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PRIVATE ENTREPRENEURSHIP
PROMOTION PROJECT

PRELIMINARY DESIGN REPORT

Submitted to:

Bureau for Africa
Office of Regional Affairs
Agency for International Development
Washington, D.C. 20523

Submitted by:

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PREFACE

This report presents the findings of a team of Checchi and Company consultants assembled to assist with the design of the Private Entrepreneurship Promotion Project for the Africa Region. The design work was undertaken for the Office of Regional Affairs in AID's Bureau for Africa under the terms of Checchi's Contract #PDC-0000-1-01-3082, Work Order #2. The members of the design team were as follows:

Ambassador (Retired) Donald Norland, Team Leader;

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The Private Entrepreneurship Promotion Project was conceived by AID as a means of assisting African countries to expand the role of the private sector in their respective economies through (1) improvements in the environment for private economic activity, and (2) further development of entrepreneurial and management skills among existing small business people. In order to test and refine approaches to achieving these objectives, the Checchi design team carried out field work in three countries: Malawi, Zaire, and Niger. In addition, the Team's Management Training Specialist visited regional training institutions in Cameroon, Tanzania, Botswana, Ivory Coast, and Senegal to evaluate the potential of these institutions as resource centers for national-level training activities.

PROJECT DESCRIPTION

I. Introduction

The Private Entrepreneurship Promotion Project would focus on urban micro-enterprises, defined as enterprises with fewer than five workers. Selection of this as the beneficiary or target group can be justified on economic, political and social grounds (see Annex A: Technical Analysis).

The Project would consist of three sequential phases, as follows:

- Phase One: An IMMEDIATE ACTION TRAINING OPTION with two sub-components: (1) Funding for training of indigenous small entrepreneurs in existing institutions, and (2) initiation of soundings with a view to convening two regional planning conferences, one for francophone and one for anglophone Africa, to develop support for a regional-national training network. If successful, the planning conferences would lead to two subsequent regional conferences where national training representatives would participate to fully develop the networking plan.
- Phase Two: ASSESSMENT. Country Teams would be invited to constitute themselves into Assessment Teams to conduct (or supervise the conduct of) the following in each participating country:
 - (1) A study of the business climate as it affects the private sector;
 - (2) A survey of policies, regulations, laws and other imposed conditions that impede the indigenous private sector, with a view to influencing changes to facilitate private sector expansion;
 - (3) The development of a private sector strategy for the USAID program including an assessment of the advisability of offering technical assistance in the form of a resident policy advisor; and
 - (4) The development of a training strategy using the experience acquired under the Phase One training option and in the light of new insights acquired in the course of the Country Assessment.
- Phase Three: POLICY ADVISORY SERVICES. These would be provided by a resident advisor positioned effectively within the national organizational structure. It is suggested that the

concept of policy advice be expanded to include the development of projects that would build on the results of the training and assessment activities carved out under Phase One and Two.

II. Project Rationale

A. Promoting Private Entrepreneurship: The Rationale for An Action Program

A combination of circumstances is giving an extraordinary impetus to the indigenous private sector in Africa. State-dominated economic systems inherited or installed at independence have lost or are losing credibility. Almost invariably inefficient, these systems survived the first decades of independence thanks to donor assistance and occasional good returns on commodities in world markets. However, a drop in commodity prices and continued inflation have raised the spectre of uncontrollable budget deficits which threaten many countries with bankruptcy. Donors are being forced by their own budget constraints to cut back on external assistance--an action reinforced by the growing perception that traditional development assistance programs have often produced dubious benefits. Some suggest that traditional AID programs could not succeed even under the best of conditions; others say they have not been given time to succeed.

This background of self-interrogation and recession helps account for the new upsurge of interest in the indigenous private sector. This sector has been relatively sheltered from worldwide recessionary influences for reasons which include: (a) its reliance on local resources, productive energies and markets; (b) its role within predominantly subsistence economies which require a minimum of foreign exchange and are largely self-contained.

The indigenous private sector thus stands out as a target group for attention and hope--and is increasingly recognized as such. African countries themselves are shifting attitudes, under the pressure of events; they are undertaking or encouraging private sector studies, funding private sector promotion organizations and in other ways gradually facilitating the release of individual productive energies. Other donors, especially the ILO, UNIDO and UNDP, as well as the Federal Republic of Germany and the United Kingdom, have undertaken studies and financed projects designed to invigorate private initiatives. The focus is turning inward. As stated in a recent publication promoting private entrepreneurship training, the principal task of developing countries in the coming years will be to "manage poverty", a task they must do largely on their own. 1/

1/ A summary of completed and ongoing small enterprise research and development activities uncovered by the Design Team in Zaire, Malawi and Niger is provided in Annex E.

The studies and research undertaken to date, while impressive, make clear the complexity of the indigenous African private sector, deeply rooted as it is in the cultural, historical, economic, linguistic, ethnic and family traditions of the countries concerned. A high degree of expertise is thus essential in trying to understand the constraints, motivations and aspirations, especially of micro-entrepreneurs.

The role of the U.S. heretofore has been largely rhetorical; we encountered little evidence of a direct U.S. input of resources into private sector training. We believe it is essential that the Private Entrepreneurship Promotion Project enable the U.S. to take advantage of the trends which are favorable to the private sector. Host countries and donors are actively at work seeking to energize productive private economic initiatives. U.S. action now would reinforce these trends.

B. The Immediate Action Training Option

It is recommended that the Private Entrepreneurship Project (PEP) include a provision for interested Country Teams to receive up to \$50,000 in funds immediately for reallocation to existing training institutions. This Immediate Action option is important for the reasons listed below:

- The absence of any substantive U.S. input to programs facilitating the private sector, and especially private entrepreneurs, is becoming a cause of tensions in relations between several countries and the U.S.

Item: Design Team members were asked point blank in one meeting with ten ranking host country officials if this was "just another mission". The official expressed concern and dissatisfaction with the frequent discussions and meetings on this subject without any follow up.

Item: One Ambassador pointed out to the Team Leader that four missions had preceded the PEP Design Team; a charge noted that ours was the sixth mission since the first of the year and that three others were expected within a month--two of them at the Deputy Assistant level or higher--and all wanting to see the same people: Director of the Central Bank; Minister of Finance and Trade, etc.

Continued U.S. inaction reflects adversely on the U.S. image and, more importantly on our commitment to the policy itself. The absence of programs in support of private sector initiatives is being interpreted as a lack of confidence in the

validity of the private sector policy and of prospects for its success. Finally, the concern was voiced at several posts that the U.S. verbal promotion of the private sector was being used as "smoke screen" to cover reduced development assistance.

- In the three countries visited, and in conversations along the way in other countries, we found an extraordinary degree of attention being paid to the private sector. Forces have been set in motion that have already led to the dismantling of several parastatal organizations and to the weakening and expected demise of large numbers of them in the near future. Judging from our observations, state economic intervention is no longer regarded as a panacea. Denationalization (or privatization) is in progress, behind the scenes if not publicly. More often than not, this is due to internal considerations, of which the most important are the growing budget deficits. But it is still necessary to assure that the private sector succeeds. While proponents of state control may have lost one battle, they do not assume they have lost the war and will most certainly not relax. Nothing would encourage them more than the failure of the private sector to assume a responsible and substantial role in their national economies.
- The developing world, especially African countries, has not seen any effects of the nascent economic recovery in the industrialized world. The continuing recessionary climate makes even more necessary the programs of self-reliance and private sector initiatives. One official commented that the recent IBRD Conference in Abidjan (June 21-24, 1983) on "Small-Scale Enterprise Development" led to a discussion of why, in times of crisis, the importance of the private sector is enhanced: e.g., the tendency of the private entrepreneur to rely on local resources and local markets, the reduced need for foreign exchange, the introspective tendencies of people in times of crisis. The fact that the World Bank organized a conference on this subject and evidence at several posts of significant Bank investment and involvement in programs favoring the private sector, are indications of the sound economic reasons in favor of acting to strengthen the private sector at this time.
- The combination of host country and donor interest already accounts for a considerable number of studies, research projects and proposals. A good deal of information is now available. By taking a more active role, the U.S. could inform itself about what has been done to avoid duplication of conducting its own studies and demonstrate its commitment to the policy. At the same time it is evident that a number

of donors have judged existing studies to be adequate as the basis for program and project support. U.S. hesitation to act, while awaiting more studies, casts the U.S. in the role of a dilettantish observer rather than an active practitioner of private sector development.

- Because of the range of cultural, ethnic, family and other traditions involved in the private sector in Africa, and because of large number of entrepreneurs, there is little likelihood that a single "correct" or "magic" formula for aiding or training private sector entrepreneurs will be found that is valid for all. On the contrary, each society and country, as well as each individual entrepreneur, will require different solutions tailored to local conditions. There is much room for additional effort.

In summary, the U.S. should act now when a relatively small contribution, e.g. in training, could go a long way toward (1) dispelling doubts and undercutting criticisms that the U.S. is long on rhetoric but short on actions on behalf of the private sector; (2) avoiding the highly undesirable (but real) prospect that no U.S. assistance to private sector development programs would be forthcoming until another outside study is completed, perhaps two years hence, by which time circumstances will have changed and may well be less favorable than at present for exercising U.S. influence; and (3) assisting existing training institutions thereby giving the Country Teams an incentive to focus more seriously than in the past on private entrepreneurs as a potential motor for development. An investment in a few trainees now would also provide a stronger basis for later evaluations of existing training institutions and programs (national and/or regional). It would give the U.S. an insider's perspective--with all the advantages in terms of access to institutions and programs that this implies.

C. The Country Team Approach

It is recommended that Country Team i.e. the committee of Section Chiefs chaired by the Ambassador, play a central role in carrying out this project in each country. Encouragement of private sector development is a high priority responsibility of the U.S. representatives in a host country and the full resources of the U.S. official presence should be brought to bear on the achievement of that goal. The Ambassador as personal representative of the President, the PAO charged with public diplomacy, the Economic Attache as collector and interpreter of economic and financial data, and the USAID Mission Director as head of the operating agency for assistance - indeed all elements of the country team - have a role to play in an integrated and concerted effort. This requires more than receiving or giving an occasional briefing. It means involvement in generating understanding of what is going on in the private sector, much as the Country Team members are required to do as political, economic, cultural, or development officers. Recent U.S. efforts in this area of concern

appear to lack the coordination, direction and motivation that comes from having resources at their disposal. If resources had been available for outside studies and reports, it seems clear that there would have been more country team involvement, both directly and by contracting of needed expertise to fill the gaps in local data, analysis, and perspective. In this respect, U.S. missions are much like host country governments: exhortations to act evoke little enthusiasm unless they are accompanied by the resources to do the job.

One of the principal functions of U.S. country missions is to gather information, observe local phenomena, and interpret events to provide the U.S. government with reliable current understanding of conditions and trends in the host country. To fulfill these responsibilities U.S. missions are provided with professional staff who constitute, on balance, a highly qualified team -- as qualified as one likely to be assigned the host country to perform a private sector assessment. Visiting short-term teams would in any event, for reasons of economy and efficiency, be heavily dependent on the Country Team for data gathering and evaluations, for introductions to officials and organizations, for interfacing with U.S. policy, strategy and programs, and finally for transmitting findings and conclusions. It therefore seems logical to regard the visiting team as substituting for the Country Team in matters of analysis of information and synthesis of findings -- but without the benefit of the time to verify conflicting claims, tales of woe, and contradictory "facts" and findings of other researchers, and without the wisdom and perspective that comes from sustained association with the local scene. The visiting team would be at a relative disadvantage, compared to the built-in expertise and experience with local phenomena to be found within the average Country Team. To these advantages must be added the ability of the Country Team to complement its expertise, with local consultants in the technical specialties of host country laws, tax policies, labor regulations and other constraints that directly effect the climate for private enterprise. Given the time frame and relative inflexibility in the timing and composition of visiting teams, it is highly unlikely that visitors could match the cumulative expertise available locally.

Despite the superiority of the Country Team as a vehicle for performance of the private sector assessment, it may seem impractical to expect that U.S. missions abroad, already laboring under a mountain of routine tasks (normal substantive work, responding to a plethora of correspondence from Washington on a variety of subjects, hosting visitors, etc.) to assume unaided the very substantial additional work of digesting the data and information, performing the in-depth analysis, and synthesizing the results. They lack the personnel, time and financial resources to hire short-term local expertise needed to do the job. Therefore, provision is made for resources from this project to be available to contract for local staff support or for a professional who could be assigned to the private sector investigation without being encumbered by any other responsibility. Alternatively, funds

could be used to contract with local sources for such long-term expertise as is needed, or for short, specific assignments. Such an arrangement would provide the Country Team with the incremental resources as and when needed to enable it to assume its logical role in the assessment process. In our opinion this would yield the most valuable outcome and would cost less than the visiting team alternative.

D. Regional Training Conferences

If the information obtained on training and trainers is at all representative, opportunities or mechanisms enabling trainers to learn from the failures and mistakes of others are virtually non-existent. The courses given by regional training institutes are rarely attended by trainers. Since many trainers recognize the need for improvement, an Africa-wide project focused on the upgrading of the small entrepreneur would be timely and should meet with a warm reception. Research has been done on micro-enterprises that, if disseminated, could be used in training. And the pooling and analysis of experiences to date will make it possible for training to target trainees that are more likely to succeed and to train them with more effective methodologies.

The regional training institutes, ESAMI, PAID/IPD, CAMPC and IDM, are well positioned to play a role of brokers and guides in making available to national training organizations the research and experience related to the training of micro-entrepreneurs. Two regional conferences would serve as a preferred mechanism for launching the regional institutes in a role as the heart of a regional/national network with outreach to close-to-the-worksite training. At these conferences, national and regional representatives would analyze what has been done to date and identify reasons for success and failures, and develop a training model appropriate to small entrepreneur training. Use of this model will enhance the quality of training and increase its impact. At the same time, regional institutes and national organizations would learn about one another's capabilities and needs and work out agreements on their respective roles. The principal outcome of these two conferences, one anglophone and one francophone, would be a plan describing how the regional institutes and national organizations would work together in improving and expanding the training of micro-entrepreneurs.

III. Resource Requirements

To enable the Country Team to assume these responsibilities, the necessary resources should be made available in accordance with criteria established herein.

- For training, it is proposed that an allocation of \$50,000 be made available immediately to each participating post. This would be used primarily to pay for training of indigenous

small entrepreneurs under existing programs where training is conducted as close to the workbench as possible. To be eligible for training funds, posts would be required to submit to AID the following types of information: (a) the names, employment and/or business, and personal skill level of each trainee; (b) the name of the training program or institution and type of training; and (c) the estimated cost per participant.

To enable Country Teams to assume the additional responsibilities of serving as Assessment Teams, it is proposed that \$70,000 be made available to each. To be eligible for assessment funds, posts would be requested to (a) make known their desire to assume responsibility as Assessment Team (b) forward a budget indicating how the \$70,000 would be used.

A total of \$1,985,000 should be set aside to fund up to 20 contracted assessment teams to be used when Country Teams decline to assume the Assessment responsibilities and up to 20 specialists to assist Country Teams performing their own assessments, in any mix. The recommended composition of the contractor team is two people for a period of ten weeks per assessment of which two weeks would be spent in the U.S. for preparation. The terms of reference for the assessment team (Annex D) can also serve as a guide for a Country Team in the event it elects to perform the assessment on its own.

An estimated \$80,000 in U.S. contributions would be needed to carry out the proposed series of regional-national planning and working conferences. A breakdown of this estimate is provided in Exhibit 1.

Exhibit 1

Regional-National Conference Budget: U.S. Contribution

1.	Regional Preparatory Meetings	
	Travel of 2 USAID Monitors 2 RT	\$ 6,600
	Per diem at \$100 x 3 days x 2 meetings	600
	Travel of 4 Regional SSE Experts 4 RT	3,000
	Per diem at \$50 x 3 days x 4 travelling participants	600
	Conference expenses - 2 locations	<u>600</u>
		\$11,400
2.	Regional - National Network Working Conferences	
	Travel of 2 USAID Monitors 2 RT	\$ 6,600
	Per diem a \$100 x 5 days x 2 Conferences	1,000
	Travel of 4 Regional SSE Experts 4 RT	3,000
	Per diem at \$40 x 5 days x 4 travelling SSEs	1,000
	Travel of 50 National Training REPs. 50 RT	37,500
	Per diem of NTRs \$50 x 5 days x 50 NTRs	12,500
	Conference expenses - 2 locations	<u>5,000</u>
		\$66,600
		+ <u>\$11,400</u>
		\$78,000
	Contingency	<u>2,000</u>
		\$80,000

IV. Implementation Plan

Illustrative plans for implementation of project elements related to the policy and training assessments and the regional-national conference series are outlined below.

A. Contractor (Policy) Assessment

Data Base Development

U.S.-Based Preparations: Sequence of Actions

1. USAID Mission provides list of government and non-government in-country economic, business and training organizations and names considered useful for contractor team contacts to U.S. contractor. AID/W collects and organizes country briefing packages for use of field teams, including pertinent documents/reports available in the U.S.
2. Arrange essential U.S. briefings and meetings for field teams.
3. Teams study documentation in their disciplines and select data needed for field work. Every member would be held responsible for required study and attendance at briefings.
4. Teams identify gaps in documented information and list documentation possibly available in-country. Document requirements transmitted to field with request for mission assistance to collect them prior to team arrival.

Teams Moves to the Field

5. Field Team arrives in-country and commences with Country Team briefings on background and current economic/business climate with emphasis on private sector and on training activities.
6. Field Team identifies in-country organizations it wishes to contact. Contractor requests country clearance and mission assistance in arranging meetings in accordance with suggested schedule.
7. Field Team reviews available documentation in-country and identifies gaps and needed research.
8. Team meets with in-country government and nongovernment officials in accordance with arranged schedules.

9. Team obtains documentation and additional information through interviews with supplementary sources in government, financial, development, business, labor, training, research and other appropriate bodies.
10. Team assembles available data and organizes it into profile of private enterprise sector showing to extent possible the structure by sector, employment size, ownership (indigenous and other), and distribution (urban, rural). Employment size is the key and should as nearly as possible be disaggregated in 4 classes - over 200, 50 to 200, 6 to 50, 1 to 5. As many other quantitative attributes should be included as available data permits to maximize the descriptive value of the profile.
11. Describe the role of the private sector in the total economy in terms of its absolute and relative contribution according to macro-economic indicators (gross output, value added), employment and in terms of contributions to exports and government revenues.

Policy Analysis

12. Analyze the structure of policy and other environmental conditions impeding private sector operations and growth, and align this structure with the private sector profile to ascertain the correspondence between the various policy constraints and the various categories of enterprises.
13. Identify constraints thought to be amendable to revision by U.S. policy influence and discuss the means and methods by which this influence might be brought to bear and the anticipated results, taking into account linkages with present and planned U.S. and other donors, private sector projects and possible multiplier effects.
14. Prepare a briefing paper for Country Team and USAID Mission and use as basis for discussion of potential revisions to Country Development Strategy.
15. Submit a draft assessment report to Country Team and/or USAID Mission two weeks before end of field work.
16. Obtain Mission agreement on a course of action, and prepare a scope of work for an implementation contractor and the technical elements of a P.I.D.
17. Revise report, produce and present final report to USAID. Depart post.
18. At the end of the contractor's assessment assignments (up to 20), present a synthesis of all assessments.

B. Regional/National Training Network

1. Upon authorization of PP, AID/W request appropriate posts to notify regional institutes of proposed planning meetings. Assuming favorable reaction and willingness to host or sponsor meetings, discuss date, agenda and venue for regional planning meetings with representatives (see Annex B: Training Analysis).
2. AID/W releases funds for regional planning meetings.
3. Regional planning meetings in Abidjan and Arusha determine agenda, participants, date and venue for regional working conferences.
4. Regional institutes hosting francophone and anglophone working conferences invite representatives of national training organizations and programs, ILO, INADES, and REDSO to regional working conferences along with date, agenda and venue.
5. Regional weeklong working conferences, make decisions.
6. Regional working conference decisions are taken to Washington by AID representative, for approval as required of programs and budget.
7. Training activities are executed as stipulated in working conferences and approved by AID/W.

C. Country Training Assessment

The PID and PIO/T assume that not all countries studied by assessment teams will participate in the implementation project to furnish policy advisors. However, the training of micro-entrepreneurs can be expected to have greater impact in countries where constraints on micro-enterprises are manageable and policy makers are striving to reduce them. It follows that project training resources would be most efficiently used if channeled to those countries rated by the assessment team as acceptable for policy and training implementation.

If the above is true, a question arises about the advisability of performing the training assessment before it has been determined which countries will participate in the implementation project. It would appear preferable to carry out a training assessment only after a country has been selected for project participation. This course of action would avoid the needless use of project funds for training assessments that will not constitute

the basis of project training programs, and it will eliminate the possibility of awakening expectations, through a training assessment, that will subsequently be frustrated due to a country's non-participation in the project. However, this course has the disadvantage of losing the anticipated momentum and enthusiasm to be generated by the recommended early staging of the regional conferences, the benefits of which are enhanced by rapid follow-through on the results. On balance, the Design Team recommends early training assessments based on the results of the regional conferences since they will be valuable even to those countries not participating in the policy implementation contract.

A country "training needs" assessment done subsequent to identification of the country as a project participant could be carried out either by a contractor supplied training specialist or through an arrangement made with a regional African training institute. Using the regional institute would have the advantage of exploiting the understanding of training issues and the regional/national relationships developed in the regional/national working conference on training. Also it would promote the integration of the training aspect of the project with the policy aspect.

Whether the training aspect of the country assessment is performed by the contractor or a regional institute, and regardless of its timing relative to other aspects of the assessment, the product desired from the training analysis will be a training plan for the country, specifying which organizations or programs will be the recipient of project training funds earmarked for the regional institutions, and how the funds will be sent.

To develop such a training plan the training analysis will have to focus on the following interrelated issues, and possibly others:

1. What training of the micro-entrepreneur is now being conducted? How effective is it? Is it covering the critical skill and knowledge needs of trainees?
2. Are appropriate people being selected for training? Are their training needs being properly diagnosed? What action is required to improve selection and provide training in skill areas not being properly covered?
3. How qualified or, better yet, how effective are the present or potential trainers of micro-entrepreneurs? What assistance do they need with respect to improving their content or subject knowledge as well as their use of training methodologies?
4. What is the best way upgrading trainers' skills in diagnosis needs, setting training objectives, creating and implementing effective learning designs, evaluation results, and planning followup?

5. What instrumnts, aids or information should be provided to trainers? For example, curricula, INADES courses, CIADFOR Information?
6. Which organizations should be assisted with project funds?
7. What kinds of support for trainers can a regional institute best provide? e.g. training of trainers courses, working jointly with and coaching trainers in any or all phases of their training activities, developing curricula, arranging for a periodic exchange of ideas and professional enrichment, research, evaluation, regional courses for policy makers?

In constructing a plan to collect data for the training analysis, the contractor or regional institute will first contact the AID Mission and the government agency with responsibility for the micro-entrepreneurship sector, and collect information on current and planned training projects and existing training institutions. On the basis of this information, the training assessor will:

- a. visit organizations training micro-entrepreneurs or knowledgeable about such training, e.g. government private sector promotion offices, ILO, UNIDO, national training organizations, and possibly regional institutes. In these visits data should be collected not only through interviews, but also by means of actually observing training in progress.
- b. interview micro-entrepreneurs and observe their way of doing business so as to get a feel for their training needs.

One training assessor will require six weeks per country to conduct this analysis and prepare a report.

V. Project Monitoring

The various forms of assistance should be closely monitored from the outset. Twice yearly reports would seem to be appropriate. As for policy, the following questions should be addressed:

- (1) what policy changes have been implemented?
- (2) how has private enterprise been affected?
- (3) what have been the effects on third parties, e.g. consumers?

The monitoring of training demands special efforts. Thus far only occasional evaluations have been conducted on the impact of either national or regional training institutions in Africa. Assessments of a training institution's performance have little to go on beyond the institution's history and curriculum, faculty qualifications, course materials, and its reputation among outsiders. Monitoring is a means of helping institutions to improve their performance and to provide a basis for better informed decisions on assistance. A monitoring effort will first of all address the following questions:

- (1) What form does the training/assistance take?
- (2) What are the characteristics of the trained or assisted in terms of:
 - a. their present activity,
 - b. their previous training,
 - c. their origin in terms of citizenship, race, ethnic group,
 - d. the proportion of women among them,
 - e. their age?

Monitoring the impact of training/assistance presents a more difficult task. Still, continued contact with those trained/-assisted is usually desirable to optimize the effectiveness of training and provides an opportunity to routinely gather information on their subsequent career. The effect on third parties is the most difficult to monitor. Nevertheless an effort should be made to assess the contribution those training/assisted make to the enterprises in which they work, and the consequences for their customers and suppliers.

In the initial stages of the training aspect of the project, monitoring can be done by AID/W by means of participation in the regional planning and working conferences.

Subsequent to the regional working conferences, it is logical for monitoring responsibility to pass to REDSO Abidjan and REDSO Nairobi, at least with respect to performance of the regional institutes. REDSO Abidjan recently recruited Lucien Stervinou, whose staff function is private sector development. REDSO Nairobi has expressed some reservation regarding its ability to monitor the project, but did say that, when travelling to ESAMI on other business, it could give some time to monitoring the private enterprise projects.

Their proximity to the national training organizations as well as their vested interest in the project, makes AID missions the obvious choice for monitoring project activities within the country. AID missions would be sent the conclusions of the regional working conferences and project funds for disbursement in the country would be channeled to the country missions.

Annex A

TECHNICAL ANALYSIS

For reasons which should become apparent in the course of the discussion, the technical analysis will combine elements of economic and financial analysis, with occasional forays into uncharted territory.

Given the structure of the Project's design and the conjectural nature of both its inputs and outputs, the analytical apparatus must be adapted to the rather amorphous character of the "process" described in the body of the Project Paper.

First, the various components of the design will be briefly examined, in order to recast them in accordance with the desiderata of efficient resource allocation, reasonable trade-offs between growth and equity, and cost-effectiveness. Secondly, an attempt will be made to posit a Weberian "ideal type" of Project activity which, in the light of available information, comes closest to satisfying the economic and financial criteria.

There are three discernible, sequential components in the Project design. For the sake of brevity, they will be denominated: the action component; the assessment component and the programming component.

The Action Component

It will be recalled that the Design Team proposes that a portion of the funding, envisaged in the PID, be released to interested Missions, as soon as possible, and certainly in advance of the routine approval procedure, for purposes related to transfer of skills designed to enhance the productivity of small-scale entrepreneurs.

The psychological, political and credibility arguments adduced in support of such a course of action are further strengthened by economic considerations which, while not amenable to precise quantification, do nevertheless provide staunch support to the proposal.

There are three principal reasons why an early release of funds (to those Missions who can use them effectively some two years ahead of the actual implementation of other activities of the Project) will be more efficient and more cost effective, to wit;

- a) It would yield a higher present value for any given input, due to the shortening of the discounting period

- b) It would produce a higher real value of any input at any point of time, because of shorter compounding of inflation
- c) It would shorten the gestation period between application of inputs and the resulting impact of skills transfer on productivity.

On very conservative assumptions it can safely be asserted that every dollar made available to the field missions, in 1983, will be equivalent to one and a half dollar spent, for any given purpose, in 1985.

These economic and financial benefits could be brought into sharper focus were the funds, released under the proposal, to be those at present earmarked for regional training institutions. As will be argued later, the programming of the project's inputs could then be related more precisely and more effectively to the countries' strategies in the participating missions.

The Assessment Component

Unlike the action component which does not require consultant services nor terms of reference for implementation, the assessment component of the Project's design calls for an outline of approach and methodology as a prelude to consultants "scope of work". Two aspects of the assessment phase are of significance for purposes of technical analysis. These are the preparation of a profile of the enterprises and the targeting of the beneficiary group.

The preparation of a profile of enterprises operating in the private sector of a participating country forms an integral part of the assessment process. Such a profile is necessary to gauge the relative importance of various types of enterprises, first, in relation to key macro-economic magnitudes (GDP, value added in manufacturing and so on) and, second, in relation to each other. That much seems obvious. What is not immediately obvious is that not all types of profiles are equally useful and that, therefore, a prototype of a profile should be determined which is most relevant to the purpose at hand and, at the same time, best suited to analytical scrutiny.

It is suggested that such a prototype should be constructed on the following lines:

- a) It should adopt, as the principal means of classification, the number of employees, perhaps the only magnitude which is both unambiguous and generally available;
- b) In addition to the number of employees, the profile could then attempt to disaggregate the enterprises according to type of activity (trade, manufacturing, construction), location (countryside, metropolitan, urban), and predominant ownership (indigeneous, mixed, expatriate, etc);

- c) A special effort should be made to disaggregate the lower end of the array, with particular attention to enterprises between zero and five employees.

The rationale for the kind of prototype suggested above derives from the field experience of the design team in Zaire, Malawi and Niger as well as from earlier experiences elsewhere.

The striking aspect of the private enterprise sector in most African countries is the existence, side by side, of every conceivable form of activity, from giant monopolies to owner-operated tinkering shops. The different categories of enterprise have characteristics, social, economic and managerial, which differ so sharply that no single approach to their support and enhancement is likely to be effective. Indeed, the interventions and inputs applicable to one category would be entirely inappropriate when applied to another. As stated in the recent AID summary of experience derived from private sector surveys in four countries, it is not sufficient to say, "up with private enterprise". It is necessary to choose one well defined segment before deciding on the ways and means of assisting it through project activities, especially when such activities are provided by outside donors.

Of special significance, in preparing the profile, would seem to be the variegated enterprises with zero to five employees, a category often neglected in sector surveys and one where the assistance rendered, if at all, has been largely confined to private voluntary organizations, often charitable and religious in character. More attention will be given to this segment of private enterprise in the subsequent discussion. But there can be little doubt that the slogan, "up with private enterprise" needs to be reworded, perhaps into "up the down staircase".

Be that as it may, the structuring of project activities and inputs must be preceded by the selection of a clearly delineated segment of the private enterprise array, in each of the participating countries, if programming is to be at all effective.

Targeting the Beneficiary Group

The preparation of a concise and succinct analysis of the private sector's profile and the environment in which it operates must, for reasons touched upon above, be followed by the selection of a segment of the private enterprise universe in each participating country, so as to focus project activities more efficiently.

The arguments which pointed out the necessity of narrowing down the project's compass, do not, by themselves, provide more

than general hints regarding the principles and method of selection of the target group or groups. It would be useful, accordingly, to set down an outline of a methodology which should facilitate the task.

The suggested methodology draws on some of the established techniques developed in other contexts, such as the Delphi Method and the Goals Achievement Matrix, but has been modified and adapted to the Project's specific requirements, in particular to the importance of securing the consensus of a team composed of practitioners of diverse disciplines and orientations.

The selection process comprises four successive stages, to wit:

- (a) Adaption of discriminating criteria
- (b) Disaggregation of the private enterprise "universe"
- (c) Determination of the calibrating scale
- (d) Prioritization process

The criteria should be discriminating in the sense that each criterion deals with principles and aspects which are sufficiently distinct from those implied in the other criteria adopted. The number of criteria should be large enough to cover the range of issues which are deemed significant, but not so large as to tax unduly the capacity of the human mind to juggle simultaneously a great variety of overlapping, and often conflicting, considerations. Clearly, the exact number of criteria must be left to the discretion and judgement of the assessment team. Once the nature and the criteria have been determined by the team, their definition and amplitude must be established and agreed upon.

It would not be either necessary or desirable for these definitions to be defined too rigorously or too narrowly. Indeed, it is implicit in the suggested methodology that the perception of the nature of each of the criteria will inevitably differ among the team's specialists and that the final consensus need not, and indeed should not, represent a complete agreement of every team member on every aspect and principle underlying the selection process.

Thus, for instance, the following criteria may be considered appropriate:

- (a) Economic Impact
- (b) Social Soundness
- (c) Relevance
- (d) Acceptability
- (e) Feasibility
- (f) Efficiency

Say, for example, that under "Economic Impact" will be considered such factors as the effect of project's activities on the GNP (value added and/or factor income), employment and effect on

the balance of payments. Under "Social Soundness", indigenization, and the effect on income distribution and social stability. Under "Relevance", linkages with host country, the country mission and AID/Washington projects and programs. Under "Acceptability", the likelihood of the host country accepting and being influenced by AID-supported inputs. "Feasibility" will deal with the ability of AID to supply the needed inputs in quality and quantity requested. "Efficiency" will weigh the impact of U.S.-supplied inputs in terms of cost-efficiency, comparative advantage and so on.

Clearly, the content of each criterion would need to be modified and adapted to the situation in each country, but the methodology is designed to cope with a substantial amount of modification.

Each criterion will be applied to each of the segments of the private sector enterprise. The "universe" of the sector should be well established as a result of the prior derivation of the "profile" but the team will still need to agree on a method of disaggregation. It is here that the significance of the "prototype" should become apparent.

For example, the following categories may be applicable to most African countries:

Private Sector Enterprise

1. Employing less than 5 workers
 - 1.a Urban
 - 1.b Rural
 - 1.c Commercial (i.e. trade)
 - 1.d Non-commercial (i.e. production)
2. Employing between 5-49 workers
 - 2.a Urban
 - 2.b Rural
 - 2.c Commercial
 - 2.d Non-commercial
3. Employing between 50 and 200 workers
 - 3.a Urban
 - 3.b Rural
 - 3.c Commercial
 - 3.d Non-commercial
4. Employing over 200 workers
 - 4.a Urban
 - 4.b Rural
 - 4.c Commercial
 - 4.d Non-commercial

As is the case of the criteria, the team members would agree on the classification which, of course, need not be exactly the same for each of the countries surveyed.

Once the categories and the criteria have been adopted, all that remains, before the actual prioritization process commences, is to adopt a scale for each of the criteria (or a "grade"), say, between 1 to 10. Arguments regarding the range of the grades and whether the same range should apply to every one of the criteria could, in most cases, be resolved by the simple expedient of increasing the range of the scale.

It should be noted that the methodology of selecting does not necessarily require quantification of a fully developed data base. It is designed, rather, to cope with judgmental weighting where, in the light of prior analysis of the private sector, each team member could give a grade on the scale, according to his information and insight. Thus, for example, it may well be impossible to determine exactly whether training of entrepreneurs will have greater impact on the reduction of income inequality in the case of "small" or "medium" scale enterprise. But this difficulty of quantification does not preclude a team member, by definition a skilled and experienced social scientist, from assigning a "grade" or weight of, say, 3 to the former category, and 4 to the latter.

The prioritization process will start with each team member separately assigning numerical values on the agreed scale, to each of the categories under each of the criteria. Once the categories of beneficiaries, the defined criteria and the range of weights have been agreed upon, the grading, totaling and ranking of the grades could be done rather promptly. To further speed up the process, it may be considered advisable to separate the prioritization process into two states, grading the likely impact of the project's policy inputs first, and its training inputs second.

For each member, two sheets, one pertaining to the policy impact, the other to training could be prepared as illustrated below:

<u>Enterprise</u>	<u>Criteria</u>						
<u>Category</u>	1	2	3	4	5	6	Etc.
1.a	:	:	:	:	:	:	:
1.b	:	:	:	:	:	:	:
1.c	:	:	:	:	:	:	:
1.d	:	:	:	:	:	:	:
2.a	:	:	:	:	:	:	:
2.b	:	:	:	:	:	:	:
2.c	:	:	:	:	:	:	:
2.d	:	:	:	:	:	:	:
3.a	:	:	:	:	:	:	:
etc.	:	:	:	:	:	:	:
Totals	:	:	:	:	:	:	:

The results would then be aggregated on a master sheet. There are three types of possible outcomes of the first stage of the prioritization process: (1) clear determination of the preferred category, (2) random distribution of grades along the "universe" or (3) a cluster of high totals embracing three or more categories. The occurrence of the second outcome would indicate the need for better definition of the process, with emphasis on tighter definitions of the scope and nature of the criteria. The third occurrence would call for a discussion of the team member's reasoning behind some of the more extreme grades, and if necessary, a revision of either the criteria or of the group classification. In most cases a clear preference of the team will eventually emerge, although occasionally two, rather than one, category may have to be adopted. The entire methodological apparatus outlined above is designed, it should be reiterated, not to secure unanimity but consensus.

In order to illustrate the process of selection it may be appropriate, at this juncture, to relate, albeit briefly, the way in which the Design Team has tentatively settled on urban productive enterprises employing less than five employees, as the target beneficiary group in Zaire.

For a variety of reasons, the selection of the target group was not a deliberate one but rather the outcome of many discussions among the Design Team members, which took place concurrently with private sector assessment, official and unofficial visits and interviews and other activities which, in the case of the assessment teams, could and should be planned in a more efficient manner.

Indeed the need for and the importance of a methodology of target group selection, as an integral part of the project's design, arose out of the field experience in Zaire and was developed during the remainder of the Design Team's field visits.

The basic classification of the private sector enterprise was, implicitly, that of four major categories, to wit: (1) micro-enterprise with less than five workers, other than purely commercial, operating chiefly in urban areas, (2) small-scale enterprise employing between five and 50 employees, without distinction as to the nature of occupation or location, (3) enterprises with a work force of less than 200, and (4) over 200 employees.

The informal, and somewhat reluctant, consensus to focus on the first category, resulted from the preponderance of the following facts and opinions:

1. Employment in the first category is by far the most important form of employment. The number of productive enterprises, according to rather limited empirical evidence, accounts for over 80% of all enterprises and over 70% of all employed persons in Kinshasa and probably in the other major urban

centers. Furthermore, enterprises and entrepreneurs in this category often have attributes which indicate potential for expanded employment and output.

2. Many of the very poor inhabitants of urban areas belong to the first category. Many have no jobs at all or else eke out a meager existence in part-time or seasonal jobs, often performed in the "informal" sector of the economy. Their numbers are growing more rapidly than the population as a whole and certainly faster than the rate of increase in formal sector employment. Thus, they pose a threat to internal stability.
3. While the prevailing host country attitude in Zaire to the micro-enterprise is one of benign neglect, there is a growing realization of both its potential and the need to tap the productive resources of this sub-sector. Official policy is to encourage productive processes based on agricultural raw materials, using indigenous labor and producing for the local market. An umbrella organization of owners of enterprises, both large and small, is currently executing an innovative project in and around several provincial cities organizing and training small scale entrepreneurs along those lines, with apparent success. The forward linkage of agricultural production with local processing and marketing is fully consistent with a number of the mission's activities and would indirectly support such projects as health and nutrition.
4. There are indications that an advisor, properly placed, and concentrating on formulating a policy framework directly related to up-scaling the micro-entrepreneur would be both acceptable and effective. Moreover, such an advisor could be placed outside the regular government bureaucracy, yet due to conditions peculiar to Zaire, have access to power levers.
5. An advisor or advisors properly qualified and experienced could be found and placed without undue difficulty and with little resistance from any quarter whatever.
6. The promotion, training and assisting of micro-entrepreneurs is a wide-open field with few perceptible inputs, other than the pilot project in one province. It is also one where the U.S. would seem to have comparative advantage, partly because of its reputation and tradition, partly because of the consonance with existing programs, and possibly also because of the availability, from sources outside the project, of such inputs as Peace Corps volunteers and, occasionally, specialized skills and experience of the IESC.

Butchers, Bakers and Candlestick Makers

The derivation of the consensus based on the design's team experience in Zaire was, as indicated above, not a structured exercise. It was only gradually that the team members came to

regard the "micro enterprise" segment of the private sector profile with more than passing interest, pari passu with the acquisition of additional evidence and further corroboration of its significance in Malawi and Niger.

It may be appropriate, therefore, to devote some space to a description and analysis of "micro enterprise" not merely for heuristic reasons, but also because of the direct relevance of this segment of the programming process.

As it turns out, the "micro" segment is far more heterogeneous than is suggested by its earlier designation as "urban productive enterprises employing less than 5 employees". In point of fact, there exists, within that broad category, a good deal of divergence of organization types, of skills and occupations, of ownership and of almost every conceivable characteristic of business operation. Indeed, the micro term itself is a misnomer, inasmuch as some of the enterprises, even though not exceeding five members in their labor force, are none-the-less sizeable undertakings in terms of turnover, value added and asset value. The structure of the "micro sector" tends to be further obscured by frequent references in the literature to "proprietary", "informal" or "non-structured" enterprises, all of which somehow belonging to the penumbra of the modern economy. Nevertheless, the micro designation of the segment may serve as a convenient shorthand term, as long as its homogeneity and complexity are kept in mind.

Quite recently, there have appeared a number of empirical studies and investigations derived from censuses which provide hard data of considerable interest to development planners.^{1/} The most interesting and perhaps, at the same time the most surprising common thread of these studies is that, notwithstanding the wide variety of entrepreneurial activity within the micro segment in any one African country, the overall patterns show remarkable similarity from one African country to another. Indeed, it would seem that the butchers in Niger operate in an environment not unlike that in Zaire and that much of the activity of the candle makers in Malawi bears a good deal of resemblance to that obtaining in Niger. As for bakers, any general description of their problems could fit quite a number of countries including those with vastly different political orientations and development strategies. Among the more important common features encountered across the African continent appear to be the following:

- a) the average number of employees oscillates around a mean of 1.2 to 1.6, but there is considerable dispersion from the mean, the degree of which varies from country to country;
- b) the total number of enterprises in the micro sector is several times the number of the enterprises in the modern or formal sector. The same is true of the number of employed

persons. As a proportion of total non-agricultural employment in the private sector it ranges between 60 and 80 percent, or even higher, in countries in the early stages of industrialization;

- c) trading activities predominate and usually account for some two thirds of the total number of enterprises and of the number of employed;
- d) there is no strict congruity within the micro sector of "informal" or "non structured" enterprises, however these can be defined. That is, an occasional small unit of production with less than five workers may be found producing for the market rather than for specific order and be using modern equipment. By and large, however, the micro enterprises operate on the periphery of the modern sector in most countries for which more or less reliable data exist.

Of particular interest to the design team were some findings obtained from in-depth interviews of micro-entrepreneurs in Niamey. Contrary to often voiced opinions, many of the artisans, tinkerers and owner-managers, while of rural origins, were in the capital city not in search of jobs in the formal sector. Indeed, most of the respondents consider themselves quite content with their lot and believed that their income compares favorably with that, say, of civil servants.

Similarly, it would appear that the income, if not profits, of productive enterprises exceeded that of trading enterprises as well as that of shopkeepers, itinerant peddlers and a variety of other occupations including the euphonious "gargotiers-limonadiers".

These and other empirical findings, and observations in other countries, tended to corroborate the importance of the micro segment of the private enterprise sector as an operationally meaningful focus of emphasis and a possible fulcrum of project activities

Up the Down Staircase

A private enterprise profile which disaggregates production units according to size of the labor force assumes the existence of discrete steps in what is essentially a continuous universe. Nevertheless, the "staircase" classification is a useful concept, even if in actual operation the size of the labor force is rather elastic. A sole proprietorship may be said to double his labor force when a relative from the countryside acts as an "apprentice" for a limited period of time, or when the wife assists with the chores.

In concentrating on the lower steps of the staircase, the design team did not have to concern itself with the many still not fully resolved questions of development economics, especially whether or not total factor productivity of small scale enterprise is superior to that of large enterprise and whether this possibility together with "market imperfections" justify interventions in favor of small scale entrepreneurs.2/

The design team terms of reference have clearly mandated concentration on "small indigenous entrepreneurs" and specifically asked for modalities of interventions, albeit limited to two areas of concern: advisory or technical assistance inputs and training inputs. The terms of reference did not, however, point to the micro segment as the primary target for intervention. It is therefore incumbent on the design team to include in the technical analysis a justification for the target chosen.

The arguments for orienting the programming of project's activities to the bottom steps of the enterprise staircase are economic, social and ultimately, political.

The economic arguments suggest that to the extent that the most frequently voiced opinions in favor of preferential treatment of small scale enterprise are valid, they are, in most cases, equally if not more valid when applied to the micro-segment. Thus for example, the alleged advantages of small scale enterprises in employment generation, in lower capital intensity, in linkages to resource endowment-based raw materials, in relative immunity to exogenous disturbances, would seem to apply with equal, if not greater, force to the micro producers. A possible exception to this sweeping assertion could be found in the impact on the GDP. It is believed that whether as a proportion of total value added or of value added in manufacturing, the aggregate value of marketable goods and services produced by the micro-segment will be minimal. The latter proportion, for example, is said to be no more than 5% in Nigeria.

There are three counterarguments which could be made in defense of the micro-segment productivity. The first is that the value of its output is almost certainly understated, both absolutely and in relation to other segments of productive enterprise, especially in the developing countries of Africa. The shadowy character of many of the activities within the segment is seldom brought to the ken of officialdom. Registrations, licenses, tax returns and other paraphernalia of government statisticians do not usually come forth from within the micro sector. There is in fact a body of empirical evidence which indicates that the value of products of the micro segment is substantially above that hitherto believed, and quite comparable to the value added by the enterprises on the next step of the profile staircase.3/

The second counterargument contends that even if the present value added were insignificant, the micro producers have greater potential to add to a marketable value of goods and services than

any other segment in the profile, at a given cost and within a given time frame. Merely by adding one more worker per enterprise directed to market-oriented production the combined effect of higher factor income and higher value added would, via the multiplier effect, have a very sizeable impact on GDP indeed.

The last of the counterarguments is willing to grant the proposition that were equal inputs and other interventions applied to other forms of SME enterprise, the effects on the GDP could possibly be higher, but insists on preferential treatment of the micro-sector on social and political grounds. The social soundness of the micro focus is argued elsewhere in the Project Paper.^{4/} It has to do with equity aspects, with the intractable problems of absolute poverty and with dignity of labor and the psychic income of productive employment.

The political case for concentrating interventions on the micro sector can be stated very simply. The rate of growth of cities in Africa greatly exceeds that of the growth rate of the population as a whole. The combined effects of natural population increase and migration leads demographers to project fantastic numbers for the inhabitants of such cities as Lagos, Kinshasa, Nairobi and many others. The historical data and technical considerations make it clear that the formal sector will never provide enough jobs for the new entrants to the labor market. In short, unless something is done to improve the job situations in large cities they may well become a time bomb, which could explode at any time, bringing down the very fabric of society. It would seem logical to suggest that efforts to alleviate the situations should start at the periphery between the formal and informal sectors.

It would be presumptuous to claim that the economic, social and political arguments brought forth here add up to a rigorous analysis of a complex issue. At best, it suggests that concentrations of project's activities on the micro-sector is not without merit on conceptual grounds. A more pragmatic justification of the design team's choice will be given in the succeeding sections of the Technical Analysis.

The Programming Component

As stated earlier, the Project's interventions or activities are limited to the provision of advisors and of training resources. In this section of the Technical Analysis, the nature of these inputs will be clarified with a view to providing some guidance to the Assessment Teams who will be responsible for the preparation of the scope of work for those who in turn will be engaged in actual programming in the self-selected countries.

It may be convenient, at this stage, to discuss separately the nature of the "policy" advisors and of the training inputs.

Policy Inputs

Based on the field experience of the Design Team in reviewing the policy environment in Zaire, Malawi and Niger, it is essential that a concise distinction be made at the outset between two kinds of policy constraints. The first is the kind of policy which is generally macro-economic in scope and effect and which by affecting the economic performance at large, inevitably impinges deeply on private sector choices and decisions. Among such policies are budgetary and fiscal policies, tariff and foreign exchange policies, price policies and those pertaining to the operation of the parastatal entities.

The second kind of policy environment are those which chiefly affect a particular sector of the economy and, consequently, a particular segment of private enterprise. Moreover, these policies are frequently couched in the form of administrative ukases and regulations, which, even if actually enforced and implemented, seldom have behind them the degree of political commitment which underlies the former kind of policy constraints.

However imprecise the distinction, it is of critical importance in formulating project's activities in the participating countries. Thus, for example, the low prices relative to the world price paid to tobacco smallholders in Malawi may be deemed deplorable on equity grounds and inefficient on economic grounds but it is an issue where, pragmatically, little change can be effected through project's activities. In fact, the pricing policy of the marketing agency (ADMARC) could be defended on a variety of grounds. The point is that a complex policy issue which goes to the heart of a country's development strategy is not one where, by and large, an AID-supplied advisor could be most effectively placed. That is not to say that on a high policy dialogue level conducted routinely by the Ambassador or the Mission Director with responsible officials of the government, the issue should not be discussed and suggestions made, but that it is extremely unlikely that, say, the government will accept an American advisor attached to the Economic Planning Bureau at the Presidency and/or abide by his advice. Moreover, such policy advisors are usually in place in most African countries under the aegis of, say, the IMF or the World Bank with resources and leverage unlikely to be matched by American advisors. On the other hand, a U.S.-supplied advisor would be much more effective when operating in a more specialized area, especially one contiguous to AID Missions projects and programs.

Reference has already been made to the situation in Zaire, where an advisor attached to the country-wide Chamber of Commerce could effectively promote, coordinate and facilitate the kind of activities which have impressed the Design Team. These projects, funded by UNIDO but executed by the Chamber of Commerce (ANEZA) combine local raw materials with local skilled labor to produce

goods and services for the local market. The advisor would interpret the term "policy" in the sense of affecting positively the environment in which the propagation and replication of similar projects could thrive. This "policy" advice could include such things as formulating rules and regulations which would be helpful (i.e. relaxation of unduly high quality standards on certain manufactures), suggesting innovative means of financing the production process (possibly via a system of "progress payments") and generally promoting the expansion of the kind of activity currently being tested in the Kivu Province (say, by "lobbying" for appropriate inputs among other donors).

In Malawi there would appear to exist a possibility (albeit less clearly defined) to place an advisor, say, at the Ministry of Trade and Industry, which is overseeing employment creation activities in the countryside (District Growth Centers) on the one hand, and supporting efforts to assist very small scale entrepreneurs in Blantyre (SEDOM), on the other. An AID-supplied policy advisor would formalize the linkages, backward, forward and lateral, and develop methodologies, systems and processes to strengthen these linkages. The point cannot be overstressed that AID-supplied technical assistance in the form of advisors will be much more effective on the operational level directly affecting the target group, especially when such technical assistance is consonant with and in support of Mission's strategy in the host country, as reflected in AID-funded projects.

There may arise special circumstances under which a high level policy advisor could be effective, but such circumstances will occur infrequently and when they do, may call for an advisor other than one provided under an AID-funded contract. One such possibility would be to place a highly skilled and experienced financial economist, fluent in French, at the African Development Bank in Abidjan. A competent professional could gradually influence the lending policies of the ADB and thus, indirectly, those of member countries. In order to place an American advisor at the ADB in a position of influence, it would seem necessary to insure that his contributions are heeded and seriously considered, perhaps by virtue of being a member of a diplomatic mission formally accredited to the Bank.

Training Inputs

Training components of the Project are discussed more fully in Annex B of this report. Technical analysis will concern itself with only two aspects of this large question.

The first aspect was alluded to earlier (see page A-2) in connection with the "action component". Were the funds currently earmarked under the PID for "Regional Institutions" training set apart under the proposal, the conceptual framework could be clarified in that training inputs could then be related more directly to the technical assistance inputs. The second aspect of training

dealt with here is to insure that training inputs are both subject-specific and location-specific and, even more importantly, that they dovetail with the efforts of the "policy" advisor.

In fact, the sharpening of the conceptual focus resulting from divestiture of a portion of the PID funding to the "action component", means that both kinds of inputs available under the project could be combined and synchronized in a way designed to mutually reinforce the impact of any activity or intervention to be programmed in unison with Missions in each participating country.

In general, the training inputs would concentrate on the transmission of skills to the entrepreneurs on the lower steps of the profile staircase, whether or not they fit snugly into the micro-sector. In most cases the transfer of skills, technical, managerial or entrepreneurial, will form an integral part of the activity promoted or coordinated by a policy advisor.

To illustrate: In 1973 in Zaire, for reasons of high policy there arose an immediate need to train bakers in Kinshasa. The task was undertaken on a crash basis by an institution concerned with the promotion of small-scale enterprise (OPEZ). It used the bakeries deserted by their former owners-operators (who were invited to depart the country) to train indigenous bakers, on the site, by actual demonstration, using hands-on methods.

The effectiveness of this approach to training could conceivably have been even greater had the transfer of skills been conducted not only as a part of the project itself, but as a part of the job itself. There is no greater incentive to learn promptly how to bake a loaf of bread properly than to know that a bad loaf will not be paid for.

The basic principles of this form of training can be extended to other skills, including the keeping of simple records, financial transactions, and loan applications although, admittedly, the transfer of production skills will be most important for very small entrepreneurs. Above all, the programming of training inputs must be seen as an adjunct of policy advice. Thus, for example, were our advisor to suggest that the craftsmen in Malawi's District Growth Center coordinate with more specialized artisans in Blantyre to build donkey or oxen-drive carts, and work out an organization and financial scheme for that purpose, the nature and delivery systems of training inputs would become quite clear and definite.

In this context, it would seem highly desirable for the training inputs funded under the Project to contain elements serving dual purposes, first, that of teaching devices and, second, as a part of the production function. For example, if axles for the carts are to be made in the city, by widely dispersed craftsmen, a mobile workshop could be made available, performing both as a laboratory and as a fixed asset.

The Triple "S" Approach

The strands of the technical analysis were spun in order to weave a whole cloth to drape an "ideal type" activity consistent with Project objectives and resources. Before such an activity is spelled out, however, it may be useful to state briefly the general approach underlying the formulation of the "ideal type". The triple S approach suggests that symbiosis, synergy and serendipity are the key elements which should guide the programmers in any participating country.

A symbiotic activity will be one which insures that the linkages between and among existing and planned strategies and programs in the host country are improved and reinforced as a result of the Project's intervention, be its advisory or training. At the same time, the impact of the Project's advisory and training inputs should be enhanced by its connections with existing projects and programs. The symbiotic relationship is particularly important in relation to U.S. Mission projects but of significance also vis-a-vis those of the host country and those of other donors.

The synergy element is one where Project activities' points of contact with existing programs and projects enhance the viability of the whole. In simplest terms, the conjunction of existing and planned in-country programs and projects with the activities under the Project results in a total benefit/cost ratio which is greater than the sum of the individual activities.

Symbiosis and synergy are clearly related both conceptually and in practical application. An advisor able to organize an efficient system of producing, financing and marketing ox carts and at the same time induce the provision of training equipment which facilitates fabrication of metal components will, hopefully, improve the income of small-scale craftsmen in both city and country and at the same time increase the productivity of primary agricultural producers. In fact, the reverberations may go beyond those immediately involved in the related activities through indirect effect on consumer demand, saving accumulation and capital formation even though these secondary and tertiary effects may not be readily perceptible in a localized and small-scale system.

Serendipity is a more elusive element of programming. Indeed by definition it cannot be programmed at all. But there exist certain objective conditions which would seem to be propitious for the occurrence of serendipitous events. Among such objective conditions may well be the very nature of the target group. A very small entrepreneur working with local materials, at a low level of technology, to satisfy the needs of a local market, is

more prone to experimentation, to trial and error, to improvisation, than would be a large-scale enterprise whose production function is fairly well defined by the existing costly fixed capital and whose market is fairly set in its tastes and preferences.

A classic case of serendipity occurred in just that setting. When Thai sericulturists attempted to grow Japanese type silk, the spinners and weavers found that the cloth contained imperfections and knots which made it impossible to market as a substitute for Japanese silk. Somehow, the coarse stuff caught the fancy of buyers, however, and Thai silk became a valuable addition to the economy. What started as a grievous error became a fabulous success. There are reasons to believe, although they are rather difficult to document, that all three key elements, symbiosis, synergy and serendipity, would thrive best in an environment which is relatively uncrowded. That is, a Project-funded activity would benefit most from the "triple S approach" where other donors fear to tread. It is by filling the long-standing gaps between programs and projects that the interventions would be most effective and far reaching. Fortunately, the concentration of Project activities on the micro-sector is not likely to run into much competition. As suggested earlier, in spite of the growing interest in the micro-sector, so far the major donors have shied away from this segment of private enterprise. This may well be a new frontier in development assistance and one that AID would do well to take seriously.5/

The "Ideal Type" Activity

The description of an "ideal type" activity will be couched in the form of a scenario, whose actors and setting are real, but whose plot is not.

The AID Mission in Niger is currently undertaking a project to assist cattle producers. The details of the project are not directly relevant except to indicate that cattle is an important activity and that both the quantity and quality of output is a significant element in Niger's economy.

There is also in existence a tannery, the only one in Niger, which was formerly owned and managed by French nationals but which has long since passed into Nigerien control subject to one important proviso. Virtually all skins produced by the tannery must be sold to processors in France. The tannery issue has been broached by the American Ambassador whom the Minister of Commerce and Industry invited to submit proposals for another competing tannery, whose output could be processed locally.

There is also in Niger a large group of skilled leather workers. They produce finished leather goods mainly for the meagre tourist trade, out of leather whose quality is far below international standards.

The AID Mission Director recognizes that the effectiveness of the livestock support program could be enhanced were downstream processing and fabricating facilities in place, and has expressed an interest in considering such programs in the context of Mission programming.

Given these elements, plus some others which will be mentioned below, the Niger setting appears suitable for a activity under the Project which, in principle, approximates the "ideal type".

Such an activity would combine the services of an advisor with training inputs in order to conceptualize, promote and facilitate the tanning of hides and their processing and fabricating into finished products partly for export but chiefly for the local market.

The advisor would not be directly involved either in the construction or the operation of the tannery or fabricating workshop. Rather he would help to formulate policies, systems, and procedures, most likely within the Ministry of Commerce and Industry, designed to bring into existence these activities, in the first instance, and later to extend these systems and procedures into other activities linking local primary producers with small-scale processors and fabricators and with distributors.

Such a policy advisor would thus function as a promoter, catalyst, and facilitator. Starting with the cattle-leather finished goods chain, he, if successful, would bring into existence a government-cum private sector machinery for similar links elsewhere.

In the initial stages of his activity the advisor would actively seek the support of government and private agencies, multilateral and bilateral donors and others (i.e., PVO's) to fund and otherwise assist the various links in the chain. In Niger that should not be a futile task. In addition to possible AID Mission involvement, the World Bank, UNIDO and others are actively engaged in promoting small-scale enterprises in a variety of ways. The most interesting aspect of the institutional setting in Niger is the existence, in addition to the usual preferential credit and technical assistance agency, of a fund especially created to assist SME. This institution, FIPMEN, is one of the very few extant in Africa which actually supplies the minimum equity to entrepreneurs seeking bank loans. It is a government fund, so far more active in guarantees than in participation finance, but one which could possibly fill one of the most bothersome gaps in programs to assist very small entrepreneurs.6/

The training inputs available under the Project could also be used to fill in the gaps in the system's chain of production, whether in training in skin treatment, in operating machinery, or even in marketing of finished products. To satisfy specific

needs, training inputs could include, say, leather fabricating machinery to be used both for demonstration and for production purposes.

This bare essence of the activity would need to be filled in during the programming process. The scenario should, however, indicate the kind of activity which the Design Team considers as a pragmatic model derived from the technical analysis. It fits in well with most of the criteria, desiderata and advantages touched upon in the preceding sections of the analysis.7/

Costs, Benefits and Risks

The formulation of an "ideal type" activity has, in addition to its primary programming purpose, the attribute of being amenable, at least in principle, to an approximation of a cost-benefit analysis.

One approximation, and probably the best one under the circumstances, is to concentrate on increasing productive employment, which may be said to ensue from the application of the Project's inputs in the form of "policy" advice and training facilities and equipment. This benefit, strictly speaking, is impossible to estimate, inasmuch as the effect of the input supplies will be, at best, an indirect one. To deal with this problem it can be said that so long as the "cost" of every additional job attributed to the activity is below, say, U.S.\$3,000, the activity will be a moderate success. The \$3,000 figure is consistent with that derived from activities of the World Bank in the area of supporting small-scale enterprise and with information obtained from donors in Zaire and Malawi.

This leaves the problem of estimating both the costs and the benefits--especially the latter, wide open, but this is inevitable. In actual implementation, the approximation of the costs of the activity should not be too difficult, comprising chiefly the cost of maintaining the advisor(s) and the costs of training inputs. What will be much more difficult and arguable is the estimation of the increase in employment which could reasonably be attributed to the inputs provided. In this connection one would do well to bear in mind that both the advisor and the training outlays are meant to operate indirectly via their impact on the production chains facilitated thereby. This, while making estimates more complex, has the advantage of introducing the "gearing" element. That is, if as a result of the advisor's initiatives more financing to small enterprise is made available and effectively utilized than was the case before, then the impact on employment will be multiplied. Thus, for example, if it were estimated that one dollar of advisor cost induced three dollars of additional financing, the cost of job generation may be said to have been reduced by two-thirds.

Turning to risks, it cannot be gainsaid that they are greater than is the case with traditional projects both because of the rather novel approaches to job generation and because of the uncertain effects of such indirect inputs as policy advice and related training outlays. But, on the other hand, and taking the "ideal type" suggested for Niger as an example, the total cost of the proposed activity should be below \$400,000 per annum, so that the absolute risk appears affordable. In conclusion, the interventions and activities on the lines indicated appear warranted. It should be emphasized however that, at least initially, spectacular results should not be expected. Promotion of very small-scale enterprise is a slow and difficult process, and if undertaken as it should be, at first, on a very modest scale, would require a good deal of patience and forbearance.

ADDENDUM TO TECHNICAL ANALYSIS

The thrust of the Project Design is clearly that of focusing on micro-enterprises, preferably urban producers with under five employees, as the primary beneficiary target for activities and interventions using available inputs in conjunction and coordination with congruous activities of other donors and of the host countries.

The arguments in favor of such emphasis, presented in the Technical Analysis, have bypassed a crucial question, namely, is it in fact possible to design projects to assist this segment of enterprise in a manner which is not only cost-effective, but at all practical in managerial and organizational terms? This large question was sidestepped in the Technical Analysis, which dealt with economic rationale and cost-effectiveness of only two of the many possible inputs, i.e. policy advice and training. In this limited context, it is arguable that the suggested focus will, in fact, be both efficacious and cost-effective. But this tentative conclusion reached at the end of the Technical Analysis hinges on the concurrent success of many activities which must be reasonably successful and efficient to justify the outlays on technical assistance and training inputs. In the "ideal type" scenario, the policy advisor can devise, train, analyze, coordinate and promote to his heart's content, all to no avail, if tanners, processors or leather fabricators cannot be organized into a reasonably efficient production unit, if the quality of raw hides remains deficient, if financing and marketing schemes fail, and so on. The evidence to date regarding actual efforts directly concerned with assistance to micro-enterprises is not too encouraging, nor is the dearth of such projects sponsored by major donors.

Experienced development planners, while acknowledging the potential and significance of micro-enterprises in growth strategy, are not convinced that the current state of the art in development assistance justifies the expenditure of bilateral and multilateral funds from official sources, except in a number of Latin American countries where some quasi-public entities have participated in such programs and projects.8/

The Design Team does not pretend to be in possession of an implementable blueprint for action of direct use to AID. It can, however, offer a number of suggestions and pointers based on field experience of the Team members, which may be of more than theoretical interest.

In the first place, an effective program or project of technical assistance to enterprises at the micro-level must contend with the deeply seated attitudes and beliefs, not always discernible or voiced, which impede the success of the assistance activity. A few of the more significant ones are briefly noted:

1) Whenever the activity is one where suppliers of raw materials are linked to processors and then to distributors through some more or less binding arrangements regarding price and quantity, there arise problems with quality, especially in the case of the primary producers. For a variety of reasons, suppliers that are under contract to deliver a given quantity of skins to a tannery will neglect to monitor the quality of the delivered hides while insisting on the agreed unit price.

2) Most activities which require credit assistance at one stage of another run into problems of arrears and outright default. Often this is due to the perceptions of the borrower that the money advanced does not absolutely need to be paid back. An occasional variant is that money borrowed on concessional terms, rather than used for the productive purpose intended, is either re-loaned, at a profit to others, or else dissipated for consumption purposes.

3) Even in those few instances where financial arrangements are more daring and more appropriate (i.e., participation finance or transaction finance), there is a strong reluctance on the part of the small-scale entrepreneur to avail himself of them due to his mistrust of the partners, fear of losing control, perception of the magnitude of risk and so on.

4) In a number of countries the tradition of thrift, the work ethos and the habit of day-to-day diligence in the conduct of business affairs are not firmly rooted. As a result, an initially successful enterprise often deteriorates and fails.

Secondly, quite apart from these attitudinal obstacles to the successful promotion and expansion of micro-enterprise, there are the difficulties of programming an actual project. The nature of these difficulties vary but they usually include the following:

1) It is not easy to identify the beneficiaries and to organize access to them. Not only is the micro-segment rather a heterogenous one, but many of the entrepreneurs operate, consciously and deliberately, outside official scrutiny and resist any attempt at what they consider interference. In the informal sector, in particular, some of the productive activities may be illegal or immoral (but seldom fattening). The brewing of "pombe" in East Africa is a rather widespread activity that is not easily penetrated even by Americans bearing gifts.

2) Once access to the target group is somehow secured, it is not easy to organize and administer the contractual obligations, explicit or implicit, in almost any project. The delivery of inputs, the collection of output, the payment of obligations and so on, pose vexing logistic problems whenever the beneficiaries are dispersed and mobile and when the linkages are equally so.

3) Finally, any reasonably practical system of access, of organization and administration, which manages to cope with and overcome the impediments discussed above will tend to be both complex and costly and, more importantly, will run the danger of collapsing after the technical assistance, material inputs, surveillance and monitoring provided by donors are withdrawn.

Are there any better ways? What is called for are innovative approaches to delivery systems, to financing arrangements, to administration and supervision which offer some hope of success for programming projects of assistance to the micro-enterprise at an affordable cost with permissible levels of risk.

At this point, only some broad lines of approach can be offered, to wit:

1) To cope with the attitudinal obstacles, incentives should be built into the project which rely on peer group pressures to counteract them. Thus, for instance, a village elder or a clan chief may be made responsible for the quality of hides delivered, and be paid a bonus if the amount of good quality skins exceeds some stated minimum, and, conversely, pay a fine if it does not.

2) Whenever feasible, the project should insert self-interest, combined with group participation, into organization and administration. Be it in financing arrangements, in surveillance or monitoring, a system of rewards and penalties should be introduced. In particular, an effort should be made to adapt to micro-enterprise some of the techniques and devices applied to supervised group credit schemes for primary producers.

3) Projects should be organized on hard-nosed principles of economic and commercial viability. Social, religious, ethical and political objectives should not be comingled with sound managerial principles. The best charity donors could render to micro-entrepreneurs is to make sure that they understand that in order to prosper they have to rely on their own efforts, spirit, and diligence.

These suggestions are easier said than done. But there is some hope, as is evident from the long experience of donor groups with extension services for primary agricultural producers where the road was long and arduous, but where achievements can be noted. An extension-like effort directed to micro-entrepreneurs, who after all have already demonstrated some willingness to take risks, is well worth undertaking.

FOOTNOTES

1. See, for example, a survey of the non-structured sector in Niamey recently published by PECTA (Addis Abeba, 1982): The methods and findings of this survey are reviewed in Annex E below; PECTA has completed similar surveys in several other African countries, chiefly in Francophone West Africa.
2. See, in this connection: John Page, "Some Economic Considerations in Small Enterprise Development" (Mimeo), prepared for African Regional Meeting of Donor Agencies on Small Scale Enterprise, Abidjan, June 1983.
3. See Egyptian Small Enterprise Project files at Checchi and Company.
4. See Annex C.
5. Time constraints prevented the Design Team from exploring fully the challenges and opportunities incident to projects and programs designed specifically to "up-scaling" of micro-enterprise. See, however, the Envoi below for some preliminary thoughts on the subject.
6. Experience worldwide indicates that the real financial problem facing very small enterprise is not "credit" as such. In almost every country the supply of credit on preferential terms available to small enterprises (albeit seldom to micro-segment) is underutilized. The question of what forms financing of small producers should take is a complex one and cannot be dealt with here. See, however, "Financial Aspects of SMED" (USAID/Manila and Checchi and Company files).
7. The preliminary Project's budget, presented in the PID, provides over \$1 million for 42 months of "short-term technical assistance." It is not clear what is the nature of this form of assistance. If highly skilled specialists (e.g. tannery operators, leather good manufacturers, experts in industrial application of leather, say, as transmission belts) could be funded out of this item, the effectiveness of the Niger activity, as well as other activities elsewhere, would be greatly enhanced. It is to be devoutly hoped that the PID, if not bottomless, could be dug into for such worthy purposes.
8. The field experience with micro-enterprise assistance programs has so far been largely derived from activities of charitable, religious, and other eleemosynary bodies, where the objectives and methods were not exclusively economic. See, C.L. Smith and B.A. Tippet, "Study of Problems Related to Scaling Up of Micro-Enterprise Programs, Phase I", prepared for the Urban Development Department, the World Bank (August 1982).

Annex B

TRAINING ANALYSIS

State of Training

Data on training of small entrepreneurs were collected through interviews, observation and documents in Cameroon, Kenya, Somalia, Botswana, Malawi, Ivory Coast, Upper Volta and Senegal. Particular importance was given to visits to and discussions with five regional training institutes. However, 18 national training bodies and three government private entrepreneurship promotion offices were also visited, as were two ILO offices. It was also possible to meet with two groups of private entrepreneurs and have discussions with a number of individual private businessmen.

It was found that training efforts are already reaching some of the project's target population. These, however, represent no more than a small percentage of the vast numbers of micro entrepreneurs badly in need of training.

Some training being done is innovative. For example, some training organizations, instead of expecting entrepreneurs to come to them, use mobile units to get out to their workplaces. But on the whole the training done by the 18 organizations visited could be improved considerably.

Those training small entrepreneurs do not agree on what type of skills and knowledge they need. Some trainers stress accounting and other kinds of management skills whereas other trainers teach nothing but technical skills. In fact, experience has demonstrated that owner managers of small businesses have to possess management skills as well as understand the technical process.^{1/} So it is obvious that much training of entrepreneurs cannot be providing them with all that is essential.

The training methods used to impart identical skills to entrepreneurs of the same kind differ notably. Some trainers interviewed emphatically stated that training does not work, that the only way to help the micro entrepreneur is through one-on-one advising or consulting. These trainers obviously equate training with a one way classroom, where teacher teaches and the pupil listens; they don't know that working one-on-one with trainees is one of many techniques used in good training and an indispensable one in many situations.^{2/}

Review of documents made available by the ILO, which over the past 30 years have built up a wealth of experience in training micro entrepreneurs, revealed that not all trainers are so limited in their understanding of training methodologies. Some trainers

of micro entrepreneurs in Africa - apparently a small minority if the 18 training organizations interviewed are at all representative - do use a variety of sound training techniques, including, for example, bringing micro entrepreneurs together in small groups and creating an atmosphere resembling a business meeting more than a classroom, so that the entrepreneurs can exchange experiences and learn from one another. Training of this type frequently is more cost-effective than one-on-one coaching. In addition, training techniques like role playing, small group discussion and solution of trainees' real life problems result in a type of learning otherwise absent.

Some good research has been done on why some micro enterprises succeed and others fail. Unfortunately, this research does not reach - or is not heeded - by those in training and entrepreneurship promotion organizations who could profitably use it to redirect their efforts. As a result, identical mistakes are repeated over and over.

Few trainers, despite their deficiencies, participate in programs of continuing education to upgrade trainers like themselves. Several regional institutes have a course on micro enterprises, but trainers rarely attend. Not because of unwillingness necessarily. When mentioned to a general manager in Malawi with 20 trainers/advisors in the field that ESAMI has a course on small businesses, he was delighted to learn of this. He had never heard of ESAMI.

Selection of those to be trained in entrepreneurship leaves much to be desired. Concern to solve the problem of unemployed school leavers often is the sole justification for a project that aims to teach those just out of school, with no business experience of any kind, how to launch a new enterprise. Those responsible for launching the project either do not know of the very high failure rate among candidates of this sort, or they do not care. Thus, though experience has shown that projects to assist existing businesses to improve or expand have attained a much higher success ratio, attempts to train would-be entrepreneurs or unemployed school leavers continue to be in vogue and to consume scarce resources.

A great many of those active in the promotion of small-scale private businesses acknowledge the preceding. Uneasiness is widespread. Criticisms voiced in the recent conference on small business development in Abidjan 3/ are echoed by small business development project managers, who recognized the need to do better and are looking for ways to do so.

Assessment of National Training Organizations

The PIO/T mandates the identification and evaluation of prototype national organizations capable of training the target population of entrepreneurs. The PIO proposed for these organizations

a specific level of support, designed to supplement but not supplant assistance already being received.

In most countries visited the only national organizations - if national is taken to mean reaching out to the entire country and the whole target population - are the government offices for the promotion of private businesses. Usually, however, such promotion offices do little if any training. Information was obtained on 18 training organizations, which are national in the sense of their operations being confined to one country, though not national if this term is understood to mean that they have the primary responsibility for training the target population throughout the country.

These "national" training organizations vary considerably in the composition of their professional staff, the amount of attention they devote to the target population, and the kind of training methodologies they know, believe in, and use.

Due to limitations of time and the priority accorded to assessing regional institutes, it was not possible to observe in the act of training any of the 18 national organizations visited, nor was it possible to review in detail their training designs and methods. Still, enough information was gleaned through interview probes to form some sense of their approach to training and their methods.

Some of these national organizations, as indicated previously, restrict their training to one-on-one, customized coaching. Some of them do it well, others not so well; understandably, since their trainers/advisors at best are content experts, and not professionally trained or qualified trainers. Outside of one case no evidence was found in any of the national training organizations of a comprehensive understanding of sound training practice or contemporary learning theory. This is not to say that it is completely lacking. It is to say that, if present, it is rare.

Some of the national organizations visited, for example, the Polytechnic division of the University of Malawi, are presently doing no training of micro entrepreneurs. However, they could be interested in doing so, provided such training were adequately financed. There is doubt that micro entrepreneurs would ever be in a position or be willing to fund such training. There is no doubt that initially, until such time as entrepreneurs have received training that they see is of great benefit to them in their businesses, outside funding would have to be obtained.

The national organizations presently doing training of micro entrepreneurs are obtaining a very minor part if any of the cost of the training from their trainees. Presumably at some time in the future micro entrepreneurs already in business will have to

shoulder the expense of their training. This makes it more important for national organizations, whose training costs per trainee are usually quite high, to learn and use training techniques that will reduce costs per trainee.

The national training organizations visited and assessed are doing some effective training. If their trainers learned to practice the full spectrum of training methods and did a better job of selecting trainees likely to succeed, they would be far more effective. Where can they get help in upgrading themselves to the level of professional trainers? The logical place to look is in the five African regional institutes assessed.

Regional Institutes

All five of the regional institutes visited have well qualified staff, among them a good percentage of PhDs and MBAs. Their physical facilities for resident participants are satisfactory. All, with the exception of ESGE in Dakar, are truly regional, though in varying degrees. ESGE can be considered a regional institute only insofar as it accepts students from other countries to study in Dakar.

The other four, CAMPC in Abidjan, PAID/IPD with francophone institutes in Upper Volta and Cameroon and anglophone institutes in Cameroon and Zambia, ESAMI in Tanzania and IDM in Botswana, have a high percentage of resident students from several or many countries. They also have contacts with their constituent countries stretching back several years, thanks to their having conducted short courses and done consulting and research in countries other than the one in which they are based. Almost all of their staff is African, drawn from a number of countries. Their work is highly regarded and valued, though in some countries a feeling that "they're not ours" and "we can manage without them" surfaced.

The small scale enterprise (SSE) sector has not been a central activity of these institutes. However, all four have great interest in SSEs and have staff with experience in SSE teaching and research. All, among their numerous course offerings, have one on the SSE. ESAMI and PAID/IPD, each with three or four staff members experienced in SSEs, are the best equipped to expand their SSE activities. Though CAMPC and IDM have but one SSE expert each, these probably have more familiarity with SSEs than those of the other institutes.

The regional institutes have the ability to train the trainers of national small business extension or support services, and they know how to do needs assessments and develop sound training materials. All in all, they are well positioned, despite their limited experience with SSEs, to provide a level of SSE

sophistication and of expertise in training methodology that could be of great assistance to the national training organizations - especially if a way could be found of consolidating their SSE expertise in two regional SSE centers.

On the basis of information obtained to date it seems the regional vehicle best able to provide support to national training organizations would take the form of a joint ESAMI/PAID/IDM effort for anglophone Africa with Arusha, Tanzania as a base and a combined CAMPC/IPD effort for francophone Africa with Abidjan as its base. Considerations of ease of travel for national organization constituents, physical and documentation facilities, and place of residence of most of the institutes' professionals involved are what make Abidjan and Arusha seem better sites.

An effective model for small entrepreneurship training does not yet exist. It has to be developed and perfected - a formidable task. This is why, despite the complications accompanying a collaborative project on the part of distinct, geographically separated institutes, it is desirable for the four regional institutes to pool their expertise in order to operate in two integrated vehicles.

Assessment of Individual Regional Institutes

ESAMI (Eastern and Southern Africa Management Institute) is based in Arusha, Tanzania. The institute has expressed keen interest in serving as a support body to national organizations and appears well equipped to do so. Besides an administrative staff of six professionals, it has 22 full-time trainers/consultants, among whom are seven MBA degrees and six PhDs. In addition, the institute uses a considerable number of occasional lecturers and consultants. Besides long-term resident courses at Arusha, ESAMI frequently goes out to other countries for shorter courses and consulting. Its reputation is well established, especially in Uganda, Tanzania and Kenya, the countries it was originally established to serve. In recent years it has begun to develop relationships with the Zambia and Zimbabwe Development Institutes. Like all the institutes it has a problem being accepted by some of the countries within its regional outreach; in Malawi, for example, an official of the Ministry of Trade and Industry spoke well of ESAMI, but added that Malawi did not need ESAMI's assistance in developing small-scale industries. ESAMI has four trainer/consultants with experience in SSE development. These can be made available for the project, provided that another staff member could be recruited to free them from part of their present duties.^{4/}

CAMPC (Centre Africain et Mauricien du Perfectionnement des Cadres) is based in Abidjan, Ivory Coast. In its organization and focus CAMPC bears much resemblance to ESAMI. It has been in existence fewer years than ESAMI and is considerably smaller. Full-time staff number only nine. These are complemented by over 50

occasional lecturers. CAMPC has one well qualified staff member with considerable experience in small business development. At present SSEs claim only about 20% of his time. The principal constituents of CAMPC are the eleven francophone OCAM countries, who also provide a major part of its funding.5/

PAID/IPD (Pan African Institute for Development) is headquartered in Douala, Cameroon. It has francophone regional institutes in Upper Volta and Cameroon and anglophone institutes in Cameroon and Zambia. In its four institutes PAID has in excess of 50 full-time staff, many of whom are highly qualified and experienced. PAID has some experience relevant to the development of small private businesses. It has a history of 15 years of service to virtually all sub-Saharan countries and is well regarded. A major part of its funding comes from donor agencies outside Africa.

IDM (Institute of Development Management) is headquartered in Botswana with resident facilities also in Swaziland and Lesotho. IDM's focus and experience is similar to PAID's, but its outreach is much more limited. Though it has had students from Zimbabwe and Zambia, most of its work is in the service of Botswana, Lesotho and Swaziland. John Hunter, its director, has done several pieces of excellent research on the causes of failures and successes in micro businesses.

ESGE (Ecole Superieure des Entreprises) is located in Dakar, Senegal. An impressive new establishment, it appears to be off to a fine start. Although it has a few students from other countries, its orientation and constituency is predominantly Senegalese. To date, its work in private business training has not gone below the level of medium sized businesses. At this time it is not appropriate to consider it as a regional institute, especially since its interest in such a role is not strong.

ILO (International Labor Organization) has 30 years of experience in training small entrepreneurs in Africa. Visits were made to an ILO regional office in Dakar and to their panafrican information center in Abidjan. While the ILO is not a regional institute of the type discussed above, it appears worthwhile for the project to look for a way to tap into the extensive experience of the ILO in training micro entrepreneurs. Several of their people have specialized in this area. Those met in both Abidjan and Dakar expressed keen interest in participating in the project if feasible. It would be good to invite an ILO representative to the regional working conferences proposed later in this analysis.6/

INADES (Institut Africain de Developpement Economique et Social) is headquartered in Abidjan and has INADES- Formation offices in several francophone and anglophone countries in Africa. Our interest in INADES stems from the excellent work it has done over the last twenty years in developing and disseminating very simple correspondence courses on a variety of subjects. It has recently produced in both French and English a management course

that could either be used in its present form or adapted for training of micro entrepreneurs. The units of the course cover subjects like how to plan, how to manage time, how to communicate effectively in speech and in writing.

Regional/National Network

The objective of a regional/national training network would be to use the regional institutes, with their more qualified staff and sophistication, as an instrument of support, coordination and guidance to the national training organizations, so that national trainers could become more proficient and effective trainers. Most trainers of small entrepreneurs and others recognize the value of this and would welcome the assistance of the regional institutes.

The desirability of investing in a regional/national training network is also supported by evidence that significant research has been done and much experience acquired that is not readily accessible. This needs to be shared much more widely with national trainers and applied by them.

Immediate attention, therefore, should be accorded to the establishment of a mechanism that would enable the key figures capable of contributing to the improvement of entrepreneurship training, together with those responsible for carrying it to the entrepreneur's work site, to share insights and experiences, in order to decide what needs to be done and concur on what each is willing and able to do.

The initial step in establishing such a mechanism would be to hold two working conferences, of one week's duration. A francophone conference in Abidjan and an anglophone one in Nairobi, Arusha or Kabwe. In the francophone conference the participants could be:

1. the small business specialists of CAMPC and IPD;
2. one government and one or two training organization representatives from each interested country;
3. an ILO micro business expert;
4. the REDSO/Abidjan person responsible for private sector development;
5. an AID/W and/or contractor representative.

Participants in the anglophone conference would be those mentioned in 2, 3 and 5 above, as well as the small business specialists of ESAMI, PAID and IDM.

The working conferences would determine, by studying cases of successes and failures and drawing on research, evaluations and experience, what works and what does not work in small business training and development. The agenda could include the following:

- listing DO's and DONT's that should govern small business development projects;
- preparation of profiles characterizing the type of entrepreneur and the scale of enterprise likely to succeed and to produce economic benefits for the nation;
- identification of the target population on whom training resources should be concentrated, including bankers and policy makers, as well as trainers/advisors and entrepreneurs;
- determination of the specific knowhow and skills, in marketing, finance, inventory control, etc., crucial to the success of micro entrepreneurs;
- outlining of the strategies and methodologies which national training and advisory organizations should use to optimize their impact on small businessmen;
- specification of the kind of support national organizations need and can get from the untapped resources of regional institutes, ^{7/} and the role, specialization and constituencies or territories of each. (Depending on the expertise and availability of experts in the regional institutes, this support could assume the form of working with national organizations in conducting a diagnosis of training needs, training of trainers/advisors, selection of micro entrepreneur trainees, evaluation of training projects, organization of periodic regional or national working sessions to share experiences and analyze case studies, dissemination of information or publication of a newsletter, development of curricula and preparation and adaptation of training materials and aids, or acting as consultants to national organizations in policy sessions with government officials; the distribution of roles and spheres of outreach for each regional institute could be based either on language or geography or function: e.g., IDM's role might be no more than to do research and evaluations throughout anglophone Africa.)
- a decision on the advisability of setting up pilot projects in a few African countries in order to develop and debug a small business training model that would produce high quality, cost effective results;

The agenda and organization of the two working conferences would have to be carefully planned. This could be done by convening an anglophone and a francophone planning meeting lasting two or three days. Participants in this planning meeting could be

limited to AID/W or its contractor and representatives of the participating regional institutes. No more than four people would have to travel to each of these meetings.

Rationale and Benefits

The approach outlined above would enable the conference participants to tap the wealth of their experience in order to determine the outlines of a training model appropriate to strengthening and expanding the micro entrepreneurial sector. Those who share in creating this model will be more ready to apply it. Also, by working together in these conferences, the participants will be knitting themselves into a regional/national network, whose impact will be enhanced by the synergy created in the conferences.

As already indicated, the regional institutes have well qualified staff and their past performance in training business managers, development officers and trainers is highly appreciated in some countries. In other countries, however, the institutes are not well known, and national organizations are skeptical about the help they need from regional institutes. For this reason it is important to create a stage where the regional institutes can demonstrate their competence and expertise, in other words, "sell" themselves to their potential clients, the national organizations. What better way to bring this about than by interaction in a conference where - among other agenda items - needs will be identified, plans made and roles clarified? As a result, skepticism and misunderstanding regarding the competence and role of regional institutes will be reduced or disappear, and national organizations will become eager to request the services of regional institutes to implement programs jointly elaborated.

The nature of the other benefits of the regional working conferences will be determined by the decisions made by the participants, in accord with their perception of priorities and possibilities. Among them are likely to be the following:

1. A focusing of training efforts on the micro entrepreneurs identified by this project paper as the target group.
2. Agreement on the objective to be sought in the training of micro entrepreneurs and the necessary conditions for this training to be translated into successful and growing small business.
3. Making known and applying the lessons of research. 8/
4. Clarifying if and how industrial estates can be made to work.
5. Consensus on lines of action for programs of the regional entrepreneurship promotion project and information for developing estimates of implementation costs.

6. Identification of training models applicable to small entrepreneurs, whose assimilation of simple management practices has to occur in bits and pieces in a context unlike the traditional classroom.9/

7. Greater clarity regarding the coaching, evaluation, policy-making, monitoring and training role to be played by regional institutes and/or national "intermediary entities".10/

8. Giving more attention to entrepreneurs distant from large urban centers by servicing them with mobile teams, who will dispense very practical 2-day training doses to cure the entrepreneurs' current problems.11/

In summary, expanding and upgrading the training of the many thousands of micro entrepreneurs in Africa is a formidable and vast undertaking. In carrying it out, the action-research model proposed here, introduced through carefully planned regional conferences, should prove to be a valuable vehicle.

FOOTNOTES

1. Ciadfor Informations, Avril 1981, p. 5.
2. There is an explanation for such a limited understanding of training methodologies; in the course of discussions with 18 training organizations only one professional trainer and one first-rate training project could be identified with certainty.
3. African Regional Conference on Small Enterprise Development, Abidjan, 21-24 June, 1983.
4. See Training - APPENDIX ONE for additional background.
5. For more details see Training - APPENDIX TWO.
6. An invitation, with a description of the agenda, sent to the Director, ILO Office, B.P. 414, Dakar, Senegal, would enable them to send an appropriate representative either from Africa or from Geneva.
7. Consideration should be given not only to PAID, CAMPC, ESAMI, and IDM, but also to the ILO and INADES-Formation.

8. An example of a valuable piece of research is The Successful and Unsuccessful Enterprise, John Hunter, Institute of Development Management, Gabarone, Botswana, 1979.
9. If it remains unclear what form such a model should take, the conference might decide to set up a few closely monitored pilot programs in order to perfect a successful model.
10. In his report to USAID/Kenya, June 10, 1983, Fred O'Regan recommends the establishment of an intermediary entity to strengthen and complement NGO efforts in developing small businesses.
11. Unfortunately, "traditional lectures are still the single most common teaching methods." p. 14, Selection and Training for Entrepreneurship Development, Malcolm Harper, Management Training Branch, ILO, Geneva, 1983.

Annex C

SOCIAL SOUNDNESS ANALYSIS

Benefit incidence must be of major concern in designing and implementing a program to promote the private sector. Accordingly we have addressed the issue throughout this document. Here we will:

- (1) present the rationale for assisting small-scale enterprise and training entrepreneurs,
- (2) sketch an argument for upscaling small-scale enterprises into the middle range, and
- (3) discuss the common concern that the extended family constitutes an obstacle to entrepreneurship.

Rationale For Assisting Small-Scale Enterprise

Small-scale enterprise has attracted considerable attention in development circles since the early 1970s when the ILO first focused attention on the "informal sector." Assisting small enterprises and redressing the disadvantages they suffered in comparison with larger firms was initially seen as a promising response to the employment issue. Subsequently, claims have been made that small enterprise promotion meets development objectives in several additional respects. To quote a recent synopsis of research findings:

A dynamic and growing SSE sector can contribute to a wide range of development objectives held in common by African governments, non-African donors, and international agencies: employment creation; mobilization of domestic savings and investment; efficient use of capital; growth of production oriented toward basic consumer needs; more equitable income distribution; expansion of the role of domestic entrepreneurs; training of managers and semi-skilled workers; use of local resources; and generally, national self-reliance.1/

The argument for assisting small-scale enterprises by providing training is well summarized by the same author:

Assistance and training in managerial, financial and technical skills are essential components of any program to develop SSEs both to ensure that the firms are technically efficient and to enable the sector to fulfill its potential role of raising the productivity of the workforce outside the modern sector. Especially for smaller firms, whose owners tend to be tradesmen rather than experienced entrepreneurs, such assistance may be more important than credit. Development of entrepreneurial, financial and management skills make the

entrepreneur a better risk for institutional credit, e.g., when needed for expansion. For SSEs with machinery, assistance in its utilization, maintenance and repair can raise the productivity of capital. The problem with technical assistance programs is how to identify recipients and deliver it to them in their own establishments. Since SSEs are characterized by the absence of a supervisory structure beyond the manager alone, programs that require the manager to leave the premises are likely to fail.2/

We would add though that this constraint does not necessarily apply to technical training. For instance, an ILO project providing training in eight trades in Senegal recruits apprentices in their 20s who are quite easily released for an entire month.

Any project to assist with skill development of small-scale entrepreneurs will have to take into account that their level of formal educational attainment is usually quite modest, although as a group they usually have higher levels of formal education than the general population. Estimates of the percentage of small-scale lacking formal education range from a low of 13 percent in a sample of Nigerian enterprises in the 1960s to a high of seventy-seven percent in a recent survey in Sierra Leone. On average, approximately one-half of the proprietors surveyed are reported not to have achieved functional literacy.3/ Frequently, training and assistance on the job will have to employ either an African lingua franca, e.g., Swahili, or a local language, rather than a European language. Experience from agricultural extension projects may provide useful guidance.

Accounting skills are frequently assumed to be superfluous for small entrepreneurs, required only to meet the demands of lending agencies and tax collectors. There is, however, some evidence that the failure to keep proper accounts can be costly even for small firms in at least three respects:

- (1) managers fail to adequately estimate the cost of different products and continue to sell goods sold at a loss;
- (2) even successful firms tend to maintain excessive stocks of raw materials;
- (3) a significant number of successful firms invest in equipment which is either inappropriate to the firm's business or which they lack the skilled manpower to operate.4/

Upscaling Small Enterprises

Available data -- they exist only for four countries -- suggest a bi-modal pattern for employment in manufacturing: the greatest number of workers are found in small unregistered establishments, and substantial employment occurs in large firms which employ at least 50 workers, but usually many more. Very few

establishments are in the middle range, say between 10 and 50 employees.^{5/} Indeed, it has been frequently observed that successful entrepreneurs tend to diversify rather than to concentrate on expanding in one line of business. Various reasons may be adduced. In a rapidly changing environment, entrepreneurs constantly seek out particularly promising opportunities, "le grand coup" as they say in Kinshasa. They want to spread their risks in an environment that is difficult to predict. And they have an incentive to keep their enterprises below the size where they attract government attention.

The bi-modal distribution suggests that the most rewarding strategy may well be directed towards upscaling existing small enterprises into the middle range, thus following the industrialization experience of other countries. Policy changes designed to minimize the burden of government regulation on enterprises that move into the middle range and that reassure entrepreneurs that they do not need to fear sudden changes in the regulatory environment, would assist an upscaling strategy. On the training side, such a strategy will demand specific efforts to assist enterprises not only to improve their operations at the present level but to take steps towards expansion.

The Extended Family

The extended family continues to play an important role in the life of most people throughout Sub-Saharan Africa. This should be understood not just as the persistence of a traditional pattern, of a rural mode of production characterized by communal control over land, cooperation in production, and sharing in consumption. Rather, the continued vitality of the extended family corresponds to present-day economic and political realities. In contemporary Africa, very few individuals can assure themselves of protection against economic hazards: unemployment, illness, invalidity. And even the affluent face the reality that a political crisis may threaten their very existence at any time. For most people to acknowledge membership in an extended family, and the obligations this entails, provides the best assurance they can obtain in an insecure environment.

The extended family is commonly depicted as an impediment to the budding entrepreneur. The accumulation of investment capital is said to be hindered by the financial demands of innumerable family members, the recruitment of personnel to be biased by the need to provide work for kin. Indeed, entrepreneurs are thought to be discouraged from making a greater effort to expand and explore new ventures, since any additional income will be drained away by increased family demands.^{6/} The implicit contrast is with a western entrepreneur who is assumed to be motivated by personal interest to reinvest profits in his enterprise, and to recruit exclusively on the basis of merit.

Reality in industrialized countries is quite distinct from this idealized assumption. Western entrepreneurs marry and raise children, but it is never argued that family demands constitute a drain on resources and sap motivation, rather the image prevails of the pater familias redoubling his efforts. Similarly, for those many Africans who continue to see themselves as belonging to an extended family, there is every motivation to provide for the family's needs and to receive the recognition their contribution will bring. Also, it is increasingly recognized that familiarity is a desirable criterion in recruiting associates and employees because it establishes trust. This is particularly important in an environment where formal sanctions are difficult to apply, but where kin sanctions can be brought to bear on the deviant family member. If we abandon an essentially ethnocentric perspective we find that ethnic groups are commonly praised for their enterprise, e.g. Chinese minorities in Asia, Indians in Africa, appear to have significant extended family relationships and frequently operate successful family enterprises.

Finally, to the extent that the extended family proves to be inimical to the enterprise in Africa, it is one of those "obstacles" that little can be done about. The one policy that might be expected to weaken the extended family would be an all-encompassing social security system, but the institution of such a system in Africa is hardly feasible in the foreseeable future -- even if it were thought to be desirable.

The extended family can be an asset to the enterprise. Family funds may be pooled and land made available to establish a new business. Family members frequently provide cheap labor. And family connections facilitate dealing with administrators and politicians. The real constraints on capital availability probably come not so much from the extended family per se, but rather from the consumption culture that characterizes the contemporary environment. Its effect is magnified to the extent that entrepreneurs who conspicuously display their new found affluence find that they cannot resolutely refuse family demands to share.

In conclusion, we see no basis for eliminating countries from consideration because of "sociological constraints."^{7/} The nature of such presumed constraints is too ambiguous, their incidence in different African countries not sufficiently well established. The task is to proceed within a socio-cultural context.^{8/} The Assessment Team will have to draw on local expertise for an appreciation of that context and its implications for proposed projects. Thus a criterion in the selection of trainees will have to be that they have sufficient status, e.g. in terms of age, to be able to apply their training.

FOOTNOTES

1. William F. Steel (1983) An overview of small enterprise development in Africa. Paper presented to the Regional Meeting of Donor Agencies and African Representatives on Small-Scale Enterprise Development, June 1983, Abidjan, p. 1.
2. William F. Steel (1983) An overview of small enterprise development in Africa. Paper presented to the Regional Meeting of Donor Agencies and African Representatives on Small-Scale Enterprise Development, June 1983, Abidjan, p. 19.
3. John Page (1983) Some economic considerations in small enterprise development. Paper presented to the Regional Meeting of Donor Agencies and African Representatives on Small-Scale Enterprise Development, June 1983, Abidjan, pages 8-9.
4. John M. Page, Jr. (1979) Small Enterprises in African Development: A Survey. World Bank Staff Working Paper 363. Pages 29-30.
5. Dennis Anderson (1982) Small Industry in Developing Countries: Some Issues. World Bank Staff Working Paper No. 518. Page 8 and passim.
6. In Malawi, an ILO scheme for training prospective entrepreneurs stipulates that trainees establish their enterprise away from their village of origin. The argument is that the financial demands made by the extended family and which could not be refused would impede the operation of the enterprise and the accumulation of capital. It remains to be seen how effective this strategy will prove to be, especially in view of the fact that many urban dwellers are not immune to the demands of rural-based kin. In any case, in many countries it would be difficult for entrepreneurs to establish themselves in a foreign rural milieu. Enjoining them to start their business outside their home area will be tantamount to encouraging migration to the cities.
7. Office of Regional Affairs, Africa Bureau, AID (1981) The Development of African Private Enterprise. Draft Discussion Paper. Page 45.
8. Albert O. Hirschmann (1965) Obstacles to Economic Growth : A Quasi-Vanishing Act. Economic Development and Cultural Change.

Annex D

PROPOSED CONTRACTOR SCOPE OF WORK

Summary of Statement of Work. Contractor will perform up to twenty assessments over a two-year period subsequent to AID determination of countries requiring assessments by contract teams. Contractor will also provide up to 20 specialists to be specified by AID for up to six months each to assist Country Teams electing to conduct their own assessments. Draft assessment reports will be prepared by contractor's teams for submission to USAID two weeks prior to completion of field work and final assessment reports will be submitted at conclusion of field work.

Monitoring and Evaluation Plans. USAID missions will monitor progress of work and report bi-weekly to AID on progress, problems, and steps taken to resolve difficulties. AID will perform sequential evaluations on the basis of each contractor's assessment report to determine 1) the acceptability of the contractor's performance, and 2) the utility of the assessment results as a basis for decision-making.

Assessment Guidelines

Step One: Collecting Information

The Contractor will need to start out with an overall account of the indigenous private sector. In particular, information will be required on:

1. the overall significance of the indigenous private sector in the economy and its role in specific economic sectors,
2. policy constraints affecting its performance,
3. training needs of owner-operators of small-scale enterprises and their staff.

In addition, existing development projects affecting small-scale enterprises need to be surveyed.

A good deal of information on the indigenous private sector in general, and small-scale enterprise in particular, is available at this time in almost every African country. Development projects focusing on small enterprises are in operation or projected in several countries. The difficulties are twofold: to locate the pertinent information and to evaluate it. An Assessment Team would be well advised to arrange a work session with a local research organization as soon as possible after its arrival in the country.^{1/} Such a work session should be arranged before the Teams's arrival and the organization involved should be provided with information on the Team's objectives and the background of

its members. In francophone countries such information should be prepared in French. It may involve negotiating a fee. Depending on the outcome of such a work session, the mission may want to schedule a further meeting at a later stage when it will be evaluating its experiences.

To locate pertinent information, a wide range of organizations both official and private, should be consulted, including specifically:

- (1) the national university and/or other national research and training institutions,
- (2) other research and training organizations such as the (French) Office de la Recherche Scientifique dans les Terroires d'Outre Mer (ORSTOM), active in many francophone countries, and the (Jesuit) Institut Africain pour le Developpement Economique et Social (INADES), active in a number of francophone as well as anglophone countries,
- (3) other country donors and international organizations such as ILO, UNIDO, IMF/IBRD, and EEC,
- (4) local businessmen's associations, and
- (5) national and foreign banks.

Where survey data are stored in computers, the team may be able to obtain breakdowns of the data to suit its specific requirements, e.g. in terms of the distribution of firms across specific economic sectors, size classes, locations, etc.

The Assessment Team may feel that some primary research is required to complete their task, especially as regards small-scale entrepreneurs, for instance a survey of a particular activity (e.g. construction, motor vehicle repair) or a specific economic sector (e.g. commerce, transport, and processing as it relates to agriculture). However, even a narrowly focused survey will encounter delays over:

- (1) permission to carry out research,
- (2) recruitment of interviewers (in Kinshasa two relevant surveys were conducted by secondary school leavers), and
- (3) training of interviewers (training for the two Kinshasa surveys reportedly took one and three weeks respectively).

Quite likely the Assessment Team will be forced to conclude that it can do no more than initiate preparations for research to be carried out at a later stage.

If the Assessment Team is to carry out a survey within the limited time at its disposal, it would be advisable that

- (1) government clearance be obtained by the Country Team or AID office prior to the Teams's arrival,
- (2) that a local research organization be enlisted, either to work on the survey or to release experienced interviewers for the survey. Either course would require initiatives taken early enough so that the interviewers will be ready to start work within days of the Team's arrival.

Step Two: Analysis

The point of departure for analysis should be a base line of data by which policy changes and training efforts can be judged. While difficult to establish with any precision, useful indications concerning the policy environment in which the private sector operates will address the following questions:

- (1) which manufactures/services are preempted by parastatals?
- (2) which laws and regulations constrain the private sector?
- (3) what administrative actions/inactions impede the private sector?

Authoritative analyses on these lines are often found in IBRD/IMF reports and studies. On the training side, an inventory of training programs, public and private, involving small-scale entrepreneurs would be essential.

Step Three: Evaluation

The next step would be for the Assessment Team to evaluate opportunities for policy changes and for assistance to training efforts directed at small-scale enterprises. On the policy side, specific policy issues need to be delineated. If the recruitment of shortterm or long-term policy advisor/monitor is thought desirable and feasible, a number of questions need to be addressed as to his/her:

- (1) specific position in the host government's administrative structure,
- (2) length of assignment and its timing,
- (3) scope of work, and
- (4) estimated budget.

For all proposed policy changes the question of benefit incidence arises. Policy changes may be meant to benefit the entire indigenous private sector. The Assessment Team will have to evaluate to what extent a particular policy change can be expected to benefit indigenous private enterprise indiscriminately. Frequently it will be found that a policy change that is of considerable benefit to one group of entrepreneurs will bring little advantage to other entrepreneurs or indeed will worsen their position. A conflict of interest may arise between large and small entrepreneurs (for two examples see Accelerated Development in Sub-Saharan Africa, pages 95-96), between exporters and importers, between entrepreneurs in the capital city and those in small towns, etc. Second, the Country Team may also find that a particular activity or specific economic sector is dominated by entrepreneurs belonging to a particular racial and/or ethnic group and that this adds a political dimension to considerations of economic optimization and equity. Third, de facto or purposeful discrimination against women in education and careers should not exclude them from consideration within the target group. Rather, care should be taken not to bypass established women entrepreneurs, e.g. in Senegal, fishing boats are often owned by women, and to explore possibilities to improve the access of women to entrepreneurial activities. Finally, the effects of policy changes on third parties need to be fully addressed. For instance, a case can be made for policy changes and training to be focused on entrepreneurs who provide goods and services for agriculture; producers of agricultural inputs, traders and transporters who supply farmers and move agricultural products to market, and processors of agricultural products. In most, if not all, African countries such stimuli to agricultural production are desirable on grounds of both economic growth and equity. Another consideration will be that consumers need to be protected against monopolistic or oligopolistic practices, which may suggest a preference for small enterprises which are less likely to inhibit competition.

On the training side an evaluation of opportunities for assistance to small enterprises should address four questions:

- (1) Which group of small-scale entrepreneurs should be targeted? The benefit incidence must be considered along the lines indicated above. In addition, spread effects demand attention, i.e. it may be that the one-person tailor, radio repair, or mat-making shop is in the greatest need of training, but the training of a member of a more substantial enterprise may be expected to have a wider impact on at least two grounds: improvement in the performance of one function is likely to have an immediate effect on other functions, and new skills are more likely to be passed on within a firm than outside. The latter argument applies with particular force to family enterprises, both because family members are more likely to stay with the firm and because the transfer of skills is facilitated within the family context.

- (2) What kind of entrepreneurial, managerial, and/or technical training do the selected small-scale entrepreneurs require? Do they perceive a need for such training?
- (3) What should be the format of the training? Radio and television programs, posters, newspaper or magazine columns (cartoons were used in Malawi), specialized magazines, and correspondence courses (INADES' correspondence course for development workers might be modified to suit the needs of small-scale entrepreneurs) can reach a wide audience at low cost. However, a prime difficulty arises from the limited ability of intended beneficiaries to take advantage of what they are being offered. At the other extreme, on-the-spot, one-on-one, training is commonly recommended as the most effective approach to small-scale enterprises. However, given its cost, only few small enterprises will qualify if the training is to be cost-effective. Note, however, that the spill-over or externality effects of training provide a strong rationale for some of the cost to be borne by a third party such as AID. The contractor should recommend a reasonably cost-effective training for the target group in sufficient detail to form the basis for USAID Mission programming.
- (4) How can the training effort of national institutions, as they pertain to the small-scale sector, be furthered?

Assessment Team Qualifications

Experience

- a. All team members should have lived for a minimum of one year in Sub-Saharan Africa, shown sensitivity to African peoples and conditions, and worked to a satisfactory conclusion on small-scale enterprise or related projects.
- b. Team members must have a record of having worked successfully as part of a team or small organization and demonstrated ability in conducting assessments and producing an agreed report or joint result.
- c. If the itinerary includes francophone countries, a recent rating of 4/4 (tested by Berlitz or the Foreign Service Institute) should be required.

Recommended Distribution of Skill Requirements

a. Team Leader - Economist

A background in macro-economics with previous team management experience and participation in carrying out similar assessments. Working familiarity with micro-economic problems and small enterprise operations is an essential requirement.

b. Urban Sociologist with a record of research and study of urban affairs with emphasis on the problems and phenomena of small-scale enterprise.

c. (Conditional) Training Specialist with a comprehensive understanding of learning theory and familiarity with a variety of training designs. (This specialist is not required if regional institutes are engaged to perform the training assessment.

FOOTNOTES

1. In Zaire, for example, Didier de Failly, Directeur Administratif of the Centre d'Etudes pour l'Action Sociale (CEPAS) Kinshasa, indicated that his organization would be prepared to offer work sessions for the Assessment Team. Founded in 1965 by Jesuits, CEPAS accomplished a good deal of research and development training in Zaire. Many of its collaborators, e.g. Leon de Saint Moulin, have worked in Zaire for a very long time. Parallel organizations exist in several other African countries, and may be traced through the Institut Africain pour le Developpement Economique et Social (INADES), established in Abidjan in 1962 and the fount of them all.

Annex E

SMALL-SCALE ENTERPRISE RESEARCH AND DEVELOPMENT CAPABILITIES IN SELECTED AFRICAN COUNTRIES

Zaire

In 1981, the Council of Ministers established with UNIDO a working group focusing on small and medium enterprises. Its report provides a comprehensive discussion of a wide range of issues affecting this important economic sector.

At least four large-scale surveys touching on the characteristics of small enterprises have been carried out in Zaire within the last ten years:

- (1) The Office de Promotion des Petites et Moyennes Entreprises Zairoises (OPEZ) with technical assistance from France, carried out a survey of small and medium enterprises in Kinshasa in 1973;
- (2) The Commissariat General au Plan carried out a survey in 1974-75. However, the results were never processed, and the original survey schedules are presumed lost.
- (3) An Italian organization carried out surveys on (a) consumption, and (b) rural production in the mid-1970's. The report is available from the Commissariat au Plan, but could not be located for the Design Team
- (4) The Institut National de la Statistique, with assistance from the Canadian Government, conducted a survey of enterprises throughout Zaire for the Commissariat General au Plan in 1980. An inventory of enterprises, broken down by location, number of employees, and economic activity, as well as an inventory of types of goods produced in Zaire, broken by region, has been published.

This last survey is now being repeated in a national survey that began in 1982 and is expected to be completed in 1983. By the time an Assessment Team arrives in Zaire, a good deal of information from what is known as the Recensement des Entreprises 1981 (this is the year for which the enterprises are to provide information for the current survey) should be available on computer, if not in print. Access to the computer data would require permission. The address of every enterprise surveyed will be available. Pursuing an interest in a specific economic sector, a team member might survey a limited number of enterprises in one or a few locations. Three characteristics of the survey should be kept in mind:

- (1) The survey is concerned with the productive capability of the country and does not deal with services and commerce;
- (2) The survey takes as its reporting unit the production unit rather than the firm; and
- (3) While the survey covers enterprises with five workers or more, those which could not provide a minimum of information on their inputs and outputs in 1981, i.e., one or two years prior to the survey, were left out.

The Universite Nationale du Zaire, Kinshasa Campus, has a long-established Institut de Recherches Economiques et Sociales (IRES). However, IRES is dominated by economists and does not appear to have carried out survey research in recent years. This is due at least in part to the fact that the Sociology faculty was moved to the Lubumbashi campus in the 1970's. It would be advisable to assess the research capabilities of the Lubumbashi campus if the Assessment Team were considering survey work in Shaba Province.

In Kinshasa, CEPAS has considerable research experience, but the Administrative Director appeared less than enthusiastic about taking on any survey research tasks in support of the Assessment Team. He would certainly require considerable advance notice.

Also, in Kinshasa, Madame F. Zaengel-Bevilacqua has assembled a team of twelve young women interviewers for a survey of women traders sponsored by FAO. However, she expects to disband her team before the end of 1983 and to return to her post in the Agricultural Services and Marketing Division of FAO, Rome, at the end of March 1984. Two of her interviewers recently enrolled at the Institut Superieure Paedagogique and might possibly be traced there.

Considerable experience has been accumulated in the context of the enterprise surveys. Indeed, several of the team leaders at the regional level appear to have participated in each of the surveys listed previously. If the on-going program could be persuaded to second some of its interviewers, the Assessment Team would find any survey task greatly facilitated.

Malawi

As a nation of small farmers, Malawi has long recognized the virtues of the private sector and individual initiative in stimulating agricultural production. In recent years, as the effects of the world economic recession have added new pressures in the form of budget deficits, there has been a surge of interest in enhancing the role of urban private entrepreneurs.

The Malawi Government's decision in 1977 to restrict Asian traders to three cities brought an immediate and practical need to accelerate the process of identifying, training and assisting Malawians to replace them. To help meet the need, the Malawi Government turned to international organizations (e.g., the ILO) and other donors, as well as to its own academic institutions. The result has been to focus a significant amount of research on the private sector with the specific objective of hastening the process of indigenization.

Among the principal results have been: (1) the creation and staffing of a Vocational Training Institute (VTI) with the objective of "vocational training for self-employment." The VTI opened two years ago with highly-selected students and an innovative curriculum combining practical and academic disciplines organized by the ILO, (2) UNIDO projects to inventory existing enterprises for which the field work has been completed; and (3) Commonwealth Development Corporation assistance to Malawi Government institutions (e.g., INDEBANK and INDEFUND) to facilitate the financing of Malawian entrepreneurs.

In addition, the Center for Social Research at the University of Malawi was strengthened and its work oriented toward the private sector. A "census" of the private sector was recently completed and was being processed into a computer when a Design Team member visited the University at Zomba in July 1983. (The census was supervised by a Dutchman, Mr. Ettema, who was planning to take extended leave later in 1983).

The Malawi Government has encourage several of its own major parastatal institutions such as ADMARK (Agricultural Development and Marketing Organization) to develop programs to train Malawians to operate the 1100 "buying and selling points" through which it conducts business throughout the country. (As a result of bureaucratic maneuvering, this training was recently turned over to another state company).

The Government has also encouraged private organizations of businessmen to add training programs to their activities with a view to enhancing their ability to manage their own enterprises profitably. These organizations include the Employers Consultative Association of Malawi (ECAM) and the African Businessmen's Association (ABA). Both have initiated discussions with Malawian academic institutions (e.g., the Polytechnic University in Blantyre) looking toward the development of seminars and other training programs to up-grade the capabilities of their members. The ABA claims more than a thousand paid members.

Niger

The Government of Niger has adopted as priority objectives (a) a steady rise in economic growth and productivity, and (b) the gradual assumption by Nigeriens of responsibility for the nation's economic activities. In setting forth these priorities,

Niger authorities have recognized that one of the major constraints to growth is the lack of qualified personnel to manage companies and organizations, both public and private.

As a result, in 1975, 1977, and 1980, the Government commissioned studies by the UNDP and ILO (in cooperation with the Government itself) for the purpose of developing managers for Niger's parastatal and government offices which led to the compiling of a "data bank" of basic information on parastatal organizations. All three studies concluded that existing institutions and facilities fell "far short" of meeting Niger's needs for two reasons: first, because of the lack of qualified "cadres", i.e., Nigerien nationals, available for training, and second, because of the "absence of an appropriate institutional structure." A further study, undertaken in November 1981 (financed by the EEC), recommended the creation of a "management center" (Centre Nigerien de Perfectionnement a La Gestion). The ILO was charged with coordinating the development of the new "Center" along with recommendations for curriculum, staffing, and budget. As of mid-1983, the ILO official in charge expected the Center to be approved in 1984.

An element of urgency was added with the Niger Government's decision in mid-1983 to adopt the IMF/IBRD recommendation to divest itself of 25 of 55 parastatal organizations in the country. A "crash program" was undertaken (under ILO leadership) to develop sources of financing and management for the companies being dropped by the state.

As may be evident from the above summary, the curriculum and expertise available at the two principal academic institutions in Niger were and are not regarded as responsive to Niger's needs in training either managers or private entrepreneurs. These institutions, i.e., the University of Niger and the Ecole Nationale d'Administration, are more generally oriented toward academic disciplines such as economics, finance, law, and history rather than to the practical aspects of management, such as budget preparation, personnel, accounting, and such subjects as how to train trainers of small entrepreneurs.

Incidentally, an evaluation of "human resources" in Niger, including an assessment of academic and training institutions in Niger, was prepared by a USAID-financed team during a ten-week period in June-July 1983.

In summary, the Niger Government is aware of its deficiencies in personnel and programs in the field of management and the training of small-scale entrepreneurs. It has tried, over the past ten years, to do something about it by commissioning a series of studies. Those studies outline the background and rationale for the Niger Government's decision to create a new "Management Center." Donor agencies, including USAID with its "Human Resources Study," have compiled a significant body of research that is highly relevant to the promotion of private entrepreneurship and

strengthening of the private sector in Niger and should be consulted in connection with any future inquiry into the status of this subject in Niger.