

PN-AA-V-506
ISBN 46254
6980438

QUICK REFERENCE GUIDE

TO

PRIVATE SECTOR PROJECTS IN SUB-SAHARAN AFRICA

Prepared for

The Office of Private Enterprise
Africa Bureau
Agency for International Development

by Pragma Corporation
with the assistance of
Deborah Lindsay and Tamara Duggleggy, Consultants
and USAID Mission

May 1986

PDC-1406-7-09-4095-00

TABLE OF CONTENTS

INTRODUCTION

EAST AFRICA PROJECTS

Kenya Commercial Bank Program
Kenya: Leather Industries of Kenya Ltd.
Kenya Rural Private Enterprise Program
Mauritius Economic Policy Reform Program
Somalia Policy Initiatives and Privatization
Somalia Livestock Marketing and Health Project

SOUTHERN AFRICA PROJECTS

Botswana Rural Sector Grant
Botswana Small Enterprise Development
Malawi Assistance to Rural Traders
Malawi Commercial Transport
Rural Enterprises and Agribusiness Development Institutions
Malawi Union of Savings and Credit Cooperatives
Malawi Economic Policy Reform Program
Zambia Multi-channel Agricultural Marketing Program
Zimbabwe Agricultural Sector Grant
Zimbabwe Commodity Import Program

CENTRAL AND COASTAL WEST AFRICA PROJECTS

Cameroon Credit Union Development Project
Liberia Small and Medium Enterprise Development Support
Liberia: Nimba County Rural Development Program
Liberia Road Maintenance
Rwanda Reform Initiatives in Manufacturing and Employment
Rwanda Private Enterprise Development Project

SAHEL AND WEST AFRICA PROJECTS

Mali Economic Policy Reform
Mali Cereals Market Restructuring
Mali Livestock Sector Project
Mali: Commercialization of Improved Portable Metallic
Cookstoves
Senegal Community and Enterprise Development
Togo National Credit Union Development Project
Togo: Sio River Economic Development

REGIONAL PROJECTS

African Development Bank Project II
Economic Community of West African States Support Program
Energy Initiatives for Africa
Sahel Policy Reform Program

INTRODUCTION

This Guide was developed in response to many requests AFR/PRE received for information on AID's private sector projects in Africa. It describes ongoing projects as of March 1986.

The range of project types is broad and the potential for development impact is great. The emphasis on private sector development is growing, and lessons from field experience can be applied to future projects. It is hoped that the Guide will provide food for thought and encourage dialogue among project planners and others active in this field.

EAST AFRICA PROJECTS

KENYA COMMERCIAL BANK PROGRAM

AID Funding: \$2.75 million
(\$2.5 loan, \$.25 grant,
all private sector)

Started : FY83
Ends: FY86

Implementing Agency: Kenya Commercial Finance Co. Inc.
(KCFC, an affiliate of the Kenya Commercial Bank)

PROJECT DESCRIPTION

The project was designed to encourage the expansion and growth of Kenya's small (less than \$750,000 fixed assets) to medium scale enterprises (SMSE) outside the main urban areas. Target enterprises are majority Kenyan owned, for profit, agribusiness, light manufacturing using local materials and with total fixed assets less than \$1.5 million. The Kenya Commercial Finance Co. would offer the borrower an integrated package of commercial rate term credit, maximum of \$250,000, from AID, repaid over at least 4 years, and business advisory services. These include cash management, accounting and production and inventory control.

BUDGET

The \$2.75 million allocation includes a grant of \$250,000 for hiring and training KCB staff to evaluate smaller loans and to provide business advisory services. The balance is a loan to KCFC and is to be matched by them. The \$5.0 million pool is to be used to on-lend to qualified enterprises.

RESULTS (as of December 1985)

Of 82 loans made, 52 are to food processors (bakeries, slaughter house, coffee, corn and sunflower processing), 23 to agribusiness and related services (hauling, saw milling, and ploughing) and the rest (7) to light manufacturing (construction cable and adhesives). Loan size ranged from \$4400 to \$321,400. Only one loan is of the maximum size, \$500,000, 50% of which is from AID funds. 64 loans went to new businesses, 18 to expansionso of existing businesses. Small businesses (assets less than \$750,000) got 88% of funds and comprised 99% of loans with \$4.2 million of funds disbursed and an average loan of \$46,000. The average cost per new job created is approximately \$3700, with 50% from AID. Business Advisory Services report a client load of 61.

LEATHER INDUSTRIES OF KENYA, LTD.

Project No. 950-0002.12

AID Funding: \$2.0 million loan,
all to private sector

Began: FY 83
Ends: FY 86

Implementing Agency: Leather Industries of Kenya Ltd.

PROJECT DESCRIPTION

Leather Industries of Kenya, Ltd. (LIK) is capitalized jointly by International Finance Corporation, German Development Company, Societe Belge d'Investissement, the Belgian Development Bank, Industrial Promotion Services and the Union des Tanneries de Malmedy et Tannerie Moderne SA (UTTAMO). Total Capitalization is \$9.8 million. UTTAMO has a technical management contract and marketing agreement to sell a minimum of 70% of the tannery output in startup years. After construction, LIK will have the capacity to process 1000 hides per day into finished leather. This represents 25% of Kenya's raw leather production. Initial employment is 400 with additional jobs expected from new intermediate suppliers of 'wet blue' (semi-processed) hides. Other new businesses anticipated include manufacturers of leather goods, previously held back by lack of quality leather. Over the term of the loan, it is estimated that \$45 million in net foreign exchange will be earned from the export of finished leather. This amount represents the additional contribution to local value added which the project is expected to realize for the Kenyan economy.

BUDGET

The AID/PRE loan of \$ 2.0 million is repayable at 12% over 12 years and is fully secured by plant, equipment, improvements and land. The loan will be used to build and outfit offices and some plant. Much of the plant and equipment has been financed and supplied by the Belgians, who are also the technical advisors.

RESULTS (as of December 1985 implementation report)

The factory is completed and machinery and equipment is being installed. Very strict environmental criteria, specified before operation of the plant, have been met. Operations at 1/3 capacity are expected by spring 1986, 2/3 by summer '86 and 100% by January 1987.

KENYA RURAL PRIVATE ENTERPRISE PROGRAM

Project No. 615-0220
AID Funding: \$ 36 million
(all private sector)

Began: FY 83
Ends: FY 89

Implementing Agencies: USAID/Kenya, World Education Fund
and Deloitte Haskins and Sells

PROJECT DESCRIPTION

This project was designed to increase non-farm job opportunities and incomes in rural areas by providing credit and business advisory services to agribusiness and small manufacturing enterprises. Examples include semicuring of hides, sisal processing, hand tool production, food processing, soapmaking and bakeries. Funds and business management technical services are channeled to larger, more formal businesses through the commercial banking sector. Banks are expected to match 50 % of the AID loan funds they receive. They also receive grant support to staff and train local consultants to provide business advisory services. Smaller formal sector enterprises and nonformal, village enterprises will receive the credit and technical assistance through PVO's who are also expected to raise additional loan funding. Deloitte will manage the bank program and World Education Fund will manage the PVO program. Loans are to be made at market rates, 270 3-8 year term bank loans, ranging from \$7500 to \$750,000 and 1350 PVO loans averaging \$1200 each. Enterprises are expected to generate 6000 jobs from bank loans and 1000 from PVO loans.

BUDGET

Of the \$36 million, \$24 million, plus the \$12 million contributed by the participating commercial banks, is for lending. The \$12 million grant is divided among the implementing agencies and PVO's to hire, train and provide technical business advisory services to borrowers and to administer and monitor the project and its effectiveness.

RESULTS (as of August 26, 1985)

No banks have joined the project although 3 have expressed interest. No loans or business advisory services have been delivered under this project by either the PVO's or the banks. Contracts with Deloitte and World Education Fund have been executed.

**SOMALIA POLICY INITIATIVES
AND PRIVATIZATION PROJECT**

No. 549-0132

Began: FY 83

AID Funding: \$2.5 million

Ends: FY 87

Private Sector Component: \$1.24 million

Implementing Agency: Ministry of Planning

PROJECT DESCRIPTION (private enterprise component)

Program activities aimed at expansion of the private sector include sectoral assessments to identify opportunities for small to medium enterprises, subsector market research leading to development of specific business projects, and technical assistance to help government define and implement policy changes supporting privatization of selected industries and private sector business development .

BUDGET

Of the \$2.5 million budget, \$1.2 is allocated to private sector related technical assistance and studies.

RESULTS (as of March 31, 1986)

A long term technical advisor in the Ministry of Industry and Commerce is promoting private sector involvement in the economy and in policy making. A number of sectoral studies have been completed. These identify specific business opportunities in the edible oil industry, commercial feed lots and export markets for fruits and vegetables. Also, the Ministry of National Planning with input from the Ministry of Industry and Commerce has recently developed a preliminary list of 32 private business opportunities such as bricks, pipes, printing, glassware, fish meal, electric fans, livestock harnesses, table salt and seed farms. While commercial viability for most of the business opportunities must yet be documented, the first step of political agreement for private sector involvement has been attained.

Policy changes within the Ministry of Industry and Commerce related to the efforts of A.I.D. for private sector involvement are:

(1) Spin-off of the Chamber of Commerce from the Ministry of Industry and Commerce to a quasi-private sector institution with promised Chamber of Commerce elections and private sector control within 12 months;

(2) Acceptance of the concept by the Ministry of Industry and Commerce of privatization for non-strategic parastatals;

(3) Internal Ministry of Industry and Commerce assessments of the following topics in order to recommend policy changes to the Council for Ministers: (a) recommendations for export expansion, (b) recommendations for business school training, (c) recommendations on domestic internal trade and growth, (d) recommendations on business information, (e) recommendations on trade facilitation;

(4) Agreement by the Ministry of Industry and Commerce to review official minimum export prices at more frequent intervals;

(5) Agreement by the Ministry of Industry and Commerce to jointly host with the Chamber of Commerce a policy seminar for government personnel and private sector businesses on the subject of the business climate conducive to private sector growth.

CENTRAL AND COASTAL WEST AFRICAN PROJECTS

**CAMEROON CREDIT UNION
DEVELOPMENT PROJECT**

Project No: 631-0044

AID Funding: \$1.6 million
FY80

Began:

Private Sector Component: \$896,000

Ends: FY85

Implementing Agencies: Cameroon Cooperative Credit Union
League, World Council of Credit
Unions

PROJECT SUMMARY

This project is designed to provide the Cameroon Cooperative Credit Union League with management technical assistance so that it can develop the financial resources and stability and the technical ability to offer member credit unions training in financial management, savings and membership building and credit administration. The network of individual credit unions will be encouraged to expand as each union is better able to offer reliable savings and credit facilities presently absent in the rural centers. Credit programs will be expanded beyond the existing Small Farmer Production Credit (SFPC) program to include non-farm credit.

Technical assistance to unions includes training in loan application appraisal, loan follow up and servicing and business advisory services to individuals granted these small (less than \$150) loans. A sub-project will evaluate the feasibility of the small non-farm producers credit program. Targets include increasing the SFPC program from 15 to 28 unions, increasing loans from 79 to 340, SFPC union members increased to 9168, savings expanded to about \$400,000 and 420 union officers introduced to the SFPC program.

BUDGET

The AID grant of \$ 1.6 million is allocated to technical assistance personnel, credit training and staff support. Other donors have provided staff and funds valued at \$ 3.308 million.

RESULTS (as of December 1984 year end report)

As targeted, 28 unions are now in the SFPC and all are now trained to grant and collect loans. Some 1700 more individual members were recruited than projected but only 320 (target was 340) new loans were made and savings fell short of the target by \$40,000. As of the project evaluation 6/84, the League was 97.4% self-supporting from membership dues and interest on invested member savings, not including assumed costs (e.g. cost of replacing expatriate volunteers). The study on non-farm credit was completed but results were not reported.

RESULTS (as of December 1985)

The expatriate advisors are in place and the BAS is established. Training of the 7 Liberian extension agents has been completed. Businesses receiving loans include furniture makers, food processors (bakeries and poultry), metal working, upholstery, construction materials manufacture as well as services such as restaurants and a drug retailer.

Due to Liberia's deteriorating economy coupled with political uncertainty, both loan applications and collections are down significantly. SEFO's loan collection rate is less than 50 percent. New loans for 1985 totalled 38, less than 1/3 the projected level. Expatriate assistance and external funding will be needed for quite some time.

LIBERIA: NIMBA COUNTY RURAL DEVELOPMENT PROGRAM

Project No. 669-0163

AID Funding: \$ 4.263 million Began: FY80

Private Sector Component: all Ends: FY87

Extension Funds Granted: \$ 749,000 (FY 85-87)

Implementing Agency: Partnership for Productivity International
(Pfp/I) and Pfp/Liberia

PROJECT DESCRIPTION

This project has established an Enterprise Development Program which uses 14 extension workers to provide entrepreneurs with technical assistance in improving accounting, cash flow management, product pricing and marketing. Extension workers actively market the program and go into rural and urban Nimba County to identify business development opportunities and encourage new enterprises. A revolving credit program offers market rate loans up to \$5000 to new and expanding small industries. A savings program encourages businesses and households to accumulate capital. The program seeks to increase productive off-farm and small-scale agricultural employment within the project area by strengthening and expanding management assistance and credit to all non-LAMCO mining enterprises in Nimba County so that the eventual closing of the LAMCO Iron Mine will not cause so much economic shock. Typical enterprises assisted thus far include food processing, construction materials and metals manufacture, furniture making, tailors, retail sales and services, and poultry and piggery operations.

BUDGET

The \$ 4.263 million AID funding includes \$ 1.458 million for expatriate and Liberian staff, \$918,595 for direct project costs (including vehicles and equipment), \$350,000 for the revolving credit fund and the balance for overhead and indirect costs. The Government of Liberia and other donors, including the LAMCO Mining Company, have contributed an additional \$404,000 to the project.

RESULTS (as of December 1985)

In addition to establishing and expanding the savings, credit and enterprise development programs, 254 loans have been made to enterprises with a 90% repayment rate. The average urban loan was \$1,361 and \$403 in rural areas. New businesses averaged 10 employees and generated annual sales of \$160,000.

Loans Granted:

<u>Year</u>	<u>No. of Loans</u>	<u>Total Loan Volume</u>	<u>Average Size of Loans</u>
1981	48	\$22,676.24	472.42
1982	73	33,772.46	462.64
1983	48	24,886.20	516.80
1984	31	28,508.00	919.61
1985	54	37,809.00	700.17
TOTAL	254	\$147,571.90	

Kinds of Businesses Receiving Loans

- Service (shoe repair, garages, restaurants)
- Retail (pharmacies, clothing, variety store)
- Carpentry, furniture
- Agriculture (poultry, piggery, vegetables, rice)
- Charcoal.

RESULTS (as of February 1986)

The request for proposals for construction to be undertaken by private construction firms has been issued. The Organization for Rehabilitation through Training (ORT) technical assistance team is in country. USAID hopes that road maintenance operations can begin in May 1986.

**RWANDA - POLICY REFORM INITIATIVES IN
MANUFACTURING AND EMPLOYMENT**

Program Grant No.: 696-0127 Begins: 9/85
AID Funding: \$12.0 million Ends: 11/87
Private Sector Component: \$ 8.5 million
(* see budget for details)

Implementing Agency: Government of Rwanda (GOR)

PROGRAM DESCRIPTION

This program assists the Government of Rwanda (GOR) to make structural adjustment and policy changes to stimulate production and employment in the manufacturing sector, particularly in the small and medium enterprise (SME) sub-sector. The first tranche of \$3.5 million is conditional upon GOR preparation of an action plan specifying new administrative and review procedures for access to the Guarantee Fund, especially by SMEs, determination of whether the continuation of the 1983 local currency deposit requirement is still justified, and repeal if not, and finally, approval of terms of reference for Industrial Incentives Study and moving to carry it out. Prior to disbursement of the second tranche, the GOR will publish a revised Investment Code giving preferential treatment to SMEs and adopt and apply improved administrative and review procedures to increase access to the Guarantee Fund. GOR will repeal the requirement for prior approval of prices, ease the reporting procedures for small enterprises and continue to demonstrate satisfactory allocation and disbursement of program local currency. Before disbursement of the third tranche, the GOR will adopt the major tariff related recommendations arising from the Industrial Incentives Study, continue to satisfactorily allocate and disburse program local currency, and show that previous targets have been met. Before the Equity Participation Fund (EPF) is disbursed, the GOR must show that planning for the EPF has been completed, preparing to use the funds to finance the private purchase of equity in specific parastatals.

BUDGET

\$3.5 million	* Rwanda Development Bank	Expand SME line of credit
\$3.0 million	* Equity Participation Fund in Rwanda Dev. Bank	To help in privati- sation of Parasatals
\$3.5 million	Government of Rwanda	Budget support to offset tax revenue lost from policy changes.

\$10.0 million

The remaining \$2.0 million * will fund 5 studies (including Industrial Incentives Study, and Analysis of Household Budget Survey Study) and PRIME management, monitoring and evaluation.

RESULTS (as of March 31, 1986)

The agreement was signed on September 4, 1985. The GOR met the conditions for disbursement of the first tranche on December 14. Michigan State University was selected to undertake the Industrial Incentive Study and four Rwandan counterpart researchers have begun work. Technoserve (a PVO) was engaged to propose ways in which the level of a guaranty of the special guaranty fund can be varied according to the risk of the enterprise and other criteria such as employment generation. Coopers and Lybrand has been asked to undertake a divestiture study of a parastatal engaged in banana processing. A special account for the local currency generations was established and a plan for disbursement is under preparation.

**RWANDA PRIVATE ENTERPRISE
DEVELOPMENT PROJECT**

Project No.: 696-0121
AID Funding: \$4.0 million
Private Sector Component: \$4.0 million

Implementing Agency: Technoserve Inc.

PROGRAM DESCRIPTION

The RPED project is designed to promote private enterprise, particularly agro-industries, through direct technical and management assistance to Rwandan enterprises. This project is designed to respond specifically to the needs of small and medium enterprises (SMES). The project has three main components:

o Management Assistance to SMES. Through this component Technoserve will deliver both short term business advisory services (BAS) and long-term management assistance programs (MAP) to Rwandan SMES meeting project selection criteria. Services provided will focus on general management and accounting, but will also offer other technical services through the use of outside consultants.

o Training and Institutional Development. This component is designed to augment and enhance the training opportunities offered for the private sector through "collaborative training activities" with Rwandan institutions. An additional activity for this component is the establishment of a training program for Rwandan professional accountants, This program, to take place in a third country, will be sub-contracted to a professional accounting firm.

o Studies and Policy Analyses. Through this component, Technoserve will undertake a series of studies and analyses to provide material for "policy dialogue" between USAID, the Government of Rwanda (GOR) and Technoserve. These studies will be oriented towards improving the policy environment for the formation and development of SMES in Rwanda.

BUDGET

A cooperative agreement with Technoserve Inc. provides \$ 4 million for a 4 year program. A sub contract for the accounting training program will use up to \$ 300,000 of project funds.

RESULTS (as of February 28, 1986)

The project started in mid-1985 with initial efforts focusing on establishing the Technoserve office and implementing the first two project components. Under the management assistance component over 100 enterprises have been contacted, twenty enterprises have requested services and nine enterprises have signed agreements for BAS services. A demand analysis conducted by Technoserve has found that accounting is one of the greatest problems facing SMEs in Rwanda. Long term services (MAP) have not started as yet but at least one potential client for these services has been identified.

An institutional survey for the training component has identified appropriate interventions for Technoserve. Thus far Technoserve has provided assistance to the coop training center in Rwanda and has received training requests from a number of other institutions. Discussions concerning collaborative training activities for 1986 are now under way. The accountant training program is starting with proposals for the training being received from 3 firms. A contract should be signed in March. The candidate selection process is well underway with final selection of the candidates due to take place in March also.

No policy analyses have been undertaken although early in 1986 Technoserve will undertake a study of the special guaranty fund, operated by the Ministry of Finance, which guarantees loans to SMEs in Rwanda.

SOUTHERN AFRICA PROJECTS

BOTSWANA RURAL SECTOR GRANT

Project No. 633-0077
AID Funding: Phases I and II - \$9.349 million
Private Sector Component: \$2.738 million

Began: 1980
Ends: 1988

Implementing Agency: Ministry of Finance,
Rural Development Unit

PROJECT DESCRIPTION (Private Enterprise Component)

The purpose of the Rural Sector Grant (RSG) was to assist the GOB in the development of strategies and programs to increase employment and incomes in rural areas. Phase I project goals are to increase both small farmer agricultural production and off-farm employment opportunities that include promotion of small rural industries.

Specific Phase I Private enterprise objectives included creation of a cadre of rural industrial officers, surveys of existing and potential industries in each district and support to small industries through the Small Projects Fund administered by the Industrial Officers. In general, the private enterprises envisaged have been low volume, rurally located businesses with one or two employees. Using a simple technology they will supply goods and services demanded in rural areas, such as concrete block making, sewing and carpentry. Project funds will be used for materials, operations and training of the new entrepreneurs.

Phase II, which began in 1983, builds on the lessons learned in Phase I and focuses directly on increasing rural employment opportunities in agribusiness and services. The Phase II objective is to have a direct and measurable impact on rural employment by developing rural industries and by continuing technical assistance and training to improve program administratively

BUDGET (Phase I and II)

Phase I was obligated \$3.78 million from 1980 to 83. Of this, \$708,568 was to develop small rural industries. In Phase II, \$5,569,000 has been approved, of which \$2.291 million is to continue the rural industry program.

RESULTS (as of July 1984)

The establishment of the Rural Industry Officer (RIO) extension service and assistance to small rural producers via the Small Projects Fund achieved all the targets in the project paper: the cadre of 11 RIO officers and 11 assistants is active under the Senior RIO. However, only four of ten district surveys were done. The February 1985 evaluation called for was not done so there is no update on progress.

BOTSWANA SMALL ENTERPRISE
DEVELOPMENT

Project No. 633-0228
AID Funding: \$452,000
Private Sector Component: \$452,000

Began: FY 1982
Ends: FY 1986

Implementing Agency: Partnership for Productivity/Botswana
(affiliate of Botswana Development Corporation)

PROJECT DESCRIPTION (Private Enterprise Component)

Project seeks to establish Business Advisory Services extending management assistance and business skills training to 200 to 300 existing small businesses and assisting in forming 150 to 250 new businesses, thereby increasing the number of viable small business enterprises in the target area. PFP will also train eight Botswana Business Advisors by 9/85 and work with Gaborone Government to streamline licensing requirements for small producer access to raw materials.

Activities include conducting of local market studies to identify potential for generating new small repair, service and production businesses; technical assistance to individual new and expanding small businesses in identifying local markets and products, making applications for existing credit programs, and managing a small business with credit; business skills training in simple accounting, cash flow management, marketing.

RESULTS

The Business Advisory Services program has been established and 84 clients served, 3 classified as "new" and 26 active clients served as existing businesses. 8 local business advisory staff have been trained. PFP/Botswana is replacing expatriots with Botswana and training new business advisors in accounting, cash management, commodity and product pricing, marketing. No reported progress toward easing local licensing. Types of businesses served include food canning factories, printshops, trucking companies, vehicle repair shops, charcoal production, blacksmiths. Botswana Development Corporation will assume the funding responsibility for Business Advisory Services. The BDC budget has been incorporated in the Government's 5-year plan for BDC.

The AID investment (\$452,000) and the number of business clients under service at the time of the 2/84 Evaluation (84), indicates that the program has been costly (\$5,000 per client served).

RESULTS (as of May 1985 Interim Evaluation)

Some 1200 businesses were contacted with half becoming clients. Clients gross sales grew by 67% and annual net profits by 38%. Some 15 of 37 loan submissions were approved, at a cost of \$948/appraisal. This represents 80% of the average small loan and 10% of a medium one, both too high for a processing fee. Per client, field expenses were \$436 and direct costs \$708. All of these costs reflect the high overhead cost. Of 262 phase 1 clients, 65% were retail, 14% service and 21% small scale production. By 5/85, production firms grew to 30% of the total assisted. Businesses served included tailoring shops, bakeries, craft workers, oil extraction, shoe producers, catering, a bar and a tin smith.

MALAWI COMMERCIAL TRANSPORT

Project No. 612-0218
AID Funding: \$5.2 million
Private Sector Component: all

Began: FY 84
Ends: FY 88

Implementing Agency: Ministry of Transport and Communications
Government of Malawi

PROJECT DESCRIPTION

Traditional rail lines from landlocked Malawi through Mozambique to the seaport are no longer reliable. Malawi now pays scarce foreign exchange to outside trucking firms because local firms either don't have the expertise or the equipment or the capacity to compete with transporters based at the alternative ports at Dar es Salaam and Durban. Project funds will be used to increase the number of Malawians who are trained and equipped to participate in the international overland transport industry. The Malawi Industrial Development Bank (INDEBANK) will acquire 10-15 heavy tractors, together with trailers, tires and spare parts, and sell or lease at least half of them to small owner/operators who would not otherwise have access to credit. The rest would be bought by larger, existing local firms. Through its network of Malawian consultants, the Development of Malawi Traders Trust (DEMATT) will prepare the credit evaluations for INDEBANK. DEMATT also will offer on the job and classroom training to an estimated 200 fleet managers, owner-operators (especially those assisted above), mechanics and drivers covering subjects such as management, finance, company and vehical operations and maintenance. The Ministry of Transport and Communications (MOTC) will receive technical assistance to startup and sustain the support systems required by the expanded industry, including a vehical testing facility.

BUDGET

INDEBANK is to receive \$2.5 million for tractor-trailers (which cost upwards of \$200,000/set), tires and spares. MOTC will get \$1.58 million and the balance goes to training truckers and contingency.

RESULTS (as of April 1985)

The project administrator is in place and training programs are being developed. Advisors for the MOTC are being recruited. Equipment procurement methods have been defined and product information is being sought. INDEBANK is reluctant to take on the \$2.5 million loan due to perceived levels of risk and their degree of exposure in the transportation sector. This project is only one of several going through the INDEBANK. Alternatives are under consideration by the Government of Malawi.

phased fertilizer subsidy removal plan and phased introduction of high analysis fertilizers detailed below. Technical assistance, training and studies are funded by the remaining \$1.9 million.

RESULTS

The grant agreement was approved September 18, 1985, so it is too early to measure results.

**ZIMBABWE AGRICULTURAL
SECTOR ASSISTANCE**

Project No. 613-0209
AID Funding: \$45 million

Began: FY 83
Ends: FY 88

Implementing Agency: Government of Zimbabwe

PROJECT DESCRIPTION (Private Sector Component)

Historically, the agricultural credit, market and technical support infrastructure has been heavily oriented toward the needs of large commercial farms, traditionally, the more influential group. This project supports smallholder private sector development by expanding availability of agricultural credit (through the Agricultural Finance Corporation), by improving and expanding the number of buying and selling points for agricultural inputs and products and by encouraging technical research and extension services as they relate to the needs of the smallholder. This will bring a larger number of smallholder farmers into the cash economy. By pushing the cash economy further into the countryside, where previously there was only a localized barter economy, opportunities open for small scale artisans and entrepreneurs.

Local currency generations are being used to fund activities that utilize private agricultural firms to assist with extending technical knowledge to smallholder farmers.

BUDGET

The \$45 million was obligated during the first three years of the program. Of this amount, \$31 million has been managed under a Commodity Import Program. A minimum of 80 percent of the foreign exchange available was allocated to private sector firms serving the agricultural economy. These foreign exchange allocations will generate Z\$46 million which is jointly programmed by the government and USAID for rural development activities.

RESULTS (as of the June 6, 1985 Project Evaluation)

The marketing boards have increased the types of traditional crops bought and the prices paid for them and expanded the purchasing points to 144. Smallholder consumption of fertilizer has increased as have deliveries of cotton, maize and traditional crops. Smallholder proportions of cash crops produced have also increased, with smallholder cotton rising from 15% to 45 % of Zibabwe's total production. These advances have occurred in spite of the 72.5 % reduction in consumer subsidies and severe drought, both factors which increased retail prices. Lending is now at commercial rates.

RESULTS

To measure the "return" on AID's investment under a CIP can be difficult at best. The March 1984 evaluation of the CIP in Zimbabwe estimated that it generated a 3.5% increase in industrial output. While the evaluation also stated that precise quantification of the employment effects was not possible, it did indicate that without the CIP there would have been a marked reduction in output and some labor layoffs. On the other hand, the return on the local currency generated from the CIP are, in most cases, easier to identify and quantify. For example, two bulk grain storage depots have been funded, increasing the country's storage capacity by 100,000 metric tons. While there are no statistics available on the sizes of the businesses receiving foreign exchange under the CIP, a cursory review indicates that there has been considerable participation by small businesses in the program. However, the major users in terms of the amount of funds have been the larger firms. Under the \$50 million 1982 CIP, 30 % of the private sector funds were used for industrial raw materials, principally in the tire manufacturing, packaging and textile industries. And 53 percent was used for finished goods, mainly agricultural equipment and computers. The \$47 million 83/84 CIP has been focused more on raw materials, with 53 percent having been allocated for these items. Again, the principal users are the same industries as under the 82 CIP. Finished goods received approximately 25 percent of the allocations, with the emphasis on computer equipment, heavy construction equipment and manufacturing equipment.

SAHEL AND WEST AFRICA PROJECTS

BUDGET

The major portion of EPRP financing (\$16.7 million, obligated in FY 85) is provided to the GRM in a series of cash transfers linked to accomplishment of specific policy reform measures. Disbursements related to regulatory changes and to implementation of tax reform measures will be made in three annual payments of \$2.6, \$3.5, and \$2.2 million. Disbursements related to budgetary (and civil service personnel) reform will be made in two tranches, of \$2.7 and \$4.8 million, upon achievement of certain pre-conditions for effective implementation of the reform measures. An additional \$880,000 has been allotted to support the privatization and/or closure of public enterprises and will be disbursed when negotiations with potential buyers or decisions to close are sufficiently advanced to assure effective use of these funds.

A smaller part of EPRP funding (\$1.3 million in initial program funds plus some \$900,000 in supplemental funds to be obligated in FY 86) has been allocated to the provision of technical and commodity assistance and to the operations of the program coordination unit.

RESULTS

The project documents were signed in September 1985, so few concrete results can be reported. The first year tax/customs reform measures have been reviewed, initial regulatory changes officially approved, and the first disbursement related to these conditions will be made in the near future.

RESULTS

Over the past five years, with project support, the GRM has progressively reduced its direct intervention in the cereals market. The private commercial sector has successfully increased its own pace of activities. In 1984, for example, a year in which Malian grain production was particularly low, the private sector demonstrated its skills both in effective redistribution of available local supplies of millet, sorghum, and corn, and in augmenting those supplies with imports. In 1985, a year of surplus production, floor price support activities launched by the GRM were carried out in collaboration with the private sector through a system of contracts between OPAM and various traders.

Again, with project support, the GRM has also addressed the issue of private producers' incentives: first, through progressive increases in official producer prices; second, by undertaking far-reaching reforms in the Office du Niger, the principal rice-producing parastatal in Mali; and third by virtually eliminating the subsidized consumer market. By the marketing season of 1986/1987, the GRM will no longer exercise monopoly powers in the markets for any domestically produced cereals and will through OPAM sell grain acquired through floor price support activities and as food aid at or close to the open market prices.

While donor pressure on the GRM to implement politically difficult reform measures has at times been very strong, the GRM has repeatedly expressed its satisfaction with this project. An extension for a period of three years has already been requested.

MALI LIVESTOCK SECTOR PROJECT

Project No. 688-0218

AID Funding: \$18,220,000

Implementing Agency: Government of Republic
of Mali (GRM)

Began: 8/82

Ends: 9/86

PROJECT DESCRIPTION

This project will expand activities that bring about increased production and productivity in the livestock sector. The private sector element will transfer managerial skills to public and private sector institutions to plan, implement, and evaluate viable livestock investments.

The GRM recently requested project funded assistance to study and develop an implementation plan for privatizing the national veterinary services and for privatizing the distribution and sale of veterinary pharmaceuticals within Mali. This recent GRM policy change expands the prior GRM decree to sell vaccines produced at the Central Veterinary Laboratory (CVL) to livestock owners. To date the Mali livestock sector project has supported two study tours for GRM officials charged with designing the implementation plan. The first tour consisted of a trip to the USA and Canada and the second, a trip to Senegal and Morocco. The third tour is being planned for Kenya, Zimbabwe, and Ivory Coast. The purpose of the tours is basically to observe and study the present systems of veterinary practice (state and private), as well as pharmaceutical sale and distribution schemes in effect in selected countries with the goal of designing an adaptable system for Mali.

To date, the total budgeted amount for project activities has been less than \$25,000. These funds were made available by project budget contingencies.

RESULTS

No specific results are available at this time. However, after completion of the three tours, the GRM officials will begin to design the implementing decree to privatize the animal health sector in the areas of veterinary services and pharmaceuticals.

The project will undergo a mid-term evaluation in the 4th quarter of 1986. One aspect of the evaluation will be to focus on potential project funded interventions and technical assistance which may assist the GRM in finalizing the animal health privatization effort. In addition, the evaluation will assess other potential areas requiring in-depth study for eventual privatization, such as credit to private livestock feeding and production enterprises.

MALI: COMMERCIALIZATION OF IMPROVED
PORTABLE METALLIC COOKSTOVES

Project No. 688-0237

AID Funding: \$357,908

Private Sector Component: \$57,700

Began: 5/85

Ends: 12/86

Implementing Agency: Volunteers in Technical
Assistance (VITA)

PROJECT DESCRIPTION

The primary goal of this project is to reduce the domestic consumption of fuel wood in Bamako by the widespread dissemination and commercialization of efficient portable metallic cookstoves (PMC). The project will sponsor a publicity campaign to emphasize proper fuel wood use and conservation. It will develop manufacturing through private metalsmiths in Bamako and a network of sales outlets to make cookstoves readily available to the housewife. A baseline survey will be conducted to provide scientific data on fuel wood consumption with the traditional 3 stone method and with the cookstove. Further data will be obtained on fuel wood costs and savings and other sociological factors that will guide the project in its marketing strategy.

BUDGET

The private sector component of the project will cover production equipment (\$5,700); stove building materials (\$15,000); testing and field survey equipment (\$3,000); roughly three-fourths of the shipping and transit costs (\$3,000); publicity and marketing (\$12,500); and local salaries (\$13,500). An additional \$5,000 has been allocated for developing a marketing and incentive program for users.

A baseline study suggests that market level of cookstoves will be in the neighborhood of 120,000 units and that two stoves will be required per family. Hand-operated tooling has been designed and built for the fabrication of stoves to acceptable standards of both quality and dimensional tolerances. The stove can be manufactured without welding, thus enabling fabrication in economically depressed areas. A price list has been developed for the nine models of stoves designed under the project.

A nucleus of fabricators has been identified who will be able to begin producing 2,000 stoves per year. It is expected that six to ten fabricators will be in full operation by the end of the project with corresponding sales outlets and advertising support.

4/6

TOGO NATIONAL CREDIT UNION ASSOCIATION

Project No.: 693 0224

AID Funding: \$ 2.15 million

Began: FY 1983

Total Project: \$3.4 million

Ends: FY 1988

Private Sector Component: \$2.15 million

Implementing Agencies: African Coop Savings & Credit Assoc.
World Council of Credit Unions

PROJECT DESCRIPTION

This project promotes a more administratively stable and financially sound national association legally establishing the Togo National Credit Union Association and upgrading the management and fee collection capability of the member unions. By generating a self-sustaining revenue base and eventually a surplus, the association will be able to provide credit union operations and financial advisory services to members and resources for onlending to these unions. Specifically, these include coop promotion and development, inspection and auditing and basic accounting for coop managers. The Association End of Project goal is to be 50% self-sufficient on dues and fees collected from union members. Improved management of the Association and the Unions will improve their viability and promote an expanded network of unions which can provide reliable savings, credit and related services to urban and rural individuals of middle and lower incomes.

Private sector objectives are to expand association services to include a central loan fund and to establish a savings and loan protection insurance scheme, which serves one of the largest private sector groups in Togo.

BUDGET

Of the \$2.15 million, \$1.6 million is technical assistance including a financial manager, a training advisor and a credit advisor and travel, vehicle and computer costs. Some \$200,000 goes into the loan fund. The balance is for association administrative support including local operating costs, office supplies and construction and training costs.

4/8

RESULTS (as of Project Implementation Report December 31, 1985)

Membership in credit unions has reached almost 10,000, up 43% from September 1983. No business advisory services are planned under current project. Credit unions now number 109, up from 93 at project outset. Savings and deposits total over \$1.25 million and loans outstanding over \$900,000, both double pre-project amounts. A forthcoming evaluation report will recommend working on improvement of loan profitability, with an emphasis on agricultural credit. In 1985 credit unions generated almost \$100,000 in revenues which were applied towards self-sufficiency. The control lending facility has grown \$125,000 in capitalization. The number and value of loans made to member credit unions has grown by 39, or \$160,000 since the project began. The insurance program is still getting off the ground.

TOGO: SIO RIVER ECONOMIC DEVELOPMENT

Project No. 693-0226
AID funding: \$3.5 million
Private Sector Component: about \$ 1.175 million

Began: FY83

Ends: FY88

Implementing Agency: Partnership for Productivity
International (PFP)

PROJECT DESCRIPTION (private sector component)

This project is designed to raise the productivity of 2,000 rural producers and small business persons in and around the Sio River Valley irrigation area to diversify their incomes from irrigation dependent agriculture, mainly rice, and to encourage more commercial activity.

As the private sector component, Partnership for Productivity encourages non-farm economic activities by offering business management advisory technical extension services and a credit facility. Activities envisaged include agribusiness, artisan manufacturing, transport, commerce, and repair and maintenance services.

BUDGET

Of the \$3.5 million total, \$1.8 million is for technical assistance administration and training, including a credit training specialist. \$200,000 is for a credit training fund. The balance is divided between commodities, consultants, evaluations, contingencies and PFP overheads.

RESULTS

To enable clients to use PFP training to increase productivity and sales of services, food and commercial products, the PVO granted \$16,000 in loans. The average overall loan was \$160; for agricultural clients it was \$155 and for non-agricultural clients, \$184. The loans, made at 15% annual interest, with a 5% administrative fee, and are reimbursable over periods ranging from five months to two years. To date there have been no major difficulties with agricultural loan recovery. Clients are motivated by the fact that future assistance depends on repayment of the previous loan. Non-agricultural clients who make monthly payments were reimbursing at a 100% rate. By the end of December 1985, fifteen non-agricultural clients were either maintaining or had increased their working capital. Clients making monthly payments to the loan fund were reimbursing at a rate of 100%

PfP has drawn up a long-term plan to create a private, self-sustaining rural business support institution that will service the private sector. PFP has set 1993 as the year when locally generated funds will be able to cover operating expenses.

REGIONAL PROJECTS

AFRICAN DEVELOPMENT BANK PROJECT II

Project No. 698-0434
AID Funding: \$15 million
Began: FY 85
Private Sector Component: undetermined
Ends: FY 90
Countries: All ADB Member Countries (50)

Implementing Agencies: African Development Bank as Grantee
AID/REDSO/WA as Monitoring Agency

PROJECT DESCRIPTION (Private Sector Component)

Project has two major components: (1) financing for development of Bank Group's loan portfolio in member countries, via pre-investment studies, such as integrated agricultural and rural development projects, development strategy studies and country/sectoral studies, and (2) technical assistance and training to improve professional development of Bank staff and member country staff managing Bank loan projects. Project assists development of the private sector through generation of pre-investment studies supporting ADB loans used by member countries to stimulate growth in private sector.

BUDGET

Grant of \$15 million covered: Technical assistance to Bank and member countries in project development/management (\$5.295 million); training (\$1.645 million); commodities (\$495,000); ADB program evaluations (\$215,000); pre-investment studies for portfolio development (\$6.496 million); project evaluations (\$803,000); Total: \$15 million. Long term portion of technical assistance (\$3.291 million) covered costs of fielding six (6) long term advisors (up to 2 years), including a financial analyst who will review loan and project appraisals, assist in conducting ADB project development training, and undertake special pre-investment studies for Bank project loans.

RESULTS (as of September 12, 1985 interview with Project Officer, AID/W/RA)

Current Grant Agreement for \$15 million was signed in May, 1985, and long term advisor positions are now being staffed. Prior AID Grants of \$15.7 million, 1968 - 1984, as related to development banking and private sector development supported 38 pre-investment studies, costing \$6.58 million and resulting in loans for development projects to 26 countries; loan uses included financing development bank lending to African industries, and financing for country-proposed industrial projects.

52

**ENERGY INITIATIVES
FOR AFRICA PROJECT**

Project No. 698-0424

AID Funding: \$17.5 million

Started: FY 82

Private Sector Components: \$10.5 million

Ends: FY 86

Total Project Cost(LOP): \$20,150,000

Countries: 30 African nations,

including all countries in the Sahel

Implementing Agencies: Energy Development International
as Prime Contractor,
and AID/W/AFR/RA as Manager and
Monitoring Agency

PROJECT DESCRIPTION (Private Enterprise Component)

The project responds to findings from prior AID energy support projects in Africa that little attempt has been made to mobilize the smallholder entrepreneur and farmer to produce and market energy alternatives and that few have the necessary skills or information to link energy technologies with markets. EIA support was allocated to technical assistance for assessments and evaluations of African projects and experience in 10 energy or forestry technology areas, training and institutional strengthening in the form of 5 each of planning workshops and IFI training sessions and 20 energy practitioner workshops held, establishment of an information dissemination network for participating countries, and lastly a Subprojects Fund to provide grants to host country agencies, IFI's and PVO's to develop projects meeting priority energy needs, using the small scale private sector and a market orientation to disseminate alternative energy products or fuels. Improved cookstoves, agro forestry, reforestation in smallholder plantations and hydro energy are examples. Targets included a minimum of 35 directly and 20 indirectly funded grants awarded (of up to \$500,000) and minimum 15 subprojects completed and evaluated.

BUDGET

AID grant of \$17.5 million approved for technical assistance for energy assesments and project evaluations, the Subprojects Fund (\$10.5 million), training African energy planners and building of a network for sharing energy conservation information. Funds from participating countries: \$2,650,000 (25%) of total cost.

RESULTS (per interviews with AFR/RA and contractor
September 13, 1985):

Assessment component was dropped from project as World Bank has such a program. Subprojects Fund was reduced in 1983 to \$2.3 million and as of September 13, 1985, all funds had been obligated. Subprojects assisted include: Grant of \$150,000 for advisor in energy related small enterprise projects to Malawi Development Bank, \$150,000 for water turbines to run rice mills in Madagascar. In Rwanda, \$500,000 funded planting of 809 hectares of fruit tree seedlings and technical assistance to the 100 farmers in planting and maintaining them, to prevent soil degradation and to provide another source of off-farm income. Several seminars and workshops were also funded.

SAHEL POLICY PROJECT

Project No.: 625-0970
AID Funding: \$8 Million
Private Sector Component: not yet determined

Begins: FY85
Ends: FY89

Implementing Agency: 8 Sahel AID missions and a private central project contractor

PROJECT DESCRIPTION

The purpose of this project is to carry out a program of economic policy studies, advisory services and training that will strengthen the bases for appropriate economic policy in the Sahel. One of the objectives of the program is to encourage more forward policy planning by AID, the host countries and other donors on policy issues, increase the knowledge and information available to decision makers, promote donor coordination and information sharing, and better enable the countries of the Sahel to initiate, conduct and fiscal and economic policy analysis, dialogue and reform efforts. It will underline the high priority that AID, other donors and most Sahelian nations now attach to more coherent and appropriate economic development policies and help maximize the impact of current and future investment in the region.

This project will fund the technical assistance, training, data collection and processing services and commodities needed to identify and analyze key policy issues, conduct policy conferences, workshops and seminars, train host-country personnel in policy analysis methods and improve data collection and analysis systems. The eight missions in the Sahel region are required to submit requests for support of specific projects or programs requiring short and/or long term technical assistance. However, AID/W clearance of implementing documentation is not required.

BUDGET

Of the \$8 million, about half is allocated to long term technical assistance, 30% to short term, and the balance to training and management. The discrete activities envisaged are: long and short term technical assistance, organization of conferences, seminars and workshops, and short-term training or study tours in policy analysis in the U.S., the host country or in third countries. Anticipated project size varies from \$5000 to \$500,000.

RESULTS

It is too early to measure results.

56