

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

(U S A I D)

PRIVATE SECTOR STRATEGY AND PROGRAM DESIGN
(660 - 0510)

COMMERCIAL TRADING ENTERPRISES STUDY

(Contract No 650-0510-C-00-8001-00)

FINAL REPORT

December 15, 1987

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COMMERCIAL TRADING ENTERPRISES STUDY

1. INTRODUCTION

In April 1987, to provide some of the documentation background required for the conception of a "private sector strategy and program design", USAID decided to contract a field research on small and medium private enterprises in the regions of Kinshasa, Shaba and Bandundu. The survey was to be conducted among a diversified sample of manufacturing, transport and construction companies of between 10 and 100 permanent employees. Because early in the conduct of this project it was found that practically no such enterprises did exist in the rural areas of Bandundu and Shaba, it was decided to modify the criteria of geographical location for the sample of small and medium sized industrial enterprises to be researched and to restrict the survey to the towns of Kinshasa, Lubumbashi, Kolwezi and Likasi. Outside these main urban centers the private business activities are restricted almost entirely to agriculture and trading.

In October 1987, USAID decided to undertake a complementary research to document a fuller picture of the economic activities in the above-mentioned regions. This research was to be conducted on the small and medium size commercial businesses in the towns of Kikwit, Bulungu, Masi Manimba, Mangai and Idiofo in Bandundu and Lubudi, Bukama, Malemba-Nkulu, Kitenge and Kamina in Central Shaba. This report documents the findings of the survey.

The small and medium sized commercial enterprises to be contacted were defined as those businesses that employ between five and 100 people for at least four months a year, have fixed premises and at least one operating (or nearly operating) vehicle. A total of 40 interviews were to be conducted in each region, which means an average of 8 firms to be contacted in each of the towns mentioned in the scope of work. The Terms of Reference of this study are presented in Appendix 1.

But not only are there practically no industrial enterprises in these rural project areas, privately-owned or other, there are also rather few commercial businesses of the prescribed size and structure. In fact, only in Kamina (and Kikwit) could more than eight such traders be identified. In fact, the cost of trucks is the limiting factor. There are, of course, many more shops often of similar size and outfit and there are countless ambulant "mini-traders". There are also many more traders participating in the agricultural campaign without having their own trade.

In order not to fill the required number of interviews for Shaba with a majority of businesses from Kamina only, the Consultant decided to add the small towns of Luena, Kabondo-Dianda and Kinkondja to the survey, since they are located close to those towns to be included originally and they present very similar characteristics to Lubudi, Bukama and Malemba-Nkulu respectively.

2. METHODOLOGY USED

The survey the Consultant conducted among a sample of more than 80 small and medium traders in small towns of Shaba and in Bandundu was conducted on the basis of a detailed questionnaire which was submitted to, and approved by, representatives of USAID in Kinshasa. The research took place in October and November 1987. This questionnaire is presented in Appendix 2 and the list and summary of characteristics of the companies researched, along with profiles of representative trading enterprises, in Appendix 3.

The questionnaire used in the field research was designed more as a reminder of the subjects to be covered during the meetings with the traders rather than as a document for a rigidly structured interview. Traders were encouraged to discuss freely and at length the subjects and problems they deemed important.

In general, the interviewers were cordially received by the merchants in Shaba. In Bandundu, however, the picture was not so positive. The interviewees did not fully cooperate initially and tended to be less receptive to answering the questions put forward. They argued that many investigations were carried out in the past by USAID designated staff and that very little follow through in the way of actual results was subsequently seen. Consequently, a number of traders refused to participate in an additional survey. The Consultant, however, succeeded in questioning the number of merchants required in his Terms of Reference.

Although the questionnaire included a number of questions about the financial situation of the small and medium traders, in a majority of cases it was virtually impossible to obtain quantitatively precise, or reliable, answers to those questions. This was not entirely unexpected, but the survey confirmed the extremely low level of understanding of financial matters of this category of businessmen. Financially, small traders simply do not think in terms of income statement, profit and loss or balance sheet but mainly in terms of cash-in/cash-out operations. In addition, the owners of these small businesses do not use any classical accounting system and the financial data they are prepared to show to outsiders are usually totally meaningless.

The understanding of the meaning of certain questions was also difficult because the level of formal education of the owners of these businesses generally was limited to primary school, with sometimes two to four years of secondary school. Even the few ex-teachers that could be found running a trading business sometimes had difficulties in understanding the difference between turn-over, capital and profit. The only financial notion which most small traders referred to was the "amount of cash spent" for a trip to restock their shop again or to participate in the agricultural campaign. But the number of trips being made was close to impossible to know. This question was not relevant to our respondents. They go to find new supplies when the shop is almost empty. And if they have something else to do, the shop may also stay empty for a few weeks or months. Only a minority is preoccupied with the need to maintain more regular supplies. At the marketing campaign they do not know either how often they turn over their originally "injected" capital. But they do know the number of railway-wagons, or truck loads, or tons marketed.

Likewise, in general, they did not really understand the difference between commercial, supply, management and financial problems and the answers were usually undifferentiated between the various categories.

Despite the general problems in comprehending the financial questions, a quite comprehensive and detailed picture of the situation of small traders and of the conditions under which they are working could be developed from the interview. The major findings are presented in chapter 3 and 4 hereafter.

3. GENERAL CHARACTERISTICS OF THE TRADING SYSTEM

The trading enterprises surveyed may be divided into three categories which are characterized by quite different styles of operations:

- Large trading companies. Although excluded from the Scope of Work, the Consultant nevertheless interviewed a number of their representatives to get a better picture of the commercial system in the rural areas as a whole.
- Small and medium size commercial operations owned and managed by expatriates,
- Small and medium size commercial operations owned and operated by Zairian nationals.

No interviews were conducted with such small trading operatives as market women or individual small-shop owners.

It is worth noticing that we did not find any significant differences, between Bandundu and Central Shaba, in the characteristics of the commercial system and in the problems of the trading operators studied.

While there are indeed differences between the types of commerce identified above, differences which are summarily discussed in the following paragraphs, the same category of commercial operator tends to face the same constraints and to operate his business in the same way in the various small cities where the research was conducted.

Company profiles of traders representatives of their category, as well as profiles of trading activities in the various localities surveyed are nevertheless presented in Appendix 3 of the present report.

3.1. The large trading companies

This category includes local enterprises of more than 100 permanent employees such as, in Bandundu, the "Compagnie Commerciale du Bandundu" (CCB) a Zairian-owned private enterprise and "Développement Progrès Populaire" (DPP) a non-profit making association organized by the local catholic bishopry or, in Shaba, "Gécamines-Développement", a parastatal, in addition to the local branches of national trading firms having their head offices in Kinshasa, Kikwit or Lubumbashi.

The private enterprises typically have a well established organization. Usually their accounts are well kept and their

financial management system is good. As a rule, they have a well-defined organization chart and a clear description of responsibilities.

The Managing Director is often the owner or a partner but, in most cases, the managers of the branches are employees with many years of trading experience. They are mostly Portuguese, either born in Zaire or raised in the country, who have been living all their lives in small cities where trading was the main economic activity.

These companies usually have a long history of successful operations in Zaire, and our visits demonstrated that their stores are well-maintained and that the shelves are well provisioned with a large and diversified inventory.

The book-keeping system used permits both the local manager and the headquarters to keep good control of the major operating and financial parameters. The system usually covers such areas as the provisioning decisions, the inventory level, the cash receipts and expenses and the personnel management.

These companies have a relatively easy access to the banking sector and they usually obtain overdraft facilities or letters of credit. However the commercial banks provide mainly short-term funds. Most of the medium to long term investments in fixed assets (vehicles for instance) are self-financed. Operations of a limited size are directly serviced by the local branch of one of the major commercial banks in the regional capital, but large transactions are negotiated in Kinshasa where the accounts are centralized.

These companies were really outside the sample as defined by the Terms of Reference of the study and, although the Consultant interviewed some of their representatives to get their opinions about the general economic and commercial situation in the regions surveyed, we do not propose to describe their operations further.

3.2. The small and medium trading operations managed by expatriates

In this category were classified the trading enterprises employing less than 100 permanent employees belonging to expatriates. In most cases they operate with less than 30 employees and, as such, are comparable in size with most of the Zairian enterprises surveyed.

However, contrary to the latter, they present a number of characteristics which make their operating style somewhat similar to the one of the local branches of the large private trading companies.

Compared to the small Zairian-owned trading enterprises, they generally have:

- a better structured internal organization where the manager is often the owner of the enterprise. He makes all big purchases and maintains statements of sales and entries.
- An accounting system providing data for the management. These data are often used to prepare the fiscal reports required by law and the financial statements for the owner. In a number of cases, the yearly statements and the accounts are prepared by trained book-keepers.
- An inventory system which helps follow up more precisely the purchasing and sales operations, circumscribes fraud and reduces the risk of shortages.
- Bonuses and commissions paid to store-keepers in order to motivate them and thus limit thefts.
- A better management of the enterprise's fixed assets, such as the vehicles and the condition of the stores.

These commercial enterprises usually trade semi-wholesale and retail in basic manufactured consumer goods and locally produced raw agricultural products (cassava, coffee, corn, palm nuts, paddy rice).

Most of these enterprises have access to the banking sector for limited amounts of short-term credit or other common services.

3.3. The Zairian-operated established trading enterprises

With a few exceptions, these trading operations can hardly be classified as full enterprises. Their operating characteristics make them closer to "mom and pop shops" and their owners think more like individual artisans than like entrepreneurs. They usually are small, employing on a permanent or temporary basis between 1 and 30 people including the immediate family of the owner-manager. The average size of the sample surveyed was 12 employees in Bandundu and 16 in Shaba.

Most are characterized by:

- Book-keeping in its simplest form, when that even exists, and the absence of proper accounting. Most of the owners tend to keep track of cash receipts only and not of their charges and equate the former with their operating profits.

- Lack of proper planning of purchases and of analysis and control of the inventory, resulting in quasi-permanent shortages, lack of variety of products offered and deterioration of goods with a low turnover.
- Confusion between company and family funds. Therefore some housekeeping expenses are recorded in the books as company charges.
- Employment of parents or relatives as sellers, either in the shop or on-the-road. There is no serious supervision of them and they often receive no salary.
- A very high rate of pilfering. Traders often mentioned this problem as the main cause of bankruptcy.

This last phenomenon has been quoted as a very important obstacle to trade by the merchants surveyed. All interviewees declared that they experience major losses and deplored the lack of cooperation, if not outright complicity, of the legal enforcement agencies. According to the businessmen's statements, few perpetrators are caught and, among those who are convicted, a large number manage to never reimburse the stolen goods or money.

It is likely, however, that the problem is directly related to the fact that a number of owners rely too much on their employees to run the business on a day-to-day basis while they did not implement a proper organization and control system and pay extremely low wages. The average monthly salary paid to employees is Z. 1,500. By comparison, wages paid in expatriates' owned stores, although remarkably low too, were Z. 4,500 on average. The survey showed that enterprises where the owner is physically present on the premises and those having a good inventory control system and paying an adequate remuneration (salary, bonuses and commissions to sellers) experience far less problems than those where it is not the case.

A downward trend in the activity of traders established in small cities was observed, as shown by the closure of a number of stores in small cities and the reduction in the number of vehicles. Almost all established traders reported a reduction in the number of vehicles they can now afford to operate. They usually blamed this phenomenon on the quick deterioration of their vehicles resulting from the terrible condition of the road network on which they have to operate, combined to their inability to obtain the funds needed to purchase new vehicles and spare parts since they cannot obtain credit from the banks and prices keep going up because of monetary depreciation.

The reasons set forth by the interviewees, though real, are

not sufficient to explain the reduction of the number of vehicles however. Traders have, in the past, faced the same problems.

It is generally recognized that such factors as the improper use of the vehicles (mainly their systematic overloading in search of short-term profits at the expense of long-term operations or because the drivers pick up passengers and freight along the way to supplement their income), their lack of preventive maintenance, and the careless use of such costly equipment by inadequately trained, motivated and supervised drivers, have long existed and resulted in high maintenance costs. The importance of these costs was long hidden by fat profit margins.

The problem, however, has begun to exacerbate more recently. The diminution in the purchasing power of the average consumer in the urban areas, and the disappearance of the "trade quota" system, whereby a number of small and medium traders enjoyed monopolistic privileges in buying agricultural product and selling manufactured goods in their areas, have been factors which have aggravated the economic environment in which such traders have been used to operating. A large number were unable to adjust their businesses and practices to new circumstances. With regard to the vehicle operation and maintenance, for instance, very few traders were found to be sufficiently aware of the true economic costs involved. In addition, the concept of depreciation (particularly on a replacement cost basis in an inflationary climate) is not understood by the majority of the traders. Their unit selling price therefore do not sufficiently reflects and cover the full costs of operations.

In fairness, it must be stressed that, even if they understood the concept of depreciation, they could not take into account a meaningful figure for the amortization of their fixed assets in the calculation of their selling price since the Ministry of Economic Affairs does not admit the use of depreciation on revalued assets in the price structure calculation method (see appendix 4). In this respect, the approach, although totally inadequate, is consistent with the Ministry of Finance's which does not allow companies to introduce realistic levels of depreciation in their income statements for fear of reducing the taxable profit.

It must also be recognized that high inflation rates and rapid monetary depreciation also discourage businessmen to put cash aside in a "replacement fund" which would soon lose its value.

In some instances, investments in vehicles were often decided by the trader's desire to exhibit his wealth rather than on the basis of sound business requirements. Our field research demonstrated that, of the investments made, only a few were ever realized on the basis of a careful analysis after taking into account the businesses' own immediate needs and the possible market potential. Consequently some fleets of vehicles were found to be too

large and unprofitably deployed. With little understanding of the notions of fixed and variable cost accounting; the lack of reliable data on the operating cost per ton/kilometer; and the often ill-judged belief that cash sales equals profits, the traders have been ill-adapted towards properly managing their businesses. The pursuit of short-term cash motives, coupled with bad decision making, have often resulted in the inefficient and uneconomic utilization of the vehicles. Trucks are often sent over long distances to sell a few goods and with no assurance of returning with any payload, while the more economic alternative might well have been to keep the vehicle idle.

Other businessmen established retail stores so far from their main center of activity that their vehicles had to drive a great deal of distance to keep them supplied. In most instances, they did not base their decision on any assessment of the profitability of doing business in such locations and under these constraints.

All these factors contributed to a quick deterioration of the productive capacity (the vehicles used for supply and distribution), and of the profit margins of a number of small merchants.

4. CHARACTERISTICS AND PROBLEMS OF THE SMALL AND MEDIUM TRADERS

4.1. Type of activity and products traded

The survey found a large number of second or third generation merchants who continue the family operations. This tends to be a tendency, particularly with the larger businesses.

As for the creation of new trading businesses in the small cities and villages, they appear to follow a typical pattern.

A start up typically begins as an ambulant trader, walking with a bicycle or travelling on the railway (in Shaba). As soon as he has earned enough, he opens a small shop and still later he buys his own truck. But only a minority reaches this step. When he has reached this level, he usually starts participating in the agricultural marketing campaign. This trade is much more profitable than the general trade, according to almost all interviews, but it requires much more capital. Quite a few give up their shop at this moment in order to mobilize more capital. Some started agricultural marketing before they got their own truck, but this is much riskier, because of the transport problems. In general, traders with a truck also render transport services to third parties. Those who are successful over many years in agricultural trade and/or in general trade (and often both because the agricultural campaign only lasts for 6 months each year), sooner or later start investing in houses. Very often this investment is made in larger towns where the house can serve as a guarantee for bank credit, mainly agricultural campaign credit. Houses in rural towns usually are not bankable. Quite a few traders have also invested in farming or ranching in the past years, once the agricultural products price liberalization policy made these activities interesting.

In Shaba, the agricultural products marketed are corn, and to a lesser extent cassava, sometimes beans and groundnuts. In Kinkonia and Malemba-Nkulu, the most important product is fish. All these products are marketed in nearby urban centers, although a large proportion is sold in the larger towns of Kasai and South Shaba. In Kasai, the prices are higher, but there are many administrative obstacles established by Shaba authorities to this type of trade. In South Shaba, the large corn mills, Gécamines-Developpement and Solbena, extend agricultural campaign credit, but usually not to the small traders.

In Bandundu, the agricultural products bought by the traders are cassava, corn, peanuts, paddy rice, palm nuts and coffee. Most of these products are then sold in the Kinshasa market.

The shops for general trade usually contain all sorts of basic products: food (milk, salt, sugar), hygiene (mostly soap), fabric and clothes, small household appliances (pots, pans, cutlery). They also often offer radios, batteries, torchlights, bicycle spares and repair kits, sometimes cement or corrugated iron. Drugs are only sold in pharmacies.

Supplies come from wholesalers located in the main urban centers. In Bandundu, small and medium-sized traders provision themselves mainly from Kinshasa and, to a lesser extent, from Kikwit. In Shaba, they get their supplies from Lubumbashi, Likasi and sometimes directly from Kinshasa. Only the urban wholesalers import directly.

The shops of the merchants surveyed deal in retail and also some form of limited wholesale since smaller shops (one person only), women in the markets and itinerant traders also buy from them.

4.2. Relationships of traders with other economic operators

The survey found nothing surprising in the functioning relationships between the traders and such economic operators as the manufacturing enterprises. Obviously, there is a connection between the two, but the link is a purely commercial one. The merchants buy directly, or through wholesalers, locally manufactured products for distribution in the country. Only the very biggest manufacturing enterprises would have their own distribution organization and, in most cases, they never reach the retail level outside their main production center.

The traders surveyed did not import or export directly the manufacturing goods or agricultural produce they traded. In all cases they provisioned themselves, or marketed the agricultural products, through larger companies, usually wholesalers but, in a few cases, directly from, or to, the industrial producers and processors.

We did not find a single instance of integration between production of manufactured goods and distribution of those goods among the sample of merchants surveyed. In other words, no small and medium trader seems to market consumer goods he himself manufactures. They all provisioned themselves through wholesalers or, for the biggest ones, sometimes directly at the local manufacturing plants.

There is indeed a strong linkage between trade and agriculture since most merchants interviewed both traded in manufactured goods and in raw agricultural products. In addition, a

significant number were involved in farming and/or ranching.

But while we found traders, in a large number of instances, marketing goods produced in their own ranches, fish-ponds and farms in addition to those they bought from farmers, they do not, as a rule, transform those agricultural products themselves. The traders surveyed almost always sold "as is" to wholesalers or large agrobusiness enterprises the raw agricultural products. In a few instances we found traders operating a small mill but, in our sample, this activity always remained at the artisanal level.

Similarly, we have not been able to identify a single trader who owned or operated a manufacturing plant. In the regions surveyed, not a single small and medium size private industrial activity (manufacturing plant with between 10 and 100 permanent employees) was identified. What very limited manufacturing was found to exist was carried by other types of economic operators such as a large private company (brewery in Shaba) or by a church-sponsored development cooperative (DDP in Bandundu).

4.3. Purchasing policy

Traders' purchases of agricultural products to farmers is, in most cases, made for cash. Barter is practiced on a limited scale. Some traders purchasing agricultural products in the villages would bring their trucks loaded with manufactured products that they expect to exchange to the farmers against their crops that the empty truck would carry back. This practice is not developed, however since the peasants prefer being paid in hard cash. In Bandundu, some local authorities have also outlawed this practice following farmers' complaints of being cheated.

Traders usually have to purchase their general trade items on a cash basis too. Credit has almost disappeared in transactions over the past two to three years because of the high rate of inflation.

Wholesale dealers and industrial producers still sometimes extend some credit to their very best customers, but the amounts are always small (10 to 30 % of the purchase order) and the periods short (3 to 4 weeks only; i.e., until the next purchase).

Traders, in turn, do not extend credit to their customers, all sales are also against cash. In some cases, during the harvest period, barter is practiced. In general, only the workers of large companies can get some limited credit and usually only during the week before payday.

4.4. Financing, credit and accounting

Even though the bad condition of the roads has been cited by a number of traders as being their prime concern, and pilfering as the second most worrisome problem they face, from the survey on the whole it appears that credit shortage is a general constraint.

The accessibility to credit is very limited, specially among Zairian businessmen, for a number of reasons.

Most businessmen can not meet the lending conditions required by the commercial banks. Besides mortgage guarantees or other securities, the banks always base their lending decisions on their evaluation of the companies' financial data. Both these requirements effectively leave little chance for small companies to obtain commercial credit.

Security in the form of a mortgage on the business property is almost meaningless for the bankers. Firstly, the real market value of a store, or even a house, in the villages and small towns is very low and, second, banks are usually unable to effectively acquire ownership of the mortgaged property in the case of default.

With respect to financial statements, most small traders do not keep any. When they do, they usually consists of only a cash-book, whose entries are not always reliable or complete. During this survey many businessmen admitted that they keep two sets of accounts, one for official (fiscal) use and the other for the owner's eyes only. The former are not even considered by the banks and they tend to view the latter with deep misgivings for the following reasons.

Even a significant number of large companies arrange their profit and loss statement and their balance sheet in order to avoid excessive decapitalization through fiscal legislation thoroughly maladapted to the prevailing high inflation. But both statements remain linked to their general accounting system. Most of the commercial enterprises investigated are very much smaller than the industrial enterprises contacted under a previous study. Their capital is often limited to a truck, the value of the inventory of their shop representing only a fraction of the value of their truck. The real market value of the buildings in their possession (residential house, shop, store) is also typically less than the value of their truck.

The owners of these small businesses usually do not use any classical accounting system but only a book to note cash inflows and outlays. Nevertheless, they all produce an annual statement of profits and losses as well as a balance sheet, because the law requires them to do so. But the figures of these statements bear a

far greater resemblance to the figures they produced in their past years' statements than to their cash book. In most cases these statements are established by "professional accountants" from outside the company. In fact, this term often designates trained book-keepers in collusion with the tax inspectors. Most traders and their accountants consider that the purpose of the whole exercise is to prepare statements which will be considered credible by the fiscal authorities rather than truthful accounts which could be used by the owner to manage his business. Very often the owner or his shop-keepers did not really understand the exact significance of the various labelings and figures of these financial statements.

Other factors concerning access to commercial banks or credit unions credit were repeatedly mentioned by the interviewees, such as:

- Ethnic and family relationships: in some cases, credit decisions are based on the ethnic or family relationships between the would-be borrower and the credit officer. This factor, well known to bankers, might explain why most of the commercial banks' credit decisions are centralized at headquarters rather than decided by the local branch managers.
- Religion: some Credit Unions have been accused of discriminating on the basis of religion in their loan decisions, while they welcome deposits from all sources. While difficult to prove, this statement was so often made as to justify reporting.
- Political: banks might grant loans more easily to politicians or "well-connected" people than to the average normal businessmen.

The majority of small traders do not have access to commercial banks loans. Among those who do, most are expatriate businessmen. Zairian traders usually have to rely, in this order, on equity, relatives (only in Bandundu, surprisingly it was never mentioned by traders in Shaba), "Tontines" ¹ and, in a few cases, on Credit Unions.

¹ "Tontines" are rotating saving societies. Every month, a group of people would set aside a proportion of their income in a common "chest" and one of the members would get the total savings. These rotating saving societies are very widespread in Zaire and they often are the only way low-income employees can purchase costly items such as household appliances.

Frequently, the allocated amounts arrive too late to be of use, for the agricultural campaign for instance, and are far lower than the required amounts. The following examples illustrate the difficulty most businessmen experience when dealing with the financial intermediaries. One businessman interviewed applied for a Z. 400,000 loan from a state-owned bank to be refunded within three months. He received Z. 250,000 at a 36 % rate of interest. From this amount, on which the financial institution calculated the interest rate, he only got Z. 224,780 since the bank charged him Z 25,220 to cover different "administrative charges". In addition, he had to pay Z. 7,500 for "study of his file". This amounted to a real interest rate of 136 % per annum. A second businessman, owner of eight shops, applied for a Z. 600,000 loan from a commercial bank in Kikwit mortgaging his building insured for Z. 1,800,000. In return the bank only granted him Z. 60,000, i.e. 1/10 of the requested amount. The businessmen broke his relationships with the bank. A third one, seemingly quite prosperous, declared that he applied several times but could never obtain any loan from the bank's local branch although his business has a monthly turnover of one million Zaires and he gets credit regularly from business friends (a monthly suppliers' credit amounting to one million) and from the local Credit Union (overdraft facilities ranging from Z. 300,000 to Z. 700,000). This businessman needs long and medium term credit for investment in fixed assets that neither are equipped to provide.

The survey identified some traders who had access to commercial bank credit in the past but cannot, at present, get any loan. The main reasons which can explain this situation are: i) the reduction of activity and the economic difficulties presently experienced by a number of established medium-sized merchants which are due to poor management and the changes in the trading structure, and ii) the credit ceilings imposed by the bank of Zaire. Some traders interviewed used to have 80 employees a few years ago but now employ less than 20 and their fleet of trucks dropped from between 5 to 8 vehicles to between 1 or 2 which are really working. They closed many of their shops in order to survive, and now seem to derive most of their resources from their agricultural activities. An investment they made in better times, or a new source of income they diversified into when the profits they were making from trading began to decline.

Some traders deliberately do not want to ask for credit. They usually have stable activities but they are very cautious. Some could probably increase the size of their business if they invested but they are afraid of banks. In this category, we found a number of the youngest of the businessmen as well as businessmen who have traded nothing but manufactured products. Reasons set forth for not applying for a loan are mainly that they are afraid of very high interest rate and banking charges. For SOFIDE loans for instance, the quick depreciation of the Zaire currency is a considerable risk since the loans are denominated in foreign currency and the borrower

has to bear the exchange risk. A businessman reported that he was granted a loan from SOFIDE amounting to Z. 600,000 some years ago, now with exchange risk within the loan, he has to refund more than Z. 3,000,000. The other businessmen who are aware of these conditions do not want to engage themselves, even if they might fulfill the conditions.

There is deep resentment against the commercial banks. Most businessmen consider that they are interested in nothing but their deposits. In fairness they seldom realize the constraints the banks have to work under in this country: high reserve requirements, tight credit ceilings, lack of meaningful securities and traditionally high rate of default among small and medium businesses. For the agricultural campaign, a large number of traders do no longer receive commercial bank credit because they have delayed their reimbursement in the preceding years. In a number of cases however, the banks took so long in making the funds available that the traders who finally received their credit could not use the funds as profitably as they expected since the campaign was already well under way, if not already completed !

Nevertheless, it is also true that since the market for loans is a suppliers' market, banks do not have to make efforts to reach that more risky and more costly segment of the businesses and do not actively pursue a lending policy, however limited, vis a vis the small and medium businesses of this country. Commercial banks are apparently satisfied to limit their actions to such customers as the large private companies and the parastatals and their services to the safest ones such as providing overdrafts and documentary credits.

For most businessmen, this lack of response from the banks to their needs is amazing and frustrating and the banks' attitudes are considered arrogant. For instance Idiofa businessmen wrote to the managing director of one of the commercial banks in 1985 to request the opening of a new branch in their city. So far reception of this letter has not even been acknowledged.

It is worthwhile to note that businessmen do not trust services offered by CADEZA. They claim that it is easier to deposit funds than to withdraw one's own money !

4.5. Training

Almost no interviewed businessmen, except for the salaried managers of the larger firms' branches, had gone further than two years of secondary school. Most of them have only an elementary school level and never attended another training class once they left school. Some possess vague accounting notions but, in general, the lack of training in the basic management notions can be seen by an outsider as one of the impediment to success and growth of the business.

The survey identified a few exceptions nonetheless, where people with limited schooling are quite well organized. These traders were often former employees who learned their trade from expatriate merchants and, at some point, started their own business. They tend to think and operate, albeit on a limited scale, in terms of management. But we observed that they, in turn, provide little training to their employees.

Most of the respondents admitted that they are not particularly interested in further training since they consider that they already know all they need to know to run their business. Also, most admitted that they value experience far more than formal schooling.

The overwhelming majority of small traders felt no need for any training for their employees either. The argument was that they do not need any sophisticated specialization.

It may however be assumed that this widely spread lack of recognition of any training needs has to be attributed to the existing lack of knowledge itself. A few larger traders or somewhat more formally educated traders felt that their shop-keepers and themselves should get some training (primarily in accounting). Quite a few of those that thought that they did quite well as it was were right up to a point. In fact, they did quite well considering their limited level of activity (which would be measured by turn-over as well as by the complexity of organisation). But it was not rare to find that certain traders who had worked very well for 10 or 20 years, collapsed at a certain point when they continued their expansion. They obviously launched themselves into some adventure whose implications they were unable to calculate or they suddenly took one step too much or too fast in their hitherto steady expansion. It was also obvious that they seldom could explain the figures or even the denominations in their balance sheet or profit and loss statements.

Despite these facts, small traders, when they mentioned any training needs at all, referred more often to mechanics, agronomy

and animal husbandry (to keep their trucks and farms going) than to management and accounting.

Only one trader interviewed gave some precise and detailed ideas about subjects that could usefully be dealt with by seminars or evening conferences, these subjects were:

- The kind of services or information which could be made available for them (OPEZ, CEPAS, etc),
- How to calculate the cost price
- Commercial information on supplies
- the Labour Code
- the Business Law and the Tax Code
- the C.C.A. (turnover tax)

4.6. Transportation

For traders, who have to regularly supply their shops or serve widely scattered backcountry villages, transportation is a crucial factor in productivity and profitability. In this domain, however, they experience severe difficulties since most of the intercity and rural road network of Zaire is in terrible condition. Frequent shortage of fuel, even in an economically important town such as Lubumbashi, is the rule. Freight transportation by road is costly and very slow. Whole areas of the countryside cannot be reached anymore, especially during the rainy season.

In addition to increasing the cost of marketed products, this problem is extremely serious since it jeopardizes the collection and evacuation of agricultural products in the country. In the long term this might cancel the benefits of the agricultural products liberalization policy, rightly pursued by the Government, since large quantities of products are wasted for lack of transportation (and proper warehousing).

To serve many villages spread over a vast area, vehicles have to cover enormous distances. In most cases, expensive off-road trucks would be required but these are beyond the means of most small traders. They use normal trucks but the cost in delays and vehicle wear and tear is considerable.

The bad condition of roads was cited by almost all businessmen as a major check to economic activity in the small localities surveyed. Vehicle break-downs are largely due to the bad condition of the roads and the lack of medium term credit needed to purchase replacements of such costly assets. Both contribute to the decrease of the number of vehicles small and medium traders established in minor cities now operate. Itinerant traders face the same kind of problems but apparently fare better since they operate

their vehicles with what appears to be a higher profit margin per ton-kilometers of goods carried and have less fixed costs eating into their profits. Larger trading companies have a better access to the financial resources needed to purchase vehicles.

Transport is also rendered slow and costly when officials take advantage of their situation to extract a "toll" at some strategic location - a bridge for instance - a not uncommon situation according to the survey. Trucks carrying goods can pay fees ranging from Z. 1,000 to Z. 18,000 per trip. In case of non payment of these charges, the vehicle has to turn back and use another road, an expensive and time consuming proposition which leaves the trader little choice but to comply. Usually, the funds raised are not used for the road or bridge maintenance.

In Bandundu, transport is sometimes carried by a combination of truck and boat. This happens in Mangai and Dibaya-Lubwe on the Kasai river for instance. Trucks are used to carry the goods and products to and from the river where they are loaded on barges. The boats travel mainly to Kinshasa but also to Ilebo. Traders prefer to rent space on private boats rather than on the ONATRA barges since most consider that their old age and poor maintenance occasion too many accidents and that an unacceptable amount of goods tends to disappear during the trips. A few small villages around Dibaya-Lubwe cannot be serviced anymore by road and they experience great difficulties in shipping out agricultural products and shipping in manufactured products. The problem could be solved if there existed boats small enough to navigate the rivers Malassa and Katembo. But the investment, especially the purchase of the required marine engines, is out of reach of the small traders. It is worth noticing that USAID is now financing an "agricultural products marketing project" in Bandundu, one component of which deals with the design and building of low-cost wooden boats.

Shortage of fuel is also a very real problem which disrupts the trading activities in whole areas for weeks or months at a time. By contrast, it is worth noticing that no respondent mentioned the official price of fuel as a problem. In a number of cases, when cold-storage warehousing exists, the shortage of fuel in the hinterland also prevents proper preservation of agricultural produce. Numerous instances of waste, due to the shortage of collection and transportation resources or to the lack of adequate warehousing facilities, have been reported and, if not addressed, might compromise the long term success of the price liberalization measures on agricultural production.

4.7. Diversification of activities

The practice of combining several activities is now widely spread among merchants both in Shaba and in Bandundu.

This situation derives from the difficult economic situation which is being experienced by the country and which impacts directly on the revenue potential offered by trade. Included are the recent changes in trade patterns which sharply reduced the merchants' profit margins (see chapter 5) and the increased attractiveness of farming produced by the liberalization of the prices of the agricultural products.

To survive, or simply to increase their income, a good number of tradesmen, both zairian and expatriates, diversified and most chose to do so in agriculture, ranching and fish-farming and, in fewer cases, flour-milling. According to our respondents, the initial investment required was affordable and this diversification seemed natural since they were already engaged in agricultural products marketing.

Among other activities carried upon by traders, bar and hotel management seem to be the most frequent.

4.8. Ethnic or cultural affinities and groupings

The survey found no evidence of the existence of commercial networks - i.e. pooling of resources, common business strategy or formal links to conduct complementary activities - based on ethnic or cultural affinities. It demonstrated clearly, however, that these factors play a role in the under- or over-representation of certain ethnic groups in trade.

In Shaba there is one extended family of arab (Omani) origin, most of whose members are traders, spread over Bukama, Kinkonja, Malemba-Nkulu, Kitenge, Kabalo, Kongolo, Nyunzu, Kalemie and Lubumbashi. Some members of this family of racially mixed origin have acquired the zairian nationality, others are still arabs. They do not systematically work together as a network, because they are all engaged in the same kind of business (corn marketing, fish and general trade) and they have little complementary activities. But they tend to help each other, if needed, and some brothers are associated, having pooled together some of their resources to finance important investments.

There is a comparatively high number of traders of racially mixed origin, which can be easily explained by the fact that a large

number of the expatriates who settled to trade in remote areas before independence established some family links locally and trained their children in their trade. These eventually took over the business from their fathers.

By contrast, in the area surveyed in Shaba, there are now only about half a dozen expatriates left who run the businesses they started a (large) number of years ago. Among these we found Portuguese and a few Belgians. All are married to zairian women. Most expatriates of european origin remaining in the backcountry now work as missionaries or for large companies. It must be noted, however, that in the largest cities, a significant number still operate their own industrial or commercial businesses.

In Bandundu, Greeks, Portuguese, Indians and Pakistanese constitute the majority of expatriate merchants in the region. The survey showed that they are usually better organized and more dynamic than Zairian traders.

This fact might result from a long family tradition of doing commercial business in Africa. The parents and grand-parents of all the expatriate merchants interviewed had run similar businesses. Through generations they have mastered this profession.

In Idiofa for instance the largest and best provisioned shop belongs to a Pakistani. He established himself in that area with a small capital in 1985. He opened up a small shop downtown. After two and a half years, he opened up two others. The owner is young, born in Zaire, his father was also born in the country. His grand-father established himself in Zaire as a businessman. The family has been doing business in this country for three generations.

In Bandundu, our survey revealed that the Bunda and Yanzi ethnic groups dominate in numbers among business managers of the Kuilu district. Before and during the colonization period, these ethnic groups were already engaged in trade. They used to sell indigenous agricultural tools (hoes, machettes), salt, soap and other items. They were moving from village to village, traveling long distances on foot or on bicycle. The two above cited ethnic groups have between them many trading relationships. Their linguistic affinity furthered those relationships. On the contrary, The Mbala and Pende ethnic groups which are numerous in Bandundu are under-represented in the trading business. Some attribute this fact to the different social values of these groups. To our knowledge, however, no sociological research has been conducted to support these statements.

Tradition and social values regarding the conduct of trade can prompt the development of an entrepreneurial class, but the survey demonstrate clearly that they are no guarantee of success.

Even those Zairian merchants who are, culturally, the most favorably oriented towards commerce run businesses which are small and do not seem to expand. In most cases, they lack the management training which is necessary to go beyond the simplest form of store-keeping or itinerant trade.

Most traders, expatriates or Zairians, work individually and compete between themselves. No trading network exists although, among expatriates, some assistance might be provided from time to time to fellow nationals.

Among zairians there is notably less cooperation and mutual assistance, outside the direct family circle, than amongst expatriates or within the one large family of arabs which dominates commerce in the region surveyed in Shaba. Many consider that the major cause lies in the fact that paying back a debt is not a very deeply rooted african cultural concept. Many Zairian merchants provide employment to members of their family, but in general only in subordinate clerk positions. This does not constitute a network. A number of Zairian merchants interviewed stressed that when they tried to put relatives in management positions they demonstrated a "very annoying" tendency to eat up the company's funds and inventory.

4.9. Role of women in trade

Although women play an important role in commerce, this role is almost exclusively confined at the lowest end of the scale, i.e. as individuals (housewives) selling a few products in the markets.

The survey identified only three trading enterprises (within the size range considered in the TORs) owned or managed by women. All were small, having only one store and less than 10 employees. Two of them inherited the store at their husband's death, one started her own commerce.

In Bandundu, a few women coming from Kinshasa, Bandundu city, and the Kasai region are engaged in trade in the villages. They would travel back and forth to buy a limited amount of agricultural products, to be resold in the main urban centers, in exchange for second-hand clothes, small household appliances, salted fish, fabric and plastic products (buckets). We have not been able to ascertain whether this activity is their only source of income.

We identified only one woman who had her own pick-up, the others rent space on third-party trucks and boats.

5. RECENT STRUCTURAL CHANGES IN TRADE PATTERNS

5.1. Impact of the liberalization of agricultural produces prices on trading

Fundamental changes have been taking place in the trade structure in recent years.

Until 1981/83, economic legislation strongly favoured trade to the detriment of production activities. Price control mechanisms together with exchange rate distortions tended to keep producer prices and import prices at an unrealistically low level. The result was rationing (through quota) of insufficient production and imports to meet excess demand, extensive grey and black markets (quota trade) and an almost absolute lack of competition on the supply-side among traders, importers and producers. Effective consumer prices (for unprivileged normal consumers) were often 3 to 5 times higher than producer (or first import) prices and an excessive number of unproductive intermediaries shared the enormous trade margins and benefits.

Since economic liberalisation has been applied and demand has been seriously restricted by more severe monetary and credit policies, producer and import prices have been adjusted to real cost ("la vérité des prix") and trade margins have been successfully reduced to almost normal levels in most sectors. Many traders, even large companies, went bankrupt because they were unable to work with normal marketing margins under competitive conditions and without oligopolistic privileges (quota). Others were able to adjust to the new economic environment by finding new, less costly ways of marketing.

Not only did the numerous unproductive intermediaries of the "quota-trade" disappear, but more direct marketing has become a common feature in many traditional trade relations.

In Shaba, for instance, Kasai traders no longer buy Zambian cornflour exclusively in "Kenya-market" in Lubumbashi, but have started to establish their own buying counters in villages on the Zambian border, like Kasumbalesa. In the same way, they no longer content themselves to buy fish in Bukama, but they now drive directly to the fishing villages around Kinkonja and Malemba-Nkulu. Traders from these places do the same thing : they drive all the way to Mbuji-Mayi in the neighboring region to sell their fish, instead of just bringing it to Bukama.

The corn trade that developed in recent years has brought a modest amount of wealth to this long depressed area. But corn trade is seasonal and during the rest of the year the farmers have little

money to buy anything but the essential items. Established traders have to face high fixed costs if they can operate only 4 or 6 months a year. Also corn traders have, to a certain extent, adopted the habit of bringing certain essential goods (and even some luxury goods like radios) to the farmers when they arrive with their trucks to establish their campaign headquarters, thus cutting out the local small traders from towns like Kitenge.

In the Lubudi/Luena area, it has been mentioned that farmers refused to sell corn against cash, because they feel it loses its value before they get a chance to find something to buy for it. Thus barter trade is being considered. The railway itself has become a large mobile shop or market which allows itinerant traders to serve a much larger area and rotate their stocks more quickly. This hurts the locally established stores.

In Bandundu, the liberalization of prices on agricultural products, except for coffee, had positive effects on agricultural production. Indeed, the farmers can now freely set prices for some of their products (cassava, peanuts, corn, etc..) and the production and prices of agricultural products have steadily increased since 1983 bringing higher income to villagers.

However, higher income does not automatically mean higher purchasing power since the price of manufactured products, in direct relation with the constant and rapid loss of value of the Zaire compared to the major foreign currencies, has also increased dramatically. Although, to our knowledge, no in-depth research has been made on the subject, it is widely believed that more productivity gains will have to be made in the distribution system of manufactured products to counterbalance this monetary factor of inflation. While the internal distribution system is becoming leaner and more competitive, a lot probably remains to be done at the importers' level.

A great many bottlenecks and inefficiencies in the agricultural and trading systems still remain to be resolved to significantly raise the standard of living in most of the country's rural areas. To make more money, farmers not only have to sell more products, but the increase in agricultural product prices has to keep pace with the rise in manufactured goods prices. Agricultural productivity has to be increased through better farming techniques. Collection, warehousing and market access also need improving. But in large rural areas of the country, the very bad road conditions, the scarcity of vehicles, the lack of fuel, the scattering of villages and their lack of organization are difficult constraints which cannot be eased in the very short-term.

Liberalization of agricultural product prices, though a step in the right direction which has no doubt already improved the lot of those farmers located not too far from the transportation axes,

cannot bring sustainable economic benefits if applied in isolation. Liberalization must be part, albeit a crucial one, of a coordinated and interrelated series of measures pursued consistently over a long period of time.

5.2. New competitive conditions

Trading in manufactured goods is quite competitive in the urban centers since there are a number of stores and most shops offer the same basic goods. In the countryside, local merchants are somewhat freer to set their prices but the low purchasing power of the population is obviously a deterrent to extravagant margins. Since liberalization, the disappearance of the "quota" system sharply reduced the profit margins of a number of merchants who benefited from those unjustified privileges. Some have not been able to adjust and went bankrupt, but the lot of the rural consumers has presumably improved.

The competition is particularly intense in the purchase of raw agricultural products. In this domain, small and medium-sized local merchants face:

- the purchasing power and organization of the biggest trading houses which do not hesitate to purchase directly from the farmers, whereas they used to buy from intermediaries in the past,
- the unregulated operations of a category of dealers called "pirates" or, in Bandundu, "par colis" and,
- the renewed awareness of the farmers themselves who, in a number of cases, do not hesitate to transport and directly market their production in the larger cities. The volume marketed is still limited but the practice seems to be on the increase.

If, undoubtedly, the unregulated operators disturb the markets for locally established traders, it is sometimes difficult to assert the real benefits to farmers.

Often these businessmen operate without licence or commercial register. They pay no tax whereas the local businessmen pay various charges on agricultural products, and on their operations. Those "par colis" businessmen tend to operate quickly: they generally purchase a limited amount of the products offered in the villages, usually enough to fill their one truck, and leave. They bring in no manufactured products. The "pirate" businessmen from Kasai who operate both in Northern and Central Shaba and in Bandundu often have a high purchasing power (diamond connection) and

the prices of food products in towns like Mbuji-Mbaya are high. On November 3rd, 1987, the market price of a cassava bag was around Z. 550 in one of the local markets in Bandundu that the Consultant happened to visit. Upon their arrival, the Kasaiian "par colis" traders then offered Z. 750 a bag, a 50 % jump in price.

At first sight, these high prices seem to be to the advantage of the villagers. The price increases induced by the "pirate" businessmen are not consistent, however, since they do not operate on a regular basis within the same areas and they deal in limited quantities. Based on these limited quantities, local farmers tend to raise their selling price expectations and have a hard time to understand that they might not reflect the true market value for their products. Local businessmen usually cannot match these prices and get a bad press. "Pirate" businessmen often promise to come back but they seldom do within the delay announced and some villagers, waiting for the promised return, refuse to sell to local merchants and often see their stocks being damaged by insects (corn) or humidity (cassava). Later, they have to sell their products at lower prices than those originally offered by the local businessmen.

In any case, farmers always tend to believe that they are exploited by all merchants because they usually compare the price at which merchants buy their products with the price they know they are being sold in the cities (at the time of the study, a cassava bag bought at Z. 500 in a Bandundu village was sold at around Z. 2,000 in Kinshasa or Tshikapa) while they usually have no idea of the charges incurred by the traders.

It is interesting to notice that, even in the remote areas, farmers are very well informed on the price differential and, over the last few years, have started to take advantage of it. It is not uncommon for villagers to travel long distances to sell a few bags of their products in the main urban centers. Since they do not put value on their time, they would not hesitate to travel a few hundred kilometers for a few thousand Zaires of profit.

This practice, which seems to be on the increase, coupled with the fact that more city-based merchants now reach directly the production areas, probably accounts for the disappearance of a number of local trading intermediaries and the sharp decline of some trading centers like Bukama which used to centralize products for shipment to bigger towns. Ironically, the farmers usually rent space from the driver of a passing truck belonging to a trader. In most cases, the (poorly-paid) driver would pocket the income and usually not hesitate to overload his employer's vehicle, doubly contributing (competition and maintenance costs) to the latter's predicament.

5.3. New dynamic of trade

The structure of the internal distribution system in rural areas appears to be changing with a reduction in the number of levels of intermediaries.

Based on the results of the survey, it can be said that established traders in small cities are experiencing difficulties while itinerant traders and larger companies appear to be managing better or, for the former, to be on the rise.

In the past, large companies would purchase the agricultural products from small and medium merchants established in small cities which served as collecting and marketing points. Now, the same traders tend to reach directly at the village level to buy, and market the goods themselves in the bigger cities, and mid-level trading intermediaries are often bypassed in the process. This phenomenon also takes place for the distribution of manufactured goods. The same trucks used to collect the agricultural produce do not travel empty but bring goods to the village level to improve the profit-margin for the trip. Often itinerant traders who own and operate their own truck and thus supervise more effectively its use, are in a better position to take full advantage of the price differential which exists between the villages and the larger cities for the products they transport.

As a result, we found a general reduction in the number of established small and medium merchants and, for the remaining ones, in the size of their trading activities, in a number of small cities. The number of fixed stores has decreased in the past few years and, among those established merchants who survive, a large number are operating on a very limited scale compared to years ago when most benefitted from the "quota system". In a number of cases, the commercial activity now barely sustains the trader's direct family. Visits on the premises showed that quite a number of stores had almost empty shelves while their size spoke of a better past. Our visits in the field also showed that a number of businesses listed in the 1984 and 1985 ANEZA and OPEZ files of small and medium trading enterprises do not exist anymore.

Those conclusions regarding the rise of itinerant traders might have to be confirmed since the research which was carried out mostly dealt with small and medium scale merchants operating on fixed premises as required by the Terms of Reference. Nevertheless, a large number of such interviewees mentioned similar facts about the itinerant traders. The Consultant was able to carry a few interviews with both large and itinerant traders to complete the picture of the trading activities and trends in the regions surveyed. Thus, it is felt that the picture presented is reasonably accurate.

6. MAJOR CONSTRAINTS AND RECOMMENDATIONS

6.1. Classification of the main problems

It has already been mentioned that small traders did not, in general, distinguish between purchasing, commercial, management or financial problems. But they overwhelmingly mentioned the same problems with the same priorities. The two major constraints reported by the traders themselves are:

- Transportation and,
- Lack of working capital.

While the Consultant agrees that these problems are hampering the trading operations of the category of merchants surveyed, the difficulties of a large number of them also derive from:

- the changes in the distribution "rules of the game" brought by the liberalization measures and, particularly, by the disappearance of the "trade quota" system,
- the low level of training of most of the small and medium merchants, especially with regard to the proper calculation of their real operating costs and their book-keeping,
- the decrease in the purchasing power of their urban consumers. Contrary to the rural areas surveyed where, by and large, the price of agricultural products paid to farmers has followed the rise in the prices of the manufactured products, the salaries of workers, employees and civil servants in the towns has not kept pace with inflation on both basic food and consumer goods. This has dramatically reduced their (already low) standard of living.

Problems in transportation certainly ranked as the number one concern amongst traders both in Bandundu and in Shaba.

Almost universally mentioned were: badly deteriorated roads; long transport delays, even when the goods are shipped by air; long waiting lists for railway wagons; theft, not infrequently on a large scale, during the transport by truck, railway or at the airports'warehouses; road blocks and persistent racketeering by local officials; lack of spare parts for their trucks; difficulty in replacing old trucks; and scarce fuel supplies (the official price of fuel instead was never mentioned as being a problem).

Insufficient working capital and lack of credit (traders in the interior have more difficulties in obtaining credit than traders in larger towns) ranked second in the traders' preoccupations. The working capital difficulty, in turn, is related to a number of factors: inflation, high percentage of inventory losses and improper pricing methods.

Except for the scarcity of empty bags to pack the raw agricultural products purchased from the villagers, the availability of supplies was not a major concern in general. But there are, of course, some irregularities and unpredictable periods of shortage.

On the other hand, the rapid price rise was often indicated as a major provisioning problem.

It often happens that the price for new supplies is higher than the last selling price has been. Not a few traders are threatened with, or experienced, bankruptcy for this reason since, in a period of high inflation, the proceeds of the sale of goods in inventory are often inadequate to provide the cash needed to resupply the stores with the same amount of products.

Even if they are conscious of the fact, which is not always the case for lack of understanding of the way to accurately calculate their real cost price, traders are often unable to adjust their selling price in time. This is so because other traders, unaware of the consequences, continue selling their old stocks at below replacement cost, or because they face the competition of the company store ("cantine") of a large enterprise or a mission store nearby which sell at lower (subsidized) prices. The mission in Mukabe-Kazadi (near Lubudi) admitted that they incurred a loss of 150.000 Belgium Francs in 1986 out of a Z. 6.5 million turnover in their stores, i.e. almost 3 %, mainly because of delays in price adjustment. In most cases, a private shop could not survive such miscalculations.

In small towns, the local agent of the Ministry of Economic Affairs may cancel necessary price adjustments. Price increases must be justified based on a rigid cost price calculation structure which is inadequate in the context of rapid monetary depreciation. For instance, the selling prices of goods must be calculated based on the purchase cost of those goods in inventory, whatever the speed of their turnover, rather than on their replacement cost, or the depreciation charges are based on the historical, rather than the revalued, values of the fixed assets. This often prevents local traders from generating enough working capital to maintain their operations, not to mention financing any kind of growth. (See appendix 4 for a brief presentation of the price liberalization measures and the role of the Ministry of Economic Affairs).

Theft by shop or warehouse managers and employees has also been mentioned as a serious issue. Some merchants have gone bankrupt for this reason and others gave up their trade because changing managers does not improve the situation when the thieves are treated too leniently by the justice administration. This large scale theft is a rather recent phenomenon. Prior to the economic liberalization measures, the shop managers often extracted a supplementary payment from the clients to whom they were selling goods at the official price (a special form of quota-trade). Sometimes those managers made more money than the shop owner, but the latter did not conceive it as theft since the practice did not eat into his own profits which were, at that time, quite comfortable anyway.

Finally, the weaknesses of most small traders' management training, particularly on financial matters such as cost price evaluation and investment planning, directly affects both the short and medium term profitability of their business and their ability to get credit.

6.2. Recommendations for improvement

In the short-term, not much can be done to alleviate the major constraints faced by the small and medium-sized traders.

Commercial banks face such serious constraints in dealing with small enterprises that the incentives required to prompt them to extend credit to these operators are probably too expensive to afford. In the present context, a grant rather than a lending program, for the purchase of vehicles and spare parts for instance, is likely to be the only solution if the objective is to provide financial assistance to small traders.

The question remains, however, whether it is economically justified to provide succor, in the form of financial assistance, to small merchants. It is arguable that in spite of the present difficulties a number of small traders experience, the disappearance over the past years of a number of commercial intermediaries unable to compete under the liberalization measures may well be a positive sign that the distribution system is in the process of rationalization to the ultimate benefit of the producers and consumers.

Still, actions should be undertaken in three directions:

- Improvement of the transportation and storage infrastructures,
- Management training and,

- Elimination of the most harmful actions by the Administration and its agents.

Improvement of the transportation infrastructure, particularly that which affects the collection and distribution to markets of agricultural products via the rural road network and the railway, is a long term proposition which will require both a momentous and sustained financial effort by the Government and the donor agencies as well as fundamental reforms in the management of the organizations in charge of operating and maintaining those infrastructures. Disappointment in the performance of the "Office des Routes" (the parastatal in charge of building and maintaining the road network) is increasing and the idea that the economic operators, which are directly interested in the quality of the road network, could be subsidized to maintain themselves this network is making progress among some agencies.

USAID is well aware of the need to provide better internal communications and already finances rural road projects. This study reinforces the justifications for pursuing, and increasing, such efforts.

In addition, projects helping to implement major improvements in the distribution of fuel in the hinterland and in the creation of proper agricultural produce storage facilities should be considered and/or increased.

The organization of a management training program tailored to the needs of the small traders would constitute a worthwhile and economically justified form of assistance. Indeed, contrary to a subsidized financial assistance scheme, such a program would respect the basic principle of "survival of the fittest" which, it may well be claimed, is one of the objectives of the liberalization policy pursued by the Government. Yet, such a program would undoubtedly give a better chance of success and expansion to the dynamic and adaptable segment of the population of small and medium traders.

Finally, as for the actions which should be pursued by the Government, the Ministry of Economic Affairs should be made to realize that its ex-post control of selling prices, based on a fixed price structure, not only contradicts the principle of liberalization of the economy but, more importantly, it works against preservation of traders' working capital. While the protection of the consumers is understandably a concern, the commercial system has probably become competitive enough by itself to guarantee that the traders, in general, cannot extract excessive profits from their clients anymore. Fundamental macro-economic inefficiencies, resulting in the persistent monetary devaluation, are now certainly more to blame for the constant price rise than what is often seen by civil servants as traders' greed and their desire to systematically "exploit" their consumers.

In turn, the Ministry of Finance should be encouraged to review its fiscal policy with regards the depreciation of fixed assets to avoid the decapitalization of the productive equipment of all economic operators and stimulate true cost pricing. Such a measure would obviously be expensive in the short-term for the Treasury since all the larger private and public companies which are the main taxpayers would certainly take advantage of it to reduce their taxable income, but it is an essential requirement to maintain an efficient, or viable, production and distribution capacity in the medium and long-term. This is the source of future fiscal income. The direct impact on small and medium traders is likely to be limited, however, since it is generally admitted that currently most businessmen arrange their books to pay the minimum amount of taxes. Nevertheless, an improvement of the tax code is a prior requisite to the enforcement of the fiscal legislation.

Last but not least, discipline, respect of the law, work ethic and adherence to proper behaviour should be systematically encouraged, and their violation severely punished, in the civil service. Financial and administrative harassment of the economic operators by representatives of the Civil and Military Authorities is all too common and not only represents a serious hindrance for the economic development, but it discourages probity in the conduct of their business activities among the former. Tax evasion on a grand scale is certainly stimulated by an inadequate fiscal legislation and by the conduct of a number of tax collectors themselves. This problem, however, probably cannot find a beginning of a solution unless both the working conditions and the remuneration of the civil servants are much improved.

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TERMS OF REFERENCE

AND

SCOPE OF WORK

STATEMENT OF WORK

ARTICLE I : PURPOSE OF CONTRACT

The purpose of this contract is to have the contractor prepare a report describing : 1) the characteristics, constraints, and needs of small and medium sized commercial trading enterprises in the USAID project areas of Bandundu and Shaba ; 2) how these enterprises function in the private sector vis-a-vis other private enterprises, especially manufacturing enterprises, and 3) how these commercial trading enterprises relate to agricultural, agro-industrial, and agribusiness activities.

ARTICLE II : BACKGROUND

In February, 1987, UDAID began a research effort to identify priority needs and possible interventions for its proposed \$ 40 million private sector project. A local consulting firm completed much of the research concerning small and medium sized industrial enterprises (SMIES) in the project areas. However, following preliminary investigations, it was discovered that there were an insufficient number of SMIES in Bandundu and non-Gecamines Shaba .

There were, however, dozens of commercial trading enterprises. At that point, USAID/Kinshasa decided to conduct the study of the commercial enterprises operating in the non-Gecamines Shaba and Bandundu areas as a separate research activity.

ARTICLE III : SCOPE OF WORK

The contractor will :

1 Identify commercial enterprises operating in the USAID project areas of Bandundu and the non-Gécamines Shaba. Small and medium sized commercial enterprises will be defined as those businesses that employ between 5 and 100 people for at least four months a year, have fixed premises, and at least one operating vehicle. The sample of private enterprises will include those whose primary (but not exclusive) activity is commerce.

2 Prepare a questionnaire that will provide information regarding the following concerns :

- a. Describe each enterprise in terms of size, volume, and type(s) of commerce ;
- b. Identify and assess trends, potential for growth, capacity for expansion ;
- c. Identify and assess the importance of formal and informal credit available to these businesses ; and,
- d. Report any opportunities for new types of businesses.
- e. Relationship to agricultural production and processing activities ; i.e. how these businesses relate to the rural economy.

3 Using this questionnaire the contractor will conduct a minimum of 80 interviews (40 in Bandundu and 40 in Shaba) with commercial enterprise directors, and will visit the premises of the enterprises in question. The interviews will be conducted in the towns (or surrounding areas) of Kikwit, Bulungu, Idiofa, Masi-Manimba, and Mangai for the region of Bandundu, and in Kamina, Bukama, Lubudi, Malemba Nkulu, and Kitenge for the region of Shaba. Private entrepreneurs in each location will be contacted and their operations, prospects, and difficulties will be studied in detail.

The contractor will divide the sample of firms studied across ethnic and cultural groups, to the extent that the firms are associated with such groups, and will study the correlations between cultural groupings and business practices. The contractor will also investigate the extent to which the firms studied are parts of networks of firms grouped by social or ethnic ties, rather than operating atomistically.

4 Describe the relationship of these commercial enterprises vis-a-vis both large and small scale agricultural producers. Questions to be answered are : What are the linkages of these enterprises to the agricultural sector ? How do they connect the agriculture sector to market/urban centers in the region or to Kinshasa ?

5 Develop private sector profiles of commercial business from each location visited.

6 Identify and rank by importance the constraints to growth and expansion.

7 Describe how these commercial enterprises function within the overall private sector vis-a-vis other actors including NGOs and parastatals. Confirm whether the commercial enterprises comprise the greater part of the private sector in these areas. Identify any other influential and active general categories of enterprises that operate in these areas.

8 Identify policy reform areas (i.e. government policies, regulations, or tariffs that impede or promote business) and issues for stimulating the development of these businesses.

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SURVEY QUESTIONNAIRE

COOPERS & LYBRAND

USAIDPRIVATE SECTOR STRATEGY AND PROGRAM DESIGNQUESTIONNAIRE D'EVALUATION DES ENTREPRISES COMMERCIALES
CHECK-LIST FOR THE ANALYSIS OF TRADING COMPANIES

Date d'entrevue:

Date of interview:

Nom et position de la personne interrogée:

Name and position of interviewee:

1. IDENTIFICATION DE L'ENTREPRISE
IDENTIFICATION OF THE COMPANY
 - 1.1. Type de produits commercialisés (plusieurs choix possibles).
Types of products sold (multiple answers are possible).
 - Produits agricoles bruts,
Agricultural produces,
 - Produits alimentaires,
Food products,
 - Hygiène, cosmétiques et médicaments,
Hygiene, cosmetics and drugs,
 - Textiles et vêtements,
Textiles and clothing,
 - Articles ménagers,
Household requisites,
 - Bois et produits en bois,
Wood and wood products,
 - Matériaux de construction,
Construction material,
 - Autres.
Others.
 - 1.2. Type de commerce pratiqué (plusieurs choix possibles):
Type of operation (multiple answers are possible):
 - Commerce de gros,
Wholesale,
 - Commerce de détail,
Retail,
 - Commerce itinérant (nombre de camions et zone desservie),
Mobile shop (number of trucks and area served),
 - 1.3. Nom de l'entreprise.
Name of the company.

- 1.4. Statut juridique (entreprise individuelle, SARL, SPRL, autre).
Legal status.
- 1.5. Numéro d'identité nationale.
Registration number.
- 1.6. Adresse de l'entreprise.
Address.
- 1.7. Nom du dirigeant/propriétaire.
Name of the owner/of the manager.
- 1.8. Date de début des activités commerciales.
Starting date of the commercial activity.
- 1.9. Chiffre d'affaire actuel par année.
Present yearly gross sales.
- 1.10. Nombre d'employés permanents.
Present number of permanent employees.
2. APPROVISIONNEMENTS
SUPPLY
- 2.1. Sources d'approvisionnement des produits commercialisés:
Sources of supply of products sold by the company:
- Région d'activité (types de produits achetés),
Immediate region (type of products purchased),
 - Autres régions du Zaïre (lesquelles),
Other regions of Zaïre (which ones),
 - Importation.
Imports.
- 2.2. Montant annuel moyen des achats:
Average yearly purchases:
- Dans la région,
In the region,
 - Dans le reste du Zaïre,
In other regions of Zaïre,
 - A l'importation.
Abroad.
- 2.3. Les approvisionnements sont-ils soumis à des variations saisonnières ?
Are the supplies cyclical ?

- 2.4. Quels sont les mécanismes d'achat utilisés:
Types of purchasing mechanisms:
- Paiement cash,
Cash payments,
 - Crédit fournisseur (durée moyenne),
Suppliers' credit (average duration),
 - Avances contre future réception (aux producteurs par exemple),
Cash advance for future delivery (to farmers for instance),
 - Troc,
Barter,
 - Crédit documentaire.
Documentary credit.
- 2.5. Principaux problèmes d'approvisionnement (délai, financement, fiabilité des fournisseurs, etc...) et suggestions pour leur solution.
Main problems in purchasing and provisioning (delay, cost, reliability of suppliers, etc...) and suggestions for their improvement.
3. VENTE
 SALES
- 3.1. Marché desservi:
Market served:
- Région immédiate (distance approximative couverte),
Immediate surroundings (roughly how big ?),
 - Plusieurs régions (lesquelles ?),
Several regions (which ones ?),
 - Exportation vers d'autres pays (lesquels ?).
Export to foreign countries (which ones ?).
- 3.2. Caractéristiques des clients:
Type of clients:
- Consommateur final urbain,
Urban final consumer,
 - Consommateur final rural,
Rural final consumer,
 - Revendeurs itinérants,
Traveller salesmen,
 - Autres boutiquiers.
Other shopkeepers.
- 3.3. Evolution du chiffre d'affaire (en monnaie courante) au cours des trois dernières années.
Change in gross sales over the last three years (in current zaires).

- 3.4. Répartition du chiffre d'affaire par produit ou type de produit.
Breakdown of gross sales by product or type of products sold.
- 3.5. Principaux concurrents et caractéristiques (taille, produits vendus, prix pratiqués, localisation de leurs activités, etc..).
Main competitors and their characteristics (size, products offered, price of their products, location of their activities, etc...).
- 3.6. Politique de vente: comptant, crédit (durée, montant dépôt requis).
Sale policy: cash, credit (days credit given, downpayment, etc...).
- 3.7. Volume et balance agée des comptes à recevoir.
Total aged receivables.
- 3.8. Principaux problèmes commerciaux et suggestions pour l'amélioration de la situation.
Main marketing and sales problems and recommendations for their improvement.

4. **ADMINISTRATION
MANAGEMENT**

- 4.1. Le responsable du commerce possède t-il un ou plusieurs magasins (localisations) ?
Does the manager own one or several shops (if several, in which locations) ?
- 4.2. Le responsable du commerce est-il propriétaire ou gérant d'une succursale d'un réseau de magasins privés, employé d'une Coopérative, d'une mission, etc..?
Is the manager the owner of the commerce or an employee working for the owner of a network of privately owned shops, for a Cooperative, for a mission, etc...?
- 4.3. Le commerce est-il la seule activité du responsable/propriétaire de l'entreprise (si différent), sinon quelles sont les autres activités ?
Is trading the only activity of the manager/of the owner (if different) ? if not, what are the others ?
- 4.4. Formation du dirigeant et expérience antérieure.
Education, training and former experience of the Manager.

- 4.5. Le commerce est-il opéré dans le cadre d'un réseau de correspondants dans la région ou hors de la région et nature des liens avec ces correspondants (associés, parents, autres).
Does the commerce operate within a regional or national network and type of relationships with correspondents (partners, family, business acquaintances, others).
- 4.6. Evolution du nombre d'employés permanents au cours des trois dernières années.
Changes in total permanent employees over the past three years.
- 4.7. Présence de parents dans l'entreprise (combien ?).
Relatives employed in the company (number ?).
- 4.8. Salaires moyens des employés.
Average pay of employees.
- 4.9. Utilisation main-d'oeuvre temporaire (nombre, raisons).
Use of temporary workers (number, reasons).
- 4.10. Besoins de formation du personnel (type).
Main training needs.
- 4.11. Principaux problèmes d'administration et suggestions pour l'amélioration de la situation.
Main management problems and recommendations for their improvement.
5. ASPECTS FINANCIERS
FINANCIAL DATA
- 5.1. Montant des ventes réalisées en 1985, 1986, 1987.
Value of sales in 1985, 1986, 1987.
- 5.2. Valeur des principaux postes du Compte d'Exploitation en 1986:
Value of the main components of the Profit and Loss Statement in 1986:
- Recettes,
Revenues,
 - Achats de produits,
Purchases,
 - Frais de personnel,
Personnel charges,
 - Frais généraux.
Overhead.

- 5.3. Valeur des principaux postes du bilan:
Value of the main components of the balance sheet:
- Bâtiments,
Buildings,
 - Véhicules et équipements,
Vehicles and equipment,
 - Stock de produits,
Inventory,
 - Comptes à recevoir,
Receivables,
 - Caisse et banque,
Cash and banks,
 - Fonds propres,
Equity,
 - Dettes à long et moyen terme,
Long and medium term debts,
 - Dettes à court terme.
Short-term debts.
- 5.4. Existence de livres comptables (partie simple, double, caisse).
Type of accounting books (single entry, double entry, cash).
- 5.5. Dépenses d'investissement réalisées au cours des trois dernières années.
Capital expenditure over the past three years.
6. FINANCEMENT DE L'ENTREPRISE
FINANCING OF THE COMPANY
- 6.1. Moyens de financement à court, moyen et long terme dont dispose l'entreprise à l'heure actuelle:
Short, medium and long-term financing presently available:
- Fonds propres,
Equity,
 - Crédit fournisseur (montant),
Suppliers' credit (amount),
 - Emprunts bancaires (montant, durée et taux d'intérêt obtenu),
Bank loans (amount, interest rate, duration),
 - Emprunts auprès de Coopératives d'Épargne et de Crédit (montant, durée et taux d'intérêt obtenu),
Loans from Credit Unions (amount, interest rate, duration),
 - Emprunt auprès de la famille ou d'amis (montant, durée et taux d'intérêt obtenu),
Loans from relatives or friends (amount, interest rate, duration),

- Emprunts auprès de prêteurs sur gages (montant, durée et taux d'intérêt obtenu).
Loans from private individuals (amount, interest rate, duration).

 - 6.2. Nom des banques ou autres institutions financières avec lesquelles l'entreprise fait affaire.
Name of banks or other financial intermediaries used by the company.

 - 6.3. Types de services demandés aux banques ou autres institutions financières (compte de dépôt, découvert, lettre de crédit, emprunt, etc...), types de services obtenus et raisons invoquées par les institutions financières contactées pour refuser de fournir un service demandé.
Financial services asked from the banks or other financial institutions (checking account, overdraft, Letters of credit, loans, etc...), services provided and reasons given by the financial institutions approached to turn down a service request.

 - 6.4. Principaux problèmes financiers et suggestions pour l'amélioration de la situation.
Main financial problems and recommendations for their improvement.
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LIST OF THE TRADING ENTERPRISES SURVEYED

AND

EXAMPLES OF COMPANY PROFILES

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SUMMARY PROFILE OF TRADERS INTERVIEWED IN SHABA

LOCATION AND IDENTIFICATION	TYPE OF COMMERCE	Number of SHOPS	Number of WAREHOUSES	OTHER ACTIVITIES	Number of TRUCKS	Number of PICK-UPS	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES
<u>LUSAKA</u>								
Cit. Yinianta B.P. 70	Agricultural General trade	2	2	Hotel, Bar Mill, Nursery	1	2	12	0
Benis Vasilatos B.P. 4	Agricultural General trade	3	2	Bar, Disco Mill, Fish-pond Cold storage	0	2	8	0
D.A. Van t'Westende	Beer depot	0	1		1	0	8	0
Hts. Museba B.P. 31	Agricultural General trade	2	1		0	2	4	0
<u>LUSHA</u>								
Cit. Misha Nkulu B.P. 25	Agricultural	1 (closed)	1 Rented	Construction Painting Repair	2	0	57	18
Cit. Ngoy Yofana B.P. 8	Agricultural General trade	3	2	Farm Mill	2	0	6	25
Willy van Cronghout B.P. 18	Beer depot	0	1	Bar	0	1	?	
Takis B.P. 1214 Lubumbashi	Agricultural General trade	3	2	Mill	3	1	80	30
<u>LUKANA</u>								
Cit. Kasongo Masila B.P. 45	Agricultural Fish	0	1	Hotel, Bar Disco	1	0 2 boats	12	
Cit. Ngoy Bakanda B.P. 56	Agricultural General trade	1	1	Hotel, Bar	1	0 1 boat	4	4
Cit. Npoyo Kabunga B.P. 854 Lubumbashi	Agricultural General trade	2	1		1	1	14	15
Cit. Nbuyu Npongo B.P. 2428 Lubumbashi	Agricultural General trade	2	1		1	0	10	2
Cit. Nwange B.P. ? Lubumbashi	Agricultural General trade	2	0					

SUMMARY PROFILE OF TRADERS INTERVIEWED IN SHABA

LOCATION AND IDENTIFICATION	TYPE OF COMMERCE	Nber of SHOPS	Nber of WAREHOUSES	OTHER ACTIVITIES	Nber of TRUCKS	Nber of PICK-UP	PERMANENT EMPLOYERS	TEMPORARY EMPLOYERS
<u>BUKANA</u> (cont'd)								
Nicolao Kyriakos B.P. 1149 Likasi	Agricultural General trade	4 (closed in Bukana)	3		2	0	64	
Cit. Nyenbo Bwana (Nolsabeti)	Agricultural General trade Fish							
<u>KALONDO BILANDA</u>								
Cit. Basse Kamitanga B.P. 10	Agricultural General trade	2	2	Mill	1	0	3	5
Cit. Kankunku	Agricultural General trade	1	1		1	0	?	
<u>KIKONDOJA</u>								
Cit. Banyko B.P. 232 Labunbashi	Agricultural General trade Fish	(closed)	1	Cold storage	2	0 2 boats	12	
Cit. Ilunga Nkamba B.P. 11	Agricultural Fish	(closed)	2	Transport Mill	1	0 2 boats	16	
Cit. Wamba Dingwa B.P. 9	Agricultural General trade	2	4	Fara	2	0	17	15
Abned Abdallah B.P. ?	Agricultural General trade	2	0		2	0	3	12
<u>KALONDO SEULU</u>								
Subeh Bin Salin B.P. 10	Agricultural General trade	1	2		2	0	10	32
Ali Mohammed B.P. 140 Labunbashi	Agricultural General trade	2	1 (rented)		3	0	36	15

SUMMARY PROFILE OF TRADERS INTERVIEWED IN SHABA

LOCATION AND IDENTIFICATION	TYPE OF COMMERCE	Number of SHOPS	Number of WAREHOUSES	OTHER ACTIVITIES	Number of TRUCKS	Number of PICK-UP	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES
<u>KIVUCCI</u>								
Cit. Kayaaba Marcel B.P. 50	Agricultural	0	1		1	18	3	
Cit. Karadi Ngoi B.P. 6	Agricultural (closed) General trade		1		2	0	15	8
Cit. Ngoi Kyabuya B.P. 10 (Kitenge) B.P. 3119 Lubumbashi	Agricultural General trade (closed in Kitenge)	± 50	1		4		22	35
Cit. Mulanda Lemingil B.P. ?	Agricultural General trade (closed)		0		1		?	
Cit. Ngoi Pesha B.P. 16	Agricultural General trade	1	0		1		10	
<u>KANINDA</u>								
Cit. Nganga Tshikala B.P. 492	Agricultural General trade	1	1	Farm	3	1	18	10
Cyril Billiet B.P. 223	Agricultural General trade	1	2	Butcher-shop	1	0	16	
Cit. Kalokuta Fshinga B.P. 107 (Kamina) B.P. 3615 Lubumbashi	Agricultural General trade	8	8		3		147	
Cit. Kasongo Muzubu B.P. 141	Agricultural	0	(rented)		2		6	10
Cit. Ilunga Ndala B.P. 312	General trade	1	2		3		23	
Cit. Ngoi Manike B.P. 392	Agricultural	0	0	Farm, cattle Hotel, Bar Butcher-shop	2		12	18
Cit. Ilunga Kayumba B.P. 497	Agricultural General trade (closed)		0	Farm	0		6	

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SUMMARY PROFILE OF TRADERS INTERVIEWED IN SHABA

LOCATION AND IDENTIFICATION	TYPE OF COMMERCE	Nber of SHOPS	Nber of WAREHOUSES	OTHER ACTIVITIES	Nber of TRUCKS	Nber of PICK-UP	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES
<u>KANINA</u> (cont'd)								
Cit. Simbi Nwabisi D.P. 136	Agricultural	2	1		1		6	6
	General trade							
	Fish							
Cit. Ilunga Kalonda D.P. 124	Agricultural (closed)		3	Farm	1		6	6
	General trade			Cold storage				
				Brick manuf.				
Cit. Ngoi Nwadi D.P. 362	Agricultural	0	2	Transport	1		3	8
	General trade							

SUMMARY PROFILES OF TRADERS INTERVIEWED IN BANDUNDU

LOCATION AND IDENTIFICATION	TYPE OF COMMERCE	Nbr of SHOPS	Nbr of WAREHOUSES	OTHER ACTIVITIES	Nbr of TRUCKS	Nbr of PICK-UP	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES
EAST-HANTHA								
SOBICOM	:Agricultural	16	5	:Cold Storage :Farm	26	103	16	
	:General Trade:							
Ste SOTIPAC	:Agricultural	1	1	:Hill Transport	1	-	5	3
	:General Trade:							
KIEU	:Agricultural	4	1	:Transport Farm	3	2	24	7
	:General Trade:							
Ets GUSKA	:Agricultural	5	1	:Transport Farm	2	1	20	3
	:General Trade:							
Ets S. NOVILA	:Agricultural	3	2	:Transport Farm	3	1	8	5
	:General Trade:							
Ets KIVANDEL- KUNU'AVANG	:General Trade:	3	-	-	-	1	10	2
DALE-CARD	:General Trade:	2	1	Beer Depot	2	-	5	3
JOPAL	:Agricultural	4	1	-	1	-	15	32
	:General Trade:							
SANPEIRO & PERLES	:Agricultural	2	5	Hill Farm	10	2	90	-
	:General Trade:							
S.I.R.P.A.C.	:Agricultural	4	3	Hill	5	?	105	
	:General Trade:							
AGRO-PAO	:Agricultural	0	-	Hotel-Bar,	2	-	21	5
DOLNICE								
Ets ITUYU ENVISI	:Agricultural	1	1	:Transport Farm	4	1	27	-
	:General Trade:							
Ets JOSE MARIA YAVRES	:Agricultural	6	2	:Farm Transport	1	-	25	-
	:General Trade:							
Ets ISUNGUNABINI	:Agricultural	2	3	:Hotl, Farm :Transport	3	1	26	-
	:General Trade:							
L. HASSON & PERLES	:Agricultural	1	1	:Transport	7	1	20	10

SUMMARY PROFILES OF TRADERS INTERVIEWED IN BANDUNDU

LOCATION AND IDENTIFICATION	TYPE OF COMMERCE	Nbr of SHOPS	Nbr of WAREHOUSES	OTHER ACTIVITIES	Nbr of TRUCKS	Nbr of PICK-UP	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES
BILUNGU (cont'd)								
Ste FERREIDES IRAO & Co	:Agricultural :	28 :	10 :	:Transport Hill	42 :	?	306 :	20
	:General Trade:	:	:	Farm	:	:	:	:
MCIANALINUYA	:Agricultural :	4 :	2 :	:Transport	4 :	1 :	20 :	-
	:General Trade:	:	:	:	:	:	:	:
MILLS VUE	:General Trade:	2 :	- :	Farm	- :	- :	5 :	7
	:	:	:	:	:	:	:	:
Mts MISENY	:Agricultural :	3 :	1 :	:Transport Farm	1 :	1 :	28 :	10
	:General Trade:	:	:	:	:	:	:	:
KIRVIT								
SIKPA	:Agricultural :	8 :	?	:Hill Farm	8 :	3 :	145 :	-
	:General Trade:	:	:	:	:	:	:	:
Ste MBOLIXA	:Agricultural :	11 :	5 :	:Farm Transport	21 :	3 :	108 :	630
	:General Trade:	:	:	:	:	:	:	:
Mts MUGHA JALSIPKE SOLINKENSHY R.	:Agricultural :	8 :	3 :	:Transport Farm	1 :	- :	26 :	5
	:General Trade:	:	:	:	:	:	:	:
Ste VIDUAL	:Agricultural :	3 :	2 :	:Beer depot	7 :	?	24 :	8
	:General Trade:	:	:	:Transport	:	:	:	:
Ste ANTOZA	:Agricultural :	:	2 :	:Transport Hill	5 :	:	87 :	15
	:General Trade:	:	:	:Farm, Garage	:	:	:	:
Mts BOGAS	:Agricultural :	5 :	1 :	:Bakery Farm	2 :	1 :	25 :	5
	:General Trade:	:	:	:Transport	:	:	:	:
MANDUYI KARAFIA	:Agricultural :	6 :	:	:Transport Farm	2 :	1 :	26 :	:
	:General Trade:	:	:	:	:	:	:	:
Mts LUYA	:General Trade:	2 :	1 :	:Transport	4 :	- :	36 :	:
	:Agricultural :	:	:	:	:	:	:	:
S.C.B. (Hotel Ivila)	:General Trade:	- :	1 :	:Hotel	2 :	- :	35 :	5
	:	:	:	:Transport	:	:	:	:

SUMMARY PROFILES OF TRADERS INTERVIEWED IN BANDUMBU

LOCATION AND IDENTIFICATION	TYPE OF COMMERCE	Nbr of SHOPS	Nbr of WAREHOUSES	OTHER ACTIVITIES	Nbr of TRUCKS	Nbr of PICK-UP	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES
<u>KIRINYI (cont'd)</u>								
Kts KUGUMBA & FIMS (Kugha)	Agricultural	15	4	Transport Farm	4	1	68	10
	General Trade							
Kts KIBONDWA	Agricultural	10	?	Medical Center Hill, Farm	4	1	30	20
	General Trade							
Kts KAHICH	Agricultural	2	0	Transport	1	0	15	0
	General Trade							
KUSIGA KUSIMLEDAY	Agricultural	6	?	Transport Farm	2	0	40	0
	General Trade							
<u>IDICHA</u>								
Kts K'DONGO-BILA KAHIELE	Agricultural	5	2	Transport Farm	2	1	30	6
	General Trade							
Kts KINYU-INGOMBO	Agricultural	1	0	Farm	1	0	8	3
	General Trade							
Kts KATONGO-KWALA	Agricultural	3	?	Transport Farm	2	0	10	0
	General Trade							
COMPAGNIE COMMERCIALE DE BANDUMBU '(C.C.B.)	General Trade	6	1	Transport Mill	3	1	204	0
	Agricultural			Farm				
Kts KASIKU KIZUGU	Agricultural	12	1	Transport Farm	3	0	9	10
	General Trade							
Kts KLE	Agricultural	?	2	Transport	2	1	55	6
	General Trade			Hotel, Bar disco, Farm				
Kts KALONJI KETA	Agricultural	0	1	Garage Transport	5	1	10	2
	General Trade							
Kts KIMBA	General Trade	3	1	Transport Beer depot	4	-	15	3
	Agricultural							
KIMBILIN	Agricultural	1	1	Mill	3	2	45	20
	General Trade							
DEVELOPPEMENT PROGRES POPULAIRE '(D.P.P.)	Agricultural	1	3	Transport Farm	7	3	176	30
	General Trade							

SUMMARY PROFILES OF TRADERS INTERVIEWED IN BANDUNDU

LOCATION AND IDENTIFICATION	TYPE OF COMMERCE	Nbr of STOPS	Nbr of WAREHOUSES	OTHER ACTIVITIES	Nbr of TRUCKS	Nbr of PICK-UP	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES
<u>KANGALI AND</u>	:	:	:	:	:	:	:	:
<u>DIBAYA-LAWYE</u>	:	:	:	:	:	:	:	:
Kts CARLOS	:Agricultural :	5 :	2 :	:Transport Farm :	2 :	0 :	42 :	0
	:General Trade:	:	:	:	:	:	:	
Kts KAPITI KARI	:Agricultural :	1 :	0 :	:Transport Farm :	2 :	0 :	8 :	5
	:General Trade:	:	:	:	:	:	:	
Kts BULEBU-FRERES	:Agricultural :	4 :	1 :	:Transport :	4 :	1 :	12 :	5
	:General Trade:	:	:	: Hotel, Bar :	:	:	:	
	:	:	:	: Farm :	:	:	:	
Kts OUCLE HASSAEDA	:Agricultural :	3 :	1 :	:Transport Farm :	2 :	0 :	10 :	10
	:General Trade:	:	:	:	:	:	:	
Kts KAPIYERE KYUMBELE	:Agricultural :	4 :	1 :	:Transport :	0 :	0 :	7 :	5
	:General Trade:	:	:	: Hotel, Bar :	:	:	:	
	:	:	:	: Farm :	:	:	:	
Kts VIEUX KUBONGU	:Agricultural :	12 :	4 :	:Transport :	0 :	0 :	20 :	20
	:General Trade:	:	:	: Hotel, Bar, :	:	:	:	
	:	:	:	: Restaurant :	:	:	:	
	:	:	:	: Farm :	:	:	:	

TRADING CHARACTERISTICS IN SMALL CITIES

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1. REGION OF BANDUNDU"

1.1. Mangai and Dibaya-Lubwe

Very few real trading enterprises exist in those two small cities. There are a few permanently established small retail stores of which some belongs to bigger traders based in Idiofa.

As a rule, the store-keepers in those two localities provision themselves through wholesalers in Kikwit.

Significant commercial activity is nonetheless performed since the farmers market their local production either through the small established store-keepers, or through merchants established in larger towns who collect their production at intervals, or again through itinerant traders such as the "par colis".

The major production once consisted in palm-oil and cassava. The production of palm-oil, however is in sharp decline, mainly due to the fact that it becomes very difficult to recruit palm-nut cutters since the salaries offered are extremely low. Consequently, most prefer to farm their own plots and sell their own produces. At the time of our study, a bag of cassava was sold at around Z. 900 and a bag of corn at around Z. 1,500 which compares to an average monthly salary, as cutter, of Z. 600. In a month, a good farmer can sell an average of 5 bags of cassava for a revenue of Z. 4,500. Such companies as CEKA and CAC which, in the past, used to produce palm-oil have closed down their plants. CEKA industrial installations have been sold to SOLBENA. CAC has evolved into a purely commercial entity which buys and sells agricultural produces.

A number of "par-colis" traders are operating in and around Dibaya-Lubwe and Mangai where they collect agricultural produces that they market in Kinshasa or in Kasai. They appear to be extremely well informed of the current selling prices in various urban centers and to be able to adequately calculate their transportation costs and, since they are mobile, they would choose the final destination which will earn them the highest profit.

Very few vehicles are now operated by traders established in those localities. We counted less than 10 trucks still in working condition, while a large number appeared to be immobilised. Trading

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TRADING CHARACTERISTICS IN SMALL CITIES

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in the city of Mangai is severely restricted by the badly deteriorated Ngenkong-Mangai portion of road.

The Ministry of Economic Affairs has had a representative in Mangai for the past five years. Since a number of local small part-time traders, dealing in as little as 10 to 15 bags of produce, are not legally established, they now face difficulties in maintaining their trading activity. Most were young farmers trying to start a trading activity. It is worth noticing that a number apparently financed their start-up from the proceeds of fuel trafficking at a time when the "Office des Routes" was involved in road construction and maintenance in the region. Only two of those who thus started appear to have survived.

The only transformation activity being carried-out in those two localities consists in a small corn and cassava hand operated mill.

1.2. Masi-Manimba

No indigenous trading enterprise exists in this locality. All the commercial activities are carried-out by branches of trading firms established in Kikwit or in Kinshasa.

1.3. Idiofa

With regard to trading activities, Idiofa is the most dynamic center of the region, except for a much larger town like Kikwit.

Idiofa was the only city visited where the citizens had built a commercial center. The local population is said to like commerce and the number of economic operators, in a city of this size, tends to validate this point. There are more than 784 registered and licensed merchants, artisans and plantation owners.

Trading in Idiofa is dominated by Zairian nationals, and the Bunda ethnic group dominates with more than 95 % of the total of registered merchants.

This center was also the only one surveyed where we found Zairian small and medium traders operating several stores scattered in the whole surrounding area.

TRADING CHARACTERISTICS IN SMALL CITIES

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This center also distinguishes itself by the fact that it was the only one where some integration existed between farm production, trading and industry through the existence of the "Combilim", a small industrial non-profit organization (ASBL). The "Combilim" is part of the rural development church-sponsored cooperative DPP ("Développement, Progrès Populaire") whose main objectives are to organize the local rural population and to provide agricultural extension services.

The "Combilim" operates a peanut oil extraction, a rice and coffee preparation and a corn and cassava milling plant. It also packages locally produced honey. It takes charge of the marketing of these products in Kikwit and in Kinshasa, and plans to expand its commercial facilities in Ilebo and Tshikapa.

Commerçant n° 1

Citoyen commerçant n° 1 is originally from the Bulungu Zone, where he is running 2 shops. He has purchased a farm at his village. He raises cattle and grows cassava and coffee on the farm.

Citoyen commerçant n° 1 has started his business as most of zairean businessmen. After graduating from the secondary school "in Pedagogy" he has taught for 11 years. With the money he saved he bought products, cosmetics, textiles and clothing and household requisites and then started his business. He rented a shop. This happened five years ago.

Citoyen commerçant n° 1 is still focusing on the same products but has added construction material. He doesn't buy agricultural products.

Like many others commerçant Cit. commerçant n° 1 is based in his town and travel between there and Kinshasa to purchase his manufactured products.

When the demand is high Cit. commerçant n° 1 averages 2 trips per month to Kinshasa. To transport his products he rents a truck out. In his town he rents 2 shops but has his own depot where he stores his goods.

He has 5 employees working in his 2 shops and his warehouse. He employs several temporary workers on his farm.

Citoyen commerçant n° 1 encounters some problems in purchasing and in selling his goods.

When he buys his good he transports them only by road from Kinshasa to his town. He has no confidence in ONATRA and prefers the security of using vehicles, but he is concerned about the poor quality of roads and the cost of renting vehicles. He needs credit to buy a truck and more goods.

In selling goods his main concern is theft. To avoid it he is employing his relatives in his 2 shops.

Citoyen commerçant n° 2Business activities

General commerce, hotel, buying agricultural products and farming.

Starting date and former experience of the owner

Like Cit. commerçant n° 1, Cit. commerçant n° 2 is based in his native town in the Idiofa Zone. He started his business in 1960. He graduated from the elementary school (6 years). He has been employed as salesman from 1950 to 1960. He saved money and then started his own business in 1960.

Operating system

He had 4 shops. All are now closed, but he is operating 2 canteens. He focuses on manioc, peanuts and corn. Though he also buys rice, coffee and palm oil. He had 4 trucks, now he has only one which operates. He bought it in 1986 and hopes it will last for 3 or 4 more years. He rents the truck out when he is not using it and cannot keep up with the demand for transport.

During the agricultural campaign, he averages one trip per day with two out of three trips for his own purchases. To transport agricultural products from villages to the ONATRA port he changes his clients per sack. He has his own depot where he stores his goods if no ONATRA barge is in port.

He sells his products locally and to Kinshasa. He sends his own employees to purchase all agricultural products in the villages. He has stock points throughout his area. His 2 canteen operators sell consumer goods and sometimes buy on barter.

Cit. Commerçant n° 2 is concerned about the price fluctuation at producer level for agricultural products due to competition. In the past the profit potential of his business was very good. He had over 30 employees and now he has only 12. Currently operations generate just enough costs. Like many old established merchantes, Cit. Commerçant n° 2 longs for the old days when designated Zones enjoyed almost, complete trading monopoly.

In the past all of the areas in the Bulungu and Idiofa Zones were divided into entrepreneurs' Zones. Each "commerçant" had exclusive buying authority in his zone.

Commerçants such as this entrepreneur who operated under this system, where market areas were assigned, find changing with the time to be very disturbing now that there is no limit on where buyers can acquire agricultural products. Credit is his major constraint. It is both inadequate and always late for the campaign. Interest rates are escalating, as are costs for spare parts and fuel.

Like all commercants at this time he is also concerned about the poor quality of roads and the inability of Office des Routes to maintain them.

Management

Commercant n° 2 has a craftsman's style of management. He doesn't have a formal organization. He personally participates in all activities, mainly in buying goods, selling and recording the sales revenues and some costs. He has no confidence in accounting services. He ignores the amount of his assets.

Futur Plans

If credit permit, he intends to :

- reopen his 4 shops
- buy one other truck
- increase his farm activities

Entrepreneur n° 3Business activities

He deals in manioc, coffee, peanuts and palm oil. Other agricultural products are excluded to simplify the organization. He also deals in commerce and transport.

Former experience of the Owner

Entrepreneur n° 3 is an expatriate who did not graduate from the University. He completed only 2 years. His father is an entrepreneur who made money in trading. Entrepreneur n° 3 used to work with his father until he decided to build his own business. His father helped him to start in 1977. Now he is associated with other entrepreneurs. He is based in Kinshasa and travels between there to the Bulungu, Masi-Manimba and Kasongo-Lunda Zones where he has his own shops, warehouses, cold storage facilities, and farms.

Operation system

Entrepreneur n° 3 gets most of his products from his buyers who go into villages with scales, sacks and money for purchases. The buyers are usually hired in town, they work for the duration of the buying campaign and are paid by ton bought. At the beginning the entrepreneur used to accompany his buyers and assist them on the job. All the products bought are sent to Kinshasa or to other cities with his fleet of over 20 trucks. Most of them are used MAN and Mercedes World War II vintage army trucks. He loads them with his products and use the extra space to rent out to his clients.

He has sales agreements with large companies in Kinshasa.

The main problems this entrepreneur encounters are :

- Inadequate credit. He requested 4 millions and received 1.5 millions from a commercial bank.
- Inability to maintain or replace transport equipment. He requires long term credit to purchase new trucks. Cost of spare parts have escalated enormously and are difficult to obtain
- Stealing by buyers
- Poor quality of roads. He had a convention with Office des Routes but canceled it because he was not being paid. He is still maintaining some useful roads to him at his expense. For this purpose, he employs "over 40 cantoniers".
- Price fluctuation both at producers' level and at customers' level.

Management

He is well organized. His internal organization is structured. He has branch managers where his business is located. He maintains complete accounting records in Kinshasa.

THE PRICE LIBERALIZATION MEASURES
AND
THE ROLE OF THE MINISTRY OF ECONOMIC AFFAIRS

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PRICE "LIBERALIZATION"
AND THE ROLE OF
THE MINISTRY OF ECONOMIC AFFAIRS

The general philosophy of price control in Zaire is presented in an Ordinance-Law of 1961 which remains the basic legal text to which the Ministry of Economic Affairs ("Département de l'Economie Nationale et de l'Industrie") still refers today. This text, however, is far from explicit except for a statement to the effect that "abnormal" profits are illegal and it is difficult to get a clear picture of the real Government policy with regards price control in 1987.

At the time of our study, the Ministry was preparing a brochure ("Législation et Réglementation Economique et Commerciale") which would consolidate and document all the legal texts regarding this aspect. The document is not yet available however.

Since the Ordinance-Law 83-020, the prices of most of the goods and services have been (so-called) liberalized. Only the prices and tariffs of the public utilities, the transports and the petroleum products are still controlled "ex-ante" by the Ministry of Economic Affairs. Formal prior approval of projected increase has to be granted by this Ministry, and the delays required to go through the approval procedure are usually fairly long. A few private and mixed companies, and a number of parastatals, are subject to the procedure.

For all the other products, the policy is one of liberalization but all prices remain, at least on paper, subject to an "ex-post" control by the Ministry. Most prices can freely be raised by the economic operators as long as the increase is documented and respects a rigid price structure calculation method determined by the Ministry. The Ministry retains the responsibility to audit the method of calculation used by the company and to cancel a price increase at a later date. In addition, it can fine the economic operator for non compliance with the rules established for lawful price increases. The prices of some socially sensitive products, like cement or beer for instance, which are formally liberalized, are in fact still subject to prior approval.

The method used to calculate the selling prices of "liberalized" products is documented in the "Arrêté Départemental" 018-81. This method is exclusively based on the average historical costs plus a fixed percentage for profits. Such charges as inventory replacement costs or depreciation on revalued assets for instance are not admitted. Moreover, the concept of marginal costs, even for such economic sectors as the public utilities (water and electricity tariffs for instance), is never used. In some cases, if a company documents a well identified investment project, the Ministry of Economic Affairs might authorize that a "Fonds de Convention du

Développement" be added to the cost price to calculate the selling price. This facility has been used in the past by a few large companies like the breweries but its approval is a lengthy and tedious process. Usually, the position of the Ministry is that the enterprises should self-finance their investments out of the profit margin built into the normal selling price structure which it has approved.

For the "liberalized" products, the Ministry still has the responsibility to analyze the justifications which must be submitted by the companies each time they proceed to an increase in their selling price. The Ministry has to check i) that only the costs admitted by the "Arrêté Départemental" 018-81 are included in the selling price calculation and ii) that the cost increases reported to justify a price raise are truly the actual costs incurred by the companies. The first kind of check can be done in the Ministry but the second one requires that the inspectors of the Ministry proceed to an audit of the company books. In reality, the number of such audits is strictly limited by the sheer number of justifications received by the Ministry and by the lack of resources to perform these audits. In a city like Kinshasa, the number of manufacturing and trading companies makes the probability of a verification pretty low and the small and medium businesses are, in practice, almost totally free to adjust their selling prices, while in smaller cities where the number of existing private enterprises is limited, the resident inspector of the Ministry can more easily proceed to these controls.

The liberalization measures of 1983 constitute a step in the right direction, since prices can now be adjusted without prior approval of the Ministry. In the past, the approval procedure could take months. However, the rigid calculation structure is inadequate in a context of rapid monetary depreciation. Companies should be encouraged, as a general rule, to: i) set prices at full cost recovery levels; and ii) to pass through the effects of changes in the exchange rates on prices fully and quickly. Prices should be set so as to also allow a sufficient net return on (revalued) assets to give enterprises an adequate self-financing capability.

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