogram into technical assistance facilitating technological transfer, skills development, and strengthening of credit system.	$6,600,000 (included in 12m)
Parastatals	Considerable	Strong apparent GRM interest in divestiture; IBRD confirms sincerity; success may have demonstration effect.	Recommend seeking PRE funds for consultants, although could be component of above $12m project; modest start recommended.	$400,000

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MALI: SMALL AND PRIVATE ENTERPRISE DEVELOPMENT

PROJECT BACKGROUND

Background: Novins-Young Visit

USAID/Mali's January 1982 Country Development Strategy Statement FY84 and June 1982 Annual Budget Submission FY84 identified as a secondary USAID objective the expansion of private enterprise activity appropriate for an agricultural economy. This priority was in response to the GRM's recent plans to reduce the role of its parastatals and expand the role of the private sector in Mali's economy.

The first step indicated by the Mission was to explore systematically the existing and potential Malian private sector. The USAID Director held a preliminary discussion with an ST/MD/ESE staff member, Robert Young, at the CDSS review. Several subsequent communications between the Mission, the AID/W Mali Desk, PRE, AFR/DR/ARD, and ST/MD/ESE resulted in the arrival of Malcolm Novins and Robert Young (hereafter: the Team) in Bamako, September 8, 1982. Being specialists, respectively, in "Agribusiness/Private Sector Development" and Economics, the two AID/W officials stayed in Mali until September 25th and 24th respectively, during which time they drafted a preliminary version of the present report.

Preliminary Assessment of Part I Proposals

John Ford, USAID/Bamako's General Development Officer, visited AID/W October 11-25 in conjunction with PPC/E's conference on "LDC Experience with Private Sector Development." Mr. Ford was the principal USAID officer responsible for the team's visit after the departure of Michael Dwyre, Program Officer, to Geneva in early summer. After the October conference, on Oct. 20th, Mr. Ford provided preliminary feedback to a joint discussion of Part I's proposals. Included were Mr. Ford, George Eaton, former Deputy Director, USAID/Bamako, now Director, ST/PO, Louise Werlin, AID/W Mali Desk Officer, Denny Robertson, AFR/DR, and Mr. Young. Feedback concerning Mr. Novin's draft of Part II was delayed until his return from the final leg of his extended African mission, approximately the end of October.

The initial assessment of Mr. Young's drafting of the Team's project concepts appears positive. In other words, management development and training through a tripartite arrangement of a Malian consulting group, CEPI (a GRM center to assist small enterprises), and a US management consulting team, appears a reasonable top priority and beginning. The objectives of the tripartite collaboration would be management training, direct technical assistance to enterprises, sector studies, and the coordination of short-term specialist (e.g. IESC) inputs. After a year or so, these inputs would be backed up with others, particularly in the area of credit, information, and skills development. Depending on the analyses of other agencies, such as the IMF and IBRD, further policy and investment climate analyses may precede any additional project development activity.

Acknowledgements

As is virtually always true for short-term assignments, the work of the Novins-Young Team was not merely enhanced, but would have otherwise been nearly useless, without the innumerable vital inputs of many parties, in Washington as well as Mali. Secretarial staff in Bamako and Washington, particularly Barbara Court, the secretarial staff of the GDO, and Marthe Haubert of ST/MD/ESE, are commended for their extreme patience with the report's bulk, sometimes nearly illegible scrawl, confusing instructions regarding the reorganization of drafts, and a variety of administrative details with which they so agreeably dealt. Representatives of the Malian public and private sectors were extremely articulate, helpful and pleasant. The Team deeply hopes that the impact of its visit justifies its addition to the apparently endless stream of visitors through their offices. The technical staff of the World Bank and AID, in Washington and Bamako, are highly appreciated for their numerous references, inputs, and other assistance, without which the report would be seriously weakened. A full list, it is hoped, of the team's principal contacts is appended to the report.

Particular attention must be expressed to those in the GRM and USAID with whom the Team worked most closely. Daouda Cisse, Technical Counselor in the Ministry of State Enterprises, spent substantial time with us in Washington (at the conclusion of his training at the University of Pittsburgh) as well as in Mali. His contributions were always as helpful as they were friendly and courteous. David Wilson, Director of USAID/Bamako, and Charles Cecil, Deputy Chief of Mission, Bamako, both were extremely generous with their time and helpful through their comments and willingness to provide support staff. Michael Dwyre, formerly Program Officer, USAID/Bamako, and George Eaton were both extremely helpful in preparing as well as debriefing the mission. Karen Russell, although only recently immersed in AID's red tape, managed cheerfully to cut it away, sort out innumerable requests for meetings with the Team, and somehow arrange a coherent schedule in the face of frequent, and occasionally politically sensitive, conflicts. The Team apologizes to her for the excessive frequency with which its garrulousness stretched and warped her scheduling. John Ford, was appreciated not only for his consequential administrative support, but also for his numerous insights, encouragement, and sparkling sense of humour that helped us over many of the rough spots. Finally, but just as deeply, to be sure, we are indebted to the three Malian USAID staff who played such key roles during the visit. Boubacar Daou, Moussa Ly, and Oumar Dia were delightful and fascinating companions, most patient with short-term visitors, but also extremely helpful and insightful students of their own economy and cultures. It is to them and their fellow countrymen and particularly those less fortunate, that it is hoped any beneficial consequences from this report may accrue.

Terms of Reference for the Report

The AID Mission in Bamako established the following priorities for assisting the GRM in expanding the role of the private sector in Mali:

a) Agribusiness activities related to AID-funded ongoing and planned agriculture projects to include:

- fostering increased crops and animal production with emphasis on cooperatives or other private sector activities in irrigation schemes and cattle feedlots;
- supporting greater private investment in the manufacture and delivery of agricultural inputs and services;
- more efficient private marketing of outputs focusing primarily on local and regional markets.

b) Small-scale enterprise activities related to AID-funded Renewable Energy and Reforestation projects to include:
- production and marketing of energy devices developed through project resources;
- development of private commercial tree nurseries.

c) Appropriate technologies in both production and commercial activities.

Within these sectoral priorities, the Mission assigned the following tasks to the present Private Sector Team:

a) to examine feasibility of providing technical assistance to public and private agencies and organizations involved in private sector development;
b) to assess training needs within private sector establishment and recommend appropriate USAID response;
c) to explore possibilities for USAID credit support for initiation and expansion of appropriate business ventures; and
d) to analyze Mission's manpower requirements for managing private enterprise development activities.

Beyond these formal terms, the Mission and other experts on Mali have also suggested verbally or in other cable traffic that the Team:

1. Not depend on extensive Malian inputs into project activities per se;
2. Keep proposals relatively practical, with well defined steps, going slowly so as to enhance feasibility;
3. Through the project, facilitate Malians' utilization of their own capabilities;
4. As far as possible, fit the proposed private sector program into the Mission's currently planned AID-funded activities; and
5. Review the Malian business climate for investment.

U.S. Support for Malian Small and Private Enterprise Development

USAID repeatedly told the Team that the present private sector analysis is very important, so important that if arguments presented so justify it, USAID may be willing to reorient its whole program.[1] An early cable from Bamako (1227) indicated that the need for an AID private sector development program in Mali is significantly greater than it is in other countries. The size and budgetary demands of the Mali bureaucracy, including twenty-five or so costly enterprises, is so extensive that it seriously encumbers the rest of the

[1]This priority must be discounted somewhat by the fact that the small and medium private enterprise project was listed only seventh among nine projects in the FY84 ABS's proposed project ranking. (pp. 22-23)

economy. Private enterprise development, the cable indicated, "must occur, and rapidly, if serious economic and political instability is to be avoided."

The priority accorded to the mission is also reflected in the fact that during its brief two week stay, it met three times each with the USAID Director and the DCM. The latter conveyed the regrets of the Ambassador concerning his involuntary absence from Bamako during the team's visit. The DCM indicated that Mr. Borg placed the highest priority on the topic. The DCM supported the hypothesis that AID's private sector development activities in countries such as Mali may be substantially more important than similar activities in the Private Enterprise Bureau's priority countries.[1] The competence, resources, and popular support of the private sector in those "priority" countries is already considerable. This is much less true in more socialistic countries such as Mali. In Mali, the government has recognized the cost and inefficiency of its State enterprises and is eagerly seeking assistance in developing a vigorous private sector and phasing down (and out, in some cases) its parastatal sector. If the U.S. can stimulate a viable private sector in Mali, its demonstration effect elsewhere might be considerable.[2]

Malian Support for the Private Sector

The team heard widespread expressions of support for and confidence in the sincerity of the Government's recently avowed emphasis upon the private sector. Sources of approval included the Ministers of State "for Equipment and Industry" and "for the Economy and Planning" (the two highest-ranking ministerial officials), other ministers and high level GRM personnel, outstanding figures in the business community, and the Malian Chamber of Commerce. Some reasons for scepticism were articulated, although only by a small minority of the interviewees. Of course sampling was not random, so the responses may be biased toward the official view. Nevertheless, until more information to the contrary is available, the Team will assume along with USAID, the Embassy, the State Department's Deputy Director of Intelligence and Research, H.J. Cohen, and the World Bank, that the GRM is, indeed, sincere in wanting to review its economy so as to allow its private sector to play a substantially more prominent role. (See also the discussion below on the Policy Setting in the Project Recommendations section.)

Business Climate for U.S. Investment

The Director of USAID/Bamako requested that the Team convey its observations about the nature of the investment climate in Mali for U.S. firms. The following discussion, however, should not be interpreted as

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[1]Egypt, Kenya, Ivory Coast, Zimbabwe, Jamaica, Costa Rica, Pakistan, Thailand, Indonesia and Sri Lanka.

[2]One high-level AID/Bamako resident expressed concern that a private sector initiative might seriously detract from the important objective of food self-sufficiency. Capably guided, however, the strategy could well strengthen rather than hamper food achievements. The organization of more privately-oriented agriculture and agro-industry, such as for-profit extension workers and demonstration farms, might make this possible. See, for example, the section below entitled, "Note: Small and Medium Enterprise Emphasis."

reflecting the focal concerns of the Embassy or Mission. In other words, although the U.S. Government is concerned about whether Mali is attractive to U.S. investors, the strengthening of the role of the U.S. private sector in Mali are not primary objectives. The primary objective of USAID and the Ambassador is the strengthening of the indigenous small and medium enterprises, so that the Malian economy becomes increasingly self-reliant not only in food but also other basic products and services. In so doing, of course, it is highly likely that the U.S.--assuming that it competes effectively in international trade--will expand its trade with Mali, as it has with other developing countries.

Looking at Mali's modern sector, it is dominated by about twenty-five parastatals, which provide seventy percent of industrial output and virtually all grain marketing. Only a few industrial enterprises are privately owned. There are no private Malian banks, one regional bank (the International Bank of West Africa, or BIAO in French), but none which supply long-term credit. A limited number of American firms are represented in the country. Among the most influential are Mobil, Texaco, St. Paul Fire and Marine Insurance, Caterpillar, and General Electric.

The U.S. Embassy reports the investment climate for U.S. firms as "generally favorable." This must be interpreted with caution. Any firm operating in Mali will inevitably encounter difficulties of various kinds. French is the predominant medium for business transactions. The business infrastructure is very inadequate: telecommunications are highly irregular;[1] external transport is complicated by near capacity use of the landlocked country's railway to Dakar and poor roads to the Ivory Coast;[2] internal transport is complicated by modest road (in this case physical inadequacies are hampered by frequent checkposts in some areas), rail and barge systems; and only Bamako or isolated sites near Selingue dam have reliable electrical power.

Additional difficulties also exist, depending on the locational and other details of potential investments. There may be regretably slow processing of requests for investment privileges, such as tax holidays or tax-free import privileges. For firms investing more than 150 million Malian Francs (about $215,000 on September 22, 1982), the law requires approval within three months, but the de facto "average" was reported to be a minimum of six months, and in some cases between one and three years. Whereas the GRM may promise import protection to new manufacturers, in fact, extensive illicit trade substantially weakens the value of the prohibition. Obtaining permission for an adequate land site is also reportedly difficult. Important price controls hamper operation of OECD-type free markets. Competent manpower is in scarce supply, although at higher levels, formal degree training for governmental managers is seemingly in surplus. Experienced, trained business personnel,

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[1]One enterprise reported the telex worked eight days per month, and the telephone was worse.

[2]Because of poor roads and consequent high costs of transportation, Brazilian beef was estimated to sell in Abidjan at sixty percent of the cost of Malian beef.

however, with competence in critical fields such as marketing, business management, cost-accounting and finance are less widely available. Middle level management is very scarce, as reportedly are those in the professional and skilled craft areas.

Numerous bureaucratic snags confront the business manager. Red tape is, of course, widespread, although the extent to which this exceeds that of OECD countries is uncertain. Civil servants typically work less than full-time at ostensibly full-time jobs. Long and often costly procedures must be followed for obtaining permits, opening bank accounts, and transferring or receiving funds. Generally, the administrative structure is incapable of expediency, unless the attention of very senior staff is brought to bear upon relatively straightforward problems.

But all is not negative. Foreign technicians and professionals may be brought into the country, if the firm proposes a plan for training its replacements. Increasingly, there is open newspaper criticism of the State enterprises. The GRM, in the words of the World Bank, "appears resolute in its intention to rectify the serious disequilibrium in the State enterprise sector." Such resolution has even been reflected in an expressed willingness to convert such operations to a mixed or fully private mode, with some strategic or symbolic exceptions such as Air Mali.

The tax code was liberalized in 1976 and is apparently again under revision to make it still more supportive of the private sector. Perhaps even more important is the substantial enthusiasm and success of some of the emerging private sector firms, the leadership of which is still reiterating its belief that the GRM appears eager for reform.[1] The 1981 - 85 Development Plan and the recent IMF Standby Agreement note that "private business is a primary source of employment and an engine of industrial growth."[2] Foreign private investment is therefore vigorously encouraged by the GRM.

Further, on the optimistic side, although Mali clearly faces a long list of problems, its economic growth rate since 1972 and 1978 has been a satisfactory 4.4 percent. The World Bank reported an estimate of 11 percent for 1979 and a projected -1 percent for 1980. This positive although volatile growth despite substantial difficulties, the GRM's apparent willingness to tackle gross misallocations and mismanagement, plus Mali's human and physical resources[3] and market potential, all suggest that selected, well prepared investments are likely to be viable.

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[1]There are estimated to be 100 small and medium-sized private firms engaged in light industry, plus 200,000 employed in traditional private manufacturing, most importantly in textiles and metalwork.

[2]State Airgram: "Investment Climate Statement - Mali," 8/16/82.

[3] Potential exists for the exportation and exploitation of bauxite, iron, manganese, lithium, phosphate, and gold.

PROJECT ANALYSIS AND RECOMMENDATIONS

Policy Setting

An appropriate policy setting is a prerequisite for the efficient functioning of the private sector. Thus, economic policies conducive to employment and small and private enterprise development are an important concern of the Team, as well as USAID, the Embassy, and the Bureau for Private Enterprise.

As indicated elsewhere, the GRM has already begun a serious process of policy reform. The FY84 CDSS has provided a useful discussion of three important reform topics: cereals marketing, the State enterprise system, and public financing. That discussion will not be repeated here, although there is evidence of movement toward those reforms. First, the World Bank's conviction that the GRM "appears resolute" (6/30/81) in its intent to liberalize the parastatals is important. That the Minister of State Enterprise encourages serious discussions of converting selected state enterprises to joint or totally divested private ventures also should be mentioned.[1] Furthermore, the GRM also has stopped guarantying employment to its secondary school graduates, a practice which until recently was an important source of bureaucratic overstaffing. Finally, the fact that many voices in the Malian private sector appear convinced of the GRM's sincerity is also significant.

But beyond the above three sectors mentioned in the CDSS, at least two other policy reform topics should be mentioned. These are, first, a reform of the credit system and second, improved investment incentives. Concerning the first, public and private credit institutions must formulate both increased savings incentives as well as policies enhancing the supply and rational allocation of long-term credit. The apparent imminent entry of the first private local bank, one hopes, may partially ease the shortage of long-term credit. And the efforts of the GRM to reform parastatals, if successful, may reduce the public sector's drain on public savings. In turn, this may enable the BDM to support more actively long-term investment. Concerning the investment codes, it should be noted that the code was first liberalized back in 1976 before the current pro-private sector position was adopted. Today, if anything, negotiation of privileges tends to yield even more liberal benefits than determined by the 1976 code. Furthermore, in the light of the new private sector orientation, a still more liberalized code is expected later this year.[2]

The above positive indications are not intended, of course, to suggest that all is well, or that pressure should be eased in pursuit of further rationalization. They are pointed out merely as evidence that the GRM is listening, thinking, and amenable to suggestions. Clearly, however, USAID and the Embassy should work with other donors to facilitate the GRM's pursuit of policies still more conducive to the private sector, efficiency and development. In this effort, the U.S. should examine forthcoming reports of the IBRD (e.g., on the parastatals), the forthcoming investment code, and a

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[1]See the Section below entitled "Parastatals."

[2]State Airgram, 8/18/82.

more indepth review of macro-policies. Based on the updated assessment, if ongoing policy analyses do not adequately take into consideration the impact of policy on a range of important variables, including the growth of the private sector, small and medium enterprise as well as employment, USAID or PRE should seriously consider funding any necessary additional evaluations. As funding requirements would be modest, if necessary, this critical review of whether Malian economic policies are conducive to the expansion of employment, small/medium enterprises, and the private sector should be undertaken in FY83 through joint collaboration between PRE and S&T's Employment and Small Enterprise Division.

Management Development

One of the needs most widely expressed to the Team was that of improved management. Most likely this is because sound management is widely believed to be a prerequisite to efficiency in all other activities. Inadequate management, then, is a bottleneck that cannot be circumvented by other programs and thereby demands early attention. Whereas Malian higher education already includes the areas of economics and general administration, oriented particularly toward government, a substantial gap exists in key business topics. Business management per se, marketing, and cost-accounting are all topics critical to efficient enterprise management but sorely neglected in Malian higher education.

The greatest demand for management training was reported to be at the "middle level," apparently below degree programs but above the line supervisors. This, of course, suggests relatively large-scale enterprises, although these are virtually non-existent in Mali's private sector. Furthermore, while Mali appears to have a relative abundance of those with management, economic or administration degrees, their business training and practical experience is usually inadequate. These inadequacies suggest short-term problem-oriented up-grading courses for senior and mid-level administrators, improved information regarding business solutions to Malian problems, and formulating a plan to meet management requirements for smaller enterprises.

Because of the key role played by business management in the evolution of the private sector, the Team recommends that USAID seriously consider strengthening Mali's private sector management training and consulting capacity. This, following the above policy analysis proposed, would be the first primary step in USAID/Bamako's private sector initiative. This activity is perfectly consistent with the FY 84 ABS's project concept, "Small and Medium Scale Private Sector Agricultural Enterprises." While the final structure of such a Mission activity will, of course, need to be pursued through the usual concept, identification, and project paper sequence, a tentative concept is presented here for further discussion.

An improved private management consulting capability would serve two vitally important objectives. First, it would provide an improved Malian competence for both short- and longer-term management training, and second, it would provide consultant expertise to Malian small and medium business in the crucial areas (not to exclude others) of feasibility analysis, loan

application preparation, marketing, management, and cost-accounting.[1]

The methodology for up-grading such local expertise would be to join the strengths of three types of institutions: CEPI, the Malian Center for Promotion and Industrial Studies; a Malian private sector business/economic consulting firm; and an American management consulting firm with substantial overseas experience. CEPI has been recommended widely to the team because of its key roles as (1) the official liaison for enterprises seeking to obtain privileges (for example, tax or import) from Government as an inducement to their investment, (2) a source of credit for small and medium enterprises, (3) a source of expertise in carrying out small and medium enterprise feasibility studies, and (4) technical support available for strengthening enterprises once they are underway but encounter difficulties.[2] A small Malian private sector business consulting capacity does exist, e.g., BECIS.[3] While a firm like BECIS and CEPI could benefit from outside expertise, they do also offer important platforms from which USAID could begin to strengthen Malian private sector management.

The training role of the tripartite AID management project would be a complement to AID's longer-term regional African and Sahelian Manpower Development Programs and USAID/Bamako's Development Leadership Training Project.[4] The principal focus of this new more explicitly private sector-oriented project will be on short-term, problem-oriented, on-the-job training in Mali. Selected project-related Malian personnel (from USAID, CEPI, and the private consulting firm) should be sent for training to the States and/or to a third country (e.g., India) to strengthen the local institutions with which the U.S. consultant group would work.

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[1] While the larger enterprises (e.g., parastatals) might well benefit from management inputs, they are better able to pay their own way for such inputs.

[2] It should be mentioned that CEPI has already received resources from the World Bank for upgrading its program. CEPI, however, appears to need and did request additional technical inputs. USAID collaboration with CEPI on such a project was encouraged by the public and private sector.

[3] No other Malian private general management consulting group is known to exist in Mali. USAID contact with BECIS suggests that its average product is of moderate quality, although it appears to offer a promising focal point for strengthening Malian management capabilities. It works in the areas of rural development, public works, marketing and feasibility studies, almost exclusively for international organizations such as AID, IBRD, FAO, the Islamic Bank, the Danes, and Chemonics, in addition to collaborating with private consultants such as Elliot Berg. Specialized foreign companies such as Chemonics, do have staff or consultants working in Mali.

[4] Successful development in countries such as Indonesia and Thailand has often been attributed heavily to the extensive long-term U.S. training programs for those who later become national leaders. .The need for more extensive long-term Malian training should be considered early in the project's second year. A high-level official pointed out that U.S. training is preferred because it is more biased to self-employment than that in other countries.

The main thrust of the project's training component should, however, be short-term, in-country courses, up to two weeks or so in duration, often shorter, after working hours, or on weekends. Subject matter should be identified by experts on and within the Malian business community, including those within the three collaborating agencies discussed above. Among those topics recommended for early priority (in terms of analysis, training, or direct enterprise support) are those of up-grading the credit system, improving management for small and micro enterprises, efficient processing of requests to the National Directorate for Industries (DNI) for investment privileges, market analyses, finance, negotiating technological transfers, preparation of loan applications, cost-accounting, conversion of parastatals to mixed or private sector enterprises, worker management and ownership of enterprises, resource mobilization and efficiency in cooperatives,[1] and production cooperatives for women (e.g., Tapis de Segou and Bamako's La Paysanne).

While the U.S. on-site management consulting team should itself be expert in third-world management problems, it should also have available resources to enable it to call in additional support on specialized topics. Some expertise, such as that of the Industry Council for Development, and AT International, may be available without cost to the Mali Program, but project resources should provide for others as needed.

Statistics and Information

Several influential Malians contacted by the team indicated they felt that an effort to enhance the base of statistics on the private sector would be useful. The team agrees. If USAID funds are available for an exploratory visit to identify USAID and GRM priorities for data, the Team will be happy to identify such expertise. The cost for such an exploratory visit should be nominal, say between 10,000 and 20,000 dollars.

Malians also frequently requested better channels for information regarding U.S. business which might be interested in Malian investments and joint ventures. AID and the Embassy should foster access to business collaboration information, although this is one useful activity that need not occupy a large segment of USAID time. Indeed, some contacts are already planned by the Team upon its return to Washington. Other contacts can be made through the medium of the Commercial Attache at the Embassy. A number of employers expressed surprise that such services existed, so perhaps some additional publicity through the Chamber of Commerce and Federation of Employers would be helpful.

Finally, additional services are already available. The Team, to the extent that it is able to accommodate a modest flow of inquiries, will attempt to do some of this. But there are other specialized channels that may be used. These include contacting directly, among others, the U.S.Chamber of Commerce, A.T.International's Small Enterprise Resource Exchange,Industry Council for Development, and VITA. Beginning in FY83 ST/MD/ESE's Enterprise

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[1] Here the dramatic resource mobilization, efficiency, and employment examples of Mondragon in Spain, Bremen in Holland, and the kibbutz in Israel could be considered.

Market and Technology Access Project will utilize private sector firms to facilitate collaboration between small and medium enterprises in the U.S. and LDCs. The Team will, of course, be happy to facilitate any such exchange that would be deemed helpful by the Mission or those with whom the Team had contact.

Vocational Training

Many, virtually all, respondents to the Team's questioning agreed that skill training and competence, at virtually all levels, was a severe problem in Mali. The Team's failure to endorse an immediate program of manual, technical, skill or craft training does not mean that the Team feels the question to be unimportant. On the contrary, the Team feels that the numerous such weaknesses in Mali's human resources will be a significant constraint upon Mali's development.

Nevertheless, adequate management and marketing are critical to the survival and nourishment of those enterprises and skills that do exist. Thus, assuming that substantial resource constraints face any proposals for new initiatives, it is recommended that new vocational training activities be postponed until the earliest phase of the private enterprise project is successfully underway.

Should resources unexpectedly become available to the Mission, or in any event, after the initial private sector activities are underway, say after a year or two, it is strongly recommended that the private sector project undertake selected manual and technical training. So that the activity is tied closely to the manpower needs of the private and public sectors, employers should be given prominent responsibilities in determining training priorities. To do so, it is suggested that the program so developed benefit from the recorded experience of other developing countries in associating their employers with the formulation of a training plan.

Credit and Finance

The Private Sector Team inquired at nearly all interviews regarding the type of USAID assistance that would be most useful. If the origin, frequency, and backing of officials and entrepreneurs in high places were determining, that priority would clearly be to improve the supply of credit to small and medium enterprises. Yet in spite of this high level of Malian interest and the potential future appropriateness of such funds, it is not recommended that such credit be extended at this time.

Many reported that credit for longer-term investment in plant and equipment is not available. Yet various sources also indicated that there does appear to be substantial money in the private sector. For example, ninety-day collateral guaranteed short-term credit to traders is reported widely available. Although the informal money lenders often found in developing countries apparently do not ply their trade in Mali, an extensive network of credit extensions from business to business does exist. In contrast to the State Department Airgram reference to "practically non-existent local savings"[1] is the evidence observed by the Team of a

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[1]See above, p.10, f.n.1.

substantial savings process as reflected, for instance, in the market for radios and cassettes, new plant and equipment for a foundry and metal-working shop, new boat-building, the large number of powered two-wheel vehicles and concrete block making in many corners of the country. Off setting these signs in the private sector, however, there does appear to be substantial public sector dissavings through poor maintenance and replacement of industrial plant and equipment. The World Bank has described the "limited success of the commercial banking system in the mobilization of domestic savings." In fact, the study contends, "the impact of the (banking) system as it currently operates, providing de facto term lending to the state enterprise sector, is to deprive the private sector of any meaningful access to medium or long-term capital."[1]

State (senior) Ministers argued that, while around five million dollars is available from international donors (IBRD and West German aid) for small and medium enterprises, the need is for billions.[2] Yet in apparent contrast to the reported shortage of such funds is the fact that even after the World Bank's credit being available for two years, only one application for such resources has been made and none of the credit has been extended.

The above contradictions do seem to reflect severe problems within the financial system. Indeed, the Director of BECIS promoted the credit system as the most severe problem facing the country. The IBRD has admitted informally that there are problems even within its Development Credit Agreement (Industrial Development Project) to support small enterprises. The Bank is currently in the process of revising that project to facilitate the effective utilization of its credit line. The West German (KFW) line of small enterprise credit, on the other hand, has been utilized but generates extensive investor frustration due to extensive delays in processing loan applications, including their review in West Germany itself. Finally, there is only one private sector bank operational in Mali, the BIAO (French acronym for International Bank of West Africa). The BIAO is not based in Mali, makes few loans here, and extends virtually no loans for long-term credit. The Team was told, however, that a private sector bank is anticipated in the near future. Whether the latter will be more inclined to long-term credit than its predecessors remains to be seen.

Because of this critical problem of generating and allocating credit for new plant and equipment, the Team therefore recommends that as soon as possible, USAID consider with other donors, including multilateral, and the GRM, the credit system problem and the need for changes in credit policy and credit institutions. If necessary, USAID should consider funding necessary backup analysis. If funds are unavailable within USAID, PRE's concentration

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[1](WB,30/6/81)

[2] The dimensions of the need are not yet clear to the Team. One possible interpretation of the limitations upon and small magnitude of long-term credit in Mali is that there is a severe capital absorption capability problem. There may well be a very limited set of entrepreneurs with the experience, capability and understanding of private enterprise and banking requirements that would make them viable candidates for long-term credit. One of the important objectives of the present proposals will be to increase substantially that absorptive capacity.

on "developing capital market financial institutions and structures" suggests possible alternative support. Because of the urgency of the problem, it is suggested that follow-up work on the present Team's efforts include this dimension in early FY 1983.

Longer-term work and resources for credit support should depend upon whether adjustments can be made in the Malian credit system, and whether the management and other FY 83 and 84 components of the Team's proposals get off the ground with substantial Mali support (moral, if not material, and at least without undue opposition) and USAID support. If cooperation and initial success are encouraging, then further resources should be put into strengthening access to credit for small and medium agribusiness. This might include a line of credit per se, but it also might include strengthening the overall financial and credit system. The scope thus could include training for loan processing and investment officers, development of new savings institutions, and other R and D work as necessary. These above proposals are, of course, consistent with current Mission planning.[1]

Note: A Small and Medium Enterprise Priority

This section is to clarify and stress that a main thrust of the USAID private sector activities should be to stimulate small and medium enterprises. In other words, it would abuse the intent of the Team if this report were interpreted as a license to provide heavy financial support to any enterprise regardless of size, capital intensity and direct or indirect employment and poverty alleviation effects. The Team's intent is that the main effects of the present proposals will be precisely to have important positive direct and indirect effects upon micro, small and medium enterprises and agriculture. Those results will of course be enhanced through the efficient identification, development, production and utilization of appropriate technology in all related sectors.

Furthermore, although the Team suggests that the Mission give serious consideration to the utilization of experienced U.S. private sector agribusiness enterprises in its agricultural development activities (see Part II), the Team is concerned that the impact of such business activities must be to accelerate the production/distribution of seeds, tools, spare parts, implements, and other appropriate technology to the bulk of Mali's private sector, the small farmer, through the quickest and most efficient means. These concepts have received substantial USAID and Malian verbal support in response to the Team's questions.[2]

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[1] ABS, FY 84, p. 16.

[2] Medium and large private enterprises already have a modest record of interacting with and developing small farms. Multinational corporations have provided an array of inputs, credits, infrastructure, and social services in a number of countries to stimulate small farmer production of cash crops such as sugar and tobacco. (Freeman and Karen) Northern Thailand has an example (Adams Tobacco) of a more indigenous firm which is diversifying and also extending effective technical assistance to small farmers. The case of Alcosa in Guatemala showed mixed and fluctuating effects upon the small farm incomes. ST/MD is further assessing the overall corporate farmer relationship.

Parastatals

As mentioned above, the GRM is interested in converting some of its non-strategic parastatal enterprises to mixed or private enterprises. Some of these state enterprises are quite large, such as the one for cotton textiles (COMATEX), and would present major problems in conversion due, for example, to overstaffing, capital shortages, old equipment and an inadequate meshing of outputs and markets. Others, such as SMECMA, for agricultural equipment, are smaller and facilitating a joint venture or total divestiture presumably would be more manageable.[1]

The process and implications of a partial divestiture were partially clarified by the Minister for State Enteprises. In the case of the parastatal becoming a public-private joint venture, (1) the distribution of profits would be based on an appraisal of the respective shares of governmental and private inputs into the newly organized enterprise, (2) debts of the formerly pure parastatal would not need to be borne by the private sector partner, and (3) it would be possible to dismiss staff (preferably, if other jobs could be found and the necessity of dismissal proved). The question of whether a private partner might have a minority share but management control was not pursued.

In view of the priority for small and medium private enterprise, however, assisting in such conversions, should not be among the Mission's highest priorities for its own resources. Nevertheless, if additional resources could be found for examining the feasibility of parastatal conversions and sounding out the potential interest of the U.S. private sector, such analyses would be encouraged by the Team.[2] Indeed, if it would be helpful to USAID, the Team would be happy to explore such resource possibilities with Washington offices. PRE, for example, has expressed definite interest in the general subject at the recent (Oct. 12-15) Conference on the Role of the Private Sector in Development, but of course, no specific request was made on USAID/Mali's behalf.

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[1] In view of prevailing American attitudes regarding parastatals, it should be noted that there are some at least apparently successful cases of parastatal-private sector joint ventures. The Malian parastatal, CMDT, and French private enterprise, CFDT, may reflect the potential of mixed public-private enterprise, in this case, in the production of cotton and cereals. (IBRD, Accelerated Development in Sub-Saharan Africa, 1981, p. 54.) Some sceptical AID staff, however, suggest the joint venture's reported success may be misleading and result from a failure to account adequately for all public sector inputs. For other international, including African, joint parastatal-private experience, see also J. Wolgin, "The Private Sector, the Public Sector, and Donor Assistance in Economic Development," AID/PPC, 9/82.

[2] The reasoning behind this support (as discussed on page 4,)is the powerful demonstration effect through which such successful conversions might influence other economies as well as Mali's.

One workshop at the conference just mentioned pertained to the role of worker-owned and managed enterprises in development. The workshop's recommendation that such enterprises be promoted in LDCs is, of course, pertinent to the parastatals, and any review team should consider the possibility of the parastatals actually being purchased through a percentage of wages being set aside by its own workers. The Association for Workplace Democracy, whose President participated in Norman Bailey's (National Security Council) above workshop, or Development Alternatives Incorporated, which also participated, could provide useful expertise.

Another option, of course, would be to supplement the management consulting resources discussed above to enable an examination of the parastatal conversion option. This course would necessarily delay such an inquiry until the consulting project is underway. In view of the priority for small and medium enterprises, use of a major share of the management consulting and training inputs for parastatals is not encouraged. The use of PRE, TDP, or private sector resources should be pursued.

Follow-Up Priorities and Activities: FY83

A wide variety of activities might logically follow the present Team's analyses and recommendations. Below are some of the alternatives, arranged by the Team in their rough order of priority, although the priority might change if resources were to be much more modest than anticipated. Some of the activities are given low priority for FY83, not because they are unimportant, but because if they are not undertaken in FY83, it is assumed they, or a similar activity would be undertaken in the course of the top priority management consulting/development project.

The top priority is that of developing the small and medium agribusiness project, focusing initially on management consulting and training. Thus, development of the necessary project implementation papers (e.g., PID and PP) as soon as possible, is the most urgent of tasks anticipated. Mike Dwyre (former USAID/Bamako Program Officer) suggested (9/28/82) that the next phase include discussions with former Ambassador to the Ivory Coast, Robert Smith (now with Robert Smith and Associates). They apparently also serve as consultants on investments in Africa and might be considered for some role in the eventual small enterprise project. The offices which participated in the present Team's visit would be happy to assist in expediting the project development process.

The second priority would be for the Mission to follow with other donors the process and details of policy review pertaining to Mali. If answers to hard questions pertaining to the effect of policy upon the private sector, employment, poverty and growth are unclear, then USAID should seek resources to execute such analyses. If its own resources are inadequate, then those of PRE, AFR, S&T, IBRD, UNDP, or other donors should be pursued. This priority is high because of policy's widespread, important, powerful but sometimes subtle effects upon the economy and private sector. If FY83 resources are not available, it clearly could be a logical component of the small and medium enterprise project.

Third priority would be a study of Mali's credit system. As usual, such an activity would normally be coordinated with other donors and the GRM, to

assure no duplication of effort. As ST/MD/ESE already has a contract studying the role and experiences of the banking systems in promoting small enterprises, collaboration with ESE would presumably be helpful (e.g., State 252939, 9/9/82). This priority is high both because of the high priority placed on the topic by virtually all Malians and because of credit's widespread effects upon the private sector. If resources cannot be found to undertake such an analysis soon, assuming no duplication, the study could quite logically be included in the early workload of the management consulting team under the small enterprise project. The objectives of the study should be to develop credit policies, practices, and institutions that will facilitate productive long-term investments, particularly in agribusiness and small and medium manufacturing as well as important services other than commerce.

Training in the U.S. for the Malian national USAID private sector project officer (or national backup) would be the fourth priority. The intent of the training would be to increase his/her familiarity with U.S. management styles, techniques, and resources. To do so, the itinerary might include consulting groups, U.S. private enterprises, and PVOs involved in small enterprise development. PRE might be a possible source of funding, but it would also make sense for USAID to fund such training out of its own project development and support budget. It would, incidentally, be useful to have the Malian USAID staff member accompanied for at least a portion of the study tour by a member of the Federation of Employers, BECIS, and CEPI, a portion of their cost being borne locally. (The Chamber of Commerce has already had representatives visit the U.S.) While in the U.S., it might be reasonable and convenient for the group to discuss with the U.S. Chamber and the Departments of Commerce and State the expectations of and requirements for assisting foreign investment prospecting tours in Mali.

The fifth priority would be to improve the availability and quality of information and statistics pertaining to the interests, needs, and nature of Mali's private sector. This would include upgrading the quality of statistics pertaining to the number and kind of private enterprises, their products, employment, location and other basic information. At this early stage, value added would not be attempted. The Bureau of the Census has already expressed a willingness to assist, at cost, in the development of such information, but in an exploratory effort, it might also be useful to associate the Bureau of Economic Analysis, also of the Department of Commerce, because of their experience with national income statistics. An exploratory mission of this sort should not be expensive, say around $5 - 10,000, for a one to two week discussion with AID, Embassy, and GRM officials. A final set of information would not require AID outlays but has been requested by many of the private sector interviewees. This information would be that which might best be provided by the Department of Commerce's International Trade Administration and the U.S. Department of Commerce, namely, information about U.S. investors interested in trade with or investments in Mali. A copy of the present report will be sent to the ITA and the Chamber, reflecting the fact that businessmen in Mali are interested in more information about U.S. opportunities. A.T.International and VITA might be other possible sources of costless (to USAID) information, as mentioned earlier.

A study of the feasibility of parastatal conversions would be the sixth priority for USAID involvement in the private sector. As discussed above,

this is also of interest to PRE, and possibly TDP (the Trade and Development Program). The Team will be happy to investigate this further if it is of interest to the Mission.

Finally, if the Mission feels it would be useful to have a high visibility and early expression of American interest in Mali's private sector, a seminar could be arranged for Malian businessmen and government officials on the topic of private sector business management techniques. This could be run by a U.S. management consulting firm, presumably for no more than $25,000 or so. It might also discuss the way in which U.S. firms typically relate to firms in developing countries. Again, the Team would be happy to investigate the matter further, if it would be useful.

Resources for Implementation

It is strongly recommended that as soon as possible the Mission assign one American and one Malian officer full-time to the Private Sector Program. They should be as competent and experienced as possible, work together closely, and, if necessary, be trained as a team. Both should be given responsible tasks.

Financial resources for the FY84-87 small and medium agribusiness project should be adequate to support at least two to three U.S. consultant staff full-time in Bamako, finance up to 24 man-months of short-term consultants (such as the International Executive Service Corps), provide fiscal (and perhaps material) support to the Malian private sector consulting group, and perhaps, if other donor support is inadequate, even additional support to CEPI. The management problem is viewed as so important by the Chamber of Commerce in Bamako that it is apparently willing to contribute, without cost, space in its own building for the purpose of management training programs. The '84 ABS's budgeted resources ($820,000 in FY84, and $12,000,000 through FY87) for the Small and Medium Scale Private Sector Agricultural Enterprises Project should be entirely adequate to cover the costs of the project. As the Team is unfamiliar with costs in Mali, however, it is unable to provide more detailed costs without further discussion. If useful, and with estimates for Mali, the Team could provide such an estimate in follow-up contacts.

Should subsequent events prove a line of credit for SMEs reasonable, including proof of accountability, it is suggested that it be supported with modest generosity. Approximately one million dollars a year as a start would not seem unreasonable, with the amount increasing as monitoring and loan processing capabilities improve. The bulk of the credit should, of course, go to the smaller, medium, and more labor intensive enterprises. It is assumed that the larger and more capital intensive enterprises will, with improvements in the credit system, have better access to more traditional sources of credit.

APPENDIX

PROGRAM AND PERSONS CONTACTED BY THE TEAM

Before Departure, Washington

WORLD BANK:

Bo Dahlberg, Africa Bureau, Education
Patrice DuFore, Africa Bureau, Industry
Charles Humphries, Africa Bureau, Agriculture
Andy Rogerson, Africa Bureau, Agriculture

DEPARTMENT OF STATE:

Joyce Leader, Mali Desk

AID

Louise Werlin, AFR/SFWA
Hal Grey, AFR/SFWA
Frances Johnson, AFR/DR
Stan Scheiman, PRE/PPR
John Gelb, PRE/PPR
Bruce Bouchard, PRE/PPR
George Eaton, ST/PO

BUREAU OF THE CENSUS:

James Aanestad, International Statistics Program
Mark Miles, International Statistics Program
Nina Pinto, International Statistics Program

U.S. CHAMBER OF COMMERCE:

Fred Stokeld, International Division

ROBERT SMITH AND ASSOCIATES:

Robert Smith

MINISTERE DE TUTELLE DES SOCIETES ET ENTREPRISES D'ETAT:

Daouda Cisse

APPENDIX

Thursday, September 9: Bamako

Charles O. Cecil, DCM, U.S. Embassy
David Wilson, Director, USAID
John Ford,* GDO, USAID
Boubacar Daou,* Assistant to the Director, USAID
Moussa Ly,* Assistant to GDO, USAID
Oumar Dia,* Assistant to ADO, USAID
Karen Russell, Consultant,* USAID
Jean Durette, HRO, USAID
Jon Anderson, Energy Adviser, USAID
Joe Pfeffer, Feedlot Specialist, Chemonics

*These often accompanied the Team on visits, and to them the Team is particularly indebted.

Friday, September 10: Bamako

Robert N'Daw, Minister of Energy and Mines
Linda Smith, Consultant for Action Ble - Dire

Saturday, September 11: Bamako

Balla Coulibaly, President, Malian Federation of Employers
M. Gai, Secretary General, Mali Federation of Employers
Barra Diarro, Minister of State for Equipment and Industry

Sunday, September 12: Selingue

Staff of the Dam

Monday, September 13: Bamako

Baba Diawara, President, Garage Moderne
Oumar Coulibaly, Minister of State for the Economy and Planning
Boubacar Sada Sy, Directeur General, CMDT (cotton textile parastatal)
David Wilson, USAID
Sekou Sissoko, former Director of Agriculture, GRM, presented proposal for feedlot.

APPENDIX

Tuesday, September 14: Bamako

Bounafou Toure, Director General, CMCE (Malian center for foreign trade)
Sy Sada Diane, Deputy Director General, CEPI (Center for Industrial Studies and Promotion)
M. Gai, Chief of Studies, CEPI
Youssouf Thiam, owner, FAMAC (battery factory)
Mohamed Ben Barka, Deputy Director General, ETAP (private firm, in agricultural and public works projects)
Ernest Richard, Director for Administration and Finance, ETAP
Charles O. Cecil, DCM

Wednesday, September 15: Bamako

Issa Konda, Director for Administration and Finance, SMECMA (agricultural equipment parastatal)
Mamadou Sada Diallo, President, Sada Diallo and Brothers (private factory: vinegar and plastics), also Vice President of Chamber of Commerce
Kadari Bamba, Directeur General, DNI (National Industries Directorate)
Oumar Tall, owner of large farm
Thomas Bredero, Agronomist, IBRD/Washington

Thursday, September 16: Bamako

Central Market
Martial Coutant, Directeur General, BNDA (National Bank for Agricultural Development
Moussa Kante, Directeur General, OHV, (Operation High Valley, an agricultural parastatal)
Mama Tapo, IBRD/Bamako
Larry Dash, Director, SDPT

APPENDIX

Friday, September 17: Koulikoro

Salif Konake, Dir. Gen., SEPOM (vegetable seed oil products processing parastatal)
Korotogoma Diarra, Deputy Dir. Gen., SEPOM
Compagnie Malienne de Navigation

Saturday, September 18: Segou

COMATEX (cotton textiles parastatal)
Elaine Gardner, Technical Adviser, Tapis de Segou
Farmer (including poultry)

Monday, September 20: Bamako

Bandiougou Bidia Doucovre, Minister of State Enterprises
Daouda Cisse, Technical Counselor, Ministry of State Enterprises
David Wilson, USAID
Larry Dash, SDPT
Charles Cecil, DCM
Lee Hall, Agricultural Economist, USAID

Tuesday, September 21: Bamako

Assistant to the Secretary General, Malian Chamber of Commerce
John Louis Thenier, Dir. Gen., FRUITEMA (fruit and vegetable exporting parastatal)
Boubacar Ba, Director, BECIS (private management and economic consulting firm)
Saloum Samorra, President, EMAF (private iron foundry)

APPENDIX

Wednesday, September 22: Bamako

National Independence Day: Holiday for GRM and USAID

Thursday, September 23: Bamako

Rollo Ehrich, ADO, USAID

Sunday, September 26: Geneva

Michael Dwyre, former PO, USAID/Mali, now Liaison Officer, AID, U.S.Mission to the U.N. in Geneva

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