

625-0717

ENTENTE

African Enterprises

Noncapital Project Paper

FY 74

I. PROJECT IDENTIFICATION

1. PROJECT TITLE Entente African Enterprises Development Program (First Phase; FY1974-76)		APPENDIX ATTACHED <input checked="" type="checkbox"/> YES <input checked="" type="checkbox"/> NO 2. PROJECT NO. (M.O. 1095.2)
3. RECIPIENT (specify) <input type="checkbox"/> COUNTRY _____ <input checked="" type="checkbox"/> REGIONAL <u>ADO/Niamey</u> <input type="checkbox"/> INTERREGIONAL _____	4. LIFE OF PROJECT BEGINS FY <u>74</u> ENDS FY <u>76</u> (First Phase)	5. SUBMISSION <input checked="" type="checkbox"/> ORIGINAL _____ DATE _____ <input type="checkbox"/> REV. NO. _____ DATE _____ CONTR./PASA NO. _____

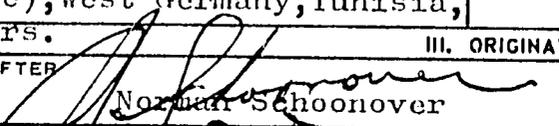
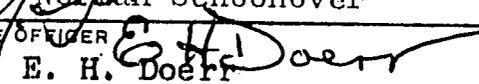
II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMOD- ITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE CURRENCY RATE: \$ US _____ (U.S. OWNED)			
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY		
											(A) JOINT	(B) BUDGET	
1. PRIOR THRU ACTUAL FY													
2. OPRN FY											7,500		
3. BUDGET FY 74	555	425	102	-		10	120	425	108				
4. BUDGET +1 FY 75	595	475	114	-		10	110	475	120				
5. BUDGET +2 FY 76	435	315	78	-		10	110	315	78				
6. BUDGET +3 FY													
7. ALL SUBQ. FY													
8. GRAND TOTAL	1585	1215		-		30	340	1585			7,500		

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR UNIDO, France (FAC/Caisse Cen- trale), West Germany, Tunisia, others.	(B) KIND OF GOODS/SERVICES See Description in PROP	(C) AMOUNT \$5 million estimated TA
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III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER  Norman Schoonover	TITLE REDSO/WA	DATE July 6, 1973
2. CLEARANCE OFFICER *  E. H. Doerr	TITLE Acting Director, REDSO/WA	DATE July 6, 1973

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL

* This PROP was approved in draft by David Shear, Director REDSO/WA

2. CLEARANCES

BUR/OFF.	SIGNATURE	DATE	BUR/OFF	SIGNATURE	DATE

3. APPROVAL AAs OR OFFICE DIRECTORS

SIGNATURE	DATE
TITLE	

4. APPROVAL A/AID (See M.O. 1025.1 VI C)

SIGNATURE	DATE
ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT	

ENTENTE AFRICAN ENTERPRISES DEVELOPMENT PROGRAM (First Phase; FY 1974-76)

A. GOAL

The overall goal to which this project is designed to contribute is the development of a class of African entrepreneurs in the Entente countries capable of taking an increasingly important role in the development and expansion of the private sector. This is a long range target, which will be the result of a series of interrelated efforts involving education at several levels, specialized management and technical training programs, and credit availabilities specifically tailored to the national entrepreneur.

While measurement of goal achievement is not easily quantifiable in view of the intangibles involved, two principal criteria for such measurement are (a) that at least 50% of the private sector's contribution to national income will result from the activities of African firms; and (b) that there will be sufficient numbers of trained Africans available to fill all but the top managerial jobs in foreign enterprises in the Entente countries.

It is recognized that progress in achieving the goal will be gradual. This can be attributed to the lack of an industrial and business tradition in the modern sense, and by the fact that many entrepreneurs and entrepreneurial candidates are poorly educated and do not possess the necessary technical and managerial skills. Nevertheless, experience in the past few years has shown that where coordinated assistance is available from consulting firms, promotion centers, training organizations, and financial institutions good progress can be made.

This project attacks a problem which has deep political, economic and social implications. After nearly fifteen years of political independence, the francophone countries of West Africa are vitally concerned with the necessity of matching that independence with Africanization not only in the public sector but also in private enterprise. The private sector is still largely dominated by foreign firms in industry, mining, export-import, and the wholesale commercial trades. In some cases, this even extends to retailing. These foreign investments are still welcomed by most of the countries, because it is realized that the capital, management, and techniques which are provided are required to assure the development of numerous sectors, creating employment possibilities and acting as a training ground for Africans. Nevertheless, there are increasing pressures from all strata of society to assure that Africans have an increased role in their countries' economies and that political independence is equated with economic independence. If foreign investments, techniques, and management skills are to be encouraged, this must be counterbalanced by assuring that those sectors which can be

successfully owned and managed by Africans are turned over to them as quickly as practical. This will tend to create the overall investment climate and stability necessary for continued economic development. The failure to associate Africans more and more with their own economies can mean a degradation of the political climate and consequent economic stagnation and retrogression.

In order to achieve the goal, the following assumptions are made:

(a) The Entente governments will continue their present policy of encouraging and supporting African enterprise in the private sector as a vital politico-economic necessity.

(b) Africans being trained at the university level in Africa and abroad will take an increasing interest in the possibilities of the private sector.

(c) That over a period of years, African managers and technicians presently working for and being trained in expatriate enterprises will either invest in new businesses, or provide the necessary management and technical competence for national firms.

(d) A certain number of African entrepreneurs already in business are capable of being trained, so that they may put into practice more efficient managerial and technical concepts.

(e) That gradual overall economic expansion in the Entente countries will provide the opportunity for an increased number of enterprises both for the local market and for export.

(f) That with appropriate training and experience, Africans will develop the skills and motivations required for private enterprises to the same degree that has enabled them to successfully assume major responsibilities in the public sector.

As detailed in the following sections, it is believed that during the three-year period of this first phase of the project, a substantial start can be made towards achieving the goal. As a corollary, this effort can also encourage the more productive use of capital and manpower, thus contributing to gradual economic expansion, increased income, and the creation of new employment possibilities.

B. PURPOSE

The purpose of this project is to assist in strengthening those national institutions in the Entente countries which are concerned with project identification and preparation, training and other technical assistance for the entrepreneur, and the provision of credit suited to the needs of the entrepreneur.

This PROP is the technical assistance counterpart to an AID loan of \$7.5 million which has already been authorized and which will provide the necessary credit through the national development banks in the Entente. It will assist the Entente Fund in filling existing gaps in technical assistance requirements of those national institutions charged by their governments to promote the role of African entrepreneurs.

It is recognized that the availability of credit specifically designed to meet the needs of African enterprise, while of critical importance, will not in itself assure the successful implementation of the program. Just as important is the coordination of the efforts of the institutions involved and the assurance that the African entrepreneur will be provided with assistance not only during the study and preparation of his project, but also during the implementation period. Put in another way, the financial component as provided by the AID loan was the essential catalyst to permit the development of the program, but this must now be complemented by an appropriate technical assistance component.

Fortunately, a considerable amount of the necessary structure is already in place or is projected for the near and intermediate future.

As outlined in the CAP for the loan (AID-DLC/P-1042), all of the participating development banks with the possible exception of the BDD in Dahomey are relatively strong organizations, have experienced personnel, are receiving direct technical assistance, and have good financial records for the past several years. Several banks have already had considerable experience in evaluating loans in the sectors covered by this program. The principal task is thus to assure that they are geared to undertake a more intensive program to promote African enterprises, that their staffs are adequate for the evaluation of the increased number of applications which the AID loan will generate, that a coordinated program of cooperation exists between the banks and promotion centers, and, in the two countries where such centers do not presently exist, that alternate ways of assuring project development and follow-through technical assistance to potential entrepreneurs are developed.

At the present time, industry centers for the promotion of national enterprises are operative in three of the countries, Ivory Coast, Upper Volta, and Togo and foreign technical assistance is being made available to various degrees by FAC, UNIDO, and other organizations. Additional help is projected under plans already approved or under consideration by other donors. A promotion center is to be established later this year in Dahomey and while no center is presently contemplated in Niger, the development bank there has experience in the industry-commerce investment field and plans to set up a special division for the promotion of Nigerien enterprises.

A further element for the successful achievement of the purpose, is the policy of the governments. In recent years, the Entente governments have become increasingly concerned over the extent to which foreign firms dominate the private sector, and the seeming reluctance or inability of their own nationals to play an effective role in this aspect of their development. All have begun to implement policies to promote the growth of African enterprises, while at the same time insuring that existing and potential foreign investment is not threatened. Within this context, in addition to setting up development banks and promotion centers, a promising start has been made to provide incentives for national enterprises through modified investment codes, and by the creation of national guaranty funds. It is assumed that this policy will be continued and that further positive measures will be taken.

The technical assistance to be provided by AID will be complementary to the substantial programs underway or approved for the various national institutions by several donors including FAC, UNIDO, and the Caisse Centrale. This total effect is intended, to assure that (a) national development banks have appropriate policies and procedures, and adequate resources to satisfy the needs of African entrepreneurs; and (b) industrial promotion offices and/or banks have an adequate number of competent staff to serve project purposes.

C. OUTPUTS

In identifying the outputs which are expected, the totality of the inputs must be considered. From the organizational and technical assistance aspect, this includes the work of the national development banks, industry promotion centers, and similar institutions which are already established and functioning, the substantial technical assistance already available to these institutions, further assistance programs in the advanced development stage involving several donor organizations, the specific technical assistance to be provided by AID under this PROP, the actions of the participating governments for the encouragement of African enterprises, and the managerial and coordinating function of the Entente Fund itself. It is also essential to note the linkage between the above type of inputs and the credit made available by the \$7.5 million AID loan to the Entente Fund. Thus, the organizational, technical assistance, and credit inputs are meshed and coordinated to produce the desired results.

On this basis, a number of outputs can be expected during the 3-year phase of this program, and are enumerated as follows:

1. A start will be made in better preparing the African staffs of the national development banks and promotion centers so that in the long run, expatriate assistance can be reduced.

2. The national organizations will gain experience in the preparation of studies, including all of the appropriate economic/financial/marketing/technical data to better insure that proposed projects for African entrepreneurs are viable.

3. Through specially designed training programs combined with intensive in-plant follow up with African entrepreneurs, concrete progress can be made in making these entrepreneurs better prepared to manage their firms and introduce more efficient business techniques.

4. It is expected that over the 3-year period, the total amount of the AID loan will be disbursed to assist new enterprises and to help expand and modernize on-going businesses. Since the loan financing is normally only part of the total financing package, the result can be a net increase in both the quantity and quality of African enterprises. These enterprises will be in the industrial, commercial, artisanal, building, and service sectors of the economy.

The above assumes that the required technical assistance will be made available promptly and effectively by AID and other donors, that cooperation between the financial and technical institutions will be emphasized, and that the cooperating governments will continue to give priority to the increase of African participation in the private sector.

The Entente Fund will carry out periodic evaluations to measure the extent to which the outputs are being achieved, and will request professional AID assistance in these evaluations and in further refining output benchmarks as the program develops.

D. INPUTS

The successful implementation of this project will depend to a considerable degree upon the effectiveness of the cooperating institutions at the national level. The inputs already available and/or being planned are primarily directed towards these organizations and through them to the African entrepreneur. An EF/AID team recently completed a survey in each of the countries, and a description of the current situation on a country by country basis is provided below, including a general outline of inputs of other donors within this context.

1. Upper Volta

The Upper Volta Development Bank (BND) is a well established organization with an excellent record over the past several years. The managing director of the Bank is an experienced Voltan banker who has been specifically trained for the position. The French Caisse Centrale presently provides four technicians to the Bank, and an additional French specialist is made available through another organization. Young Voltan counterparts are assigned to the foreign experts and are being trained to replace them. Special training courses of at least a year are arranged for the counterparts by the Caisse Centrale in Paris. The credit department of the BND is organized into two divisions, one handling industry, artisanal, and commercial credits, housing and small equipment loans, while the second section specializes in the granting of rural credit and individual consumer loans. The financial control division is strong with direct assistance from the Caisse Centrale. With the availability of AID funds at concessional rates, the BND believes that an expanded program for assisting Voltan entrepreneurs in industry, commerce, and the artisanal sectors is possible.

While no major organizational changes are required, the BND plans to assign one of the senior Voltan officers to the specific task of project evaluation in connection with the AID loan activities. To help organize this effort and to assure that appropriate evaluation procedures for industry projects are instituted, the Bank will be provided short-term help by the Caisse Centrale. With the assistance currently provided, together with the regular training programs which are arranged in Europe, no additional personnel or assistance beyond that is required by the BND at the present time.

The BND has made a formal arrangement with the Voltan promotion center, the Office for the Promotion of Voltan Enterprise (OPEV) so that appropriate technical requirements will be furnished by OPEV. OPEV has been functioning for approximately two years, and has a good size complement of technicians provided by FAC. The scope of services offered by the Center includes preparing economic, marketing, and technical studies for new industrial projects, preparation of the financial data necessary for project evaluation by a financial institution, the seeking out of national entrepreneurs to implement the projects, liaison with suppliers for equipment needs, negotiations with foreign firms for joint ventures or technical participation when required, and providing continued technical assistance to the entrepreneurs.

The Director of the OPEV is an experienced Voltan who recently spent several weeks in the United States and Puerto Rico studying

various aspects of small business promotion. There are two French specialists in economics and management provided by FAC who currently act as advisors to the Director and are responsible for project study and evaluation. In 1971, the OPEV decided to make a concerted effort to assist the national Voltan construction industry with an intensive program to organize and train small entrepreneurs in this field. Through the French Association for Training, Cooperation and Handicraft Promotion (AFCOPA), a program was set up and financed by FAC. For the past year, eight French technicians have been assigned to this specific project covering every aspect of the building trades.

The regional UNIDO representative in Abidjan has confirmed that a 3-year program has been approved for OPEV in an amount of \$450,000. This project will provide three permanent technicians to the Center to work with the present staff in the elaboration of industry projects and to provide follow-through assistance to the entrepreneurs. In addition, the West German aid program has agreed to provide a full time expert in project evaluation to OPEV for a 3-year period, as well as short term consulting services as required.

With its present staff and the approved programs of UNIDO and West Germany, OPEV should have all of the expertise to carry out a very substantial program which will include financial and marketing studies of specific projects, and expanded training program for Voltan entrepreneurs, and follow-through assistance for new projects and on-going enterprises.

In joint discussions between the BND and the OPEV, it was decided that the following additional assistance should be provided by the Entente Fund:

(a) Commercial Distribution Program

One of the greatest problems faced by Voltan entrepreneurs is the inability to obtain sufficient working capital to permit rational operations and planning. This is particularly true of the commercial sector. The BND/OPEV program wishes to attack this problem at once, and has requested EF/AID assistance in this area. Specifically, there is a need for restructuring the Voltan marketing system and to gradually introduce a variety of reforms including the formation of cooperatives and central purchasing groups, the introduction of basic bookkeeping methods, the gradual modernization of merchandising methods, and the installation of sales points outside the two principal cities of Ouagadougou and Bobo Dioulasso.

The assistance program will consist of:

A preliminary survey by CEGOS which has had considerable experience with these problems in Ivory Coast, to map out the general orientation and requirements of a long range program in the commercial

sector. This study will be financed from the funds currently available to REDSO for short-term contracts and will begin in ~~September~~ 1973.

Assuming that the preliminary survey indicates positive possibilities, it will be followed up by a program to be carried out over a 2-3 year period on a contract basis. It is proposed that this program be financed as part of ^{an} AID grant to the Entente Fund. It should be noted that this program is likewise applicable to other countries (for example Togo) and that the contract services would not be confined solely to Upper Volta.

(b) Short Term Specialists

OPEV has requested that short term specialists be made available on a when needed basis for two types of consultation. In the technical field, the OPEV will have the competence to make necessary technical/economic feasibility studies. However, in the elaboration of certain projects, specialized advice in the particular industry under consideration will be required. For example, an expert in plastics might be needed for a short period to review the project, and provide specifications for equipment. Similarly, other specialists may be needed to help solve specific management, financial, and accounting problems.

The Entente Fund proposes to provide this service by contracts with organizations with this type of experience which are available for the most part in Ivory Coast, and which can provide the services quickly and efficiently.

(c) Training Aids

OPEV has made an impressive start on organizing training programs and seminars for entrepreneurs. Most of the training material are being developed by OPEV technicians and the organization requested AID and the Entente Fund to provide a limited amount of audio-visual equipment to facilitate its task.

Summary

With the present agreement between the BND and OPEV, the satisfactory organization of these two institutions, the assistance currently available to them and projected additional technical assistance from various sources as outlined above, the program should get under way in a satisfactory manner in Upper Volta, with assistance to be provided by EF/AID confined largely to the commercial sector at the present time. All industrial/artisanal projects submitted to the BND for financing will be reviewed from the technical aspect by OPEV. Disbursements from the AID loan by BND during the first year of operations will be largely in the commercial sector and to existing

enterprises, while several new industry projects in the development stage are further elaborated by the OPEV staff. The successful program in the building and construction field undertaken by OPEV has generated a requirement for funds for both equipment and working funds in this sector which can now be met by BND from the AID loan, and adequate follow-up will be assured by OPEV.

2. Togo

As in the case of Upper Volta, Togo has likewise taken steps to assure coordination between the development bank (BTD), the Togolese Center for the Promotion of Small and Medium Sized Enterprises (CNPPME), and other groups, public and private, concerned with the encouragement of Togolese entrepreneurs. As a result, several joint BTD/Center meetings were held to determine program orientation and additional technical assistance requirements.

The Togolese Government has also consistently shown its direct interest in the success of this program, and early in 1973, the national investment code was amended to provide national Togolese enterprises with the possibility of a range of customs and fiscal advantages which were previously only available to foreign capital investing in Togo. Of particular interest to the EF/AID program is that small enterprises with a capital of 5 million CFA (\$22,000) are eligible, and approval procedures have been simplified. A national investment fund and a guaranty fund have also been recently approved and are expected to be operational in the coming months.

A review of BTD operations confirms the conclusions of the CAP that the management of the BTD is competent, the Togolese personnel well trained and effective, and that the financial position and operating procedures of the Bank are sound.

In order to specifically implement the African Enterprises Program made possible by the AID loan, the BTD is setting up a new department at the same level as its existing Credit Department. This new section will be responsible for disbursements of the AID loan and for the evaluation of all projects in the small and medium size enterprise sector. It will also be primarily responsible for liaison with the CNPPME which will be developing new projects and which is to provide technical assistance to existing enterprises. The BTD has brought in a young French advisor, who has a Doctorate in economics and has project evaluation experience, to organize and direct the new department, with the collaboration of experienced Togolese personnel.

The Bank has also established a promising relationship with the Management Center of the University of Benin in Lome. The Center

which offers a three year management course will be graduating its first class of students this year, and is directed and assisted by French instructors. The Center is currently conducting an extensive inventory survey of existing Togolese Enterprises for the BTM, with the objectives of identifying problems and needs, and selecting those firms which could be helped with technical assistance and/or bank loans

The Togolese promotion center (CNPPME) was established about three years ago as part of a UNIDO assisted program for an industrial park. The work of the center has been greatly handicapped by failure to obtain timely and adequate assistance from UNIDO, although a few new industries have been started. The Center is now in a period of reorganization and restructuring within the framework of a new UNIDO program which has been approved for a three year period and which is intended to cover not only new enterprises but assistance to existing firms. The expanded program will provide up to 6 full time experts, all of whom are to be made available under a contract with a consulting firm, with the exception of the chief of party. The team is to include managerial, industrial engineering, industrial economics, marketing, and training competence. The project also will make available short term consultants. The first advisors are scheduled to arrive in January 1974. In the meantime, there are two UNIDO consultants at the Center, who will be concluding their assignments in the next few months.

Togolese officials have also been in contact with the French association, AFCOPA, on the possibility of undertaking a program in the building trades similar to the one being carried out in Upper Volta, and also in the mechanics trade to help Togolese garage owners.

Detailed discussions by the AID/EF team with Bank and CNPPME officials resulted in common agreement as to the most pressing needs for additional technical assistance at this time. Since the number of new enterprises which can be developed in the next year will be limited, the BTM plans to start an immediate program of assistance to existing small enterprises which can be improved and which will require financing from the AID loan. The survey of these enterprises by the University Management Center will provide the basic information necessary to undertake the program. Another part of the program to be emphasized by the BTM at this time will be assistance to the numerous tradesmen in the commercial sector. Preliminary planning has already indicated that much can be done in this area, and that the availability of AID loan funds can act as a catalyst. Most of these small enterprises are family owned and have a pressing need for working capital.

Within this context, it was agreed that the following assistance should be provided by the Entente Fund:

(a) Accounting Assistance

Since many of the enterprises requiring help do not maintain adequate financial records which would permit a loan from the BT¹³D, a study/proposed by a specialized firm will be made to assist the BT¹³D in setting up a long range program in this field. Based upon the results of this survey, the Entente Fund would help provide the necessary long range technical assistance through the CNPPME.

(b) Commercial/Distribution Program

Lome is a city of tradesmen, and Togo faces the same problems as described for Upper Volta, in that a rationalization of the distribution system is required. Among the specific problems identified are the fragmentation of the commercial sector with sellers handling only one or a few products, lack of training for shopkeepers, high cost of wholesale supply, inadequate attention being given to Togolese products, and paucity of sales points in the interior of the country. The BT¹³D has therefore requested a preliminary survey of this sector by the CEGOS group in Ivory Coast, so that a longer range program can be agreed to which the Government and the Bank can jointly implement. The BT¹³D gives high priority to this activity since it plans to utilize part of the AID loan funds in this sector. Depending on the results of the survey and the follow up actions taken by the Togolese, the Entente Fund will then attempt to provide the additional technical assistance which will be needed.

(c) Short Term Specialists

Short term specialists will be supplied for the Togolese program to supplement the work of the Promotion Center when expert technical advice is required either in preparing new projects or to assist existing industries which have specialized problems. Short term consultants will also be available for the organization and presentation of training courses for entrepreneurs.

Summary

The BT¹³D is adequately staffed and with the creating of the new department for the evaluation of industrial/commercial/artisanal projects, is prepared to carry out all the financial functions of the program. The program which during initial stages will be devoted to existing enterprises, can be started with the assistance which is already available from the local University and from the Togolese Promotion Center. The EF/AID team concluded that with the approved UNIDO program providing several experts, and with the possibility that FAC will provide help in both the building and garage trades, EF assistance to the CNPPME could be confined to short term consultants for specific technical or managerial type tasks. Once the UNIDO assistance is underway, the situation can

be reviewed at that time. It is believed that the BTD/Management Center/CNPPME coordination, together with evident government interest in the program's success, should make it possible to combine efforts towards effective program implementation. The possibility of a tie-in with the EF/AID sponsored Regional Road Maintenance Training Center will also be investigated in connection with the proposed garage program. In addition to the above, assistance will be concentrated in the commercial sector at least in the early phases of the program.

3. Niger

Niger presents a somewhat different situation than that found in Upper Volta and Togo. It is the only country in the Entente which does not have an industry promotion center or which does not have definite plans for one. Although there has been some talk of such a center in connection with a proposed UNIDO industrial park development, no specific plans have been made and the UNIDO regional representative confirms that there is no present plan for funding such a project.

The Niger Development Bank (BDRN) is also set up along different lines than the other Entente development banks in that it is also the principal commercial bank of Niger. The BDRN has been established on the model of the Societe Tunisienne de Banque, and for a number of years has received extensive technical assistance from Tunisia. At the present time, there are four Tunisian advisers including the principal adviser to the Bank's Managing Director.

Since there is no industry promotion center, the BDRN, in addition to its commercial operations, has taken a very active role in economic development in Niger in keeping with one of its primary objectives which is to promote the establishment and expansion of industrial enterprises. Within this framework, the BDRN has been associated with practically every industrial undertaking initiated over the past several years, either through equity participation or loans. Thus far, the Bank has only had limited experience in encouraging the development and financing of small and medium private enterprises, since private Nigerien capital has been practically non-existent up to the present time for this type of enterprise. BDRN experience has thus been primarily with larger quasi-publicly owned projects. Nevertheless the experience, particularly in project evaluation, will be very valuable within the context of the EF/AID loan program.

With the availability of the AID loan funds, the BDRN will set up a new private enterprise study and promotion division within the Bank which will be charged with the responsibility of identifying project opportunities, undertaking studies, developing the projects,

locating interested Nigerian entrepreneurs, and providing continuing technical assistance. The BDRN proposes to assign a young French "coopérant" to this section, and has specifically requested the Entente Fund to provide two full time technicians, an industrial economist, and an industrial engineer, to the division for a period of 2-3 years. These advisers would be responsible for the organization of the services, assistance to entrepreneurs in project preparation, financing and implementation and for the training of Nigerian counterparts. There is also an interest on the part of the BDRN to call upon the U.S. Peace Corps for additional personnel when the operation is underway.

The BDRN has already been working on a number of small/medium private industry projects including the manufacture of notebooks and school supplies, metallic frames for the building industry, small agricultural tools and wagons, and animal feed. In 1972, UNIDO entered into a contract with a British consulting firm which is concluding a nine months study of the possibilities of developing small industries in the country. The EF/AID team examined a preliminary draft of the final report which is to be ready in July 1973. It identifies 18 potential projects which preliminary studies indicate may be feasible. Since UNIDO does not plan to specifically follow up on the study which was done for the Bureau of Industrial Expansion of the Ministry of Economic Affairs, it will be up to the BDRN to follow through with its study and promotion division.

For this specific reason, the BDRN requested the Entente Fund to provide the services of the French firm SATEC, to make a follow up study to the UNIDO survey. SATEC has had excellent success in Cameroon, where it identified concrete small/medium investment possibilities, completed feasibility and engineering studies, helped find local entrepreneurs, and assisted these entrepreneurs in actually implementing the projects. FAC responded promptly to a request from the Entente Fund and is financing such a preliminary survey which began in early June. Assuming that SATEC finds projects which can be realized, the BDRN plans to request a longer term contract with the firm to carry out the program on behalf of the Bank, working as part of the study and promotion division.

As a result of the AID loan availabilities, the BDRN also plans to develop programs encompassing commercial enterprises, cooperatives for artisans, and assistance for the building trades and garages.

Summary

While Niger has no present plans to have an industry promotion center, it is believed that the BDRN with its previous experience as participant in numerous industrial projects is capable of carrying

out the African Enterprises Program once its small/medium enterprise department is set up. The technical assistance requested seems adequate at least for the first two-three years of operations. The BDRN would look to the two full time advisors it has requested to be primarily responsible for getting the program started. One of the advisors would be funded directly by A.I.D. and, if the SATEC program is approved, this group would provide the second. Other requirements during the initial stage can be provided by short term technicians and surveys.

4. Dahomey

The possibilities for effective implementation of the program in Dahomey are less clear than in the other Entente countries. This is in line with the situation as originally described in the CAP for the AID loan. Nevertheless, steps are being taken which could result in a reasonable program.

The past financial difficulties of the Dahomean Development Bank (BDD) were investigated by AID and the Entente Fund prior to the approval of the AID loan, and plans for resolving these difficulties were described in the loan paper. A management study prepared by an expert of the UN economic Commission for Africa at the request of the Director of the Bank resulted in recommendations for restructuring which have since been implemented by the BDD. As a result of these improvements, the French Caisse Centrale which withdrew from active participation in the Bank for several years has now begun a program of discreet cooperation. The Caisse is encouraged by the present management, a number of young Dahomeans are now in training in Paris, and the BDD has been operating at a slight profit for the last three years. Plans for a capital restructuring have been approved by the government and the Caisse, the two principal shareholders. Under this program, the capital of the bank will be reduced to wipe out losses accumulated several years ago, and this will be followed by an increase in capital so that the financial situation will again be sound.

The BDD plans to create a special department for the evaluation of project proposals for small and medium sized national enterprises. Two staff members will shortly return from a year's training in project evaluation at the Caisse Centrale center in Paris, and they will form the nucleus of this new department.

The role of project identification, preparation, and promotion, and the provision of technical assistance to entrepreneurs will be undertaken in the future by a new Center for Studies and Promotion of Dahomean Enterprises. The center will be established under a UNIDO program budgeted at \$455,000 and will be assisted by four UNIDO advisers, an industrial economist, engineer, management, and marketing specialists, and 18 months of short term assistance. In view of recruiting problems, UNIDO hopes to contract with a consulting firm to provide the necessary personnel. The chief of party is expected to arrive in Dahomey in the early fall, but the Center will not be fully underway until mid-1974.

The Bank is therefore particularly interested in obtaining assistance from SATEC through the Entente Fund. A preliminary survey financed by FAC is scheduled for July to identify possible projects and potential entrepreneurs, and this would be followed by a program to implement these projects with SATEC advisers beginning in the fall-winter of 1973. This follow-through program would be presented for joint FAC/AID financing.

The BDD has also requested that a study be made on the feasibility of establishing a nation-wide chain of retail self-service stores for Dahomean entrepreneurs based on the experience of the PAC project in Ivory Coast. A preliminary survey by CEGOS, the principal advisers of PAC, is being considered to ascertain if a detailed study along these lines is warranted.

Summary

After consultations with the Caisse Centrale and UNIDO representatives, the Entente Fund and REDSO have concluded that in the present transitory period of the BDD, the most effective assistance which can be given to Dahomey for the present is through the SATEC program. This could tie in closely with the planned promotion center, and with the UNIDO program. Following the financial restructuring of the BDD, the Caisse Centrale may provide some short-term assistance to the Bank while the young Dahomean technicians are gaining experience in project evaluation. It would be premature to superimpose additional technical assistance until the Caisse and UNIDO have time to get their programs started. EF assistance over the next year will therefore be confined to SATEC, a preliminary study of the commercial field by CEGOS, and short term technicians as required to solve specific technical or management problems or for short training courses.

5. Ivory Coast

Further EF/AID studies of the two participating Ivorian banks, Credit de la Côte d'Ivoire (CCI) and BIDI confirm their ability to implement the program in Ivory Coast from the financial and project evaluation standpoint. The CCI already has considerable experience in dealing with small industrial, commercial, and artisanal loans, and has sufficient trained personnel to handle the additional volume which will be possible as a result of the AID loan. BIDI which will be concerned with larger industry projects, and will use the entire amount of this loan allocated to it for dollar imports is fully equipped to implement the program. BIDI has set up a special unit for Ivorian enterprises which is financed in part by the interest rebates granted to it by the Ivorian government in connection with a 1965 two-step AID loan to the Bank.

Both banks are keenly aware as the result of their own experience of the need to follow the progress of the Ivorian firms receiving loans, and to see that they are provided with technical assistance. Both have already taken steps to see that this is done. One example is the Accounting Assistance Company (SAC) which was set up by CCI, BIDI, and three of the principal commercial banks. This group currently provides direct assistance and training to some 50 small enterprises which have received loans, and has had 200 accounts since it was started.

In addition to SAC, BIDI has for some time foreseen the requirements for an engineering consulting firm in Ivory Coast which could provide such services as engineering and marketing studies for new projects, actual factory installations, follow-up engineering and production consulting, and training programs. As a result, the "Societe d'Etudes de Developpement Industriel" (SEDI) was recently established with BIDI and the French engineering firm, BCEOM as principal partners. The firm is in operation, and is available to BIDI to assist in the planning and implementation of industrial projects.

The Ivorian Promotion Center (OPEI) is also an important element in the program for encouraging Ivorian firms. It has a relatively large staff of some 25 professional Ivorians assisted at present by 19 foreign technicians provided by various donors. While OPEI has not always operated at optimum efficiency, it has been responsible for the creation of a reasonable number of new enterprises, and is the principal focal point for the Ivorian businessman interested in small/medium sized projects. The principal work of OPEI is to carry out economic, marketing, and technical studies, and to assist entrepreneurs in the preparation of their projects for financing by local banking institutions. Both CCI and BIDI have been in close contact with OPEI, and have specifically requested its participation in the technical assistance aspects of the new Entente Fund program.

CCI and BIDI have also indicated that informal arrangements have been made with a number of the sizeable foreign enterprises in Ivory Coast to provide short term technical help to Ivorian firms.

UNIDO has approved an expanded project for assistance to the Ivorian Government which involves OPEI, the Foreign Trade Center and the Industrial Development Office (BDI) which is attached to the Ministry of Plan. While this latter organization is responsible for encouraging the creation of new industries and foreign investment, Ivorian enterprise is also assisted, and in many cases participates in joint ventures. As of January 1, 1974, seven experts are scheduled to be assigned by UNIDO to this activity. The project chief and one other technician are already at work. The project which extends over a three year period and also includes 30 man months of short term assistance, has been approved for \$900,000.

Technical Assistance Required for Ivory Coast

With the above infrastructure in place, BIDI and the Credit de la Côte d'Ivoire have requested only a relatively limited amount of technical assistance for the implementation of the new Entente Fund/AID program, as follows:

(a) Management Consulting Group

The Banks need the assistance of a two-man management team to complement the work of SAC and SEDI. These specialists would be available to work on a range of management problems, but particularly to follow closely the enterprises to which AID loans would be accorded. The Banks have suggested that the above services might best be obtained through a contract with a qualified U.S. management consulting firm, for an initial period of two years. The consultants would also be available as needed by the other countries and would assist in organizing management training seminars.

(b) Short Term Consultants

BIDI and CCI also wish to avail themselves of the short term consultant contracts to be made under the program to provide specialized services for studies, actual project implementation and for training programs.

I. U.S. Government Inputs

1. Technical Assistance

The summary of technical assistance inputs to be provided by AID within the framework of this program over a three year period is as follows. Following periodic evaluations, at the end of that period, a complete evaluation will be made of the program to ascertain if further AID inputs are required. It is also expected that by the fourth year of operations, the reflow resulting from the difference in terms of the two-step AID loan will begin to accumulate to the benefit of the Entente Fund, which will use these resources for various purposes in support of the African Enterprises program, including technical assistance.

a. Technicians. It is proposed that two technicians be provided under personal services contracts. One will be under contract to the Entente Fund as Project Manager for this program. He will be primarily responsible for seeing that all of the inputs are properly coordinated, and that the program is moving forward as planned. A further description of his role is found under EF inputs. The Project Manager will be an American, and will be required for a period of three years.

The second contract technician is to be responsible for assisting the Nigerien Development Bank (BDRN) to set up its promotion and evaluation department. In addition to his work in developing studies and providing follow through assistance to entrepreneurs, he will be expected to train Nigerien personnel in the Bank in these techniques. This specialist should have a broad background in industrial economics, and will be needed for a three-year period.

A contract is proposed with a U.S. consulting firm primarily to provide two management advisers to assist in the implementation of the program in Ivory Coast. These specialists will be responsible for follow up assistance to Ivorian entrepreneurs who receive loans from BIDI and CCI. Financing for a two-year period is proposed. Within the framework of FAC/AID cooperation, a contract with the French firm SATEC is recommended to carry out programs in the two Entente countries which do not as yet have promotion centers, Niger and Dahomey. The type of program is described above in the individual country section. The preliminary survey financed by FAC is currently under way. Assuming the results are positive, FAC has indicated it can assume partial financing of a contract to provide two full time experts, one each to the Banks in Niger and Dahomey. Half of the financing for this year program is proposed for AID funding.

Several of the countries are proposing programs within the commercial sector, since this is an area which lends itself to greater participation by Africans. Financing is therefore requested for a 3 year program to fund a full time commercial adviser, and short term advisers as required. This program will cover all the Entente countries, with particular emphasis in Togo and Upper Volta. A preliminary survey by a specialized firm will be started in ~~September~~, 1973 which will result in concrete recommendations as to the specific requirements in this field.

Training is a vital element in the implementation of this project. With funding made available by AID/W for project design, ORT will make a survey of the Entente countries commencing in the early fall of 1973 to examine the programs already underway or planned for the training of African entrepreneurs in management and technical fields, will make an inventory of existing institutions which can be used for training purposes, and will outline a suggested action program. Since training will be an essential requirement, financing is provided to cover one full time contract adviser and appropriate short term specialists.

The EF/AID survey found that there is a need for short term specialists who can be made available rapidly to help promotion centers, banks, and individual entrepreneurs to solve specific technical or management problems. Since firms capable of providing these services are found in Ivory Coast, financing is projected under "Other Costs" to provide up to 25 man months per year over a three year period for this category of specialist.

b. Commodities. Several of the institutions involved in the program are conducting or planning training courses at various levels. The project therefore includes a modest amount in each of the three years for training aids. These requirements will be more fully developed within the context of the ORT training survey.

c. Other Costs. In addition to the short term advisers available from local sources, two additional items are included under this category of expenditure. The first covers a small amount of logistic support for the EF project manager, specifically a bilingual secretary and miscellaneous office expenses. An amount of \$50,000 in local costs, per year, is included in support of local/regional training programs by banks and promotion centers in the five countries. These funds will permit the preparation of local training materials and cover fees for locally qualified training and seminar leaders who are not specifically associated with the development banks, promotion centers, or other cooperating organizations.

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A.I.D. GRANT BUDGET FOR PERIOD FY 1974 - FY 1976 (IN DOLLARS)

	FY 1974	FY 1975	FY 1976
I. <u>Technicians</u>			
A. <u>Personal Services Contracts</u>			
1. Project Manager for EF	45,000	45,000	45,000
2. Industrial Adviser (BDRN, Niger)	45,000	45,000	45,000
B. <u>Consulting Firm Contracts</u>			
1. US Management Consulting Firm (2 Management Advisers, Ivory Coast - 2 years)	110,000	110,000	
2. SATEC ($\frac{1}{2}$ estimated cost; remainder to be financed by FAC; 2 advisers, for Niger and Dahomey)	100,000		50,000
3. Commercial Sector Program Commercial Adviser Short Term Specialists	50,000	150,000	50,000
4. Training Advisers	75,000	125,000	125,000
II. <u>Commodities</u>			
Training Aids	10,000	10,000	10,000
III. <u>Other Costs</u>			
1. Short-Term Local Advisers (Management, financial, tech.)	50,000	50,000	50,000
2. Logistic Support for EF Project Manager	20,000	10,000	10,000
3. Training Programs Support	50,000	50,000	50,000
	<hr/> 555,000	<hr/> 595,000	<hr/> 435,000

AID/EF
 SOURCES OF FINANCING FOR TECHNICAL ASSISTANCE - FY 1974-79

	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>
(1) AID Laan Disbursements	\$1,000,000	\$2,500,000	,500,000	500,000	0	0
(2) Payments to Fund by Banks*	0	35,000	112,500	245,000	262,500	262,500
(3) Payments to A.I.D. by Fund*	0	20,000	70,000	140,000	150,000	150,000
(4) Special Account	0					
A. Deposits (2-3)		15,000	52,500	105,000	112,500	112,500
b. Withdrawals (5b)	0	0	0	150,000	125,000	115,000
c. End of Year	0	15,000	67,500	22,500	10,000	7,500
(5) Technical Assistance Expenditures**						
a. From A.I.D. Grant	555,000	595,000	435,000	0	0	0
b. From Entente Fund	0	0	0	150,000	125,000	115,000
	<u>555,000</u>	<u>595,000</u>	<u>435,000</u>	<u>150,000</u>	<u>125,000</u>	<u>115,000</u>

*Interest payments by banks and Fund are shown, for simplicity, to take place in the year following disbursements.

**Does not include technical assistance to be provided by other donors.

TECHNICAL ASSISTANCE INPUTSCOVERAGE BY COUNTRY

	Ivory Coast	Upper Volta	Niger	Togo	Dahomey	Regional
Project Manager						X
Training Advisor						X
Training Programs	X	X	X	X	X	X
Ind. Dev. Advisor			X			
Management Consult.	X					X
SATEC Advisors			X		X	
Commercial Advisors		X		X		X
Short Term Specialists	X	X	X	X	X	
UNIDO Programs	X	X		X	X	X
FAC Programs						
AFCOPA		X		X		
Advisors	X	X				
Caisse Centrale Advisers to Development Banks	X	X				
Tunisian Bank Advisers			X			

2. Capital Assistance

An AID Loan of \$7.5 million to the Entente Fund for the encouragement of African entrepreneurs and the development of African enterprises was authorized on June 28, 1972. The Loan Agreement was signed with the Entente Fund on January 4, 1973, and subsequently was also signed by the five member states of the Entente as Guarantors. The effective date of the Loan Agreement is March 9, 1973, when the final country signed as Guarantor.

The basic document which outlined in detail the project description and objectives, and the financial mechanism required for its implementation is the Capital Assistance Paper, AID-DLC/P1042, dated June 15, 1972. The information is still current and should be referred to in connection with the examination of this proposal.

In summary, the financial mechanism is as follows. The loan funds will be made available by the Entente Fund to the six cooperating development banks in Ivory Coast, Niger, Upper Volta, Togo and Dahomey. There are two banks in Ivory Coast, the CCI which specializes in small loans in the industry, commerce and artisanal sector, while the industrial bank (BIDI) is concerned with medium and larger scale industry. The banks in turn will make sub-loans to African enterprises in accordance with the definition of these enterprises contained in the Loan Agreement. The financial program provides for great flexibility in that loans are available for the industry, agro-industry, commercial, transport, building, service, artisanal, and tourism sectors, and can be used for working funds as well as for capital investment.

II. The Entente Fund

Under the terms of the Loan agreement the Entente Fund has undertaken "to provide such additional resources to the Banks and the Sub-borrowers, in the nature of technical assistance, policy guidelines, coordination of activities, facts and statistics, as may be required to advance the Project and as may be consistent with the resources available to Borrower." Given the limited resources available to the Fund and the on-going development program they currently finance, the loan provides that the "two-step" differential, i.e. the repayments to the Fund on the Sub-loans which are in excess of monies due AID under the loan, are available for costs of administration and the provision of technical assistance. However, these funds will build up slowly in the first three years of operations. The AID grant proposed in this PROP is designed to assist in filling the gap in this initial period. The table on page 22 illustrates how the Fund will begin to finance technical assistance needs beginning in the fourth year, permitting a phasing out of the AID grant.

The technical assistance aspects of the program have figured prominently in early planning phases and have been the subject of a continuing dialogue with officials of the Entente Fund.

The Fund sees its responsibilities in this connection as falling into essentially four categories:

- a. Insuring effective leadership and sound management of the loan and technical assistance aspects,
- b. Identifying initially and on a continuing basis the technical assistance needed at the national level and arranging for its provision,
- c. Coordinating the inputs of the various existing and future donors, and
- d. Promoting and assisting coordination between the development banks and the industrial promotion offices.

In the first category the Fund anticipates the need for a full time project manager with previous experience in the field of promoting indigenous enterprises. Although the Fund offers an existing institutional structure and operational procedures which will contribute to effective management of the program, its personnel is limited and currently involved in many other development activities. General responsibility for the project will remain with the existing U.S. adviser to the Fund and assistance will continue to be provided by the French adviser responsible for infrastructure and industry projects of the Fund. In the near future there will be need for an experienced individual to assume full time direction of the program, including its financial, administrative, reporting, and technical aspects. The Fund intends to ask AID assistance in recruiting this technician and would employ him under contract to the Fund. He would need to be fluent in French, have some knowledge of francophone Africa, preferably have a business school education and would have acquired relevant experience.

The Entente Fund will request that as part of their project manager's orientation, he be given the opportunity of studying recent U.S. experience in the inner cities small business programs with minority groups, development efforts in Appalachia, and techniques used to promote local enterprises in Puerto Rico. In this way, he will be able to determine with the Fund and cooperating banks and promotion centers how some of the methods developed can be adapted to the requirements in francophone West Africa.

dossiers prepared for such projects will be made available as appropriate to other countries and results of the experience gained will be utilized on a regional basis. For those projects which have regional aspects the Fund will play a special role in assisting, for example, with regional marketing studies or with negotiations between governments.

III. Entente Countries

The successful implementation of this program will depend to a considerable degree upon the continued interest of the governments of the five Entente countries and their efforts to encourage greater participation of their nationals in the private sector. As indicated throughout this paper, there is every evidence that each of the governments has officially adopted a positive policy in this direction and that it will be pursued throughout the life of the project. In practical terms, the governments in several countries are providing substantial budgetary support to industry promotion centers for national entrepreneurs. These programs are currently well established in Ivory Coast, Togo, and Upper Volta. Support is also accorded to the development banks in each of the countries.

Legislative and administrative actions are being taken to provide the required framework for increased African investments. The investment codes, primarily enacted several years ago to encourage economic development through foreign investment, have recently been amended in Upper Volta, Togo, and Dahomey to provide specific customs, fiscal, and other benefits to local entrepreneurs, including firms of very modest size. Niger and Ivory Coast are also preparing modified codes in keeping with the requirements. National guaranty funds have been established in Ivory Coast, Upper Volta, and Togo, providing coverage for African enterprises, and these guaranties are available for loans made by commercial as well as development banks. Within the context of the reloan agreements between the Entente Fund and the development banks of Niger and Dahomey, the latter have committed themselves to promote the establishment of such funds with their governments. National investment funds have been set up in Ivory Coast and Togo, so that in certain instances, the governments can participate with private national capital in productive investments until such time as the private sector is able to assume these responsibilities without governmental assistance. Each of the governments is also providing increased support to various types of technical and vocational education which will provide better trained workers and middle level technicians for local enterprises.

Another significant development is the policy of the national investment commissions which normally pass on projects involving benefits from the investment codes in conformity with national priorities. These commissions are giving increased attention to the need to associate local capital with foreign investments, so that there is a tendency to favor joint ventures in areas formerly dominated by foreign firms.

While it is not possible to specifically quantify the inputs of the Entente governments to this program, the above activities are illustrative of their interest, which follows the policy of the five presidents in their original mandate to the Entente Fund for the negotiation of an AID loan and technical assistance for this sector.

E. RATIONALE

1. Economic and Financial Factors

Under the opening section, Goal, the political importance of creating a class of African entrepreneurs so that they can take an active role in the private sector of the economy in their countries was emphasized. The relatively small participation of national entrepreneurs in the private non-agricultural sector in the Entente countries is illustrated by statistics pertaining to Ivory Coast. A study made by the OPEI indicates that in 1971, out of 7,363 enterprises, only 1,500 or ~~about~~ 20% were Ivorian. Of the 332 principal industrial enterprises included in this total, those with an annual turnover of at least \$50,000, only 25 or 8 percent were Ivorian controlled, and the proportion was only 3 percent if state or quasi-public firms were excluded. Fortunately the government has recognized that Ivorians must be assisted both in forming new enterprises and in improving businesses already in operation, if any kind of equilibrium is to be ~~obtained~~. The same awakening has taken place in the other Entente countries.

While progress in this direction will be gradual because of the lack of a modern industrial and business tradition, and by the fact that many entrepreneurs do not yet possess the necessary technical and managerial skills. However, a growing body of experience indicates positive results where coordinated assistance is available from study offices, promotion centers, training organizations, and financial institutions. Furthermore with the gradually increased purchasing power being generated in certain countries, numerous opportunities are opening up for the national entrepreneur, which are outside the interests of foreign companies, primarily concerned with relatively large-scale undertakings. An increasing number of African entrepreneurs are thus able to establish themselves in such branches as bakeries, garages, wood-working, repair shops, building enterprises, and retailing. As a result of training with foreign firms, and a conscious public policy, several Ivorian entrepreneurs have successfully entered the forestry and lumbering industry, one of the most important economic sectors of the country. The development of African private enterprise can also result in the mobilization of savings which would otherwise not be available for development, since most small business are initially self-financed, and expand as a result of profits generated by the business. While increases in employment may not be dramatic, the successful small business which in many cases will be producing for a local market which otherwise would not be served, can be instrumental in providing increased employment possibilities. Furthermore, in rural areas they can contribute to the well-being of the community by providing goods and services and can contribute to the economic development of outlying areas.

While the project will give considerable emphasis to the development of the small African entrepreneur, this is not to say that larger-scale enterprises are to be discouraged. This is particularly true in Ivory Coast which because of its relatively advanced state of industrial expansion and developing purchasing power among the population can support enterprises of considerable size both for import substitution and for processing of local raw materials, largely based on expanded agricultural production. Some of these enterprises will be joint ventures with outside capital but will have a substantial national participation both in capital investment and in the actual management of the firm. This policy will have a decidedly positive effect on the economy by permitting enterprises which would otherwise not be possible, and by providing training for African management and technical specialists, leading to the creation of a new class of national entrepreneurs fully capable of entering into new fields of endeavor. These larger projects will also permit an improvement of the balance of payment situation by replacing imports and by increasing export earnings. The fact that there will be substantial African participation will mean that profits will be available for further investments within the country.

The Entente Fund/AID project is important in that it goes beyond the normal concept of "small and medium size industry". It is recognized that in several of the countries, the study and development of new projects will take a considerable period of time, and that certain of them must be held in abeyance either because the market is too narrow, or because properly qualified national entrepreneurs are not yet available. Thus, considerable emphasis is being given during the first phase of the program to the improvement of existing enterprises particularly in those cases where the entrepreneur has demonstrated a certain ability and capacity to grow with his enterprise through training, and by being provided with technical, managerial, and financial assistance. Another important element is that national enterprise within this concept is not limited to purely industrial pursuits, but includes the commerce, services, transport, artisanal, and tourism sectors, all of which lend themselves to development by Africans, when the necessary financial and technical help is available.

2. Timing Factors

An important element in the success of a project of this nature is the timing. There is real confidence at this time that the essential elements necessary for satisfactory implementation will be available and can be coordinated in a logical manner. An AID-financed study on private enterprise carried out for the Entente Fund in the summer of 1969 led both the Fund and AID to conclude that while the field was promising and deserved priority attention within the political/social/economic/financial development of the countries, a concentrated assistance effort was somewhat premature. The first consideration of the newly independent countries

had to be devoted to primordial political problems, the agricultural sector, and africanization of governmental structures. Since that time, numerous other studies including the detailed report made for the World Bank in 1971, a second AID financed study dated January 1972, and several in-house surveys have indicated that the time is now propitious for a well-conceived program to assist African entrepreneurs.

There are several reasons for this. First, the records of the development banks indicate that five years ago there were few bona fide applications for financing from African entrepreneurs. At the present time, the number of projects being presented for new enterprises and for the modernization of existing firms by Africans has considerable increased. All of the Governments of the Entente states have taken positive measures in the past three years as public policy to encourage nationals in the private sector. These measures have included the setting up of promotion and study centers, national guaranty funds, modifications to investment codes to extend advantages formerly available only to foreign investments to local entrepreneurs for small investments, and the creation of national investment funds.

A certain experience has also been gained in the past few years which can serve as a guide to the more efficient implementation of projects of this nature. The results of initial efforts in this field in several African countries are now available, and a certain number of conclusions can be drawn. Thus, under present circumstances it is possible to profit from these efforts and to avoid many of the mistakes which have been made.

The present program therefore has given weight to such necessities as (a) the requirements of close coordination between financial institutions such as development banks and study and promotion centers; (b) the need for more detailed and better prepared technical studies for new projects including particular emphasis on marketing aspects; (c) requirements that centers and banks be selective, and assist those entrepreneurs who appear capable of understanding and implementing new methods; (d) the need to concentrate on areas which offer the most promise of economic success rather than to scatter efforts in too many directions; (e) the need to carefully tailor training courses to the level of the entrepreneurs and technicians involved; (f) the need for very practical technical advice in management and production in the enterprises as supplemental to training courses, and the obligation to assure a follow-through technical assistance program with African entrepreneurs, once their enterprises are in operation; (g) the substantial possibilities available for upgrading existing enterprises; and (h) the need to give attention to commerce and services, as an integral part of any program to assist African businessmen.

The technical assistance already available and planned in the near future through approved programs involving other donors such as FAC, UNIDO, and the Caisse Centrale will provide much of the assistance within the above context which is required. The AID in-put can thus be considered as complementary to these efforts and is intended to fill the gaps and to assure through the Entente Fund the necessary coordination of this multi-donor effort.

3. Regional Aspects

Effectiveness in program implementation should also be achieved through the regional character of the project. While the individual country programs will be primarily national in character, the present advanced state of preliminary planning can be traced not only to the interest in the project at the national level, but through the numerous joint meetings with the directors of the participating development banks and promotion centers. These exchanges have acted as an incentive to the participants and have resulted in agreement on the best method of organization and implementation of various phases of the program. Since many of the same type of small enterprises will be established in several of the countries, the results, studies, and methods used can be exchanged in those cases where a successful enterprise has already been established in one of the countries, and the experts connected with the operational projects made available. Training courses designed for one country can be transferred and used to a great degree in the other countries, common training courses will be sponsored with participants from two or more countries, and by providing short term technicians for management and technical problems under contracts with locally based organizations, the experience gained in one country can be more easily transferred to another. Finally, through constant interchange and meetings at the regional level, common problems and difficulties can be thoroughly discussed, program modifications made, and overall results enhanced on a basis which would not be possible without these cooperating regional factors.

4. Evaluation

A continuing program of evaluation will be instituted by the Entente Fund. This will be one of the principal functions of the EF Project Manager who is to be provided by AID as part of this project. The Project Manager will be able to call upon other members of the professional staff of the Fund for appraisals in the managerial and technical fields, and the services of the REDSO staff in Abidjan will also be prepared to assist on a when needed basis. The short term specialists provided within the project framework will also evaluate various technical and training aspects of the program. The Project Manager will issue periodic reports on program progress and be responsible for suggesting any improvements and corrective measures which seem appropriate.

The Entente Fund will request AID to provide them with the services of an AID evaluation specialist who will work with the Project Manager in setting up a program meeting professional evaluation standards. In addition, the Fund would expect to ask for the assistance of other AID specialists in such fields as financial analysis and training in connection with these procedures.

F. COURSE OF ACTION

As outlined in previous sections of this PROP, the implementation of this project will be primarily the responsibility of national development banks and industry promotion centers, which are already established and operative. Coordination of the program will be the responsibility of the Entente Fund. The principal credit requirements for African entrepreneurs during the initial stages of the program are furnished by AID Loan 625-H-006 in the amount of \$7.5 million. A description of the status and operations of the cooperating institutions is found in the Input Section.

Below is an implementation schedule for the first nine months of the project including the AID loan financing input.

Survey of African entrepreneur investment possibilities in Niger and Dahomey	June - July, 1973
Reloan Agreements signed between Entente Fund and six cooperating Development Banks	July 1 - Sept.30, 1973
CP's in Reloan Agreements met by Development Banks including specific program outlines	August 1 - Oct.31, 1973
Approval of PROP by AID/W for Initial Financing ...	August 31, 1973
Beginning of ORT study of training requirements ...	September 1, 1973
CP's in Loan Agreement between AID and EF met	September 8, 1973
Beginning of CEGOS study of commercial sector	September 15, 1973
Grant Agreement with Entente Fund Signed	September 30, 1973
Recruitment and arrival on duty of Entente Fund Project Manager	October 1, 1973
First Disbursement from AID Loan	October 15, 1973
First short-term consultants assigned	October 15, 1973
Report by ORT available	November 1, 1973
Implementation of follow-up SATEC program in Niger and Dahomey	November 1, 1973

Submission detailed program for in-country/ regional training program to AID/W	November 15, 1973
Results of CEGOS study of commercial sector available	November 15, 1973
Management consulting firm contract signed for two consultants for Ivory Coast	December 1, 1973
Assignment of full time adviser to BDRN, Niger	December 1, 1973
Contract covering commercial sector program	January 15, 1974
Contract covering training program	January 15, 1974
Beginning of commercial sector program	February 1, 1974
Implementation of training program	February 1, 1974
First program evaluation by Entente Fund	June 30, 1974

Several projects are ready for consideration by the development banks, and are expected to be approved and financed as soon as the reloan agreements are signed and conditions precedent met under the Loan Agreement and the reloan agreements. Several studies are in various stages of preparation and development by the industry promotion centers, and in certain cases, entrepreneurs for these projects are already lined up. Thus, it is expected that the project will be underway in the early fall, and technical assistance provided for in this PROP should be made available in accordance with the above schedule and thus synchroonized with the inputs of other donors.

SUMMARY

OBJECTIVELY VERIFIABLE INDICATORS

ANNEX
IMPORTANT ASSUMPTIONS

GOAL:

Development of a class of African entrepreneurs in the Entente countries who will play an increasingly effective role in the expansion of the private sector.

PURPOSE:

Assist in strengthening those national institutions in the Entente countries which are concerned with project identification and preparation, training and other technical assistance for the entrepreneur, and the provision of credit suited to the needs of the entrepreneur.

OUTPUTS:

Numbers of trained African staffs.
Amount of credit resources available to banks.
Numbers and quality of new or more effective African entrepreneurs.
Numbers and size of new projects being developed.

MEASUREMENT OF GOAL ACHIEVEMENT:

At least 50% of the private sectors contribution to national income will be attributed to African firms.

Sufficient numbers of trained Africans available to fill all but the top managerial jobs in foreign enterprises in the Entente countries.

END OF PROJECT STATUS:

National development banks have appropriate policies and procedures, and adequate resources to satisfy needs of African entrepreneurs.

Industrial promotion offices and/or banks have adequate number of competent African staff to serve project purposes.

OUTPUT INDICATORS:

All but short term technical advisers withdrawn.
All sound projects find financing.
Entrepreneurial class becomes largely self generating.
Development possibilities largely being taken up by Africans.

RELATED TO GOAL:

Continued policies of the Entente governments favoring the development of a class of African entrepreneurs and continued budgetary support to institutions promoting this goal.

No inherent factors which mitigate against the development of the skills and motivations required of an entrepreneur.

RELATED TO PURPOSE:

Entente governments will give increasing recognition to need to develop and budget for competent African staff.

Continued availability of Entente Fund, AID, FAC, UNIDO and other technical assistance for a period of five to 10 years.

RELATED TO OUTPUTS:

Quality of technical assistance being provided.
Foreign donors continue to provide resources until banks are viable.
Sufficient interest and motivation among Africans; adequacy of services available to them.
Continued expanding economies.

INPUTS:

Project Manager for Entente Fund.
 Contract services for industrial
 and commercial sectors.
 Short term technical advisers.
 Entrepreneurial training programs
 (management and technical skills).
 Commodities.
 Other costs.

BUDGET SCHEDULE:

AID and EF obligations:						
	FY74	FY75	FY76	FY77	FY78	FY79
AID:	555	595	435	0	0	0
EF :	<u>0</u>	<u>0</u>	<u>0</u>	<u>150</u>	<u>125</u>	<u>115</u>
To-						
tal:	555	595	435	150	125	115
	(thousands of dollars)					

RELATED TO INPUTS:

AID ability to provide
 competent, French speakin
 advisers on a timely basi
 Generation of adequate fund
 in Special Account.