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COUNTRY TRAINING STRATEGY

HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA)

USAID/SENEGAL

June 1988

Prepared By

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USAID/SENEGAL PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

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ACRONYMS

ACDI	Agence Canadienne pour le Developpement International
AFR/TR/EHR	AID Africa Bureau, Office of Technical Resources, Education and Human Resources
AID	Agency for International Development
AMDP	African Manpower Development Project
AFORS	Association pour la Formation au Senegal
BOM	Bureau d'Organisation et de Methodes
CCCE	Caisse Centrale de Cooperation Economique
CDSS	Country Development Strategy Statement
CESAG	Centre African d'Etudes Superieures en Gestion
CICES	Centre Int'l pour le Commerce Exterieur du Senegal
CIDA	Canadian International Development Agency
CNCAS	Caisse Nationale pour le Credit Agricole au Senegal
CNES	Conseil National des Jeunes Dirigeants Senegalais
CNJDS	Conseil National des Jeunes Dirigeants Senegalais
CNP	Conseil National du Patronat
CNQP	Centre National de la Qualification Professionnelle
DEFLATE	Laid off parastatal or private sector employee
DIRE	Delegation a l'Insertion, a la Reinsertion et a l'Emploi
EEC	European Economic Community
ENSUT	Ecole Nationale Superieure Universitaire de Technologie
FAC	Fonds d'Aide et de Cooperation (French AID)
FCFA	Franc Communaute Financiere de l'Afrique
FF	French franc
FY	Fiscal year
GDP	Gross Domestic Product
GES	Groupement Economique du Senegal
GOS	Government of Senegal
HRDA	Human Resources Development Assistance project
IBRD	International Bank for Reconstruction and Development
ILO	International Labor Organization
MAITRISARD	Unemployed university graduate
NGO	Non-governmental organization
NPA	Nouvelle Politique Agricole
NPI	Nouvelle Politique Industrielle
ONFP	Office National de Formation Professionnelle
PVO	Private Voluntary Organization
SAL	Structural Adjustment Loan
SME	Small to medium-scale enterprise
SODIDA	Societe Domaine Indsutrial de Dakar
SOFISEDIT	Societe Financiere Senegalaise pour le Developpement de l'Industrie et du Tourisme
SONAGA	Societe Nationale de Garantie et d'Assistance
SONEPI	Societe Nationale d'Etudes et de Promotion de l'Industrie
SPIDS	Syndicat Professionnel des Industries du Senegal
SRFMP	Sahel Regional Financial Management Project
SYPAOA	Syndicat Patronal de l'Ouest Africain
UNDP	United Nations Development Program
USAID	United States Agency for International Development

HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA) PROJECT

PRIVATE SECTOR TRAINING NEEDS ASSESSMENT AND COUNTRY TRAINING PLAN

EXECUTIVE SUMMARY

The purpose of the HRDA private sector training needs assessment conducted in June 1988 was to determine training priorities which will promote private sector development in line with the USAID Senegal assistance strategy. USAID strategy focusses on assistance in consolidating and implementing Senegal's economic policy reform program and on assistance to stimulate creation and expansion of private enterprise, with emphasis on the agricultural sector.

The five-year training plan developed as a result of this assessment will serve as the basis for HRDA private sector training activities from FY 88 to FY 92.

During the assessment, team members met with 35 key players in private sector development, including GOS agencies and business promotion units, training institutes, accounting firms, employers' associations and donors, and with 31 private sector firms from all sectors, ranging in size from six to 175 employees and from 20 million to four billion FCFA total sales.

The assessment identified the following major constraints to development of private sector activities, particularly as concerns small to medium-scale enterprises which were targeted under the assessment:

- o critical lack of management skills, particularly as relates to planning, marketing, pricing and accounting
- o serious lack of available credit for both working capital and investment
- o constraining labor legislation
- o high factor costs of production, especially as compared to factor costs elsewhere in West Africa
- o low levels of productivity among workers
- o lack of adequately trained middle or line managers

The assessment identified the following major training needs for SMEs- for owners and managers: business start-up basics, principles of management (long term planning, cost accounting, organizational development, etc.), marketing and financial

management; for line managers and workers: productivity, quality control and literacy.

The assessment determined that training services for SMEs should be centralized and that CESAG is the most logical home for such centralized services.

The assessment also examined the role of the various business support organizations and associations in Senegal and determined that training is needed to improve their efficiency in representing and serving their members.

In line with USAID development priorities and based on the results of the training needs assessment, the HRDA private sector training strategy has two key objectives:

1. Promotion of enterprise creation and expansion, to be accomplished through the development of specialized programs at CESAG to select and train entrepreneurs in business creation; and to train business owners and operations in management, financial and marketing strategies. Other activities in support of this objective will include Entrepreneurs International internships, IESC short term technical assistance and the development of an adult literacy program for industrial workers.

2. Strengthening of business support organizations and associations through customized study tours and short term training in the U.S., with emphasis on employers' associations, trade associations such as the Bakers' Association, and AFORS, a local technical and line manager training center.

The HRDA private sector training strategy represents a major departure from previous mission training activities which emphasized long term training in the U.S. The HRDA strategy should serve to build a strong and lasting local capacity to respond to training/support needs of private Senegalese firms.

It is estimated that the HRDA project will be incrementally funded from the mission's OYB as follows: $750,000 in FY 88 and $800,000 per year for FY 89-92, totalling $3.950 million over the five year period. Of that amount, $1,910,000 (48%) will be devoted to private sector training, including 51 short term training programs in the U.S.; 25 short term third country training programs in Africa; two study tours to the U.S. or to African countries; 25 internships in U.S. firms; and 16 in-country training activities, including the adult literacy program. Also, approximately ten months of short term technical assistance will be provided to Senegalese firms by IESC.

HRDA funds will be used to hire a private sector training coordinator and to purchase a computer station for the USAID/Senegal training office.

I. HRDA BACKGROUND

The Human Resources Development Assistance (HRDA) project was initiated in FY 1988. Its stated purpose is to stimulate, facilitate and support national and regional training programs that will provide qualified technical, scientific and management personnel and policy planners to strengthen African development institutions, enhance the growth of the private sector and increase the participation of women in development.

The HRDA project, as compared to the predecessor regional training projects AMDP I and II, has two new targets: first, 50% of project training (i.e., numbers of trainees) should serve to promote private sector development; second 35% of the project trainees should be women. In addition, the project places increased emphasis on the use of third country and in-country institutions to implement training programs.

USAID Senegal had developed a five year country training plan under its Sahel Human Resources Development Project, covering FY 86 - FY 90. This training plan called for limited private sector training. When this project was folded into the HRDA project and the new project life extended until FY 92, USAID Senegal decided to develop a more detailed private sector training strategy.

A three person team, including a local private sector training consultant from CESAG, conducted over 65 interviews in a two-week period, including six GOS agencies, seven training institutes, four CPAs, five donors, five business associations, seven business promotion offices and 31 private sector firms. (Assessment methodology and contacts are described in Annexes 1-3).

II. USAID DEVELOPMENT PRIORITIES FOR SENEGAL

A. USAID Development Priorities

USAID Senegal's immediate development priority, as stated in its CDSS, written in January 1987, is to undertake "a cooperative effort with the GOS and other donors to restructure the Senegalese economy and lay the groundwork for positive growth". The goal is a positive per capita rate of increase in GDP.

The strategy developed by USAID Senegal to achieve this goal is to support Senegal's shift from a state-controlled economy to one increasingly driven by market forces and controlled by private decision making. USAID supports the New Agricultural Policy, particularly the effort to promote domestic cereals production, to privatize local marketing and import of cereals and to decontrol imports and agricultural inputs. USAID also supports the New Industrial Policy to increase competitiveness of Senegalese

production by removing tariff and quantitative protections, privatizing parastatals and easing restrictions on labor.

Through its program support (Economic Support Program Grant, Senegal's Africa Economic Policy Reform Grant and PL 480 Title I Program Loan) USAID Senegal encourages liberalization of the economy to stimulate private involvement in the supply and marketing of agricultural inputs, to encourage new investment and improved efficiency of operations in local industry and to increase the productivity of the informal sector.

Through its project assistance, USAID Senegal intends to increase the use of private individuals in key areas of agricultural marketing, environmental protection and health and family planning. Examples include:

1. a $20 million Agricultural Production Support project to develop private seed multiplication and increased private cereals distribution and marketing;

2. a $10 million project to encourage the development of private tree nurseries;

3. a $8.5 million project which will use private firms to design, construct and rehabilitate irrigation systems in the Senegal River Basin;

4. a $18 million project now being designed to assist private organizations to build and maintain small dikes and contour berms to reclaim land and increase agricultural production;

5. a $20.6 million project in family health including a $1.5 million component to encourage private companies to include family planning as a part of employee health services.

B. USAID Private Sector Strategy and Its Relationship to Training

In March 1988 USAID Senegal published a Private Sector Strategy. Its goal is to better living standards through an active private sector. The strategy assumes that economic liberalization and increased private activity will improve access to resources and make for improved resource management, resulting in increased production, incomes and employment and better health. (See Private Sector Strategy, USAID Senegal, March 1988).

In addition to the program and project activities indicated above which indirectly assist the private sector, the USAID mission also provides direct assistance in the form of credit, technology transfer and training for the private sector. The sectoral focus for direct assistance is agriculture and agriculture-related

industrial development which the mission considers to be that of greatest potential and comparative advantage.

Two credit projects are already underway: the Community and Enterprise Development project and the Agricultural Production Support project. (In addition, policy and direct assistance will be provided under AEPRP II for banking sector reform).

The Community and Enterprise Development project (further described in Annex 4) provides credit to small and medium-sized businesses at non-subsidized rates. Defaults under this project have been very limited (less than 5%). The project is frequently cited as an example of innovative and successful small scale lending and credit management.

The Agricultural Production Support Project provides funds through commercial banks for direct lending to traders supplying agricultural inputs or to purchasers of agricultural production.

Under the Technology Transfer project, the mission is exploring approaches to transfer appropriate technologies to Senegal's private sector, particularly in the area of food processing technologies.

Finally, the mission has made a commitment to strengthen the private sector through training. Through the Sahel Regional Financial Management project, training in accounting and financial management is being provided to private bakeries and to the local accounting association.

Under the Sahel Human Resources Development project, training opportunities for the private sector were provided for the first time in FY 87: one scholarship in the U.S. was provided to a manager of a private firm and two staff members of the Chamber of Commerce participated in short term training programs in the U.S.

In addition to the above activities, the mission is looking at the following future activities for private sector support: assistance to the Ministry of Finance in preparing studies in employment and enterprise policy; development of a PVO strategy and co-financing project to assist the Senegalese informal sector; surveys of major policy areas which influence private sector development and of services available to the private sector.

The HRDA private sector training needs assessment concentrated on complementing and reinforcing existing mission efforts in private sector development.

III. PRIVATE SECTOR ENVIRONMENT

The following sections summarize the environment in which the private sector functions in Senegal, especially as regards policy, economic and market factors and financial markets. A brief analysis of economic and industrial potential for SMEs is included as well as an evaluation of key constraints to SME development and how they relate to training. A more detailed discussion of these topics is provided in Annex 4.

A. Policy Environment

A program of economic policy reform was begun in earnest by the GOS in 1983 in order to increase private sector participation in the economy. Two key policies are involved: the Nouvelle Politique Agricole (NPA) which in 1984 called for liberalizing agricultural input supply and encouraging private trading of agricultural production; and the Nouvelle Politique Industrielle (NPI) which in 1986 called for the privatization, liquidation or rehabilitation of state-owned enterprises, the reduction of protective measures for industry, the liberalization of imports, greater export incentives and a freer labor market.

Reform of the banking sector is another critical need for economic health. The banking system is beset with problems: illiquidity, low savings mobilization and portfolios replete with non-performing loans. Very little credit is available to the private sector. The major donors are designing a program with the GOS to restructure and rehabilitate the commercial banks including a package of financial and technical assistance to the banks.

B. Economic Factors

Although overall growth since 1986 has been satisfactory, the industrial sector has remained stagnant and has slowed growth of SMEs.

1. Senegalese Economic Performance

Since 1986, GDP is growing at 4.2% per annum, inflation has decreased from 11 to four percent, the current account deficit of the balance of payments is decreasing and the debt service ratio is holding steady. However, for continued improvement, major export prices must recover, the cost of factors of production must drop, labor productivity must improve and the NPA and NPI must be successfully implemented.

2. Impact of Liberalization

The hoped-for impact of liberalization in the longer term is a more openly competitive, lean manufacturing sector and industrial and agricultural sectors effectively driven by market forces. At

present, however, importers and merchants are generally delighted while most manufacturers complain bitterly that they were given insufficient time to prepare for direct competition with imported goods. The Industrial Employers' Union (SPIDS) claims that job loss is high - over 5,000 jobs in 1986/87 and that another 5,000 jobs will be lost in 1988/89. Even in firms which are surviving, employers are not hiring, given the very restrictive labor laws and high social costs of employees.

3. Vulnerability of SMEs

Senegalese SMEs are fragile entities due to their smaller size (financially, productive resources, politically) and the fragmented nature of this subsector. Many factors contribute to their vulnerability (e.g. dependence on harvests which affect consumer activity; small internal markets and increased competition from imports; stagnant neighboring country markets and lack of competitive exports for world markets; severe lack and high cost of credit; onerous minimum business taxes; competition from the informal sector; lack of investment in SMEs; rapid saturation of certain subsectors for new entrants; strict labor laws).

These factors, combined with the Senegalese entrepreneur's limited business experience and inadequate local training/consultation resources, make the SME a very vulnerable entity indeed.

C. Financial Markets

The Senegalese banking system is in serious difficulty. Estimates of non-performing loans and loans in arrears are as high as sixty percent. The SME has recourse almost only to supplier credit or internal financing, especially since commercial banks are risk-averse and many SMEs lack suitable equity, collateral and business experience.

The experience of SONAGA and SOFISEDIT, both "development banks," in lending to SMEs has not been positive. Problems encountered included lack of training in business basics when loans were made; saturation of markets- especially transport, bakeries, pharmacies; lack of accountability among borrowers and no adequate follow-up/consultation process.

The new GOS loan program for university graduates and laid-off industrial employees, managed by the Delegation a l'Insertion, a la Reinsertion et a l'Emploi (DIRE - see Section IV.B.3) is too recent to be evaluated. However, without the provision of pre-start-up training and on-going advisory services, many of these business will also be doomed to failure.

D. Economic and Industrial Potential

The areas of most potential growth for SMEs appear to be light industry (particularly metal, wood products, consumer goods, food products, automotive parts, reconditioning of major mechanical apparatuses, packaging, among others); operations ancillary to agricultural production (particularly inputs, distribution and marketing of outputs, food processing, among others); operations ancillary to other economic sectors (especially construction and textiles) and services (information technology, equipment leasing, maintenance, among others).

E. Key Constraints to Private Sector Development and Their Relationship to Training

The key constraints on SME development which directly affect their training needs are:

1. Access to credit- should more favorable banking conditions evolve in Senegal, as it is hoped, SME access to credit can be improved by appropriate, practical training in areas which make the SME more "bankable", e.g. business start-up skills, basic management and accounting skills. Linking the completion of such training to obtaining credit is one means of ensuring that new entrepreneur is at least starting off with an acceptable foundation of skills to begin his business.

2. GOS Policy Actions- With liberalization, Senegalese firms must compete with imported goods. To become more competitive, SMEs must possess good financial management skills (including cost accounting, cost control) and a firm grasp of all relevant marketing tools and techniques. Certain firms will also require training in inventory and production management and supervisors must be capable of promoting employee productivity.

3. Economic and Market Potential- Facing a relatively small domestic market and with the influx of foreign imports, Senegalese SMEs must learn to market their products, as distinct from selling. Marketing training will be crucial for survival for those firms competing w/foreign goods.

4. Characteristics of the Private Sector- Constraining characteristics of the private sector itself range from its perceptions of business to the way in which businesses are organized. These attributes (which appear to be less serious in Senegal than in other West African private sectors) include a lack of financial responsibility, a lack of business creativity, a lack of understanding of investment and reinvestment in one's venture, a lack of "market mentality", a perception of training as an expense rather than as an investment, an inability to delegate, little understanding of the need for long-term planning. Training in how to organize, plan, account for, analyze, market and manage

is a measure needed to alleviate the functional constraints in the industrial environment and in reconciling African values with the requirements of business.

IV. EDUCATION, EMPLOYMENT AND TRAINING RESOURCES AVAILABLE TO THE PRIVATE SECTOR IN SENEGAL

A. Educational System and Outputs

Senegal devotes a large portion of its national budget to education (25 percent in 1984) and the Senegalese population is relatively well educated as compared to other Sahelian countries. The University of Dakar and the other national schools and training institutes educate both Senegalese and nationals from other francophone African countries and have a good reputation for quality programs.

Large numbers of Senegalese graduate from schools of higher education each year. Until 1982, the GOS absorbed approximately 200 graduates per year in its various services, particularly those with degrees in economics or law. As of 1982, however, severe cutbacks in GOS hiring were made in line with the structural adjustment program and the move to privatize many GOS operations.

The educational system also supports a large number of technical schools. A recent survey by SONED listed 75 different schools, of which 47 were GOS-run, 23 were private and five were "in-house" centers. These schools accommodate 3,000 students at the present time. Some still have very formal curricula but many are now offering practical skills training in finance, hotel management, agronomy, forestry and mechanics (see Section IV.C below for a description of those training institutes whose programs are applicable to this project).

B. Employment and Professional Training in Senegal

1. Employment Statistics

The current employment picture is very bleak. It is estimated (all employment statistics are at best educated guesses since no centralized statistics exist) that up to 40 percent of the active Senegalese population is unemployed or underemployed and that some 100,000 new job seekers enter the job market every year. This includes some 500 university graduates who no longer have any guarantee of employment. (The GOS previously recruited almost 50 percent of that number every year).

The very restrictive labor laws in Senegal do not encourage private firms to create new jobs. On the contrary, employers will seek opportunities to avoid hiring, preferring to pay for overtime, rather than bringing on new employees which they are powerless to terminate in the event of financial difficulties.

The majority of workers in Senegal are employed in the agricultural sector, although most are in unsalaried or marginal jobs. However, agricultural employment varies considerably, at the whim of government policy, climate and world markets.

A small industrial sector, including some 300 firms, employs ten percent of the workforce, or approximately 27,000 persons. Three companies alone constitute over 30 percent of all employment in the sector. At the present time, with the enactment of the New Industrial Policy, many private and parastatal industries are laying off employees in order to streamline operations to complete with imports. The Boston Consulting Group in its 1986 study of the potential impact of the New Industrial Policy estimated that 5,000 jobs would be lost from the period 1987-1990. However, the Syndicat Professionnel des Industries du Senegal (SPIDS) has hard data to prove that 5,000 industrial jobs were lost in the period 1987-1988 alone and it estimates that at least another 5,000 jobs will be lost in 1989-1990.

The service sector (trade, transport and tourism) employs 13 percent of the workforce and is currently the only sector with increased employment, although this is largely due to GOS efforts to assist university graduates to set up small operations.

The little formal private enterprise that exists in Senegal has been dominated by a few large foreign-owned firms. Lebanese are beginning to move from small to medium scale trade to larger scale trade and medium-sized industry. Senegalese are active as small traders and in real estate and are becoming active in construction. Senegalese constitute almost all of the informal sector, which employs three times the workers in the formal sector.

According to a 1984 USAID-financed study, small and medium-sized enterprises number 900 firms in Dakar alone. Most are Senegalese-owned. The HRDA assessment targetted these firms due to their growth and employment generation potential.

GOS has set as its prioirity employment problem what it terms the <u>insertion</u> of university graduates (who are very vocal in their displeasure at the lack of available jobs) and the <u>reinsertion</u> of laid-off workers resulting from reductions in force within private and parastatal companies as they restructure under the New Industrial Policy. A first effort to solve the insertion problem began in 1982. A new GOS "delegation" was created in 1987 to concentrate on both the insertion and the reinsertion problems. These programs are discussed below.

2. The Maitrisard Program

In 1982 the GOS became alarmed over growing unemployment among the 500 students graduating from the university each year. Until 1981, the GOS had been able to guarantee employment to nearly half of these graduates, most of whom obtained a bachelor's degree ("maitrise") in either economics or law. (These graduates are known as "maitrisards").

To move quickly on this politically dangerous situation, the GOS called together three of the key players in SME financing and promotion, SONAGA, SOFISEDIT and SONEPI. (SONAGA and SOFISEDIT are development banks; SONEPI is an industrial promotion office). It asked each of the three what could be done to assist in "inserting" unemployed graduates, either by placing them in existing companies, or by helping them create their own firms.

SONAGA committed to providing financial assistance to 116 "maitrisards" to start businesses in bakeries, transport or trade. SOFISEDIT asked for GOS authorization to provide loans to maitrisards at reduced interest rates. SONEPI agreed to match maitrisards with its existing projects which were having management difficulties and with new projects it was considering funding.

The 1982 program was intended to resolve a temporary problem. However, the employment situation had not improved in 1983 and the GOS again asked the three units to assist in placing the "maitrisards". In exchange, the GOS agreed to provide loan funds to SONAGA and SOFISEDIT. SONEPI received additional funds for equity participation in the new firms.

Since 1982, under the SONAGA program, 589 maitrisards have created 196 companies. Over 6.5 billion FCFA have been invested, of which 2.8 billion were provided by the GOS. The rest was supplied by SONAGA from its funds which it borrows from local banks at 13 percent and onlends to the projects at roughly 19 percent.

SONAGA claims that its average repayment rate to date for the 196 projects is 70 percent. Certain sectors, notably transport, have performed well below the 70 percent level. SONEPI and SOFISEDIT loans have performed no better than those of SONAGA.

Discussions with the three entities indicated that the initial premise of the program, i.e. that if the uneducated entrepreneur could succeed in business, then educated entrepreneurs should be able to succeed all the better, was invalid. Almost all the "maitrisards" who went into small scale trading failed. A good number of the transport projects also failed. Many "maitrisards" looked upon the program as an temporary occupation until something more dignified opened up. Others felt that the GOS investment in their projects was "due" them and entailed with no requirement on their part to repay the loan. A critical problem was the <u>lack of</u>

training or advisory support to the maitrisard projects. None of the three agencies involved in the program had any real capability to provide such support. The "maitrisards" received little if any assistance until they were in serious trouble.

IBRD provided funding for technical assistance and training to institute an entrepreneurial development program to support the "maitrisard" operation. Trainers from EDII, the Entrepreneurial Development Institute of India, conducted an orientation program in Abidjan, followed by a three month Train the Trainers program in India for six Senegalese (two each from SONEPI, SONAGA and SOFISEDIT). However, this program was never institutionalized, due apparently to disagreements over which institution should be responsible for the program.

3. Delegation a l'Insertion, a la Reinsertion et a l'Emploi (DIRE)

In June 1987, the GOS formally created DIRE to consolidate all activities relating to the employment ("insertion") or re-employment ("reinsertion") of persons in three categories: unemployed university graduates ("maitrisards"), laid-off personnel from private or parastatal firms ("deflates"), and immigrants. DIRE has been given a mandate of three years and a goal of assisting some 13,000 persons through the Fonds National de l'Emploi. This $13 million fund includes $3 million from IBRD for "deflates" from the industrial sector, $5 million in GOS counterpart funds under the SAL and $5 million from the African Development Bank. (The latter two contributions may be used for all sectors).

This "National Fund for Employment" is intended to finance projects up to $100,000.sector. DIRE must initially approve the loan request, forward it to SONAGA or SOFISEDIT (the only two banks which have accepted to finance DIRE projects) for review and then present the request to its management committee for final approval. The borrower must supply 5 percent equity. Counterpart funds have been available since 2/88 and DIRE has been pushing projects through the system-approving generally four of the seven projects presented to their management committee every two weeks. At the time of the assessment, twenty-eight projects had been approved for 1988, of which 21 are in progress. (DIRE was initially scheduled to fund 200 projects in 1988).

The ILO is assisting DIRE by providing training in entrepreneurial development to persons seeking loans. Under the ILO project, known as "Entreprendre", candidates are tested for entrepreneurial characteristics. The selected trainees are placed in groups of 25-30 persons and enrolled in a 10-week program in entrepreneurship, including modules on basic feasibility studies, technical skills, marketing, business plan development, banking review and management. To date some 2000 persons have been tested, of which

200 were selected and placed in one of seven groups of traineees. The first two groups have completed training (their projects were all primary sector projects) and the third group, now in training, has projects in the services sector. The fourth group is to concentrate on industrial sector projects.

Once training is completed, trainees receive their loans on an incremental basis, to prevent their using loan funds for non-project purposes.

The ILO training project is funded for a three-year period, 1987-1990, but can be extended. The project employs a central staff of seven persons, including two agro-economists for primary sector projects, one marketing expert, one management expert, one small projects specialist and one industrial engineer. Mr. Holloveg is the ILO chief technical assistant. ILO personnel throughout Senegal are responsible for identifying new project ideas and for following up on existing projects.

Trainees from the first group (12 persons) have almost all started their projects. The second group's loans are being processed. The third group has now begun training. (Groups Two and Three each had 26 trainees). ILO hopes to create 1500 jobs per year, on the basis of 1.5 jobs per miniproject and 10 jobs per regular project. In 1988 alone, ILO projects a training load of 460 persons: 360 in regular training and 100 in small projects training. It is obvious, however, that the ILO project alone cannot meet the demand from DIRE for entrepreneurial training.

The DIRE has a huge task before it, entailing coordination of numerous agencies and processing of large numbers of projects, with limited human resources. At the present time, the DIRE has no capacity to provide follow up consultation or training to entrepreneurs once their projects are up and running. Local capacity to train and to advise DIRE projects is needed and is a key area where HRDA can provide effective support.

4. ONFP

The ONFP - Office National de Formation Professionnelle- was created in August 1986 and was assigned three tasks: to assist the GOS in setting vocational training policy; to conduct studies on training needs in all sectors in line with labor demand; and to coordinate and monitor vocational training activities offered at various training institutes. In August 1987 its director was finally named. The annual budget for ONFP is 300 million CFA ($1 million), drawn theoretically from technical training taxes paid by employers.

The ONFP will manage a $2 million Fonds National de Qualification Professionnelle, financed through an IBRD loan to the GOS and intended to support the DIRE reinsertion program. ONFP will select

and assign trainees to training institutes and will arrange for payment of fees.

For the DIRE program, ONFP will establish a selection mechanism for "deflates" (not all applicants will be trained). ONFP has already suggested to IBRD that criteria include age, level of instruction, location of project, growth potential of the proposed project and the bankability of the proposed project.

The initial concept for ONFP under the DIRE project was to provide "requalification" training. However, since there are not that many jobs available to absorb the "deflates", ONFP feels that it should concentrate on training those persons wishing to create enterprises (e.g., management training, technical skills training in a given sector).

ONFP is presently canvassing all of the national training institutes to determine the nature of their programs, the qualifications of their trainers and their capacity to receive new students.

ONFP has a staff of 20 persons at present, including 12 professionals. It is projected that the staff will triple in the near term.

The effectiveness of the ONFP program will depend upon the flexibility it will have to adapt procedures and options as the DIRE program evolves. Its long term effectiveness will depend upon its response to an overall GOS plan for employment and human resources development, which has yet to be developed.

C. Technical Training

Senegal has a large number of technical training centers, certain run by the Ministry of National Education and others run by special groups. Three types of technical training centers of special interest to the private sector are briefly described here: the first is unique in that it is funded and run by a private association of firms with common interests in training line managers; the second offers retraining and initial training to meet the needs of the private and parastatal industrial sector; the third type of center offers customized in-house training but could provide training to outside trainees under certain circumstances.

1. AFORS

AFORS (Association pour la Formation au Senegal) is a training cooperative organized by some 60 Senegalese businesses to train middle and line managers and skilled technicians in human relations, managerial and technical skills. AFORS trained a total of 600 persons in 1987.

AFORS began in 1958 as the Federation Francaise des Industries Mecaniques et Transformatrice des Metaux, which provided leadership training to technicians. In 1968 the Federation signed an agreement with the Ministry of Technical Training to become the Interprofessional Training Center for Supervisory Personnel. In 1974 it became AFORS with the goal of training supervisory personnel from private and parapublic industries. AFORS received assistance at the outset from the Association Francaise pour la Productivite but was entirely "senegalized" in 1984.

The goal of AFORS is to change worker mentality, behavior and attitudes through training. The basic course offered is Leadership Training (Technicien de Commandement) which includes two components: human relations and work organization. The course lasts two years with one-half day of training provided per week. Trainees are placed in one of four levels, depending upon their level of education. Participatory methods are used and no more than fifteen students are enrolled per class. In 1987, 166 students were enrolled in this one course.

AFORS also offers four-day short courses for managers and skilled technicians. In 1987 AFORS conducted 24 such courses on topics such as Productivity and Human Behavior, ABCs of Financial Management, Safety and the Work Environment, Holding Productive Meetings, Hygiene and Safety, Inventory Control, Warehousing, etc. Some 434 persons attended these courses last year.

AFORS has three full time staff and four full time trainers. AFORS calls on 15 part-time instructors drawn from member firms to complement its permanent staff. AFORS is financially self-sufficient from annual membership fees and from fees charged for programs. Membership fees are based on payroll levels and range from 15,000 to 2 million FCFA. The cost of the two-year leadership course is 130,000 FCFA ($425). Four day courses run 55,000 FCFA ($185) for members. The annual AFORS budget is 32 million FCFA ($106,000), of which 15 million FCFA is received in membership fees.

Mr. Thioye, director of AFORS, expects the demand for training to increase under the NPI since productivity and quality control will be requisites for survival. AFORS has only limited means to meet those increased training needs since 80% of their members are SMEs who have limited financial resources. AFORS requires additional basic training equipment (overhead projectors, flip charts, videotapes) and training of trainers. AFORS permanent staff would also benefit from study of other programs of this type.

AFORS programs are highly recommended by employers and, based on reactions from trainees interviewed in an unannounced visit from the assessment team, very well received by participants.

In view of its future potential to provide much needed line manager training in Dakar to SMEs, it is recommended that HRDA resources be allocated to strengthen this local institute which has the merit of being self-financed, and is also without support from any other donor.

2. CNQP

The CNQP (Centre National de Qualification Professionnelle) is an impressive technical training school located on the outskirts of Dakar which was created in 1976 with financing from IBRD and technical assistance from the ILO. Its first training program was designed to retrain technicians through a series of nine modules designed according to actual needs expressed by employers and implemented in half-day sessions. In 1983 the GOS asked that the center increase its training activities to include initial training for skilled technicians. A four year program with alternating sequences of courses and practical internships in companies was set up. The first group of 78 technicians will graduate in 1988. While there is no guarantee that graduates will be placed in jobs, CNQP hopes that those companies which have taken interns will hire them upon completion of their training.

CNQP works with 270-300 different companies. Certain parastatal firms send large numbers of trainees. Foreign students from Guinea, Niger and Burkina Faso are also enrolled.

CNQP has received extensive donor support (IBRD and French) since its creation, although most of its financial assistance ended last year. CNQP's major concern is maintaining the qualifications of its trainers. It is assumed that the French technical assistance will suffice for the present. For this reason, CNQP is not targetted under the HRDA private sector training strategy.

3. Company Training Centers

A third source of technical training for the private sector is in-house training centers in large companies, which are available under certain circumstances to outside trainees. Two programs are described below.

SOCOPAO is a large transit, consignment, shipping, handling and freight forwarding company with a large in-house training program and an annual training budget of some 40 to 50 million FCFA. Socopao has three types of programs: a one-year initial training program for up to ten company trainees per year; evening advanced training courses for managers; and summer internship programs for up to ten students per year of which four to five are ultimately hired. SOCOPAO also sends its own employees outside for training at AFORS (line manager training), at BOM (management training) and at CESAG (personnel and financial management training). Of the

three institutes, they are most satisfied with the results obtained from AFORS.

Although SOCOPAO does primarily in-house training, they do accept some students for internships and might be willing to train maitrisards or laid off personnel interested in transit operations.

DAKAR MARINE has a fairly complete technical training department for skills areas such as welding, metal working, engine mechanics, mechanical maintenance and industrial electricity, designed to train workers and skilled technicians for its naval construction and repair activities. It regularly accepts students from outside the firm. Most training lasts 8 months but some short term training is also available. Company trainers have received specialized training in France and Dakar Marine also receives technical assistance from FAC. Average cost for a 8 month program is 1.8 million FCFA ($6,000).

D. Management Training

Senegal has two good management degree programs- ENSUT on the university level and CESAG on the post-graduate level. More practical, shorter term programs are also available from CESAG, a few private training firms and occasionally from one of the business support organizations, such as SONEPI or SODIDA. The Sahel Regional Financial Management Project (SRFHMP) has begun to provide specialized financial management training to certain trade associations. The resources of most interest to the assessment, CESAG, ENSUT and SRFMP, are described below.

1. CESAG

CESAG (Centre Africain d'Etudes Superieures en Gestion) is a regional management training institute, created by the West African Economic Community in 1978 and built upon the base which had been established at Senegal's ESGE, Ecole Superieure de Gestion des Entreprises. CESAG has six specific missions: train public and private sector managers to function in the regional and African context in which they operate; provide post-graduate management training to complement training offered at existing institutes; provide specialized training and regular retraining in management; assist in training trainers from management training institutes in the region; create a center for information and applied research in management for the region; provide consulting and management training to private and public companies and to government offices in the region.

CESAG offers a two-year MBA degree program, a ten month and a four month management training program, short training programs in specific operational topics, and customized company-specific training programs. CESAG has a permanent staff of nine professors and nine assistants, complemented by seven international experts

funded by IBRD through 1990. CESAG also relies heavily on some 40 external experts ("vacataires") who are recruited from local private or parastatal firms, the university, certain GOS agencies or other national/international organizations.

CESAG has established a good reputation as a quality regional management training institute.

The assessment concluded that SME training and consultation programs in Dakar should be centralized and that CESAG is the most logical "home" for those programs (CESAG is the only institute in the region that has the faculty, adjunct professors, facilities, hardware and software to provide such training effectively).

CESAG SME programs should initially be developed to respond to the Senegalese situation, but would serve as prototypes for other countries in the region. CESAG would fill a local need by providing centralized services to Senegalese SMEs and a regional need by training trainers, business advisors and loan officers from the subregion so that they might subsequently provide effective training and consultation services to SMEs in their own countries.

Prior to the private sector training needs assessment, USAID Senegal had already identified CESAG as a local institute it wished to strengthen and it had included in its FY 87 country training plan an institutional linkage component between CESAG and a U.S. management training institute.

Based on the results of the private sector training needs assessment, it is recommended that the HRDA program also supply seed funding to CESAG to establish an entrepreneurial development program and to develop a centralized training/consultation department to provide management training and advisory services to small and medium-sized firms.

AID/W HRDA core funds will be used to implement a train the trainers program in entrepreneurial development for the subregion in November 1988. Additional training programs adapted specifically to the Senegalese environment will be conducted under USAID Senegal HRDA sponsorship, with the objective of "institutionalizing" this program at CESAG within the next two years.

HRDA will also fund the development of up to three SME training courses at CESAG and will finance staff development opportunities for professors assigned to the SME unit.

HRDA will also provide funds in FY 88-92 to support and continue the initial institutional linkage effort begun in FY 87. (See Section VIII.C for more detail on all the above CESAG activities).

CESAG receives support from IBRD (including a line of credit to provide 170 manmonths of technical assistance over five years and $400,000 in scholarships for internships and short term training), from France in the form of technical assistance; and from UNDP in the form of a regional sectoral program to support rural development, public sector management and private sector programs in seven countries. USAID Senegal's support should not duplicate that of the above donors since it specifically targets the development of programs to train start-up and existing Senegalese SMEs.

2. ENSUT

ENSUT, Ecole Nationale Superieure Universitaire de Technologie offers basic and advanced degrees in business. The basic degree is the equivalent of a high school diploma plus two years. Some 40-50 students graduate each year with the basic degree. Graduates may continue two more years to obtain the advanced degree of which 10 are awarded each year. However, due to the current economic crisis, ENSUT will reduce the number of advanced degrees to to 10 every <u>two</u> years.

ENSUT has a small outreach program to private firms who request assistance. ENSUT professors and students could play a role in a centralized SME consultation program and could benefit from centralized SME training at CESAG.

3. SRFMP

The SRFMP (Sahel Regional Financial Management project) covers seven countries in the Sahel. The Senegalese office (including one ex-patriate advisor, two Senegalese advisors and a group of consultants) is the only local office which is heavily involved with the private sector. Their main private sector program to date involves financial management assistance and training for 25 maitrisard bakeries. SRFMP is continuing to pursue opportunities to assist "maitrisard" trade associations.

The bakeries association received technical assistance to develop an accounting system. Four representatives from the bakeries association were selected and trained as trainers. Four six-day workshops were then provided for the group of 25 bakeries, with a charge of 30,000 FCFA per participant. Fee-based follow-on consulting was offered for which 15 of the original 25 bakeries opted. All bakeries are now using the accounting system.

SRFMP will continue through June 1990 and should be a valuable resource for the CESAG SME training unit.

VI. PRIVATE SECTOR SUPPORT ORGANIZATIONS

A variety of private sector support organizations exist in Senegal, including the Chamber of Commerce, numerous employers' associations, and GOS agencies for business promotion and lending.

The organizations of most interest to HRDA are described below. HRDA will support these organizations through the provision of short term training and study tours for their staff and membership.

A. Chamber of Commerce

The Chamber of Commerce in Senegal is based on the French model, with heavy GOS involvement in Chamber affairs. The Chamber is generally regarded as outdated and in need of restructuring if it is to respond effectively to the needs of its private sector members.

The Chamber has the oldest skills training center in Senegal for secretaries and accounting clerks. In 1976 they added training for private transit firms' customs agents. In October 1988 the Chamber will open a practical Training Center for Microcomputers.

In line with the expressed interest in evaluating the reorganzation of the Chamber, HRDA will provide a study tour in the United States for a group of Chamber and employers' association representatives to generate new ideas on Chamber organization, methods and information systems. Chamber staff may also participate in HRDA-funded short training program in the U.S..

B. Chambre de Metiers

The Chambre de Metiers is the result of a GOS initiative to involve artisans more closely in the management of resources provided by the GOS to assist them. The Chambers are to be run directly by the artisans. The question of training is now being examined by the national Union of Chambers to determine what training would best support the apprentice system in Senegal.

Several small donor projects are being implemented to assist artisans (FAC, EDF, etc.), all of which have small training components. A UNDP/ILO project has also been instituted to create community workshops in several regions and to train trainers within the central Union of Chambers who would travel to the various centers to train local artisans.

All artisans are required to register with the Trades Registry within the Union of Chambers. However, of more than 300,000 artisans in Senegal today, no more than 30,000 are members of Chambers. The Union is interested in USAID support to further their efforts., but their problem appears to be one of convincing artisans of the usefulness of their efforts. The USAID evaluation

of the informal sector and its role in Senegal should examine the need for assisting this organization.

C. Employers' Unions

A large number of employers' unions exist in Senegal. The CNP (Conseil National du Patronat) is the union's union. The CNES (Conseil National des Employeurs du Senegal) is the largest employers' union. One of the newest unions is the CNJDS (Conseil National des Jeunes Dirigeants du Senegal) and one of the oldest is SYPAOA (Syndicat Patronal de l'Ouest Afrique), representing primarily small traders. A certain number of trade associations also exist, such as the Bakers' Association.

The following section describes the CNP, the CNES and the CNJDS as targetted recipients of HRDA assistance. The assessment did not specifically examine trade associations, but these groups should also qualify for HRDA short term training/study tours.

1. CNP

CNP membership represents some 90% of all business activity in Senegal. It was created in 1986 and regroups all professional associations. (One of the key associations is the SPIDS - Syndicat Professionnel des Industries du Senegal which in and of itself regroups 103 companies, representing 25,000 of the 35,000 jobs in the entire formal sector in Senegal).

CNP meets regularly with the GOS in its Comite de Pilotage, where questions relating to employment, labor laws, trade and tax policy, etc. are discussed.

CNP has two permanent staff members, a Secretary General and an assistance, plus secretarial support.

CNP attempts to track with other professional associations the effects of national policy. With the SPIDS, they have firm data indicating that over 5000 industrial jobs were lost in 1986-1987 under the NPI and they project that an additional 5000 industrial jobs will be lost during the period 1988-89. (This is twice as many jobs lost as originally projected by the Boston Consulting Group in its 1985 study of the potential impact of the NPI).

CNP has organized only a few training activities,the latest with the assistance of ILO on "Technical Training In Companies During Periods of Economic Crisis".

CNP had the following comments on what USAID could do to assist the local private sector:

o Avoid additional time-consuming questionnaire-based studies of the local private sector. (CNP board members were outraged by

the recommendations of a recent IBRD-financed study on productivity which concluded that GOS "productivity agents" should be placed in private sector companies to determine standards of productivity and to recommend corrective action).

o Encourage GOS to effect adjustments which had been promised under the NPI but which have not been implemented to date and upon which survival of many firms will depend, e.g., lower energy costs, more regular electrical supply, improved labor laws, control of fraudulent entry of goods.

o Assist in implementing literacy training for industrial workers (need articulated by the head of the SPIDS and other industrialists - all indicated a willingness to allow workers time off to study but expressed the need for professional assistance to design and implement the course).

o Increase skills training opportunities for supervisors and foremen. Additional training could be accomplished through AFORS, working in conjunction with CNP. AFORS needs better equipment and additional training for its instructors, particularly in areas such as quality control and production management.

o Provide training in organization management for the permanent staff of CNP to strengthen its membership services, business advocacy role and its data/information processing.

2. CNES

The CNES (Conseil National des Employers du Senegal) is the largest of the employers' unions, regrouping 200 firms from all sectors. More than 70% of its members are SMEs. CNES maintains close ties with the CNP. CNES is the only employers' union initially founded by Senegalese and has a large voice in current policy discussions.

CNES complained that little contact has been had between their organization and officials responsible for designing or implementing training programs. No formal training needs assessment has ever been conducted among their membership and they are not represented on CESAG's Board.

CNES indicated a willingness to assist in solving the current unemployment problem. CNES feels that they could develop project ideas based on certain manufacturing or service activities their companies are engaged but which they are willing to spin off.

CNES felt that its institutional weaknesses are insufficient member services and lack of access to information. USAID assistance to train their staff and to assist in constituting an effective information division was requested. Practical internships in the U.S. and access to IESC expertise for member firms were also of interest to CNES.

CNES would be a useful and active member of any USAID Private Sector Advisory Board.

3. CNJDS

CNJDS (Conseil National des Jeunes Dirigeants du Senegal) is a recent creation which is intended to serve as a study and proposal group for SMEs which are owned or controlled by persons under 45 years of age. CNJDS has 150 members from all sectors. Over 80% of CNJDS members are part of the maitrisard program. CNJDS has organized conferences (one was financed by USAID) and is working on a project to better link the private sector and the university.

CNJDS members would be interested in SME courses offered in the evening at CESAG. Subjects of most interest are marketing, organization and accounting.

While CNJDS has potential as a young business leaders' group, it does not appear to be focussing its efforts on specific issues. However, as a representative group of maitrisards, it may serve as an effective sounding board or test mechanism for certain CESAG programs for beginning businesses, and might also supply certain consultants for CESAG's outreach program to SMEs.

D. SONEPI

SONEPI (Societe Nationale d'Etudes et de Promotion Industrielle) was created in 1969 with technical assistance provided at the outset by UNIDO. SONEPI is a mixed company (65% GOS-owned) which is responsible for the following activities under the NPI:

- business project feasibility studies, development of business projects, and industry promotion/joint ventures
- identification of local investors and partners for Senegalese business
- engineering and management consulting for client firms
- equity participation in businesses (275 million FCFA)
- design and construction of industrial zones
- training in general management, financial management, cost accounting and project design and evaluation, especially on the SME scale
- SME loan guarantees with banks, up to 50% of a loan

SONEPI's principal role has been one of a feasibility study bureau, investment promoter and developer of industrial zones and its clientele has been largely SMEs. (In 1986 its artisanal activities, including funding, were turned over to the Chambre de Metiers). To assist its clients SONEPI offers the services of its Consulting Group (this assistance is "obligatory" is the firm receives equity or a guarantee).

SONEPI is viewed by others as a study group which now competes with private firms. It appears to have a lackluster image in the business and donor communities. It was associated with SONAGA and SOFISEDIT in the initial maitrisard program where received an additional 92 million FCFA for equity participation to promote associations between maitrisards and its project entrepreneurs.

SONEPI is part of the DIRE network of agencies working to place "deflates" and "maitrisards". SONEPI is to help identify, study and follow up on small industrial projects for such persons.

In 86/87, SONEPI carried out 36 business feasibility studies across a range of industrial activities including food processing, chemicals, leather goods, iron and steel products and tourism. During this same year, 15 business expansions were carried out, totalling 1.8 billion FCFA in investment and creating 360 new jobs. Many of these were the result of earlier years' feasibility studies. SONEPI reports that 25 other projects are in various stages of development.

SONEPI's training department identifies training needs of new and old clients who are sent abroad for training or who participate in local seminars which are often organized with CESAG assistance. Its training activities in 86/87 included seminars on Sales Techniques, Project Evaluation, and Project Management. It also held a conference on private sector opportunities for university graduates.

Two of its staff members were trained in India at the Entrepreneurial Development Institute of India and certain of the entrepreneurial selection techniques have been used by SONEPI.

The three training needs identified by SONEPI for its clients are entrepreneurial development, market development and sales, and subcontracting techniques and arrangements.

E. SODIDA

SODIDA, the Societe du Domaine Industriel de Dakar, was financed by the West German government. Phase 1 was completed at the end of 1982, with a total capacity of 23 units, all of which were rented in 6 months' time. The German government subsequently financed another 8 units. A 1986 evaluation recommended the construction of 25 more units which are now being completed. There

was an incubator-type service center for the industrial units, but there was little demand for such services and the center is being converted to new units.

Of the 31 projects now in operation, only two have encountered serious difficulty. (One other, a shoe repair facility, has already shut down). All projects rent facilities at a lower-than-market rate and qualify for tax advantages.

There is considerable diversification of activity, including clothing, metalworking, woodworking, rattan, battery manufacturing, printing, electro-mechanics, refrigeration repair, agro-industries, perfumes, plastic tubing, candles.

SODIDA supplies a full range of support services, including a consulting unit for market research; a central purchasing unit with also provides raw materials financing at 13% interest; and a technical unit for production advice.

SODIDA, which does not provide training itself, felt that key training needs for their clientele include accounting, cost accounting, negotiating skills, organization of work stations.

VII. DONOR ACTIVITY IN SUPPORT OF THE PRIVATE SECTOR

As in most African countries, the amount of donor support for private sector development is growing. The key players in this area in Senegal are the IBRD, the UNDP/ILO, CIDA, and, potentially in the future, the CCCE.

A. IBRD

An integral part of donor support to Senegal's private sector is IBRD's Industrial Sector Restructuring Project, which seeks to rehabilitate and modernize Senegal's industrial sector through an IDA loan of $33 million. Its principal elements are:

1. A $25 million APEX line of credit to finance plant, equipment and working capital needs of existing and new industrial firms. No distinction is made between parastatals and private sector firms, but loans are limited to a ceiling of $2 million which would exclude large parastatals. In general, loans are for 3 to 10 years, at 9% interest, with a 1-2 year moratorium on principal repayment.

2. A $5 million lending program for retraining "deflates" from the industrial sectors and for establishing them in small businesses. This lending program includes:

Fonds National de l'Emploi - $3 million to finance small scale enterprises. The entrepreneur must supply 5% of the total investment and must be from the industrial sector. The borrower

pays 8.5% on loans of 3-6 years duration, with up to one year's grace on principal repayment.

Fonds de Requalification Professionnelle - $2 million to train/retrain "deflates", through the ONFP.

3. Technical assistance (up to $3 million) to strengthen the Ministry of Industry, to restructure the two export promotion agencies, ASACE and CICES, and to help the Central Bank in operating the line of credit.

IBRD has also assisted CESAG with infrastructure support and technical assistance, including the construction of new classrooms, dormitories and a cafeteria, and the provision of some 170 manmonths of technical assistance through 1990.

Two future projects include a major human resources development project which will include a large employment policy component; and, in conjunction with USAID and CCCE, a major banking sector reform project, both scheduled for design in FY 89.

B. UNDP/ILO/UNIDO

The UNDP is organizing quarterly round tables with representatives from the Senegalese public, private and parastatal sectors to discuss issues of common interest. Two such round tables have been held to date in Senegal. The UNDP is also funding the ILO-implemented training program, ENTREPRENDRE, which selects and trains for DIRE those persons most likely to succeed as entrepreneurs.

UNIDO was active over many years in supporting SONEPI and CICES but this assistance was terminated in 1986.

C. CIDA

CIDA (Canadian International Development Agency) has offered long term training scholarships over many years. In the last two years training of women and for the private sector were added. CIDA encountered difficulty with private sector training since GOS defined private sector as anyone not employed in the public sector; also private sector participants had no guaranty of salary during training nor of reinstatement upon return from training. CIDA therefore emphasizes short term programs in Canada or in-country for the private sector. CIDA abandoned an incubator project when the Germans threatened to withdraw their own incubator, insisting that the already weak market could not support two such projects.

A final element of the CIDA program is a proposed grant to the University of Laval, Faculty of Administration Sciences. This grant, in the amount of 450,000 Canadian dollars is intended primarily to finance research by Laval in order to improve the

instructional program at CESAG as it relates to teaching new business creation. The program will identify entrepreneurial characteristics among Africans, develop testing materials to select candidates for CESAG's programs on new business creation and design programs and courses on new business creation to be implemented at CESAG. The grant would cover three years and was initially scheduled from January 1988 to December 1990. (The start date has now slipped until at least September 1988).

The project also includes a small component to train unemployed university graduates, and as such, it has some similarity to entrepreneurial development program planned under HRDA. CESAG staff felt that each program had its niche- Laval in the area of curriculum development and HRDA for short workshop-based training in business basics. It will be necessary, however, for the technical assistance teams to closely coordinate their efforts and also to coordinate with the ILO program.

D. CCCE

The French Caisse Centrale de Cooperation Economique is considering potential support to the Senegalese Chamber of Commerce to create a "Maison de l'Entreprise", modelled after and assisted by the Marseilles Chamber of Commerce. This entity would provide assistance to entrepreneurs in developing their projects and in obtaining financing. CCCE recognizes that the success of such a venture would depend upon its professionalism and its independence from GOS interference. CCCE is also considering establishing a credit line for projects under 150 million FCFA, which is the current lower limit for PROPARCO, the French venture capital window. CCCE indicated that it would make a decision on this possible support by fall 1988.

E. Donor Scholarships

In addition to project support for the private sector, certain donors provide scholarships for short-term or long term training for private sector participants. Of the 150 long term academic scholarships, 85 short term training slots and 20 third country training scholarships made available to Senegalese trainees by the various donors, a small number of private sector participants benefitted from opportunities provided by France, USAID, Canada, Federal Republic of Germany and the EEC.

VIII. ASSESSMENT OF TRAINING NEEDS WITHIN THE PRIVATE SECTOR

A. Profile of Firms Interviewed

During the assessment, thirty-one firms were interviewed in Dakar. The following section describes the characteristics of those firms and their training needs as perceived by their owners/general managers.

The interviews included representatives from all sectors, broken down as follows: agriculture - 10 percent; industry - 45 percent and services 45 percent (of the latter sector, nearly half were trading companies or merchants while slightly more than half were professional service firms, such as accountants, management consultants or doctors).

The firms were selected by the CESAG SME expert and approved by USAID Senegal. No microenterprises, PVO's or cooperatives were included, since USAID Senegal intends to conduct separate studies of their needs. Also, training needs related to Senegalese banking operations were not addressed during the assessment since the mission is preparing a separate banking sector reform project.

Interviews were generally held with the firms' owner or general manager and lasted one to one and one-half hours each. Initial questions dealt with how the firm began and its current operating practices and problems, followed by administration of the questionnaire with its 40 closed end questions.

Most of the 31 firms were small to medium-sized, private corporations, broken down as follows:

14 small-sized firms (1-25 employees) - 45%
12 medium-sized firms (25-100 employees) - 39%
5 large firms (more than 100 employees) - 16%

All of the firms interviewed were Senegalese-owned and operated.

Most firms had been in existence for at least 10 years (only one-third were less than five years old). The level of technology of most firms was moderate (but higher than the technological level of other countries where the assessment has been done). Only 30% of the firms exported ten percent or more of their production. Only 12 percent exported 50 percent or more of their production.

The owners and managers indicated a very high degree of competition, most of which comes from other local firms for the SMEs and from foreign-owned firms for the larger scale firms. The outlook for the future was less optimistic in Senegal than in other countries where the assessment had been done - most business owners expressed concern over the future and rated the their future prospects only "fair".

The typical management structure is very simple. Medium-sized firms are headed by the owner who supervises almost all activities, assisted by one to two managers, usually an accountant and a sales manager. Small firms are managed almost entirely by the owner.

Most owners (85 percent) had high school educations or above. Only one was illiterate. (This varies considerably from other countries where illiteracy averaged about 30%). The average age of the

owners was 44, and more than 60% had more than 10 years of experience in business. Three were maitrisards.

The principal constraints to business development, as perceived by the owners/managers interviewed, were, in order of priority:

1. Access to credit- 48%

Complaints concerned the total lack of access to bank credit and the high cost of credit. Many owners have to seek financial assistance from their suppliers. The maitrisard firms complained that their level of initial funding from the maitrisard program was so low that they had no reserves at all to cover their cash flow needs. Most owners and managers felt that the banking system has completely derailed and they have made arrangements as they are able outside the commercial banking system to cover their needs.

2. Market size- 45%

While slightly fewer firms mentioned market size than mentioned credit, it was listed more often as the number one constraint. It was usually mentioned by manufacturing firms who complained of their "shrinking markets" due to the NPI (i.e. following trade liberalization). Complaints were also voiced about market saturation in certain subsectors (transport, pharmacies).

3. Government legislation- 42%

Complaints about GOS legislation included a variety of factors, among which rigid labor legislation which results ultimately in less job creation; onerous taxes for SMEs; complex fishing laws unfavorable to local firms; poor customs regulations.

4. Lack of qualified personnel- 20%

This was uniformly rated as the key constraint by the firms who mentioned it. Constraints applied to the lack of good management or supervisory personnel. (Many firms evidenced a commitment to solving these problems through use of local training resources- more than 60% had used Senegalese training institutes).

5. Other- among the other constraints mentioned several times were the high cost of factors of production; low purchasing power among the Senegalese population and the lack of recent, reliable market information.

B. Training Needs Identified Among Firms Interviewed

The PRINCIPAL TRAINING NEEDS voiced by owners and operators during the interviews were:

For themselves: 65% felt they needed training, but only 50% felt they could afford the time to be trained. The priority areas were:

Financial Management (71% - also highest weighted rating)
Principles of Management (68%)
Marketing (68%)

Most would prefer half-day training sessions over 1-2 weeks, preferably in the evening. Fully 90% stated that they would be willing to pay. Only three firms had established training plans.

For their managers: 95% felt their managers need training in the following areas:

Computers (80%- related to cost and production control)
Financial Management (68%)
Principles of Management (68%)
Marketing (65%)
Accounting (58%)

Most owners/operators wanted to train 80% of their managers but indicated far less need to train their workers. The exception to this general sentiment were the managers of medium to large-sized industrial firms who were very sensitive to the handicap of illiteracy among their workers. Four owners specifically requested assistance from USAID in solving this problem.

Industrial firms also frequently raised the need for additional training for their line managers, foremen and supervisors, in production planning, inventory control and supervisory techniques.

Nineteen firms had used local training resources, most frequently CESAG, AFORS and CNQP. Feedback on all of these institutes was positive, with AFORS and CNQP receiving consistently high marks. One employers' association did note that CESAG should take the time to consult their membership on their training needs.

Based on the discussions with the main players in local private sector development and on the 31 interviews described above, the key training needs which may be filled under the HRDA project are business start-up skills for new entrepreneurs; and general management, financial management and marketing skills for existing SMEs. To accomplish this, local training institutes and business promotion units should be strengthened to better support the private sector.

IX. TRAINING PLAN

The following training plan describes HRDA training objectives, audiences and activities to promote the development of the private sector in Senegal, and covers the period FY 88-FY 92.

A. Training Objectives

The two key objectives of the HRDA training plan are: (1) to promote enterprise creation and expansion; and (2) to strengthen business support organizations to better serve the private sector.

B. Target Audiences

Target audiences include laid-off private and public sector employees ("deflates") and unemployed university graduates ("maitrisards"); managers of existing SMEs; trainers from two local training institutes (CESAG and AFORS), staff and key members of local business associations (targeting especially CNP, CNES, CNJDS, Chamber of Commerce and any trade associations); workers and line managers from local industrial firms.

C. Training Activities

The following description of training activities is broken down according to objective, target audience and schedule. The detailed schedule of activity and projected costs per fiscal year are provided in tables at the end of this section.

OBJECTIVE 1: PROMOTE ENTERPRISE CREATION AND EXPANSION

The HRDA project will fund five types of training activities to achieve the above objective.

1.1 Entrepreneurial development workshops at CESAG

HRDA will assist in creating an entrepreneurial development capacity within CESAG to select and train potential entrepreneurs who will benefit from the Fonds National de l'Emploi.

HRDA will provide funding for the implementation of at least three entrepreneurial development workshops, similar to the model being used by Management Systems International, which involves the testing, selection and training in business basics of groups of 25 potential entrepreneurs. One workshop will be implemented in FY 88 and two in FY 89 at a projected unit cost of $75,000, assuming implementation by U.S. experts working with CESAG staff. This approach will allow the full transfer of training technology to CESAG as of the final implementation. At least five CESAG instructors will be certified as Master Trainers in this process, allowing them to train other trainers in the workshop methodology, and thereby ensuring a multiplier effect, both in Senegal and throughout the region.

HRDA will also provide funding for program updates and supplemental consultations as needed in FY 90, 91 and 92, in the amount of $25,000 in each of the three years.

1.2 Training and outreach services for SMEs at CESAG

HRDA will assist in developing a SME training and outreach capability within CESAG, targetting existing Senegalese SME owners and managers. Throughout the assessment, the need for centralized SME training and outreach services was emphasized. CESAG was generally considered the most logical home for such a central program. To assist in developing this institutional capability, HRDA will fund the following:

a. Development and implementation of three core courses for SMEs: Principles of Management for SMEs, Marketing for SMEs and Financial Management. (The latter course should be developed in coordination with the staff of the Sahel Regional Financial Management Project, to benefit from its experience in working with various trade associations).

The responses to the assessment interviews suggest that these courses should be implemented twice a week in the evening for two hours each session. (These findings are similar to those obtained in a CESAG survey of SSE training needs).

HRDA funding for course development is allocated in the amount of $60,000 per course for the marketing and principles of management course and of $30,000 for the financial management course. Funding levels assume the utilization of external resources to assist in developing and implementing each course. (The financial management course would draw primarily on SRFMP resources, which explains its lower cost). One course would be developed in FY 88 and the two others in FY 89. Funding in the amount of $20,000 per year in FY 90, 91 and 92 is allocated to permit continuing implementation/adaptation of the three courses for specialized use in Dakar and in the interior.

b. Linkage with a U.S. management training institute or university to promote CESAG staff development and the creation of a SME training and outreach capability.

HRDA will fund linkage activities over the life of the project which will build on USAID's FY 87 $100,000 linkage allocation and on the fellowship provided to CESAG at the Wharton School's Snider Entrepreneurial Center.

In FY 88, these linkage activities will include a second, short term fellowship at Wharton, an exchange visit to CESAG by Snider Entrepreneurial Center staff and a study tour to the U.S. for CESAG SME unit instructors.

In FY 89, 90, 91 and 92, HRDA will fund linkage activities with one or several U.S. institutions in the amount of $40,000 per year. This amount may be used to finance exchanges between faculty, the cost of research, additional course development or specialized study programs at U.S. universities for CESAG professors. (The $40,000 figure is based on the projected cost of providing specialized instruction to a group of 5 CESAG professors during the summer at a U.S. university).

c. Two specialized short term training programs in the U.S. per year for CESAG staff or adjunct professors, based on identified needs (examples include programs such as the International Marketing Institute seminar on market development; Harvard Institute of International Development seminars on international finance; Arthur D. Little Management Education Institute seminars on project analysis; etc.).

1.3 Business internships in the U.S. for local SME managers

Up to five SME owners or managers will be selected each year to participate in AID's Entrepreneurs International (EI) program. Under this program, in operation since January 1987, entrepreneurs from the developing world are carefully matched with owners of U.S. firms with similar operations. The foreign entrepreneur is "placed" with the U.S. firm during a two to four week period to study U.S. operations and management in a firm with similar problems and concerns.

EI has been quite successful to date and has even resulted in a limited number of U.S./foreign partnerships or investments.

HRDA will fund five such internships per year, at a unit cost of $5,000.

Candidates for the EI programs (who must speak English) will be selected by the Private Sector Advisory Board, based on written requests received from interested parties.

1.4 IESC technical consultations

HRDA will fund up to two annual technical consultations for local private sector firms provided by the International Executive Service Corps (IESC). IESC consultations, provided by retired U.S. executives who volunteer their services, have proven effective in the developing world in solving operational or management problems of small to medium-scale firms.

The HRDA budget allows for two consultations per year, at a unit cost of $10,000 to cover travel and per diem. Candidates for such assistance will be selected by the Private Sector Advisory Board, based on written requests submitted to them by interested SMEs. (Other U.S. voluntary consultation services may also be considered

under this activity, such as those provided under Project Sustain for food processing firms).

1.5 Literacy training for industrial workers

In response to requests received from several small to medium-scale industries and from SPIDS, the industrial employers' union, HRDA will fund short-term technical assistance to develop and implement a literacy program for industrial workers in Dakar.

HRDA will allocate $40,000 in FY 88 and $20,000 in FY 89 to the development and implementation of such a program, to be coordinated through CNS and SPIDS, and to involve a selected group of two to three industries whose management has agreed to the experimental program and to releasing workers a portion of the day to attend literacy classes.

The goal of this HRDA program is to develop a functional literacy program which will help to increase worker productivity and to train literacy instructors provided by the employers' union or by an individual industry. These instructors will continue the program after the USAID technical assistance has ended. USAID Senegal has access to highly qualified adult literacy experts who have worked extensively in Senegal and who could undertake program design.

OBJECTIVE 2: STRENGTHEN BUSINESS SUPPORT ORGANIZATIONS

HRDA will fund two types of training activities to achieve this objective:

2.1 Study tours and short term training for members and staff of business support organizations

HRDA will target the following support organizations for study tours and short term training in the U.S.: Conseil National du Patronant (CNP); the Conseil National des Employeurs du Senegal (CNES); the Chamber of Commerce and Industry; the Conseil National des Jeunes Dirigeants du Senegal (CNJDS); and trade associations (such as the Bakers' Association).

In FY 88, HRDA will provide financing for one study tour to the U.S. for a group of representatives from employers' associations and the Chamber of Commerce, to evaluate various U.S. employers' organizations, Chambers of Commerce and trade associations. The group should also meet with representatives of the Entrepreneurs International Program, the IESC and Project Sustain for a better understanding of the services offered by each. Also, the group should meet with Dr. Papa Nalla Fall, CESAG fellow at the Wharton Snider Entrepreneurial Center, to learn of his program and observe first hand the activities of the Center and of the local Small Business Development Center.

HRDA will also provide funding for short term training opportunities for representatives from these organizations in specialized U.S. training programs, such as the Atlanta Francophone Management Seminar, Coverdale workshops in Executive Management, Center for Leadership Development programs in Association Management, etc. (This same budgetary allocation may also be used for specialized third country programs, in lieu of U.S. training).

Five such short term training programs are allocated in FY 88 and FY 89. Ten programs are allocated in FY 90, 91 and 92, to respond to the anticipated growth in private sector activities.

2.2 Strengthening of AFORS for line manager training

HRDA will provide grant funds to AFORS over the five year life of project, to enable it to strengthen its institutional capacity to design and deliver training programs for line managers and technicians in Senegalese industry, particularly small to medium-sized industry.

AFORS has requested assistance in training its trainers in the latest techniques for supervisory, quality control, production management, inventory management and maintenance training. It has also expressed interest in improving its training hardware which is very limited and outdated.

HRDA will provide a grant in the amount of $25,000 to AFORS in FY 88 and again in FY 89 to train approximately 5 trainers per year in specialized programs in Africa or abroad and to enable it to purchase additional hardware. (The $25,000 includes $15,000 per year for training of trainers and $10,000 per year for hardware). HRDA will continue to provide grant funds in the amount of $10,000 per year for FY 90, 91 and 92, to ensure continued training of trainers in new program areas.

D. Adjunct Training Activities

The HRDA project provides for five Senegalese participants per year at HRDA regional private sector conferences which will be held at various locations in Africa. Per participant costs are estimated at $2,000 to cover travel and per diem expenses of the participants during the training program.

E. Training Support

The diversity and complexity of the HRDA private sector training activities and the need for ongoing coordination and monitoring of those activities with the Private Sector Advisory Board, CESAG, AFORS, the various business support organizations, as well as with other USAID offices and projects justify the hiring of a private sector training coordinator.

HRDA will fund such a coordinator over the life of the project. Estimated annual costs for this position are $25,000.

The purchase of a personal computer for the mission is also recommended in order to monitor, report and analyze project private sector training activities and outputs. Estimated cost of this hardware is $10,000.

F. Role of Private Sector Advisory Board (PSAB)

The PSAB should meet quarterly to determine the schedule and venue of future programs, to evaluate past program results, to select candidates for upcoming programs and to determine means of advertising training activities and of keeping all key players in private sector development in Senegal informed. All decisions by the PSAB will be transmitted to the USAID/Senegal project officer for approval.

It is recommended that the PSAB be composed of no more than six persons, with the USAID/Senegal project officer serving as technical advisor to the PSAB. The following organizations are recommended as board members:

CNP (Conseil National du Patronat)*
CNES (Conseil National des Employeurs du Senegal)*
Chamber of Commerce and Industry*
CESAG - SME Training Unit Head
AFORS - Training Director

* These representatives should all be directly from the private sector, rather than permanent staff of the organizations.

As required, a representative from one of the following organizations may be considered for the sixth board member: DIRE, Ministry of Cooperation, SONEPI, SONAGA or SOFISEDIT.

G. Recruitment and Selection

Recruitment and selection of participants will be key factors in the success of the HRDA private sector training activities. The PSAB will play a key role in the selection process. PSAB members will also be responsible for fully informing the local private sector community of program opportunities, through newspaper ads, radio announcements and notices at the Chamber of Commerce and through the various employers' associations and DIRE.

The PSAB should establish criteria for the selection of candidates for U.S. internships and short term training opportunities. Candidates should be selected based both on individual qualifications and on the profile of their firms (i.e., growth potential, job creation potential, priority sectors, etc.).

PSAB selection recommendations will be made to USAID for final approval.

H. Evaluation and Follow-Up

An important component of the HRDA private sector program is its evaluation and follow-up. Returned private sector participants should be interviewed immediately upon completion of their training program. This interview should produce a written evaluation of the training received. The PSAB, in its quarterly meetings, should carefully consider the evaluations of past training programs and should adjust subsequent programs as needed.

All returned participants should be invited periodically to discuss follow-on activities with the PSAB and the Private Sector Training Coordinator.

I. Management of Program

Management of the HRDA program is more labor intensive than that of the predecessor SHRD project. It is estimated that FY 88 activities will include five major in-country training activities (two courses at CESAG; two IESC consultations and the adult literacy program) and the selection and processing of 13 candidates for training in the U.S. and 5 candidates for HRDA regional training programs in Africa. Two study tours will be organized, as well as the Wharton School staff visit to CESAG. The program development grant to AFORS must be negotiated and monitored. FY 88 activities will also include the establishment of the Private Sector Advisory Board and definition of a recruitment and selection procedure for private sector activities.

A private sector training coordinator will be required to handle the above responsibilities. This person should be capable of gaining the confidence of the private sector advisory board members and of interfacing effectively with GOS offices, business promotion units and local training institutes.

AFR/TR/EHR will backstop the USAID Senegal training office as necessary and has scheduled at least one annual follow-up trip, coinciding with one of the quarterly PSAB meetings, to assist the training office in programming its private sector activities.

Progress reports on implementation of the private sector portion of the HRDA project should be submitted at least quarterly to AFR/TR/EHR, so that it may better determine what other support to the mission is needed.

J. Funding

The following summary reflects projected funding levels over the life of HRDA. (The amounts for public sector training are illustrative and are based on the assumed buy-in level over the life of the project).

	Private Sector	Public Sector	Total
FY 88	$415,000	$335,000	$750,000
FY 89	$500,000	$300,000	$800,000
FY 90	$320,000	$480,000	$800,000
FY 91	$330,000	$470,000	$800,000
FY 92	$345,000	$455,000	$800,000
Totals:	$1,910,000	$2,040,000	$3,950,000

TABLE I: SCHEDULE OF HRDA PRIVATE SECTOR TRAINING ACTIVITIES

OBJECTIVE	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992
1. PROMOTE PRIVATE ENTERPRISE CREATION AND EXPANSION					
1.1 Entrepreneurial Development Program at CESAG	1 Program $75,000	2 Programs $150,000	Update $25,000	Update $25,000	Update $25,000
1.2 SME Training Unit at CESAG					
Course Development	Marketing Course $60,000	SME Management $60,000	Implementation* $20,000	Implementation* $20,000	Implementation* $20,000
		Finance Course $30,000			
Institutional Linkage	Wharton Fellowship $5,000	Linkage $40,000	Linkage $40,000	Linkage $40,000	Linkage $40,000
	Wharton Staff Visit $10,000				
	Study Tour $20,000				
Specialized Staff Development	2 Short Term U.S. Programs $20,000	2 Short Term U.S. Programs $20,000	2 Short Term U.S. Programs $20,000	2 Short Term U.S. Programs $20,000	2 Short Term U.S. Programs $20,000
1.3 Entrepreneurs International	5 Internships $25,000	5 Internships $25,000	5 Internships $25,000	5 Internships $25,000	5 Internships $25,000
1.4 IESC Technical Assistance	2 Months, TA $20,000	2 Months, TA $20,000	2 Months, TA $20,000	2 Months, TA $20,000	2 Months, TA $20,000
1.5 Industrial Literacy Training	$40,000 TA	$20,000 TA			
2. STRENGTHENING BUSINESS SUPPORT ORGANIZATIONS					
2.1 Business Association Training (CNP, CNES, CNJDS Chamber of Commerce, etc.)	1 Study Tour $20,000	5 Short Term U.S. Programs $50,000	10 Short Term U.S. Programs $100,000	10 Short Term U.S. Programs $100,000	10 Short Term U.S. Programs $100,000
	5 ST U.S. $50,000				
2.2 AFORS Program Development	Grant $25,000	Grant $25,000	Grant $10,000	Grant $10,000	Grant $10,000
ADJUNCT TRAINING	5 Regional $10,000	5 Regional $10,000	5 Regional $10,000	5 Regional $10,000	5 Regional $10,000
PROGRAM TOTAL	$380,000	$450,000	$270,000	$270,000	$270,000
TRAINING SUPPORT					
Private Sector Training Coordinator	$25,000	$25,000	$25,000	$25,000	$25,000
Computer Station	$10,000				
TOTAL	$415,000	$475,000	$295,000	$295,000	$295,000
INFLATION		$25,000	$25,000	$35,000	$50,000
GRAND TOTAL	$415,000	$500,000	$320,000	$330,000	$345,000

* Implementation of the three SME courses in Dakar and in the interior.

TABLE II: HRDA PRIVATE SECTOR TRAINING COSTS

SHORT TERM TRAINING		STUDY TOURS	IN COUNTRY	SPECIAL	SUPPORT	TOTAL
U.S.	Africa	U.S. Africa				
Fiscal Year 1988:						
Wharton Fellowship $5,000	5 HRDA Regional Programs $10,000	CESAG SME Unit Tour $20,000	CESAG Entrepreneurial Development Course $75,000	Wharton Staff Visit $10,000	1 Private Sector Training Coordinator $25,000	$415,000
2 Programs for CESAG SME Unit $20,000		CNP/CNES/ Chamber of Commerce Tour $20,000	CESAG Marketing Course $60,000	AFORS Program Development Grant $25,000	1 Computer $10,000	
5 Business Association Programs $50,000		2 Months IESC Technical Assistance $20,000	Adult Literacy Technical Assistance $40,000			
5 Entrepreneurs International Business Internships $25,000						
Fiscal Year 1989:						
2 Programs for CESAG SME Unit $20,000	5 HRDA Regional Programs $10,000		2 CESAG Entrepreneurial Development Courses $150,000	AFORS Program Development Grant $25,000	1 Private Sector Training Coordinator $25,000	
5 Business Association Programs $50,000			CESAG SME Marketing Course $60,000	U.S./CESAG Institutional Linkage $40,000		
5 Entrepreneurs International Internships $25,000			CESAG Financial Management Course $30,000	Adult Literacy Technical Assistance $20,000		
			2 Months IESC Technical Assistance $20,000			$500,000 (Includes $25,000 inflation contingency)

SHORT TERM TRAINING U.S.	SHORT TERM TRAINING Africa	STUDY TOURS	IN COUNTRY	SPECIAL	SUPPORT	TOTAL
Fiscal Year 1990:						
2 Programs for CESAG SME Unit $20,000	5 HRDA Regional Programs $10,000		2 Months IESC Technical Assistance $20,000	AFORS Program Develop-ment Grant $10,000	1 Private Sector Training Coordinator $25,000	$320,000 (Includes $25,000 inflation contingency)
10 Business Association Programs $100,000			CESAG Entre-prenerial Development Workshop Update $25,000	U.S./CESAG Institutional Linkage $40,000		
5 Entrepreneurs International Business Internships $25,000			Implemen-tation of 3 CESAG SME Programs $20,000			
Fiscal Year 1991: Same as above.						$330,000 (Includes $35,000 inflation contingency)
Fiscal Year 1991: Same as above.						$345,000 (Includes $50,000 inflation contingency)

ANNEX 1: ASSESSMENT METHODOLOGY

The purpose of the private sector training needs assessment was to define a multi-year strategy to promote human resources development within the private sector.

A three-person assessment team was responsible for the scope of work: two specialists assigned by AID/W: a specialist in private sector analysis and the HRDA private sector training coordinator. A local expert in private sector training was recruited by USAID Senegal to organize the team's schedule, assist in conducting interviews and in analyzing other donor activity in the area of private sector development. This expert is also responsible for SME training at CESAG. The assessment was completed in three weeks, using the following methodology:

1. Literature search

   Literature on the local private sector (number and size of firms, breakdown by sector, evaluation of future growth potential), recent economic analyses and labor statistics were reviewed. (See Annex 5 for bibliography).

2. Contacts with key private sector players and support institutions

   A Private Sector Advisory Board was not constituted by USAID Senegal prior to the team's arrival in country. It was felt that the assessment should determine the need for such a board. The responsibility for selecting and organizing appointments with key private sector players, support organizations and GOS agencies was assigned to the local consultant from CESAG. His initial contacts were complemented by suggestions from the assessment team based on their prior experience in other HRDA assessments.

   A tight schedule of meetings during Weeks 1 and 2 was organized with officials from key GOS ministries or agencies (DIRE, SONAGA, SOFISEDIT, SONEPI, SODIDA, ONFP, etc.), from local training institutes (CESAG, CNQP, AFORS, Dakar Marine, ICS, etc.), from business support organizations (Chamber of Commerce, CICES, Chambre de Metiers, CNP, other employers' unions, etc.), from local CPAs (Price Waterhouse, HDS, and Cooper and Lybrand), as well as key private sector representatives (heads of employers unions, key traders, certain large manufacturing concerns). Key donors working with the private sector were also interviewed, including CCCE, CIDA, and ILO.

3. Interviews with a representative sample of SMEs

   During weeks 1 and 2, thirty-one interviews were conducted with SMEs, using a prototype questionnaire with 40 close-ended questions. The questionnaires were administered in French to the chief executive officers (CEO's) of the firms. The interviews lasted about an hour, including an introductory discussion with the CEO on

how he had started up his business. (See Annex 2 for the questionnaire and Annex 3 for the list of all persons interviewed).

4. Tabulation of questionnaire results and review of preliminary conclusions

   The assessment team regularly reviewed results of the interviews and discussed impressions with USAID staff during the assessment. At the end of Week 2, results obtained from the questionnaire were tabulated. A list of preliminary conclusions was prepared for a final meeting with USAID officials and key participants in the assessment (CESAG, ONFP, Ministry of Cooperation) prior to the team's departure. This allowed for feedback from this group on the nature of the proposed training. Preliminary conclusions were also reviewed with the USAID Senegal Deputy Director and the U.S. Ambassador to Senegal.

5. Preparation of private sector training plan

   Upon its return to Washington the team prepared the final draft of the private sector training plan for the period FY 88-FY 92.

ANNEX 2: NEEDS ASSESSMENT QUESTIONNAIRE

COMPANY CODE: _____
DATE: _____
INTERVIEWER: _____

QUESTIONAIRE FOR PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

NAME: _____
TITLE: _____
COMPANY: _____
ADDRESS/PHONE: _____

A. YOUR COMPANY

1. Which best describes your business:
   ___ Manufacturing
   ___ Agribusiness
   ___ Construction
   ___ Transport
   ___ Services
   ___ Trade

2. Are you ___ owner ___ senior manager ___ manager ___ other

3. Is your company
   ___ private, family owned
   ___ private, partnership
   ___ mixed ownership (private/public)
   ___ gov't owned
   ___ subsidiary of foreign firm

4. % sales exported ___%

5. Is the technology involved in your company ___ high ___ average ___ low

6. Is your enterprise ___ capital intensive ___ labor intensive ___ neither

7. Who is your competition
   ___ local firms
   ___ other African firms
   ___ non-African firms
   ___ no competition (monopolies)

8. Is competition ___ strong ___ average ___ none

9. What are the major constraints to expanding your business?

___ gov't regulations ___ credit ___ need for trained personnel

___ need for consulting ___ market size ___ economic factors

___ need for better management ___ lack of marketing information

B. YOUR PERSONNEL

1. How many employees in your business ____ part-time ___ full time

2. How many managers ___ (if appropriate, classify senior, middle, lower)

3. How many employees have a high school diploma ___

4. How many have a college degre ___

5. How many have formal business training ___

C. OWNER/SENIOR MANAGER'S PROFILE

1. What is your level of education
   __ high school (diploma? __)
   __ university (diploma? __)
   __ specialized training (type _____)

2. How many years of business experience do you have ___

3. What are your personal training needs (rank 5 highest to 1 lowest)

   ___ general management ___ financial management ___ marketing/sales
   ___ accounting ___ purchasing ___ mangement information (computers)
   ___ manufacturing ___ repair/maintenance ___ business law
   ___ other (Specify: _____)

4. How much time could you devote to training ___ per week __ per year

5. How much money would you be willing to pay? _____ for 10 hours
   _____ for 20 hours
   _____ for 40 hours

6. What format is most interesting: ___ 1 evening/week for 3 hours for 4 wks
   ___ Seminar Fri pm/Sat am
   ___ 2 nights/week for 3 hours x 4 weeks
   ___ one on one consultancy
   ___ in company training
   ___ other (specify _____)

D. MANAGEMENT TEAM PROFILE

1. What is the level of education of most of your managers ___ high school
   ___ university
   ___ specialized training

2. HOw many years business experience does your average manager have ___

3. What are your managers' typical training needs? (rank highest 5, lowest 1)

   ___ General Management ___ financial management ___ marketing/sales
   ___ accounting ___ purchasing ___ management information (computers)
   ___ manufacturing ___ repair/maintenance ___ other (specify _____)

4.How much time could your managers devote to training __per week __ per year

5. HOw much money would you be willing to spend on training for your managers per year? ___

6. How many of your managers would you want to train ? ____

7. What would be the best format
___ 1 evening class/week x 4 weeks
___ 1 Fri pm/Sat AM
___ 2 evenings week x 4 weeks
___ In company training
___ Other (specify_____)

E. WORKER PROFILE

1. What is average level of education of your workers _____

2. How many years of work experience do most have ____

3. Training needs (rank 5 highest to 1 lowest)

___ reading/writing ___ clerical skills ___ bookkeeping
___ manufacturing/technical skills ___ repair/maintenance
___ selling skills ___ other (specify _____)

4. How much money would you be willing to spend on worker training per year?
_____

5. How many of your workers would you want to train? _____

6. What is the best format for such training? _____

F. Experience with local training institutes

What local training institutes have you used and how would you evaluate their programs?

_____

G. Other Information

1. Your Age:____

2. Total sales for your company in 1987 _____

3. % sales growth over last three years _____%

4. What is the future outlook for your business
___ excellent
___ good
___ fair
___ poor

ANNEX 3: PERSONS INTERVIEWED

USAID/SENEGAL
Mr. George Carner, Deputy Director
Mr. Desaix Myers, Chief, Projects Office
Mr. Bill Hammick, Projects Office
Mr. Frank Lusby, Project Manager, SRFMP Senegal

U.S. EMBASSY/SENEGAL
Ambassador Charles Walker

TRAINING INSTITUTES
Mr. Abdoulaye Ndiaye, CESAG (SME Training)
Mr. Thierry Debaye, Director of Programs, CESAG
Mr. Papa Nalla Fall, Director of Consulting, CESAG
Mr. Thiam, former director, ENSUT
Mr. Thioye, Director, AFORS
Mr. Diakhare, CNQP
Mr. Dioum, Director of Training, ICS
Mr. Kane, Director of Training, Dakar Marine
Mr. Diop, Director of Training, SOCOPAO

GOS AGENCIES/OFFICES
Mr. Abdoul Aziz Dia, Directeur General, ONFP
Mr. Ismaila Niang, Directeur des Etudes, ONFP
Mr. Mademba Ndiaye, Directeur de la Cooperation
Mr. T. Sylla, Delegation a la Privatisation
Mr. Ngom, Delegation a l'Insertion, a la Reinsertion et a l'Emploi
Mr. Fauque, CNCAS (Credit Agricole)
Mr. Sambe, BOM

PRIVATE SECTOR SUPPORT ORGANIZATIONS
Mr. Deme, Chamber of Commerce and Industry
Mr. Amadou Diagne, Chambre des Metiers
Mr. Sakho, SONEPI
Mr. Papa Moussa Ndiaye, CICES
Mme Traore, CICES
Mr. Niang, SOFISEDIT
Mr. Niang, SONAGA
Mme Ndiaye, Mr. Ba, SODIDA

EMPLOYERS ASSOCIATIONS
Mr. Babakar Diuouf, CNES
Mr. Kebe, GES
Mr. Sonko, CNP
Mr. Diagne, SYPAOA
Mr. Ndiaye, CNJDS

ACCOUNTING FIRMS
Mr. Gabriel Fall, Citibank
Mr. Dieye, Coopers and Lybrand
Mr. Wade, Price Waterhouse
Mr. Michaou, HSD

DONORS
Mr. Sangone Amar, IBRD Senegal
Mrs. Rachel Charron, CIDA
Mrs. Nancy Asanga, UNDP
Mr. Bothily, ILO
Mr. Cotten, Mr. Gignoux, CCCE
Mr. Bryan Ngo, IBRD Washington
Mr. Lawrence Salmen, IBRD Washington

PRIVATE SECTOR FIRMS
AUDIT ET CONSEILS - Auditors, 10 employees
BISCUITERIE MEDINA - Cookie manufacturer, 175 employees
CABINET ABC - Management consulting, 11 employees
CABINET NDOYE - Radiologist, 10 employees
CMA - Metal work, 50 employees
COSOPAL - Food products distribution, 9 employees
COURTASSUR - Insurance agency, 6 employees
DAKAR PECHE - Fishery, 165 employees
DAKAR MARINE - Naval building and repairs, 30 employees
GALIF - Gas storage, bottling, 100 employees
INEA - Furniture maker, 30 employees
LA ROCHETTE - Packing, 156 employees
LE CONTINU - Printing, 12 employees
MENPLAST - Plastic fixtures, 11 employees
PROMODIESEL - Diesel motor repair, 9 employees
RECHAP BOUBESS - Tire retreading, 15 employees
SAD - Detergent manufacturer, 55 employees
SAPEM - Mattress manufacturer, 40 employees
SENAMERIC - Beauty products, 12 employees
SENEGAL ELECTROMENAGER - Appliance imports, 10 employees
SENEPESCA - Fishery, 600 employees
SIGELEC - Battery manufacturer, 175 employees
SOCECI - Fire extinguisher manufacturer, 15 employees
SODIPHARM - Sales of medicines, 42 employees
SOLU - Clothing manufacturer, 17 employees
SOMICOA - Cargo handlers, 70 employees
SOPELA - Veterinary services, supplies, 30 employees
SOS TRANSIT - Customs agent, 32 employees
SRH/OIL RECONDITIONING - 18 employees
THIAROYE AUTO - Spare parts distributor 14 employees
UNIMES - Cigarette imports, 70 employees

ANNEX 4: PRIVATE SECTOR ENVIRONMENT

The following section examines the environment in which Senegal's private sector operates. It sets forth the key constraints which slow private sector development, especially that of SMEs, and recommends areas in which training can help alleviate the constraints.

A. Policy Environment

Beginning in the late 1970s, the GOS began to alter certain economic policies as it came to grips with the failure of state control of much of the economy, and overly ambitious development activities which had surpassed its absorptive capacity. The first step was the adoption in 1979 of a five year Plan of Economic and Financial Adjustment. This plan was the beginning of financial austerity and the gradual disengagement of GOS participation in the economy. It called for increased investment in the productive sectors of the economy and for the liberalization of trade. These policies set the stage for an IMF Extended Fund Facility and the World Bank's first Structural Adjustment Loan.

For a variety of reasons, including two consecutive drought years (1980/81), Senegal's economic performance derailed. A three-year action plan, coupled with the second SAL, was put into effect in 1985 and became the first phase of a medium term adjustment program to cover the period 1985-1992. The first phase aims at achieving sustainable economic growth via specific agricultural, industrial and public sector strategies, including, for the private sector, incentive policies aimed at enhancing private initiative, particularly in industry and in agriculture. A third SAL to sustain Senegal's industrial policy reform program was approved in February 1988.

A key pillar of the overall GOS economic policy reform is the reduction in personnel among parastatals, rural development organizations and private industrial firms. Estimates of these reductions in force (the affected persons are known as "deflates") range from 2,500 to 7,500 to date and from 13,000 to 18,000 in the long run. Training implications of the policy are important since the GOS intends for the private sector to absorb these "deflates".

The following sub-sections review the principal components of Senegal's New Agricultural Policy and New Industrial Policy, as well as the proposed banking reform actions under consideration.

1. NPA (Nouvelle Politique Agricole)

The first of the widescale reform programs was the NPA (1984). The principal components of this reform are gradual GOS withdrawal from agricultural production, processing, input distribution and marketing operations (handled largely by its rural development organizations), the concomitant assumption of these operations by producers and the private sector, and a phased liberalization of agricultural prices, cereal imports and the supply of agricultural inputs.

2. NPI (Nouvelle Politique Industrielle)

NPI, the second of the reform programs (1986), aims at increasing the role of the private sector in industry. Its elements are the privatization, liquidation or rehabilitation of state companies, the reduction of protective measures granted industry, the liberalization of imports via the reduction/removal of duties and quantitative restrictions, greater export incentives for manufacturers, and the removal of those controls hampering the free movement of the labor market. This reform program is considered key to the resuscitation of Senegal's industry.

3. Banking Reform

The success of Senegal's medium term adjustment program depends in large part on the reform and refinancing of the banking system, the third of the major reform programs. The banking system is beset with problems: illiquidity, little credit availability for the private sector, low savings mobilization and portfolios replete with non-performing loans. This last problem is the principal reason why little new credit is available. In response to this situation, USAID, the IBRD and the CCCE in collaboration with the GOS, are designing a program to restructure and rehabilitate the commercial banks, including a package of financial and technical assistance to the banks.

B. Economic and Market Factors

Senegal's economy has performed relatively well over the past three years, growing at an annual rate of 4.2%. By contrast, the industrial sector has remained stagnant and has acted as a brake on the growth of SMEs. Low world prices for her exports, growing unemployment, high labor and energy costs, and liberalization of imports make up the context in which the Senegalese SME operates today.

1. Senegal's Economic Performance

Progress in the economic reform program begun in the 1980's has been good, as the following table shows:

Senegal: Progress of Its Economic Reform Program [1]

Year	Gross Domestic Product (% growth rate)	Inflation (Percentage)	Balance of Payments Current Balance (millions of DTS[2])	Debt Service[3]
1983/84	(1.0)	10.5	(230)	20%
1984/85	(0.4)	11.5	(280)	25%
1985/86	4.2	8.2	(280)	30%
1986/87	4.3	5.5	(180)	30%
1987/88 (est)	4.2	4.0	(150)	28%

Gross domestic product is growing at slightly over four percent, giving a growth in GDP/capita of approximately 1.2-1.3% per year. Inflation has decreased from 11 to 4 percent, the current account deficit of the balance of payments is decreasing and the debt service ratio is holding steady. Good weather and attendant good harvests have helped over the past three years.

Continued progress in the adjustment program will depend on the extent of recovery for Senegal's major export products[4], her ability to decrease the costs of factors of production, her ability to increase labor productivity and most importantly, the extent to which she can restructure her agricultural and industrial sectors. Restructuring entails liberalization of these two sectors: the withdrawal of government activity while at the same time giving incentive to the private sector to take up previously government-run economic activities.

The reduction in public involvement in the economy and removal of protection from various industries carry real political and economic dangers if not properly conceived, phased and implemented. These requirements are especially evident when one examines the early impact of liberalization on SMEs - the subject of the next three subsections.

2. Impact of Liberalization

The impact of liberalization depends on the "economic" actor. In general, traders are delighted with liberalization since it is easier and less costly to import. Manufacturers, especially those who enjoyed government protection and who must now compete with importers, are complaining bitterly - in spite of the fact that some of them were able to raise prices attendant

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[1] Frances Kpatinde, "Senegal: Satisfaction du Fonds Monetaire," Jeune Afrique, No. 1434, 29 Juin 1988, p. 32.

[2] One DTS = 400 FCFA.

[3] Percentage of exports of goods and services and private transfers necessary to service Senegal's external debt.

[4] Phosphates, peanut oil, fish, fertilizer, and petroleum products.

with the GOS relaxation of price controls. Those few manufacturers who never benefitted from protection, and who have had to be competitive from the outset, claim proudly that liberalization has had little, if any, effect on them. Several businesses have already closed, the largest being Bata, the shoe manufacturer.

Liberalization has not solved the unemployment problem for laid-off parastatal and private sector employees and young graduates coming on to the job market. The combination of strict labor laws and very high "social" costs of employees, makes the businessman very cautious in his hiring practices. In fact, he prefers to take any business action alternative to hiring.

Provided there is enough time and resiliency, liberalization offers the opportunity to begin to transform an overly protected, uncompetitive manufacturing sector into an openly competitive, lean and aggressive one. A leaner manufacturing sector will place positive pressures on the informal sector and on lateral linkages with other companies, while delivering a more competitive product to the domestic market. Having satisfied the test of the internal market, manufacturers can look outward to foreign markets.

3. Vulnerability of SMEs

A variety of economic and market factors render SMEs vulnerable to the effects of the restructuring of Senegal's economy. Their smaller size (financially[5], productive resources, political) and the inherent, fragmented nature of this subsector makes them fragile entities, with little voice in economic policy decisions, and with less ability than large companies to ride out the bumpy road of economic change. Following are the principal factors which leave the SME largely at the mercy of events:

- Dependence on the state of the agricultural sector. Poor harvests translate into decreased activity in other sectors including reduced consumer activity.

- Internal markets which are relatively stagnant, slow to grow, and are now open to imported goods.

- SMEs which have enjoyed protection in the past now face a "crisis"- liberalization of markets - and do not know how to deal with it. Had they been forced to be competitive from the outset, they would not now be paralyzed.

- Stagnant neighboring country markets; inability to compete on world markets; and lack of effective export promotion organizations.

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[5] The Senegalese SME is in an extremely precarious financial situation, as debt:equity ratios average 4:1.

- A severe lack of credit, and a very high cost of what little credit may be available, both of which reduce the SME's financial resiliency, as well as its ability to take advantage of market opportunities when they arise.

- The cascade effect of Senegal's tax system; the onerous effect of minimum business taxes on the start-up SME.

- General low product quality by Western standards.

- Old, obsolete plant and equipment.

- Partial inability to compete with the informal sector, which does not pay taxes and does not have the various "social charges" that a formal sector business has, but which can more easily engage in parallel market activities.

- Domination of certain areas of business activity by a few large companies - usually French-owned.

- Lack of foreign investors and local investors. Investors are wary of investing in areas of business which have traditionally been the government's province.

- For new entrants - laid-off public/private sector employees and graduates - the rapid saturation of various areas of business activity: bakeries, transport, pharmacies, etc.

- Stringent labor laws which severely constrain the efficient functioning of the formal labor market. Strict government control on hiring, firing and layoffs, means that employers have high labor costs, hire very infrequently, and, in fact, use every means possible <u>not</u> to hire.

The above factors translate into an environment which is not conducive to the development of viable businesses that can survive in a modern business sector, much less in one that is going through rapid change often to the detriment of the SME over the short-term. Add to these factors administrative obstacles, lack of modern business techniques/expertise and the many inherent characteristics/attitudes of the businessman, and it becomes particularly evident just how vulnerable the SME is.

C. Financial Markets

Senegal's banking sector is relatively well developed, especially in Dakar. It includes commercial banks, development banks, savings, leasing and insurance organizations and an agricultural credit bank. Informal financial "markets" also exist - principally in villages and small urban centers.

This sub-section reviews Senegal's formal banking system, its serious problems, and how these problems affect the SME. Finally, USAID's Community and Enterprise Development Project is discussed, whose success is proof that

rural demand for formal credit exists in sufficient degree to justify bank interest in SMEs.

1. Banking System

"The banking sector is totally disconnected from the private sector."

Senegalese businessman

Senegal's banking system is illiquid, is mobilizing little in the way of savings, is providing little credit to the private sector other than short-term commercial lending, is laden with non-performing loans and is suffering from money being "recycled" out of Senegal by various means and by the increasingly tight rediscount policies of the Central Bank. It is also reported that large amounts of money remain in the informal and rural sectors outside the banking system.

Estimates of non-performing loans and loans in arrears run as high as sixty percent. On the client side, especially the SME, the unavailability of credit is so severe that companies turn almost exclusively to supplier credit and to internal financing where possible. Companies with longstanding bank relationships are being cut back from their normal access to credit.

The non-performing loans were made under pressure, with no rigor in according the loans and no rigor evident in the follow-up on the loans. Many of these loans are part of the "cross-arrears" between the GOS, parastatals, the private sector and the banks referred to by the World Bank in its latest Country Economic Memorandum (February 1987). The planned rehabilitation of the banking sector will restrict credit availability in the short-term, thus further impeding the development of the private sector.

Another indicator of the plight of the banking system is the system's inability to deal with (sell) seized or to be seized collateral -- buildings and equipment. Reportedly the BIAO has 30 billion FCFA ($100 million) in these "assets" and the BNDS 100 billion FCFA ($333 million).

2. Banks and SMEs: Access to Credit

In spite of preferential treatment available for SMEs and political pressure put on banks to lend to SMEs, Senegal's SMEs have great difficulty obtaining credit for the following reasons:

- Commercial banks are traditionally risk-averse and have little experience/interest in longer-term development-type lending. There is little financial incentive and a high risk disincentive to shift away from existing, profitable short-term commercial lending.

- New SMEs' viability is highly questionable: they generally lack the minimum (25 - 35%) investment capital required by banks; they lack suitable collateral; and they lack business experience and expertise.

- Commercial banks' institutional inability to assist the start-up entrepreneur in areas such as proposal preparation, market study, loan application preparation, simple accounting systems. Only SONAGA, and SOFISEDIT, both "development banks", provide any assistance to SMEs.

- The widespread lack of "financial responsibility" to the business, its employees, and its future growth exhibited by new entrepreneurs. The business is seen as a "cash cow" which can gratify instantly. The entrepreneur does not understand the market-driven, long-pull nature of a producing enterprise.

In other francophone countries, some commercial banks will consider "creative" approaches to lending, such as packaging sound SME clients with a short-term guarantee scheme (recourse basis), mutual loan societies, and joint credit arrangements of suppliers, banks and a donor agency. In Senegal, of the major banks, only CNCAS appears receptive at this time to the idea of future lending to SMEs. The CNCAS also reports that it is liquid in the amount of four billion FCFA ($13 million+).

3. Experience in SME Lending

This section examines the recent activities of two Senegalese "development banks," one of which deals largely with start-up SMEs, and the other which is slowly increasing its small portfolio share of SMEs, and the experience of the USAID Community and Enterprise Development Project.

a. SONAGA

Formed in 1971 with capital of one billion FCFA, of which the GOS holds 91 percent, SONAGA's principal role was that of guarantor to commercial banks for merchants and transporters seeking bank credit. From 1975 on, SONAGA became involved in offering installment credit for businessmen and artisans to buy machinery, tools, construction materials, and vehicles, in a variety of business sectors, notably, SMEs, construction-public works, fishing, tourism, artisanal activities and agriculture-related activities. SONAGA's portfolio, however, became heavily skewed (70%) toward auto loans, many of which became non-performing with the economic problems of the early 1980s. This turn of events forced SONAGA into lending to "productive sectors," mainly small and medium sized industries.

SONAGA also undertook the "placement" of university graduates as owners of start-up enterprises. Lines of credit for this activity came principally from the GOS, with one early loan (1981) from the BOAD. Phase I started in 1982/83 and now SONAGA is in Phase IV. Over six billion FCFA ($20 million) have been loaned of which 2.8 billion are GOS funds. The remainder has been supplied by SONAGA which borrows from local banks at 13 percent and on-lends to SMEs at 19 percent. The following table summarizes SONAGA's activities over the four phases:

	Activity	Number of Companies	Employment	Amount Financed (million FCFA)
Phase I 1982/83	Trading (wholesale)	11	74	53
	Bakeries	23	414	526
	Transport	14	116	345
	Subtotal	48	608	924
Phase II 1983/84	Bakeries	10	159	263
	Transport	25	262	954
	Fishing	5	185	147
	Vegetable Growing	6	63	317
	Jewelry	1	9	17
	Fish marketing	1	14	36
	Clothing	1	19	37
	Subtotal	49	711	1,771
Phase III 1984/85	Transport	9	85	417
	Fishing	10	370	311
	Printshops	7	87	278
	Cattle fattening	5	45	186
	Industrial quality ice	6	49	53
	Other	9	149	186
	Subtotal	56	785	1,431
Phase IV 1985/to date	Butcher shops	11	N/A	275
	Transport	6	N/A	150
	Freight forwarding	1	N/A	36
	Hotel	1	N/A	100
	Cinema	1	N/A	110
	Training center	1	N/A	25
	Consulting company	1	N/A	30
	Superette	1	N/A	20
	Subtotal	23	N/A	746
	Larger Scale Projects			
	Print shops	6	N/A	300
	Fruit juice manufacture	1	N/A	100-200
	Pharmaceutical grade cotton	1	N/A	100-200
	Fancy biscuits	1	N/A	100-200
	Industrial grade ice	1	N/A	100-200
	School chalk	1	N/A	100-200
	Subtotal	11	N/A	800-1,300

At best, SONAGA's experience has been "mixed." By its own admission, SONAGA "experimented" during Phases I and II, with little experience and less logistic support. When the experiment(s) did not go well, SONAGA shifted emphasis to new loan activities. Following are the principal problems they encountered:

- SONAGA offered no training in how to run a business when loans were made. Only after the new entrepreneurs got into trouble was assistance offered - in an attempt to recover loans made.

- Phase I - trading enterprises did not work. Most had to be "restructured" into other business activities.

- Phase II - fishing operations suffered from poor management and lack of modern techniques. All were liquidated.

- Phase III - new fishing operations encountered the same problems as in Phase II, but some are working better. Cattle fattening operations were hurt by large imports of frozen beef from Europe.

- Phases I - II - new, more efficient ovens are driving some bakeries out of business; saturation problems.

- Phases I - III - transportation activities saturated; severe wear and tear on vehicles required early replacement and financing by SONAGA since commercial banks were unwilling. Repayment rate reported to be 60 percent.

- Overall portfolio repayment rate reported to be 70 percent.

SONAGA's six percentage point spread (19 -13) is insufficient to cover loan administration costs and training. In the future, SONAGA will provide only financing and will look to others for training.

b. SOFISEDIT

Established in 1974 with a capital of 1.3 billion FCFA, SOFISEDIT is owned by various institutions, including the GOS, local commercial banks and international donors/financial organizations. From 1974 to 1985, SOFISEDIT's main lending operations were in the areas of tourism, large scale fishing operations, large industry, and to a limited extent, SMEs. Lines of credit were made available by a variety of institutions, including the IBRD, CCCE, and the ADB. SOFISEDIT's lending activities by class of clients were as follows:

Industry	41%
Tourism	36%
Fishing	18%
SMEs	5%

Over these eleven years, SOFISEDIT financed some 140 projects for a total of 17 billion FCFA. SMEs only accounted for 850 million FCFA of lending activity. In FY 1986/87, 13 projects were financed for a total of 1.4 billion FCFA. Two of the 13 were SMEs for an amount of 39 million FCFA, or 2.7% of the total.

In 1982, SOFISEDIT, along with SONAGA, and SONEPI, was asked to place young graduates (maitrisards) and employees laid off from industry and parastatal companies in start-up small and medium sized businesses, as well as to create employment opportunities through the financing of viable projects. To date, the results have been "modest."

SOFISEDIT recently signed an agreement to handle part (300 million FCFA) of the Fonds National de l'Emploi. Through March 1988, five SME projects totaling 62 million FCFA were approved. Two projects are in vegetable raising, two in cattle fattening, and one is an accounting firm. Five laid off government employees have been "placed," and 25 new jobs created. (Apparently 16 other projects had been approved by June 1988, most in the agricultural sector due to the employment backgrounds of the former parastatal employees).

SOFISEDIT appears to be in serious financial difficulties, due in part to increasing administrative expenses (largely personnel) and in part to low loan reimbursement rates. As of May 1987, SOFISEDIT reported that 10 percent of its 1.267 billion FCFA portfolio was a write-off and 17 percent of the portfolio were "doubtful loans." Operationally, SOFISEDIT ran at a 710 million FCFA deficit in 1987, with a cumulative deficit of 1.156 billion FCFA.[6]

C. USAID's Community and Enterprise Development Project

This project, based in Kaolack, has two components: a small scale enterprise (SSE) effort and a private voluntary organization component. The SSE component is the subject of this sub-section because it has successfully provided the services of a rural bank to some 270 SSE clients, under very strict business criteria. By mid-1987, the SSE component had made 95 loans totalling over $400,000. By mid 1988, the portfolio had grown to 270 loans totalling over $1,000,000. Today's repayment rate stands at 97%. Clients are typically already-functioning businesses.

The SSE component has a Small Business Advisory Unit (SBAU), the main work of which is lending and loan repayment. Since lack of access to credit was found to be the main constraint to strengthening SSEs, planned-for functional literacy and numeracy training was de-emphasized in favor of very careful selection of enterprises for lending. This change is part of the project's "minimalist" approach, and allows the project to concentrate on those entrepreneurs who have the best chance of succeeding. Clients, however, do receive advisory services to help them strengthen their

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6 SOFISEDIT, Project de Rapport d'Activities au 30 Septembre 1987, Annexe 11, "Engagements et Deblocages," mai 1988.

businesses through sound business practices. Specific technical assistance is also available through the SBAU to those entrepreneurs who present valid requests. The SBAU advisor gives informal advice, identifying specific business needs and resources for the client, while emphasizing to the client what credit can do for him and his responsibilities vis-a-vis the lender.

The project has proved that there is adequate demand for SSE credit in the rural areas to justify bank intervention, that rural SSEs do repay, and that with carefully tailored credit and appropriate technical assistance, rural SSEs prosper.

D. Economic and Industrial Potential

Most observers agree that the best Senegal can hope for is a modest growth in the economy over the next five years. Such growth is predicated on the success of the NPA and the NPI and strengthening of world prices for those products which Senegal exports.

1. General Potential by Sector

Following is a capsule description of the major productive sectors of the economy and their general potential for growth as well as their potential for SMEs.

SECTOR (% of GDP - 1986)	POTENTIAL FOR GROWTH
Manufacturing (16% of GDP)	- As a result of successful privatization of certain SOEs, increasing labor productivity, instilling marketing capabilities and establishing a firm base for export-oriented activities. - light industry for import-substituting consumer products, links to rural productive activities (food chain: farmgate to consumer), and SSE supplies of inputs to formal manufacturing sector. - medium industry for import-substituting intermediate goods.
Agriculture (20% of GDP)	- rice, cotton, food crops, import substitution.
Fishing (2% of GDP)	- poor: overfishing of principal schooling fish; foreign competition; obsolete

		equipment. Exception - shrimp: European market continues to grow.
Livestock (7% of GDP)	-	traditional mainstay
Mining (Phosphate) (1% of GDP)	-	at best flat: limited reserves; competition from other sources with locational advantages; future prices uncertain.
Oil Mills (2% of GDP)	-	at best modest: assumes recovery of peanut oil prices and GOS ability to maintain higher producer prices.
Commerce (21% of GDP)	-	Good in short-term at expense of import-substituting firms. Longer-term outlook function of state of economy and numbers of unemployed who enter activity (easy entry).
Construction (7% of GDP)	-	depends on state of economy; probably limited in near-term (relatively easy entry).
Transportation (7% of GDP)	-	depends on state of economy and numbers of unemployed who enter this activity (easy entry).
Other Services (9% of GDP)	-	communications, micro-computers/servicing, education, the professions, equipment rental, maintenance services to industry.
Tourism (5% of GDP)	-	probably limited: depends on better management of hotels, competition of other tourist areas.

2. SME Potential by Sector

The areas of most potential SME growth appear to be:

- Light Industry: (metal, wood products; consumer goods: food products, clothing, plastics, automotive replacement parts, reconditioning major mechanical, automotive, electrical apparatuses; packaging).

- Operations ancillary to agricultural production (agricultural inputs, distribution/marketing of agricultural outputs, food

transformation/processing, storage/cold chain, institutional food markets).

- Operations ancillary to other basic economic sectors, e.g., construction (building materials, iron/wood intermediate and finished products, paints, simple hardware, all activities which service construction - e.g. textiles (weaving, clothing, home and office furnishings).

- Services: information technology, professions, equipment leasing, services and maintenance to industry and government; fast foods (Dakar).

In the longer-term, Senegal, because of its favorable location and relatively well developed business infrastructure could be well-positioned to take advantage of emerging markets in Guinea, market opportunities in other relatively high income African countries, and market niches (where there are shortfalls) in neighboring countries. Senegal's ability to exploit other West/Central African markets depends on the ability of those countries to lift themselves out of their current economic stagnation.

E. Key Constraints to Private Sector Development and Their Relationship to Training

Private sector development, and in particular that of SMEs, is affected by six types of constraints, four of which directly affect the training needs of the SME.

Type of Constraint	Degree of Bearing on SME Training
Administrative and Bureaucratic Factors	Minimal
Business Formation and Taxation	Minimal
Access to Credit	Strong
Government Policy Actions	Strong
Economic and Market Factors	Strong
Characteristics of the Private Sector	Strong

1. Administrative/Bureaucratic Factors and Business Formation/Taxation

While these factors have little direct bearing on training for SMEs, they are important constraints to growth of SMEs. The consensus of SMEs is that GOS administration is a moderate hindrance to doing business. The time entailed with red tape and the small emoluments to keep paper moving through the system are common complaints. The more serious complaints are

the length of time required to obtain foreign exchange to pay suppliers, delays in getting imported goods through customs and the very long time necessary to collect accounts receivable from the GOS.

Business formation and taxation are particularly vexing constraints for the start-up SME. The legal formation of a business involves a minimum of nine steps at a minimum cost of two million FCFA ($6,600+) in capital, fees and payoffs and anywhere from eight to twelve months to complete. Payoffs can represent as much as ten percent of the two million FCFA. In addition, the "personnel identification" step with the Direction de la Main d'oeuvre usually involves the "petit frere" syndrome whereunder one must employ relatives/friends of Main d'Oeuvre personnel along with the qualified employees the businessman is seeking.

For import-export businesses, additional authorizations are needed. Those businesses applying for privileges under the Investment Code should plan on an additional six to nine months for approval. Under recent policy reform measures a single "window" was to have been set up to speed up processing of business applications. In fact, no office has yet been set up and several applications for speedy processing have been sitting for the past three months.

Taxation constrains Senegal's SME, as it does the private sector in general. The GOS embodies the French concept of an all powerful fiscal authority and inspectorate, and the old French anti-business bias - best expressed as "anyone who is on their own must be cheating." In the near future, and under IMF pressure, the fiscal authority will be strengthened to collect more revenue from a wider variety of sources.

The tax system imposes an array of taxes on the businessman with a resulting "cascade effect" involving sales, social security and retirement for employees, withholding for employees, value added and profits. In this array are various minimum business taxes imposed regardless of the size or profitability of the enterprise. The start-up business is jeopardized in particularly by the Tax on Revenues (sales), due regardless of its profit (or loss) situation.

Given the abovementioned constraints, there is ample incentive for the smaller businessman either to remain "invisible" to the tax authorities, or to hire an astute accountant to help him evade the greatest amount of taxes possible. Thus, the costs of establishing a business, coupled with the tax burden, forces many businessmen to be illegal or to go out of business.

2. Access to Credit

Most SMEs interviewed complained that credit is almost impossible to obtain from commercial banks. This is not surprising given the general, illiquid state of Senegal's commercial and development banks and their serious problems with non-performing loans. A few SMEs, with good business track records and long standing relationships with their banks, reported that their access to credit had been severely curtailed over the past year. Under more favorable banking conditions, the SME lack of access to credit

can usually be mitigated by appropriate, practical training in areas which make the SME more "bankable."

The effectiveness of such training is often best ensured by linking it to obtaining credit, i.e. credit is accorded only to viable enterprises (start-up and existing) which have successfully completed the prescribed training. Training entails basic business skills, proposal and loan application preparation, repayment requirements and the establishment of simple accounting/financial management systems.

3. Government Policy Actions

The principal GOS policy actions which affect SME manufacturing activities and those of suppliers of services, raw materials, components, and packaging are the reduction in direct government support (protection) and liberalization of imports. GOS measures to decrease taxes and the costs of factors of production have not yet been carried out, which adds to the adverse impact of liberalization. A stagnant industrial sector accentuates the problem.

Many manufacturers, having operated for years under one form of protection or another, find themselves increasingly unable to compete with imported goods. Moreover, there is a ripple effect out to other SMEs which are suppliers to primary manufacturers. Nowhere is the effect of liberalization clearer than at a local packaging manufacturer[7] who has seen his vegetable grower customers shrink by over fifty percent, his fishing customers drop by sixty percent and other customer categories drop in numbers by twenty to forty percent.

The effects of these policy actions on the SME have direct training implications. For the SME to be competitive under the new conditions, leaner operations are called for via cost-cutting and cost control, as is a firm grasp on all of the relevant management and marketing tools and techniques. The survival of start-up and existing SMEs will depend on a range of disciplines: financial management, cost accounting, inventory and production management, marketing, and planning and rapid response to problems and to opportunities.

4. Economic and Market Potential

Economic and market factors are of serious concern to the Senegalese businessman, especially the manufacturer. While Senegal's economy has grown over the past three years, the domestic market is relatively small, the banking system is in disarray, and foreign imports are seriously affecting the survival of an increasing number of manufacturers, especially those who had languished under special GOS protective measures.

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[7] Manufacturers of packaging, because they sell to a wide variety of industries, are an excellent informal "barometer" of the health of the manufacturing sector.

Since Senegal's industrial sector will take time to revive, and imports will be a growing competitive factor in a limited domestic market, Senegal's SMEs will be forced to "lean down", produce competitive products, and many will have to learn how to market their products (as distinct from selling). Marketing training will be absolutely necessary for the survival of those SMEs which compete with foreign goods. Nowhere was this clearer than in interviews with established Senegalese SMEs who for the first time faced serious competitive pressure. These firms had little idea of how to combat competition, little idea of the tools at their disposal and even less idea of how to put together a marketing strategy of any duration that would allow them to fight back.

5. Characteristics of the Private Sector

Senegal's private sector has characteristics which are themselves constraints. These characteristics range from "mentalities" or perceptions of business to the way in which businesses are organized. In all fairness, Senegal's private sector suffers somewhat less from these inherent problems than do many other West African private sectors. Following are the principal attributes which impede the development of SMEs:

- A fairly widespread lack of understanding of the true nature of a productive, producing enterprise. Senegalese understand trading, but few understand how to organize and manage a market-driven enterprise over the long-term.

- A lack of "financial responsibility" to the enterprise and to the employees. The mistaken perception is the enterprise as a personal "cash cow" - to be milked at every opportunity.

- A lack of business creativity, which appears as the absence of innovation. This lack appears particularly in the "me - too" blind rush of fledgling entrepreneurs (maitrisards and deflates) into classic small business activities which soon become super-saturated. (e.g. bakeries, pharmacies, transportation, freight forwarding).

- A "production" mentality which says "because I know how to make a product, I'll sell it", rather than a "market" mentality which asks "where are/what are the markets that can be tapped, and how can I best tap them with my product/assets/skills/ideas?"

- For university graduates, a lack of knowledge of how to structure a business, of the notion of capital, and the general lack of hands-on business experience.

- While the workforce tends to be capable and lower line management is qualified, by dint of experience, there is often no "mechanism" to tap this skill pool and gradually create a middle management. Top management handles all day-to-day operations with little time for planning and overall management.

- Little understanding of planning -- both strategic and tactical.

Training in how to organize, plan, account for, analyze, market and manage (including the human behavior aspect-personalities, delegation of responsibilities, and communications) is a measure which can help alleviate the functional constraints in the industrial environment and in reconciling African values with Western values and the requirements of business.

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