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PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA) PROJECT

USAID/TOGO

FEBRUARY 1988

Deborah M. Orsini
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ACRONYMS

AFR/TR/EHR	Africa Bureau, Office of Technical Resources Resources for Education and Human Resources
AMDP I and II	African Manpower Development Projects (HRDA predecessor regional training project)
BCEAO	Banque de la Communauté des États d'Afrique de l'Ouest- West African Community Bank
CCAIT	Chambre de Commerce, d'Agriculture et d'Industrie du Togo- Chamber of Commerce, Agriculture and Industry of Togo
CET	College d'Enseignement Technique (Vocational Technical School)
CNCA	Centre National de Credit Agricole (National Agricultural Credit Bank)
CNPP	Centre National de Perfectionnement Pro- fessionnel (National Professional Training Center)
CTI	Centre Togolais des Investisseurs (Private SME referral organization)
DIVA	Division d'Assistance (Business advisory service within CCAIT)
ECOWAS	Economic Community of West African States
ESTEG	Ecole Supérieure du Togo de Gestion des Entreprises
GIPATO	Groupement Inter-professionnel des Artisans du Togo (Interprofessional Group of Artisans of Togo)
GOT	Government of Togo
GTPME	Groupement Togolais des Petites et Moyennes Entreprises (Togolese Association of SMEs)
HRDA	Human Resources Development Assistance Project
IBRD	International Bank for Reconstruction and Development (World Bank)
ILO	International Labor Organization
IMF	International Monetary Fund
IUT de Gestion	Institut Universitaire de Technologie de Gestion
LT	Lycee Technique (Technical High School)
MTEPT	Ministry of Technical Education and Professional Training
NGO	Non-governmental Organization
OIC	Opportunities Industrialization Center
SAL	Structural Adjustment Loan
SME	Small to medium-sized enterprise
SNI	Société Nationale d'Investissement (National Investment Company)
TRIPS	Togo Rural Institutions and Private Sector
UNDP	United Nations Development Program

PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

USAID/TOGO FEBRUARY 1988

EXECUTIVE SUMMARY

The purpose of this training needs assessment is to determine training priorities which will promote private sector development in line with the USAID Togo assistance strategy. The private sector training plan which reflects these priorities will serve as the basis for one part of the Human Resources Development Assistance (HRDA) project training activities over the next five years.

The Government of Togo (GOT) is in the process of restructuring its economy and institutions with the goal of decreasing public sector involvement in the economy and encouraging private sector initiatives. Key objectives are to increase agricultural production and to develop productive activities in rural areas. Faced with a high population growth rate and an essential freeze on employment in the public sector, the GOT is also keenly interested in any means of expanding existing enterprises or creating new ventures that will increase employment opportunities in the private sector.

The USAID Togo assistance strategy focuses on alleviating policy and structural constraints to the efficient development of agricultural production and marketing and on promoting rural development through support of non-governmental organization (NGO) efforts to institute self-sustaining progress. Under the African Economic Policy Reform Program (AEPRP), the mission has concentrated on liberalizing the trade of cereals. Through its bilateral projects, USAID Togo promotes productive farming technologies and provides credit to stimulate rural growth and family health services to increase rural productivity.

USAID Togo will continue to promote productive activity in rural areas through the proposed Togo Rural Institutions and Private Sector (TRIPS) project. This project will support the development of credit unions, farmer groups, rural entrepreneurs and small agri-businesses.

In line with the mission's assistance strategy and to complement the current and planned bilateral projects, HRDA project training will concentrate on two key objectives: increasing productivity, especially among rural groups, and developing entrepreneurship to create new jobs.

Target audiences for training to increase productivity include rural and urban productive groups, with emphasis on rural artisanal, cooperative and women's groups; and trainers in training centers, such as OIC Togo and technical training schools. To support this initiative within the GOT, training will also be provided to the Ministry of Technical Education and Professional Training.

Target audiences for entrepreneurial development training include small and medium-sized enterprises (SMEs); the Togolese Chamber of Commerce, Agriculture and Industry; and a local management training institute, the IUT de Gestion. A cooperative effort between the Chamber of Commerce and the IUT de Gestion will provide entrepreneurial development training and outreach services to the private sector. A small amount of funding will be used to develop a linkage program between the IUT and a U.S. management training institute.

Key public sector officials will be included in certain of these training activities, to encourage further GOT support of private initiatives.

In addition to these private sector training activities, the mission's overall HRDA training plan will continue to fund, as in the past, targeted training opportunities for GOT personnel.

The HRDA training plan to support private sector development over the next five years includes: one long term U.S. degree program, 10 short term U.S. technical training programs, 35 short term third country training programs (including regional conferences organized under HRDA), 2 study tours to the U.S. and 26 in-country training activities.

The total buy-in level for the private sector portion of the USAID Togo HRDA project is estimated to be \$1,150,000 over 5 years, of a total estimated buy-in level of \$2,150,000 over the same period.

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 AMDP II, has two new targets: first, 50% of project training (i.e., number 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 assist missions in meeting these targets, Africa Bureau's Office of Technical Resources for Education and Human Resources (AFR/TR/EHR) offers assistance to missions in developing their private sector training strategies.

Togo was the first mission to avail itself of this assistance and, as such, served as the testing ground for the prototype private needs assessment methodology. (Annex 1 provides a description of the assessment methodology. Annex 2 provides the assessment questionnaire used with private sector firms. Annex 3 provides a list of persons interviewed. Annex 4 lists the members of the Private Sector Advisory Board).

The assessment team wishes to express its appreciation to the entire USAID Togo staff for its efficient assistance throughout the assessment. The team is particularly indebted to the USAID Togo Training Officer, Mr. Hyacinthe Sodji, for his exceptional organization of activities and support prior to and during the assessment, and to RDO Sidney Bliss for his insight into the current and future USAID Togo program.

II. DEVELOPMENT PRIORITIES

A. USAID Togo Development Priorities

Togo is currently faced with stagnating economic performance, declining agricultural productivity, high population growth and growing unemployment, low rural productivity and limited private sector development.

The GOT is in the process of restructuring its economy with the goal of decreasing public sector involvement in the economy and encouraging private sector initiatives.

The GOT has stressed in its national strategy the need for development of rural productive activities; the need for increased agricultural production; and the need for researching means of increasing employment in both urban and rural areas. Specifically, it has announced its intention to reduce the public sector's role in

agriculture; to encourage private sector entry into input supply, processing and marketing; to provide additional credit to farmers through credit unions and agricultural banks; to make more use of NGO's in implementing rural development programs; to continue its program of privatization of non-strategic state-owned enterprises; and to promote the creation of small and medium-sized enterprises.

In line with the GOT national strategy, USAID Togo's assistance strategy focuses on alleviating policy and structural constraints to the efficient development of agricultural production and marketing; and on promoting rural development through support of non-governmental organization efforts to institute self-sustaining programs, particularly in the provision of health services, farming technologies and credit to stimulate growth and raise rural incomes. Annex 5 provides a description of the current USAID Togo bilateral project portfolio and its training components.

To reinforce its assistance strategy and to complement its bilateral portfolio, HRDA project training will concentrate over the next five years on activities which will increase productivity, especially among rural groups, and develop entrepreneurship to create sustainable private sector initiatives.

B. Prior USAID Private Sector Training Activities

A summary of USAID Togo training activities under AMDP II is provided in Annex 6. There has been very little private sector participation in these training activities to date. In 1986 one women manager from the private sector attended the University of Pittsburgh's Francophone Management Seminar. (36 Togolese have been sent to that program over the past 10 years). Four participants from the private sector have attended the various in-country seminars conducted by University of Pittsburgh over the past four years (i.e., 2% of over 200 total participants). In all, these five private sector participants represent 1% of the total Togolese trainees under AMDP II (FY 83-87).

III. PRIVATE SECTOR ENVIRONMENT IN TOGO

The following section summarizes the environment in which Togo's private sector operates. It also sets forth the principal constraints which hinder the private sector's development and recommends areas in which HRDA training can help alleviate constraints. Greater detail on the private sector environment is found as Annex 7.

Togo's economy is characterized by a strong tertiary sector, representing 46% of GDP. The industrial sector plays only a modest role in the national economy (23% of GDP, with phosphate mining providing the lion's share); and the agricultural sector, although employing 80% of the population, counts for only 30% of GDP, mostly from coffee, cocoa and cotton crops.

Manufacturing, representing only 7% of GDP, has a very low average value-added, and is dominated by the food industry (essentially the brewery and soft drink companies). There are no more than 100 private companies in the formal industrial sector, many of which employ 1-5 persons. Although formal sector metal working and agri-business are far less developed in Togo than elsewhere in the region, there is strong artisanal activity within the informal sector.

In general, Togolese companies are constrained by a small national market and a lack of a cash economy in rural areas. They function at low capacity and have been unable to attract investment.

A. Policy Environment and Expected Reforms

Since 1983, the GOT's economic policies have altered as part of two consecutive IBRD structural adjustment loans (SAL). The first SAL targetted public finance, while the second (1985-1987) addressed constraints to economic growth and the development of the private sector. The policy reforms achieved under the SALs included: a more comprehensive and rational tax system; a liberalization of the economy via deregulation of imports and a gradual elimination of the state import monopoly for certain basic commodities; restructuring, including privatization and divestiture, of state enterprises.

Further support for policy reform favorable to private sector development will be provided under the IBRD Private Enterprise Development Project, to begin in 1988. The project will assist SME's through technical assistance and credit mechanisms and will promote continued reform of state-owned enterprises.

As primary agriculture (along with trade and real estate) is excluded from the Private Enterprise Development Project, USAID's proposed TRIPS Project will complement the IBRD project. Building on work already done in the area of credit union development and productive farming technologies, the TRIPS project will expand this outreach to more of the rural private sector. Expected reforms under this project entail easing certain constraints in the operation of credit unions and producer groups.

B. General Economic/Market Conditions

"Too many people selling, and too few people to buy".

Lome market woman

Togo's continuing economic stagnation and the small size of the domestic market act as a brake on the growth of SMEs. Togo's economic performance is currently flat, compared with the boom of the 1970's and with the downturn of the early 1980's.

Interviews with businessmen show that local production has dropped across a range of activities, prices are generally increasing, with the long-term result that purchasing power has fallen. Urban unemployment and underemployment is becoming a major socio-economic problem.

Togo's economic development depends in part on three cash crops: cotton, cocoa and coffee, and on exports of phosphates. Prices have fallen in all these commodities and future prospects for prices continue to be dim.

The limited size of Togo's market for goods and services and the stagnant or restricted neighboring country markets render SME's vulnerable to internal competition, as new firms start up, and to external competition from cheap imports, especially from Asia. Many firms report a drop off in orders and lowered levels of production.

A final indication of Togo's current economic malaise is given by Lome's market women, the mainstay of Togo's commerce. These women are the wholesalers and retailers of many consumer products, especially fabric.

The economic decline affecting Togo also affects other African countries - including those whose buyers used to pour into Lome to buy fabric and other consumer items for resale in their home countries. Also, Togolese fabric wholesalers report that there has been a flood of new vendors into the marketplace, 90% of whom are at best selling at break-even.

C. Financial Markets

Togo has a fairly well-developed banking sector covering commercial banking (8 banks) development lending, savings, leasing and insurance. A ninth regional commercial bank, affiliated with ECOWAS, will open its headquarters in Lome in 1988. Togo's banking system today, as in many other francophone member countries, is in a position of excess liquidity.

As part of BCEAO, Togo offers SME's preferential lending treatment, comprised of lower interest rates, longer maturities, and grace periods on principal repayment. Moreover, there is political pressure put on banks to lend to SMEs, one of GOT's priority sectors.

In spite of the availability of credit, the preferential treatment, and government pressure to lend, Togo's SME's have difficulty obtaining credit - of all types and maturities. Banks are reluctant to lend to SME's for a variety of reasons, ranging from commercial banks' traditional aversion to risk to their greater interest in the more attractive return/risk combination of money market instruments.

There are also specific SME characteristics which make banks reluctant to lend, notably lack of investment capital, lack of suitable collateral, and generally low repayment rates on loans. Several other SME characteristics, however, lend themselves to correction through training, such as lack of understanding of how to structure, finance and manage a business; lack of expertise in preparing business proposals and loan applications; lack of accounting/bookkeeping skills; the "commercial" mentality of many new entrepreneurs versus the market-driven long-pull nature of a producing enterprise.

The credit situation is not all bleak. First, clients with good business track records and solid collateral can get loans. Second, commercial banks will entertain SME lending if the return is sufficiently high to cover transactions costs and there is some sort of guarantee mechanism. Third, commercial banks will consider creative loan mechanisms, such as dealing with a "package" of small entrepreneurs, (developed by donor assistance), or with mutual loan societies.

D. Human Resources

Togo's economic stagnation and its growing urban unemployment make the question of human resources and how to employ them gainfully key today. For the Togolese private sector, three categories emerge: entrepreneurs, management and labor.

Togo, like many other developing countries, lacks a pool of experienced entrepreneurs, although there is no shortage of entrepreneurial spirit. The shortcoming of the fledgling entrepreneur is that he has little if any business experience and often little understanding of the requisites of business. Many new entrepreneurs imitate what other businessmen are doing, rushing into lines of business which have succeeded elsewhere, without analyzing what the market can bear.

As regards future managerial personnel, businessmen rank university and high school graduates high in the theoretical, but very low in the more practical skills of running a business. Worse, university graduates tend to have a "diploma-syndrome," feeling that their diploma entitles them to a good-paying management position. In certain larger organizations, including banks and large industrial firms, in-house resources are available to give the necessary practical and on-the-job training to new employees. By contrast, the SME does not have the resources, financial or otherwise, to carry out such training in-house. Women have a difficult time obtaining management positions, with only large, foreign-owned firms offering limited possibilities.

Given Togo's widespread unemployment, the labor supply is abundant. Its strengths are found in its artisans (Togolese artisans have been regularly sought out as skilled craftsmen in Niger, Gabon and Guinea), and in its trainability. Its weaknesses are the demands of the extended family system which can relegate work to second place, a lack of familiarity with processing-type machinery and its maintenance needs, resulting in a need for constant management supervision and a "rule-book" mentality approach to their jobs.

E. Economic and Industrial Potential

Most businessmen agree that the best Togo can hope for is modest growth in the economy over the next five years. This assumes regional government cooperation and the functioning of ECOWAS. Growth is expected to come from several sources:

<u>SECTOR</u> (% of GDP-1985)	<u>POTENTIAL FOR GROWTH</u>
Manufacturing (7% of GDP)	- as a result of successful privatization of certain state enterprises - light industry tied into rural productive activities and for simple consumer items
Agriculture (30% of GDP)	- cotton, coffee, food crops - agriculture-related activities, e.g., food processing, agricultural input supply, other agricultural goods and services. - (cocoa: prices assumed to remain flat)
Mining (9% of GDP)	Limited (phosphate: prices assumed to remain flat)
Commerce and Tourism (23% of GDP)	Limited in near-term
Construction (4% of GDP)	Limited in near-term
Services (15% of GDP)	Entrepot, transit, information (education, training, printing, communications, the professions) private medical.

For the SME's targetted under HRDA, the areas of most potential growth appear to be:

- Light industry (consumer goods: food products, manufacturing, clothing, furniture, etc.);
- Operations ancillary to agricultural production (agricultural equipment, food transformation, storage other operations along the food chain);
- Operations ancillary to basic economic sectors, e.g., construction (artisans, sawmills, iron-works, paint/white wash, simple hardware, cement blocks, other building materials).

Some observers hold out hope for Togo, in the long term, as a supplier of foodstuffs and light manufactures for the larger neighboring country border markets, i.e., Nigeria (total population: 100 million +) and Ghana (total population: 12 million). Such a strategy would entail finding market niches (where there are shortfalls), as well as the ability to spot market opportunities, to move fast, and to negotiate effective regional trade agreements.

F. Key Constraints to Private Sector Development-
Relationship to Training

The private sector, and in particular SMEs, is affected by six types of constraints, two of which have the most bearing on training needs of the SME:

<u>Type of Constraint</u>	<u>Degree of Bearing on SME Training</u>
Government Policy Actions	Minimal
Taxation	Minimal
Government Administrative Factors	Minimal
General Economic/Market Factors	Moderate
Access to Credit	Strong
Characteristics of the Private Sector	Strong

Government policy actions, taxation and administrative/bureaucratic factors all have minimal direct bearing on training for SME's. These three categories, however, do call for the business community to speak out with a common, well-articulated voice - part of the business advocacy and outreach proposed under the HRDA training strategy.

The principal GOT policy action which has had an adverse effect on SME manufacturing activities is trade liberalization (IMF policy reform), in particular the reduction in import monopolies. Some SMEs now find themselves unable to compete in price with freely imported goods. Further, there is a ripple effect to other SMEs which are suppliers of certain goods and services to the first-affected SMEs. Employment and revenues for both "primary" and "secondary" SMEs have shrunk.

Taxation is another area constraining the private sector, particularly the SME. A combination of rigid tax collection methods (IMF policy reform to increase tax revenues) and an array of minimum business taxes can jeopardize the life of a new enterprise. Togo's tax system forces numbers of new, smaller businesses to remain "invisible" or go out of business.

Administrative and bureaucratic factors, other than government's delay in finalizing contracts and in meeting its accounts payable, are not serious constraints to doing business. Red tape, however, requires time and often small emoluments to keep the paper moving. Harassment of business, other than through somewhat draconian tax collection methods, is not a serious concern as in some other African countries.

Economic and market factors weigh heavily on the Togolese businessman. Togo's relatively stagnant economy and its small domestic market, coupled with cheap imports especially from Asia have forced some plants to operate at as little as 25-30% of design capacity.

This "area" has potential for SME training, particularly marketing training. Togo's economy will take time to rejuvenate, the internal market will remain small, and imports will always be a competitive factor. Marketing training, from the concept of markets as the "raison d'etre" of business to the precept that "the customer is King," is an absolute requisite for the SME. Only by understanding the various marketing tools/techniques, from research to packaging, from sales strategies to consumer preferences, can the Togolese SME compete in this small, import-laden domestic market.

Access to credit is a principal constraint for the SME, but can be mitigated through appropriate, practical training in areas which will make the SME more "bankable". Training needs span the entire gamut of loan application preparation, business proposal writing, market studies, general and financial management, accounting- all of the basic business skills which legitimize a business in the banker's eyes.

Finally, the private sector itself has certain characteristics which constrain it. Budding entrepreneurs, with little preparation for or understanding of business, blindly mimic what a few early entrepreneurs are doing successfully (e.g., bakeries, pharmacies, print shops), rushing into activities which soon become saturated.

Coupled with the mimicry, is a "production" mentality, which says "because I know how to make a product, I'll sell it". Instead there should be 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/skills/ideas"?

Once the entrepreneur's business is functioning, other constraints surface. The Togolese businessman appears to have an inordinate fear of competition. The outward reaction is visible anger, and existing businesses block newcomers by both normal and nefarious means. The recently established business commonly calls for government regulation - to protect itself.

Training in how to compete, with a broad array of marketing tools and techniques, in an ethical way, can help alleviate these constraints.

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

A. Employment in Togo

The active population in Togo in the 1981 census was estimated to be 1,000,000 persons. - 800,000 persons (80% of the active population) are involved in agriculture. Of the other 200,000 persons, 100,000 belong to the informal sector (nearly 50,000 are in Lome); 40,000 work for the public sector; 45,000 work in public and private enterprises and 10,000 are temporary workers.

Lome offers wages 2.5 times higher than other cities, but the wage difference between the urban and rural environment is closer to 5:1. Although this disparity has not yet resulted in serious rural-urban movement, migration to the urban areas is on the rise.

The formal sector in Togo is characterized by its youth - more than 2/3 of the employed are under 40 - and by the absence of women (they represent no more than 5% of formal sector employees).

Skilled personnel, particularly within the private sector, tend to be "older", i.e., over 40, but with a low level of education. Since they are not yet of retirement age (mandatory at 55), they maintain their positions, which precludes entry of the younger, better educated job seekers.

The number of available formal sector jobs was estimated at a maximum of 5000 per year in 1983, mainly concentrated in Lome. (The situation has severely deteriorated since, with a near-freeze on public employment enacted in 1985). Annual output of the educational system (both skilled and unskilled persons) is estimated to be 50,000 to 60,000 persons per year.

The creation of new jobs is an absolute requirement in Togo today. The GOT must look to the private sector for assistance in achieving this goal.

B. Educational System in Togo

Despite mandatory education until age 15 and efforts to increase school enrollments (over 70% of children from 5 to 14 years of age were enrolled in school in 1985), increasingly difficult economic conditions have brought about reduced enrollments as parents observe that schooling does not necessarily mean employment.

As regards education for private sector employment, children having completed primary school and the first cycle of secondary school have three choices (provided they pass a competitive exam): 1) entering a College d'Enseignement Technique (CET) which is intended to give them practical job skills; 2) entering a Lycee Technique (LT) which should prepare them to become technicians or enter the university in sciences or engineering; 3) entering the normal college-preparatory lycee program.

In 1987 the 5 CET's in Togo enrolled around 1000 total students and offer programs in masonry, construction, secretarial skills, accounting, etc. The two LT's enrolled some 2700 students in industrial, banking and business programs. Women represent 13% of the total CET and LT population.

These schools have been plagued by a lack of qualified trainers, little if any coordination of programs with "end-user" employers and an observable lack of practical qualifications among students upon graduation.

A large number of private schools also offer professional training, especially for service-oriented jobs such as secretaries, drivers, accounting assistants, clerks, etc. Total enrollment in these schools was 2000 in 1987.

University training for the private sector is available within ESTEG, the graduate faculty for business, and ESMI, the graduate faculty for industrial mechanics.

ESTEG enrolled 1400 students in 1987/88 (950 in first year and an average of 150 each in years 2, 3 and 4). Of the two options, management and economics, 90% of the students choose the management. The 1987 enrollment more than doubled that in 1981. Unfortunately, the job opportunities for graduates have not increased proportionately. Many graduates wait several years for a job opening.

The IUT de Gestion (Institut Universitaire de Technologie et de Gestion), part of the University of Benin, was created two years ago to provide a practical management training program. The IUT program lasts three years (the first graduating class is now in its second year of studies) and provides 900 hours of basic instruction in business in Year 1. In Year 2 students take 500 hours of core courses (including courses in entrepreneurship) and 270 hours in one of two options: business or accounting. The program includes weekly sessions with practicing managers from local enterprises who discuss their management problems with the students. The students must complete a one-month business internship after their first year of studies and a two-month internship after the second year.

This program has fostered job creation by linking the business students to future potential employers during the internships. Many second year students are also seriously considering opening their own small firm.

The HRDA project should assist this institute in developing the portion of its program devoted to entrepreneurship, particularly in (1) research into methods of promoting entrepreneurship and creating new ventures in the U.S. and the developing world and their applications to Togo; and (2) training trainers to conduct practical, short training workshops in entrepreneurial development, both for the IUT students and for unemployed Togolese.

The IUT de Gestion, under the guidance of its director, Mr. Gogue, a recently returned Fulbright scholar, is the logical "home" for research and innovative programming in enterprise creation. The IUT is particularly sensitive to the need to encourage creation of rural enterprises.

C. Apprenticeship

Technical training for the informal private sector is provided through the apprenticeship system. (In 1981 the informal sector- artisans and apprentices- included 55% of the active urban population in Togo. The ILO estimates that the informal sector's productive contribution generates roughly 20% of Togo's GDP).

The Togolese system of apprenticeship differs from many others in Africa in that the apprentice pays the master artisan for his training. The agreement is formalized through a written contract between the family and the artisan. The training usually lasts 3 years and costs around 60,000 CFA, or roughly \$200 (as compared to the average annual per capita income in Togo of \$250).

It is estimated that there are some 35,000 apprentices in Togo (25,000 in Lome alone and 10,000 in the other cities), in over 7600 workshops. The system is derailing, however. With growing unemployment, the demand for apprenticeships is increasing. Master artisans are taking more and more apprentices (which also supply them with additional income and a source of free labor). Many small workshops have up to 30 apprentices. The quality of instruction is dropping and in some cases apprentices do other work for the artisans than that related to their apprenticeships.

The planned GOT regulation of the apprenticeship system will work best if respecting the regulations results in some advantage for the artisan, such as tools for rent, group purchases of raw materials, possibility of professional training for artisans, etc. To assist in this effort, the HRDA project should offer in-country training opportunities for certain artisans, particularly those working in areas outside of the maritime region. Small groups of key artisans could also visit other successful artisan groups in neighboring countries. Basic management training- simple bookkeeping, credit management and production cost analysis- should also be provided to artisan groups, particularly those in rural areas.

A model artisan training project is that begun with GIPATO-Groupement Inter-Professionnel d'Artisans du Togo, which, under the supervision of a UNDP technical assistant, has been successful in Sokode and is now expanding to Atakpame. HRDA could provide training to assist in creating other such groups in rural areas.

D. Retraining

Retraining opportunities for employed workers are offered at the CNPP- Centre National de Perfectionnement Professionnel (National Center for Professional Retraining). The CNPP, created in 1964, is located in Lome and enrolls 40 trainees in the retraining program which lasts 3 years. The CNPP provides training primarily for auto-mechanics, welders, electricians and general mechanics.

A 1983 study concluded that an inadapted curriculum, obsolete equipment and mediocre instructors seriously handicapped the efforts of the CNPP, which, if properly run, could provide a useful service in training senior technicians, especially mechanics and electrical technicians badly needed to ensure proper preventive maintenance and repairs in Togo.

E. Ministry of Technical Education and Professional Training

Growing problems in managing technical education and ensuring its relevancy to the job market in Togo led to the creation in December 1985 of a new Ministry of Technical Education and Professional Training (MTEPT).

MTEPT is responsible for initial technical training; apprenticeships, professional training and retraining; and support for skilled workers and managers in both public and private enterprises. MTEPT has created an inter-ministerial advisory committee to look at training needs for the private sector.

UNDP is providing some assistance to MTEPT, including technical assistance within the Ministry and a certain number of ex-patriate technical trainers in its centers.

MTEPT recognizes the need for better trained instructors and the need to promote technical skills in rural areas. The HRDA project should fund programs to train trainers for rural areas, primarily in third country training institutes with similar goals. MTEPT asked that HRDA fund one long term degree program in the United States in the area of human resources development. This participant would return to MTEPT to assume a key role in the Ministry's future Direction des Etudes, Recherches et Prospectives.

(To further assist this new Ministry, it is recommended that at least one MTEPT participant be included each year among the GOT officials sent to the U.S. for francophone management training and that MTEPT officials be included in any in-country management seminars conducted for public sector officials).

F. Management Training

Other than the post-secondary training offered at IUT and ESTEG, management training resources in Togo are very limited. A few courses for secretaries and clerical staff and programs in computers and word processing are provided by private firms .

The Chamber of Commerce, Agriculture and Industry of Togo initiated efforts in 1987 to organize seminars for managers and students in Lome, including seminars on credit for SME's, creating new ventures, the Investment Code, computers for business, and methods of auditing. These seminars were generally well received and have led to a desire for more training programs on a variety of topics. The HRDA project should fund additional programs in line with the training needs assessed during this study.

In the absence of a private sector management training institute, it is recommended that the coordination of any HRDA-funded seminars be done with the Chamber of Commerce, but that, as possible, the instructional design be assigned to the IUT de Gestion, with its Director as the key contact. For courses which involve the use of outside consultants, either American or from third country African institutes, such consultants should work as a team with professors from the IUT de Gestion to insure that a counterpart Togolese institute is developing the capability of implementing the same type of program in the future. All in-country programs should involve the use of country-specific case studies which the consultant will have prepared during a pre-implementation trip to Togo, or which s/he will have assigned to the counterpart Togolese institute.

There is a viable local capacity to implement training programs in the area of computers for business. The team interviewed the firm of Crea Informatique which has experience in this area and specializes in software development. (Many other firms only provide minimal "consulting" to clients purchasing their hardware).

The HRDA project will fund both group training in computer applications and some specialized individual training for selected public and private sector personnel. The team recommends using Crea Informatique for this purpose. (Crea quoted a rough cost of 5,000,000 CFA- \$17,500- to develop and implement a one-week in-country seminar).

V. CHAMBER OF COMMERCE, AGRICULTURE AND INDUSTRY OF TOGO

The Chamber of Commerce, Agriculture and Industry of Togo (CCAIT) is presently structured as a public institution. It is managed by a 17-member board elected by the Chamber's 3000 members. The Chamber employs 40 staff. (Annex 8 provides a more complete description of the Chamber).

The IBRD in its Private Enterprise Development Project will support the Chamber with several forms of technical assistance. The Chamber will house the Centre Togolais des Investisseurs (CTI), a private-sector driven referral center for entrepreneurs and investors, staffed by a Togolese advisor and an IBRD-funded technical assistant. The Chamber will also create DIVA (Assistance Division) to provide project/loan request preparation support and outreach services to Chamber members, staffed by a Togolese advisor and an IBRD-funded technical assistant.

CTI and DIVA will work closely with the commercial banks which will have access to an IBRD SME credit line. A mutual guaranty fund is also planned to assist in SME start-up lending. It is assumed that the CTI and DIVA, as private sector driven entities, will succeed where prior GOT efforts, e.g., the Centre National de Promotion des Petites et Moyennes Entreprises, have failed.

The Chamber, based on comments from members and non-members, suffers from a lackluster image. Although its recent initiative to organize seminars has been well received, it is often perceived as an "old boys' club" where prosperous old-line traders protect their interests. From the team's limited contacts with the Chamber, it would appear that there is a willingness among its senior members to respond to the current crisis, but an inability to develop innovative ways of handling it.

The HRDA project should serve to instruct selected Chamber staff and members in means of promoting and developing business. A carefully designed study tour to the United States to familiarize a small group of 5-6 Chamber members (including at least one member under 35 who has recently started up his own business and at least one woman) with the operations of U.S. Chambers and their programs of business advocacy, outreach and information, is recommended in Year 1 of the HRDA project.

The Chamber also appears to lack the ability to attract younger members and/or to give them a role in its operations. The HRDA project should provide a small amount of funding to create and initially sponsor a Young Entrepreneurs group within the Chamber. Possible candidates for organizing such a group would include the directors from Crea Informatique, TAC, GNANIH, Clinique Biassa and SOTOEMA. A woman participant should also be identified. (One candidate is the Administrative Manager of ITP). This group should also have a representative on the mission's Private Sector Advisory Board (PSAB) and should be active in defining the exact types of training programs funded under HRDA for Chamber members.

A final area of concern for many Chamber members is the regulation of certain industries or professions. The complaint was heard many times that once a given productive activity seemed to succeed, there was a rush among Togolese to copy that same activity, to the point that the market was oversaturated, resulting in wasted resources. In addition, in certain professions, "fly-by-night" operators are undercutting the trained professionals. The parties affected by these situations had no ideas on how to control the situation and tended to look to the GOT to intervene. The HRDA project should provide training to Chamber members in modes of business regulation.

The GTPME, Groupement Togolais pour les Petites et Moyennes Entreprises- Togolese Organization for SME's- is a subdivision of the Chamber. This group also appears to have all the right intentions but little in the way of new approaches.

The HRDA project will fund a specialized short term training program for a Chamber staff advisor working with the GTPME and its SME's. The training plan provides for a six-month training program in the United States, customized to meet Chamber requirements, and a visit to the USAID Community and Enterprise Development project in Kaolack, Senegal.

The evolution of the GTPME should be carefully monitored by USAID to ensure that it is benefitting all SME's and is extending its services to the rural community.

VI. DONOR ACTIVITY IN SUPPORT OF THE PRIVATE SECTOR

A. TRIPS

The proposed USAID Togo Rural Institutions and Private Sector (TRIPS) project is intended to assist rural production and job creation. This project will build on the current work of WOCCU (World Union of Credit Cooperatives and Unions) in credit union development and on CARE's development of productive groups in rural areas. Moreover, it will foster private sector involvement in input supply and distribution, agricultural services, marketing of agricultural output, and in other business areas which directly support agricultural production. Private sector involvement encompasses individual businessmen, productive groups and artisanal groups.

Both WOCCU and CARE offer training in relatively specialized areas, i.e. credit and savings via the credit union vehicle, loan management/analysis techniques and productive agricultural methods for productive groups.

The HRDA project training complements the TRIPS project by offering programs not available under TRIPS, i.e. training in functional business areas and in new productive activities.

B. IBRD

IBRD is in the process of final negotiations on a \$11.5 million Private Enterprise Development project with the GOT. The project covers all sectors except trade, real estate and primary agriculture. It has 4 key components:

1. Institutional Support for SME's

The project will provide private sector promotion and extension services through two private-sector financed and driven organizations: CTI (a referral and orientation center operated by the private sector and financed by local commercial banks, the Chamber and Togolese investors); and DIVA (a separate unit within the Chamber to provide extension services to the private sector. The project will provide for technical assistance (3 years for CTI; 2 years for DIVA).

2. Support to GOT privatization effort

IBRD will fund a privatization specialist (one year) to assist the Ministry of State-Owned Enterprises in developing privatization efforts; additional manmonths of advisory services will also be available to study and implement a mutual investment fund scheme to permit Togolese financial investment in the privatization process.

3. Microenterprise lending

IBRD intends to finance a NGO pilot project for lending to local microenterprises. This component of the project will not begin until the SME component has been set in motion.

4. SME line of credit

IBRD is providing a \$10 million line of credit to the GOT Central Bank, to be disbursed to SME's by the local commercial banks at the existing preferential rate. This component includes training for the Central Bank on project economic analysis and technical assistance to establish a pilot mutual guarantee fund.

The risks inherent in the IBRD project, as described by the project designers, involve the sustainability over time of CTI and DIVA without GOT support; the difficulty in finding enough bankable SME projects due to size of the market in Togo and the inherent reluctance of banks to lend to SME's; and the uncertainty of the private sector response to GOT privatization efforts.

The current timetable for project implementation is May 1988. The technical assistant assigned to the CTI was assigned in February 1988. The microenterprise lending scheme will probably not be in place before June 1989.

The IBRD project does not provide for training other than Central Bank training in project economic analysis and informational/promotional activities for CTI and DIVA.

C. UNDP

UNDP assists the Ministry of Technical Education and Professional Training in developing its programs and in evaluating policies for apprenticeship regulations. UNDP assistance is geared to in-country technical assistance. Any HRDA training activities to train trainers in third countries or to provide in country training in new rural technologies will complement ongoing UNDP activities.

The UNDP is currently providing assistance to GIPATO, but this project is scheduled to terminate in September, at which time it will probably be picked up by Catholic Relief Services. HRDA activities to support rural organizations should be directed at groups other than GIPATO or at GIPATO activities in cities other than Sokode where considerable assistance has already been provided.

D. Other Donors

The French Assistance (FAC) is involved with the CNPP and is active at the University of Benin and in certain research activities, such as ORSTOM's research on the urban informal sector and on rural population movements.

The French and the Germans both provide a large number of scholarships for training in French and German universities and technical institutes. The only degree program recommended under the HRDA project is one which was specifically requested by the GOT and will not duplicate training being provided by the French or Germans.

VII. ASSESSMENT OF TRAINING NEEDS

A. Profile of Firms Interviewed

During the assessment, twenty-seven firms were interviewed in Lome, Tsevie, Notse, Atakpame and Kpalime. The following section describes the characteristics of those firms and their training needs as perceived by their owners/general managers.

The firms interviewed were split almost equally between the industrial sector (light manufacturing, agro-industry and construction) and the services sector (trade, transportation and business services). While the percentage of industrial firms interviewed (52%) is not representative of the private sector in Togo, this sector was emphasized due to its potential for growth and job creation.

Twenty firms were selected from a list of SME members of the Chamber of Commerce, Agriculture and Industry of Togo. Seven other firms were recommended by the U.S. Embassy, other donors or other businessmen. The team did not interview business persons from the informal sector, but it did meet with several "potential entrepreneurs" (IUT de Gestion business students).

Interviews were generally held with the firm's owner or general manager. Most manufacturing interviews were followed by a plant tour.

Most of the businesses were small to medium-sized, private partnerships of 2-3 close associates, often from the same family. Usually only one associate was active in management. Half the firms had been in business ten years or less. One-third had been in business 5-10 years. Only four had been in existence before independence.

The level of technology of most firms was generally low, but very few firms were labor intensive. Few of the firms exported their products, even to neighboring countries.

The owners/general managers indicated a very high degree of competition. For the service companies, competition is from other local firms. For the light manufacturing and trading companies, competition is from foreign firms, especially Asian firms.

While most owners/general managers voiced frustration with the current stagnation or decline in sales, on the whole they were positive about the future of their businesses. One fourth felt that future prospects were "excellent".

The typical management structure is very simple. Most firms employed a general manager and three middle managers, usually an accountant, a sales manager and a technical/production manager. While the owner/general manager tended to be "older" (most were over 40), the other managers were often much younger and inexperienced. Many firms relied on family for management positions (sons or nephews). Very few firms had women in positions of responsibility. In only two instances was there any indication that the head of the firm took any advice from his younger managers, even if they had been trained abroad in "modern" management. (In both of the latter instances, the younger managers were the sons of the firm's owner who himself was nearing retirement).

Few of these firms employed ex-patriate managers. Two firms, however, had recruited Ghanians as production managers, rather than hiring a Togolese technician.

Most firms employed around 10-20 persons. Very few employed any part-time help. Sixty percent of employees had primary school education only. Twenty-five percent had some high school education. Although only 15% of all employees had college-level training, 50% of the managers had been to college. One-half of the firms had no one with any university-level business training.

The owners/general managers usually had at least secondary school level education. Most had over 15 years experience and many had been trained overseas. A large number had also been GOT officials before going into business.

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

Market size- 78%

According to most businessmen, the problems related to small market size are compounded by the lack of regulatory requirements which would exclude certain fly-by-nights; by unfair competition from the informal sector; by EEC dumping; and by subsidized exports from China and Korea.

Access to credit- 44%

The problem voiced here was one of access to credit and not the terms of credit. Businessmen complained that banks are unwilling to provide loans for working capital. Owners of new companies complained that they were unable to raise sufficient capital or to offer adequate guarantees to satisfy bank demands for start-up loans.

Need for better trained personnel- 22%

Most frequently voiced concerns were for better trained managers (accountants and financial managers) and for better trained technicians (e.g., production managers).

Government regulations- 19%

The level of taxation and lengthy bureaucratic procedures were often quoted as problems.

The PRINCIPAL TRAINING NEEDS voiced by the owners/general managers were:

For themselves: 85% felt they needed training. The priority areas were:

Principles of Management (43%)
Financial Management (40%)
Marketing (32%)
Computer applications (19%)

Most would prefer half-day training sessions during 3-5 days. Most (75%) said they would be willing to pay.

For their managers: 75% felt their managers need training in the following areas:

Cost accounting
Marketing/sales
Production management
 Maintenance and repairs

Most owners/general managers wanted to train at least half of their managers. but felt no need to train their workers. Most had no personnel management system or training budget. They had never used any local resource for training, other than the recent Chamber of Commerce seminars.

B. Training Needs

The training needs expressed for the rural areas include training to increase rural productivity in existing agricultural or artisanal activities; training of artisanal or cooperative groups in new, simple productive skills, such as beekeeping for the production of honey and candles; training of artisanal or cooperative groups (with emphasis on women's groups) in basic management techniques (e.g., simple bookkeeping, credit management and purchasing).

The key training needs expressed among SMEs in Lome and the secondary and tertiary cities in Togo include development of programs to promote entrepreneurship; business advocacy and organization management for the Chamber of Commerce; and practical management training for local SME's in the areas identified through interviews with those firms (principles of management, financial management, marketing, computers, production management and maintenance and repair).

VIII. TRAINING PLAN

The diagram on the following page represents the interrelationships among the training objectives, target audiences and activities.

A. Training Objectives

The objectives of USAID Togo's private sector training activities are to increase productivity, especially among rural groups, and to develop entrepreneurship to create new jobs.

B. Target Audiences

Target audiences for training to increase productivity include rural and urban productive groups, with emphasis on rural artisanal, cooperative and women's groups; and trainers in training centers, such as OIC; rural CET's; GIPATO workshops, etc.

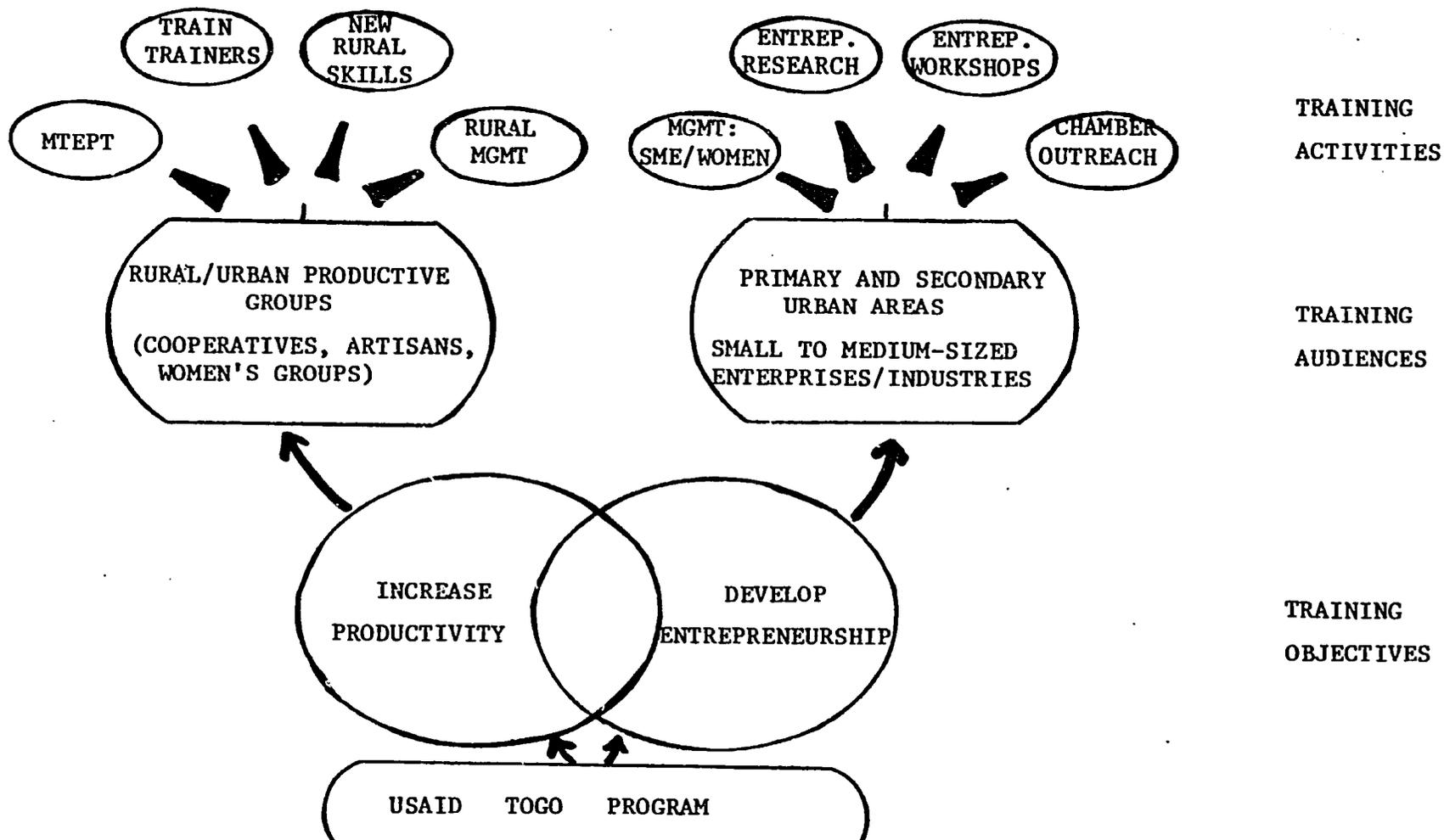
To assist in the definition of effective professional training policies and programs, the HRDA project will also assist the Ministry of Technical Education and Professional Training's Division for Research, Studies and Plans.

Target audiences for entrepreneurial development include SMEs; the Togolese Chamber of Commerce, Agriculture and Industry and the IUT de Gestion.

C. Training Activities

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

HRDA TRAINING PLAN: OBJECTIVES, AUDIENCES, ACTIVITIES



1. Increasing Productivity

a. Train Trainers: The HRDA project will train a total of 24 trainers over the life of the project, beginning with 2 in Year 1, increasing to 4 in Year 2 and assuming 6 per year in Years 3-5. These trainers will be drawn from centers such as OIC; the rural CET's and artisanal trainers or master craftsmen (see Section IV.C).

Two specific requests, tentatively scheduled for the 2 Year 1 slots, were received from OIC to train trainers at PAID in vegetable gardening and in basic management for women's cooperative groups. Participants have been identified. Other centers will be given priority consideration for the subsequent years' training slots.

Costs assume 2-3 month programs in Ivory Coast, Cameroon or other francophone African country and are estimated at \$3,000 per participant.

b. Introduce New Rural Skills: Beginning in Year 2, one in-country training activity per year is scheduled to train rural cooperative or artisan groups in new, simple skills which should be income producing. Several artisanal centers expressed interest in learning apiculture (beekeeping) where cooperative groups could raise bees for the production of honey and candles.

It is assumed that these programs would be taught by other craftsmen and that implementation costs would be minimal, even if U.S. craftsmen are brought in. Costs are estimated at \$20,000 per program.

c. Basic Management Techniques: One in-country training program per year will be devoted to better preparing cooperative or artisanal groups to assume the management of their productive activities. Priority will be given to the selection of rural women's groups as recipients of such training. Possible resources for such training include USDA, Technoserve and CLUSA, all of whom have worked extensively in these fields in Africa.

Per program cost is estimated to be \$60,000, covering a pre-implementation survey and a two week training program.

d. Research and Planning in Human Resources

Development: To assist the MTEPT to better perform its function of defining policies and programs for professional training in Togo, the HRDA project will fund one long term academic program in the United States for a MTEPT senior manager assigned to the Division for Research, Studies and Plans. The estimated cost for the two-year program to be implemented in Year 2 is \$50,000.

2. Developing Entrepreneurship

a. Entrepreneurial Research/Linkage: The HRDA project will assist in creating a multi-disciplinary study group, directed by the IUT de Gestion, to examine the question of entrepreneurial development and enterprise creation in Togo. The project will fund in Year 1 a study tour for 5 persons, including representatives from IUT de Gestion, the Faculty of Agriculture, the Institute for Education Sciences, the Chamber of Commerce and the Ministry of Technical Education and Professional Training. (Qualified women participants should be sought out).

The study tour will include visits to leading U.S. institutes researching entrepreneurship and outreach to SMEs. University programs of interest include University of Georgia, American Graduate School of Business (Thunderbird) and the Wharton School (University of Pennsylvania). The group may also visit the University of Laval's Faculty of Management which is pioneering innovative entrepreneurial development programs. The estimated cost of the tour is \$25,000.

The HRDA project will also fund a six month customized study program at a U.S. university (possibly one of those mentioned above) for one professor from IUT. Estimated cost of the program is \$15,000.

In Years 2-5 of the HRDA project, exchanges between a U.S. institution and the IUT group will be organized. The training plan calls for two short term U.S. programs per year for Togolese professors to work with their U.S. counterparts on topics of particular research interest. Estimated cost per program is \$10,000, or a total of \$20,000 per year.

b. Entrepreneurial Development Workshops: The HRDA project will fund a series of in-country entrepreneurial development workshops, to be implemented at the outset by a U.S. institute or firm specializing in such workshops, working in tandem with Togolese trainers. (One model for such programs is the Management Systems International- MSI- Entrepreneurial Development Workshop which has been implemented in Senegal, Malawi and the Gambia. The description of this approach is included in Annex 10).

A pilot workshop is scheduled for Year 1. This effort will involve pre-implementation surveys and case study development. This workshop, and the two scheduled for Year 2, will be implemented by a U.S. contractor, but with the objective of certifying at the end of Year 2 the Togolese counterpart instructors.

As of Year 3, it is assumed that the Togolese trainers will be certified and will implement two workshops per year during Years 3-5, resulting in program institutionalization.

The estimated cost for the first program in Year 1 is \$75,000; programs 2 and 3 in Year 2 are estimated to cost \$60,000 each. The programs in Years 3-5 (two programs per year), implemented by Togolese trainers, are estimated to cost \$20,000 each.

c. Strengthening the Chamber of Commerce: The HRDA project provides for six months of specialized training in the U.S. for a senior staff member of the Chamber of Commerce, assigned to the SME Promotion Division. The estimated cost is \$15,000.

The HRDA project will also fund a study tour to the United States for a group of 5 private sector businesspersons active in the Chamber of Commerce. This group will include one senior staff member of the Chamber, one representative of the Young Entrepreneurs group (see below), one businesswoman and two other businesspersons selected on the basis of their interest in actively supporting and assisting the Chamber in its role as an advocate of business in Togo.

The group will spend approximately 2 weeks visiting U.S. Chambers of Commerce and meeting with U.S. businesspersons interested in ties to Togo. The tour will concentrate on examining business advocacy mechanisms and outreach programs. It will also examine the question of self-regulation of small business. The estimated cost is \$25,000.

The HRDA project will provide initial financing and support for the creation within the Chamber of a Young Entrepreneurs group. Suggestions for charter members of this group were provided in Section V. USAID Togo should carefully follow up on this needed activity. This group should be composed of heads of new businesses who are under 35 and who wish to constructively support each other's ventures and other new ventures by offering advice, pooling resources or developing new projects. A budget of \$4,000 is provided for start-up of the group.

d. Practical management training for SMEs and Women: The HRDA project provides for one short-term management training program for a private sector participant at CESAG in Year 1. This activity is a pilot experience to judge the applicability of the 4-month program in Dakar to respond to management needs in the private sector. Estimated cost is \$6,000.

As of Year 2, the project provides for the implementation in-country of 2 practical management seminars, to be designed with the collaboration of the Chamber and IUT. The first seminar should be designed for senior management of SMEs, on the topic of Principles of Management, with emphasis on long-term planning, cost accounting and human resources management. The utilization of a U.S. firm for the implementation of such a "kick-off" seminar in the HRDA-funded series is recommended. Possible sources of such training include Coverdale, Arthur D. Little and the University of Georgia.

The cost estimates used for the two seminars scheduled each year for Years 2-5 are based on the use of an external consulting group for one program (roughly \$50,000 for a two week seminar) and on the use of third country or Togolese consultants for the other program (roughly \$15,000 for a 2 week seminar). The annual total for the 2 seminars is therefore \$65,000. It is recommended that of these 8 seminars, at least 2 be designed specifically for businesswomen.

The HRDA project also provides funds in Year 1 for a blanket tuition grant to a local computer firm to provide group or individual training in computers (one-half of the participants should be from the private sector). As discussed in Section IV.F, qualified firms exist in Togo and should be tapped for this type of training. The estimated amount of this tuition grant in Year 1 is \$25,000.

The project provides for two Togolese participants at the HRDA regional private sector conferences which will be held annually in Africa. Costs for the Year 1 program are estimated at \$500 per participant since the program most likely will be held in Togo. Costs in subsequent years are estimated at \$1,000 per person.

3. Adjunct training activities

The HRDA project provides for two annual meetings of former USAID-funded trainees, to ensure better follow-up of training impact and the creation of a local support group for various USAID activities. The annual meetings have been costed at \$2,500 each, for a total annual budget of \$5,000.

4. Public sector activities (Year 1)

Based on the Country Training Plan submitted by the USAID mission to AID/W, the following public sector activities have been scheduled for Year 1, to fit within mission priorities and the FY 88 HRDA training budget:

- a. U.S. Short Term:
4 public sector participants- U Pittsburgh
Total Cost: \$48,000
- b. 3RD country short term:
2 public sector participants- CESAG (12 mo)
Total cost: \$20,000
- c. In country program:
Agricultural research- USDA
45 Participants; Total cost: \$60,000

D. Role of the Private Sector Advisory Board (PSAB)

The PSAB, as organized by USAID Togo, has agreed to meet every six months (in June and in January) to evaluate the progress made in implementing the HRDA private sector training activities. It is during this forum that decisions will be made concerning the composition of study groups, topics and contractors for management training programs and selection of participants for third-country and U.S. training programs.

It is recommended that the PSAB composition be modified to include a young entrepreneur and at least one woman member, if a qualified woman candidate exists. The June 1988 PSAB meeting is critical to implementing those activities planned in Year 1, particularly the two customized U.S. short-term training programs and the in-country entrepreneurial development workshop.

E. Evaluation and Follow-Up

An important component of this program is its evaluation and follow-up. Returned participants should be interviewed immediately upon their return. This interview should produce a written evaluation of the training received. The PSAB, in its semi-annual meetings, should carefully consider the impact of the training provided and adjust the program or the location of the training as needed.

All returned participants will be invited twice a year to the proposed USAID Togo training follow-up conferences.

Long-term participants should be regularly contacted concerning the continuing impact of their training on their job performance.

F. Management of Program

The management of the HRDA program will certainly be more labor intensive than that of the predecessor AMDP projects. However, the mission training officer appears comfortable with the level and nature of the planned activities. It is recommended, however, that training funds be used, as needed, to contract out small assignments to local private individuals.

Installation of the Participant Training Management System (PTMS) will be useful in managing training data and in following up on returned participants.

AFR/TR/EHR will backstop mission requests for identification of training firms or consultants and will keep the mission apprised of activities of interest in other missions. Progress reports on HRDA activity should be sent by USAID Togo to AFR/TR/EHR to enable them to better design other private sector training activities.

G. 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 possibility of increased funding for training from USAID Togo's OYB in Years 2-5 of the project.

	<u>Private Sector</u>	<u>Public Sector</u>	<u>Total</u>
FY 88	\$102,000	\$128,000	\$330,000
FY 89	\$354,000	\$ 76,000	\$430,000
FY 90	\$230,000	\$200,000	\$430,000
FY 91	\$230,000	\$250,000	\$480,000
FY 92	\$230,000	\$250,000	\$480,000
TOTALS:	\$1,146,000	\$904,000	\$2,150,000

PRIVATE SECTOR:

SCHEDULE OF TRAINING ACTIVITIES UNDER HRDA

GOAL/ACTIVITY	FY 88	FY 89	FY 90	FY 91	FY 92
<u>INCREASED PRODUCTIVITY</u>					
1. TRAIN TRAINERS (OIC, CET, etc.)	2 ST 3RD COUNTRY	4 ST 3RD COUNTRY	6 ST 3RD COUNTRY	6 ST 3RD COUNTRY	6 ST 3RD COUNTRY
2. INTRODUCE NEW RURAL SKILLS		1 IN-COUNTRY	1 IN-COUNTRY	1 IN-COUNTRY	1 IN-COUNTRY
3. RURAL MANAGEMENT		1 IN-COUNTRY	1 IN-COUNTRY	1 IN-COUNTRY	1 IN-COUNTRY
4. MINISTRY OF TECH. EDUCATION & PROF. TRNG		1 LT U.S.			
<u>ENTREPRENEURIAL DEVELOPMENT</u>					
1. ENTREP. RESEARCH/ LINKAGE	1 U.S. STUDY TOUR 1 ST U.S. (6 mo's)	2 ST U.S.	2 ST U.S.	2 ST U.S.	2 ST U.S.
2. ENTREPRENEURIAL DEVEL. WORKSHOPS	1 IN-COUNTRY	2 IN-COUNTRY	2 IN-COUNTRY	2 IN-COUNTRY	2 IN-COUNTRY
3. CHAMBER OF COMMERCE					
Business Advocacy	1 U.S. STUDY TOUR				
SME Specialist	1 ST U.S. (6 mo's)				
Young Entrepreneurs	START-UP				
4. SME/WOMEN					
Management Training	1 ST 3RD COUNTRY (CESAG)	2 IN-COUNTRY	2 IN-COUNTRY	2 IN-COUNTRY	2 IN-COUNTRY
Computer Training	TUITION GRANT				
HRDA Regional Conf.	2 PARTICIPANTS	2 PARTICIPANTS	2 PARTICIPANTS	2 PARTICIPANTS	2 PARTICIPANTS
<u>TRAINING FOLLOW-UP</u>	2 CONFERENCES	2 CONFERENCES	2 CONFERENCES	2 CONFERENCES	2 CONFERENCES
<u>PUBLIC SECTOR (FY 88)</u>					
U. Pittsburgh	4 ST U.S.				
CESAG	2 LT 3RD COUNTRY				
Agriculture Research	1 IN-COUNTRY				

FISCAL YEAR	LONG TERM TRAINING		SHORT TERM TRAINING			STUDY TOURS	IN-COUNTRY	SPECIAL	TOTAL
	U.S.	3RD COUNTRY	U.S.	3RD COUNTRY	REGIONAL	U.S.			
FY 88			2 \$30,000	3 \$12,000	2 \$1,000	2 \$50,000	2 \$100,000	GOT: 4 UPitt \$48,000 2 ST CESAG \$20,000 1 AG.RESEARCH \$60,000 ----- 1 FOLLOW-UP \$5,000	\$330,000
FY 89	1 \$50,000		2 \$20,000	4 \$12,000	2 \$2,000		6 \$265,000	1 FOLLOW-UP \$5,000	\$354,000
FY 90			2 \$20,000	6 \$18,000	2 \$2,000		6 \$185,000	1 FOLLOW-UP \$5,000	\$230,000
FY 91			2 \$20,000	6 \$18,000	2 \$2,000		6 \$185,000	1 FOLLOW-UP \$5,000	\$230,000
FY 92			2 \$2,000	6 \$18,000	2 \$2,000		6 \$185,000	1 FOLLOW-UP \$5,000	\$230,000

SUMMARY: ESTIMATED FY EXPENDITURES FOR HRDA TRAINING *

<u>FY</u>	<u>PRIVATE SECTOR</u>	<u>PUBLIC SECTOR</u>	<u>TOTAL</u>
88	\$102,000	\$128,000	\$330,000
89	\$354,000	\$ 76,000	\$430,000
90	\$230,000	\$200,000	\$430,000
91	\$230,000	\$250,000	\$480,000
92	\$230,000	\$250,000	\$480,000
TOTALS:	\$1,146,000	\$904,000	\$2,150,000

*ILLUSTRATIVE

IX. RECOMMENDATIONS FOR PRIVATE SECTOR DEVELOPMENT

Access to credit is one of the principal constraints facing the SME. This is due in part to commercial banks' aversion to risk, in part to the banker-perceived riskiness of the SME itself, and in part due to the lack of familiarity with each other, the SME and the banker. The donor community can help assuage the constraint through its projects involving SMEs in a number of ways:

- The use of total or partial guarantee funds for a short period of time, or mutual guarantee societies, to reduce the credit risk of SME loans.
- Tailoring packages of SME borrowers, with good business track records, for "sale" to banks. For example, the bank receives on package of 20 clients thereby reducing its transactions costs, the project assures the follow-up of the 20 parts of the package, the project assumes all or part of the credit risk for one-two years, and the bank and the project share in the loan interest income according to the amount of the credit risk assumed by each. After year 2, the bank is on its own, hopefully with 20 viable clients, borrowing at market rates and terms.
- Public relations efforts with the local bankers' association to introduce and update the banks on the donor's/the project's (s') progress with its SME portfolio.
- Institute collaboration between banks and local accounting firms to provide simplified, understandable accounting systems for SMEs, and use local accounting firms for objective, third party (i.e., arms-length) auditing of company (ies') operations. In place accounting systems will go a long way toward decreasing bank uneasiness in dealing with SMEs.
- For larger clients, explore the possibility of "cocktail loan" arrangements, whereunder two or more banks pool excess funds to make available longer term credit, the risk and maturities of which are spread among the banks.

The Togolese SME subsector, formal and informal, is little known, especially its informal part. Yet, it is the subsector which provides the country with its entrepreneurs. Especially important are its food and agriculture related activities -

a key segment of the private sector because its products and its business requirements both fuel the informal part of the private sector and represent a lever for the development of the agricultural sector. Moreover, since Togo and all its neighbors are basically agricultural, this segment of the private sector can be the most rapid and important means of developing markets, both internal and external. Following are selected basic recommendations for the study of the Togolese SME subsector:

- determine its dimensions and wherein its vitality lies;
- explore how best its potential can be tapped, and what incentives are necessary to reap its potential; and
- for food and agriculture related activities, use the "food-chain"; construct to evaluate the gamut of activities from farmgate to consumer. All along the chain are SME activities. (The same applies to the "construction chain.") From the farm perspective, the food chain is the networks which supply the farmers with production inputs, financial resources and consumer goods, which make increased agricultural production for sale possible and worthwhile to the farm family. Consumer goods are necessary for the family to have things to buy - which availability in turn will cause them to produce more.

A third area of recommendations is that of taxation and the SME. Togo's revised tax code and enhanced collection methods constrain the SME, in fact often drive him "underground." Since the GOT has already placed public emphasis on the SME, verbally, and via certain policy actions, the springboard for policy discussion with the GOT is already in place. Since this is a sensitive area, the need for change will have to be demonstrated unequivocally by the positive fiscal and employment effects that will be generated by adjustments in the tax system. Example will have to be very persuasive, in fact, unassailable:

- That a tax system should be a stimulus rather than a deterrent to business, providing incentive, rather than constant "punishment," e.g., the 14% TGA, whether or not the firm shows a profit. A tax system should stimulate business, generate revenues and at the same time insure compliance.
- Show how much tax revenues are lost as a result of the "underground economy" and as a result of "creative accounting," versus how much could be generated by a healthy, fairly treated private sector.

- Markets are the principal key to unlocking the short term potential of the private sector. Markets are also important from the standpoint of credibility, (i.e., hard data can be generated fairly quickly) for the proposition that a climate, including taxation, conducive to success of the private sector must be insured. Discussion of markets, internal and external, can help prove to the GOT that the private sector is an engine of growth and therefore a greater generator of revenues.
- Another facet of a successful private sector is a vigorous private sector in the countryside. This is the surest way to control rural-urban population drift.

ASSESSMENT METHODOLOGY

The purpose of the private sector training needs assessment was to define, with the USAID mission and with the assistance of a Private Sector Advisory Board (PSAB), a multi-year training plan to promote human resources development within the private sector.

A two-person assessment team was assigned to Togo: a specialist in private sector analysis and a specialist in management training. 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 employment/education studies were reviewed. Useful non-AID sources of information included studies by the World Bank, the local Chamber of Commerce, the Ministry of Plan and the University of Benin's Faculty of Management (see bibliography in Annex 7).

2. Contacts with key private sector players and support institutions

The USAID mission organized the PSAB according to AFR/TR/EHR guidelines. USAID staff met with the PSAB once prior to the assessment team's arrival and then again at the outset of the assessment. (A list of the members of the PSAB is provided in Annex 4).

A tight schedule of meetings during Week 1 was organized with officials from the Chamber of Commerce, University of Benin, Ministries of Commerce, Plan and Technical Training, key local commercial banks, major donors (IBRD and UNDP), local women's groups, local CPA firms and the owners and operators of five major private sector firms.

3. Interviews with a representative sample of small and medium-scale enterprises (SME's)

During Week 2, twenty-seven interviews were conducted, 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 interview lasted about an hour, including an introductory discussion with the CEO on how he had begun his business. (The needs assessment

questionnaire is attached in Annex 2 The list of all persons interviewed is provided in Annex 3.)

Interviews were conducted with small and medium-sized, urban and rural firms in all sectors, although small industrial/agro-industrial firms and service firms were emphasized. Firms were selected from a list of SME's belonging to the Chamber of Commerce, Agriculture and Industry of Togo, to which certain other firms known to the U.S. Embassy and to the CARE project personnel were added. The USAID Training Officer accompanied the team on all interviews.

4. Tabulation of questionnaire results and review of preliminary conclusions

The assessment team regularly reviewed results of interviews and discussed impressions with USAID staff. At the end of Week 2, results obtained from the questionnaire were tabulated. A graphic representation of preliminary conclusions was prepared for a final meeting with the PSAB prior to the team's departure (in this case, on Monday of Week 3). This allowed for feedback from the PSAB members on the nature of proposed training.

5. Preparation of private sector training plan

Prior to departure, the team submitted a final draft of the private sector training plan covering FY 88 - FY 92. This plan was reviewed with the mission director in an exit interview. It was agreed that the mission would review the plan in detail during the following week and would submit modifications by cable to AFR/TR/EHR.

6. Follow-Up

AFR/TR/EHR will backstop project requirements, e.g., identifying resources, assisting in organizing study tours or customized training programs, and promoting institutional linkage programs with U.S. universities or training centers.

COMPANY CODE: _____
 DATE: _____
 INTERVIEWER: _____

QUESTIONNAIRE 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 degree ___
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 ___ management 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 _____)

41'

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

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CODE DE LA SOCIETE _____
 DATE _____
 INTERVIEWEUR _____

QUESTIONNAIRE POUR EVALUATION DES BESOINS DE FORMATION DU SECTEUR PRIVE

NOM: _____
 FONCTION _____
 SOCIETE _____
 ADRESSE/TELEPHONE _____

A. VOTRE SOCIETE

1. Quelle activité décrit le mieux votre entreprise: _____ Fabrication
 _____ Agri-industrie
 _____ Construction
 _____ Transport
 _____ Services
 _____ Commerce
2. Etes vous _____ propriétaire, _____ directeur général, _____ cadre, _____ autre
3. Est-ce que votre entreprise est _____ une entreprise privée familiale
 _____ une entreprise privée en société de personnes
 _____ une entreprise d'économie mixte (privée/publique)
 _____ une entreprise publique
 _____ une filiale d'une firme étrangère.
4. % des ventes à l'exportation _____
5. Est-ce que le niveau technique des activités de la société est _____ très technique, _____ moyennement technique, _____ peu technique.
6. Est-ce que votre entreprise dépend _____ surtout d'une bonne capitalisation, _____ surtout d'une bonne main d'oeuvre, _____ ni l'un ni l'autre.
7. Votre concurrence est-elle surtout _____ des entreprises locales
 _____ d'autres entreprises africainés
 _____ des entreprises non-africaines
 _____ pas de concurrence (monopole)
8. La concurrence est-elle _____ forte, _____ moyenne, _____ faible.
9. Quels sont les principales contraintes à l'expansion de vos affaires?
 _____ réglementations gouvernementales; _____ crédit; _____ besoins en personnel qualifié;
 _____ besoins de conseils en gestion; _____ taille du marché;
 _____ facteurs économiques; _____ besoins en une meilleure équipe de gestion;
 _____ besoin de renseignements commerciaux.

B. VOTRE PERSONNEL

1. Effectif total: _____ à plein temps; _____ à temps partiel
2. Combien de cadres: _____ (si possible donner cadres supérieurs, moyens, inférieurs)

3. Combien d'employés ont leur bac _____
4. Combien d'employés ont fait des études supérieures _____
5. Combien d'employés ont fait des études supérieures de commerce _____

C. PROFIL DU PROPRIETAIRE/DIRECTEUR GENERAL

1. Quel est votre niveau d'instruction _____ lycée (bac? Oui _____ Non _____)
 _____ études supérieures (Quel diplôme? _____)
 _____ formation spécialisée (Laquelle _____)

2. Combien avez-vous d'années d'expérience des affaires? _____

3. Quels sont vos besoins personnels de formation? (5 plus grands, 1 plus faibles besoins)

_____ gestion générale _____ gestion financière _____ marketing/ventes
 _____ comptabilité _____ achats _____ informatique de gestion
 _____ production _____ réparation/entretien _____ droit des affaires
 _____ autre (lesquels _____)

4. Combien de temps pouvez-vous consacrer à la formation _____ par semaine
 _____ par an.

5. Combien d'argent voudriez-vous payer? _____ pour 10 heures de formation
 _____ pour 20 heures de formation
 _____ pour 40 heures de formation

6. Quel format d'instruction vous conviendrait le mieux?

- 1 soirée par semaine de 3 heures pendant 4 semaines _____
- Un séminaire vendredi après-midi-samedi matin _____
- Deux soirs par semaine de 3 heures pendant 4 semaines _____
- Un conseil particulier _____
- Une formation dans votre entreprise _____
- autre _____ (précisez _____)

D. PROFIL DE L'EQUIPE DE GESTION

1. Quel est le niveau d'instruction de vos cadres _____ lycée (bac? _____)
 _____ études supérieures
 _____ formation spécialisée

2. Combien en moyenne vos cadres ont-ils d'années d'expérience des affaires? _____

3. Quels sont les besoins de formation typiques de vos cadres? (5 plus grands, 1 plus faibles besoins)

_____ gestion générale _____ gestion financière _____ marketing/ventes
 _____ comptabilité _____ achats _____ informatique de gestion
 _____ production _____ réparation/entretien _____ droit des affaires
 _____ autre (lesquels _____)

4. Combien de temps vos cadres peuvent-ils consacrer à la formation _____ par semaine
 _____ par an.

5. Quelle somme d'argent seriez-vous pret a payer par an pour la formation de vos cadres? _____

6. Combien de vos cadres aimeriez-vous former? _____

7. Quel format d'instruction vous conviendrait le mieux?

- 1 soirée par semaine de 3 heures pendant 4 semaines _____
- Un séminaire vendredi après-midi-samedi matin _____
- Deux soirs par semaine de 3 heures pendant 4 semaines _____
- Une formation dans votre entreprise _____
- autre _____ (précisez _____)

E. PROFIL DE L'EMPLOYE

1. Quel est le niveau d'instruction moyen de vos employés? _____

2. Combien d'années d'expérience ont-ils en général _____

3. Besoins de formation (5 les plus grands besoins, 1 les plus faibles)

_____ lecture/écriture _____ aptitudes d'emploi de bureau _____ tenue des
livres comptables _____ aptitudes à la fabrication/technique
_____ réparation/ entretien _____ aptitude à la vente
_____ autre (lequel _____)

4. Quelle somme d'argent etes vous pret à dépenser par an pour la formation de vos employes? _____

5. Combien de vos employes aimeriez-vous former? _____

6. Quel serait le meilleur format d'instruction pour cette formation?

F. EXPERIENCE AVEC LES INSTITUTS DE FORMATION LOCAUX

Quels instituts de formation locaux avez-vous utilisé et comment évalueriez-vous leurs programmes.

G. AUTRES RENSEIGNEMENTS

1. Votre Age: _____

2. Chiffre des Ventes pour votre société en 1987. _____

3. % de croissance des ventes pour les trois dernières années _____

4. Quel est le pronostic pour votre entreprise _____
 _____ excellent
 _____ bon
 _____ moyen
 _____ faible

PERSONS INTERVIEWED

USAID Togo

Mark Wentling, AID Representative
Sidney Bliss, RDO
Jo Gettier, Health and Population Officer
Hyacinthe Sodji, Training Officer

U.S. Embassy/USIS

Mary Grandfield, Economics Officer, U.S. Embassy
Chantal Dalton, Director of American Cultural Center

GOT

Mr. Koffi Edoh, Minister of Technical Education and Professional Training
Mr. d'Almeida, Special Assistant to the Minister of Plan
Mr. Abotchi, Director of Training, Ministry of Plan
Mrs. Aithnard, Director of Women's Affairs, Ministry of Social Affairs
Mr. Meyisso, Deputy, Ministry of Commerce
Mr. Affo, Director, SNI (National Investment Bank)
Mr. Bawa, Director of Credit, CNCA (National Agricultural Credit Bank)
M. Duevi Tsibiakou, CNTT (National Workers' Union)
Mr. Woledji, Director, Opportunities Industrialization Center
Director, Artisanal Center of Kpalime
Director, Carpentry Center of Notse

Chamber of Commerce, Agriculture and Industry

Mr. Seddoh, Secretary General
Mr. Anthony, Director of Publications
Mr. Savi di Tove, Head of GTPME

University of Benin

Mr. Seddoh, Rector
Mr. Gogue, Vice Rector and Head of IUT de Gestion
Mr. Agbodan, Director of ESTEG

Donors/Projects

Mr. Mbi, IBRD Resident Representative
Mrs. Anderson, UNDP Deputy Resident Representative
Mr. Schiller, APP/CARE, Togo
Mr. Marquerat, ORSTOM
Mr. van Werkhoven, Technical Assistant, CTI

Private Banks

Mr. Tournaire, Director General, UTB
 Mr. Paas, Director General, BIAO
 Mr. Goldie, ECOBANK

Private Companies

Mr. Anenou, NETADI (Transit)
 Mr. Moore, STS (Steel rebar)
 Mr. Dovi Akue, SOTOEMA (Garbage collection)
 Mr. D'Almeida, GTCI (Consulting)
 Mr. Nelson, PANNELL KERR FORSTER, (CPA)
 Mr. Gnanih, Ets. GNANIH, (Photocopiers, computer sales)
 Mr. Eku-Natey, SOTED (Technical studies)
 Mr. Afanichawo, EFOGERC (Management consulting)
 Mr. Komedja, SOEGCOT (Tea packaging)
 Mr. Savi de Tove, LUDO (Macaroni)
 Mrs. Dogbe, ITP (Plastics)
 Mr. Olympio, ECCO (Construction)
 Mr. Amouzou, TAC (CPA)
 Mr. Lendl, Ets Todman (Carpentry)
 Mr. Dorkanoo, Crea Informatique (Computer software)
 Mrs. Aduayom-Doe, OMG (Fabric wholesaler)
 Mr. Barben, SICOPA (Toilet paper industry)
 Mr. Amouzou, FICAO (CPA)
 Mr. Apeke, MIVIP (Glass)
 Mr. Howawoo, SIGRE (Printing)
 Mr. Kokodoko, SGGG (Import)
 Mr. Amouzou, SITAF (Transit)
 Mr. Ayaovi, EGESA/ELITE (Management consulting)
 Mr. Abah, SOCITO (Soap)
 Mr. Afoutou, CIGB (Cardboard)
 Mr. Montant, CHAUX TOGO (Lime, whitewash)
 Dr. Fiadjoe, Clinique Biassa (Private medical)
 Mrs. Sanvee, Ets Sanvee (Fabric wholesaler)
 Mr. Baka, SCIL TOGO (Paint)
 Commercial Director, La Pampa (Cookies)
 Mr. Mensah, Feedgrain
 Mr. Logossou, Poultry production

LIST OF TOGO'S PRIVATE SECTOR ADVISORY BOARD MEMBERS

1. M. ABOTCHI, Representative from Ministry of Plan, Office for Training
2. Mr. BRENNER, Representative from Ministry of Commerce
3. Mr. BAGNABANA, Representative from Ministry of Technical Education and Professional Training
4. Mr. SEDDOH, Secretary General, Togo Chamber of Commerce, Agriculture and Industry, Private Businessman
5. Mr. GOGUE, head of Management Training program within the University of Benin, Fulbright Scholar and research specialist interested programs on entrepreneurship
6. Mr. ATTIPOE, Assistant Director, BIAO, private commercial bank and head of bank training program
7. Mr. SAVI DI TOVE, private businessman, president of local industrial firm producing macaroni
8. Ms. GRANDFIELD, U.S. Embassy Economic Counselor
- 9 Mr. GETTIER, USAID Project Officer
10. Mr. SODJI, USAID Training Officer

TOGO BILATERAL PROJECT PORTFOLIO AND ITS TRAINING COMPONENTS

The recently completed Rural Water Supply and Sanitation project provided a potable water supply to 20,000 villagers, organized 775 village development committees and provided training to villagers on guinea worm control, oral rehydration therapy and pump maintenance/repair.

The Animal Traction project has established 15 farmer support and extension centers which backstop over 800 oxen teams. The training component of this project involves field level demonstrations to farmers and extension agents in the use and care of oxen and traction equipment.

Since 1983 the Credit Union Association Development Project, implemented by WOCCU, has increased the number of credit unions from 72 to 93 and their memberships by 65%. The project provides training to the staffs of small rural credit unions. Support to credit union growth will be continued and amplified in an upcoming project- Togo Rural Institutions and Private Sector, TRIPS, to begin implementation in FY 89.

OICI's Agricultural and Extension Training Project involves the operation of a complete agro-pastoral training center in rural Togo where some 150 students, including 70 women, are trained annually in field crops, livestock, vegetable gardening and basic farm management. Most of the OICI trainees are drop outs. The project goal is to reduce unemployment and increase rural productivity by giving young people training in basic agricultural and livestock techniques. The project training outputs have been exceeded and the OIC Center is now providing technical assistance to the GOT's 5 regional centers for agricultural training and for the National Agricultural Training Institute. This project will be at least partially self-sufficient when AID's support to OICI ends in December 1988.

The Zio River Economic Development project involves training in productive agricultural methods and credit education. It has reached 290 farmers managing over 400 rural activities, with small complementary assistance to some artisanal enterprises. Project-trained agricultural extension agents work directly with the farmers. Model farmers pass along techniques to others. Project technical assistants also train agents in loan analysis techniques and in loan management. This project, now managed by CARE, will be technically focussed and expanded geographically under TRIPS.

The Togo AEPRP program has concentrated on liberalizing the trade of cereals by opening the market to the private sector. Training is principally directed at mid-level economists and statisticians who are responsible for collecting and analyzing production and price figures, before making recommendations on marketing Togo's surplus food crops.

In the area of health and population, USAID Togo recently jointly sponsored with the U.N. a high-level population conference as a first step in promoting a national population program. Technical assistance has been provided under the Child Survival Project to assist the Ministry of Health in planning and coordinating delivery of child growth services in a cost-effective manner.

PRIOR USAID TRAINING ACTIVITIES

Over the past 5 years, USAID bilateral projects provided short term training to 33 participants. No trainees were sent for long term training. A variety of in-country training activities were implemented under the bilateral projects by the project technical assistance.

Training under the regional AMDP II project concentrated especially on short term training in the U.S., with heavy attendance at the University of Pittsburgh's Francophone Management Seminars, and on in-country training (University of Pittsburgh and USDA programs), most of which was geared towards upper level public sector officials. The chart on the following page summarizes AMDP II activity from 1983-1987.

A strong point of the Togo program is its emphasis on in-country and third country training. In-country training to date has been implemented essentially by one source, the University of Pittsburgh, which has also provided most of the short term U.S. training. The Pittsburgh programs have been generally very well received.

There have been very few women participants in the USAID Togo programs, although certain training programs were developed specifically for women (a conference for women jurists and a conference for the Ministry of Social Affairs).

Among the various GOT agencies which have participated in AMDP training, the Ministry of Plan and the National Agricultural Credit Bank have had the largest number of participants.

The USAID Togo mission is comfortable with in-country training and feels it can implement a larger number of such programs in Togo without difficulty.

USAID/TOGO AMDP II TRAINING ACTIVITIES

YEAR	U.S.				TOTAL		3RD COUNTRY				TOTAL		IN-COUNTRY			TOTAL		ZF
	Long-Term		Short-Term		M	F	Long-Term		Short-Term		M	F	Type	M	F	M	F	
	M	F	M	F			M	F	M	F								
<u>83</u>	1	1	7	0	8	1	0	2	0	3	0	CNCA	22	3	33	4	12	
<u>84</u>	0	0	11	1	11	1	0	10	0	11	0	Plan	49	1				
												Plan	25	5				
												CNCA	27	3				
												CNCA	24	2				
												Jurists	0	15	147	27	18	
<u>85</u>	0	0	15	1	15	1	2	0	3	1	5	Rural Devel.	22	3				
												CNCA	15	0				
												Chem.	12	3				
												AffSoc	3	7				
												Plan	45	5	117	20	17%	
<u>86</u>	0	0	14	2	14	2	2	0	0	0	2	MRD	25	5				
												Plan	49	1	90	8	9%	
<u>87</u>	0	0	8	0	8	0	2	0	0	0	2	Plan	25	0	35	0	0%	
TOTALS:	1	1	55	4	56	5	8	0	1	1	23		343	53	422	59	14%	

GRAND TOTAL: M (MEN): 422 86%
 F (FEMALE): 59* 14%

*53 were in-country participants

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PRIVATE SECTOR ENVIRONMENT

A. Introduction

1. Description of Togo

Togo is a small, mainly agricultural country with a population of approximately 3.2 million people, growing at 3.3% annually. Life expectancy at birth has risen from 42 years to 51 over the period 1965-1987. Togo has an estimated gross national product per capita of \$250. Sandwiched between Benin and Ghana on the East and West, Burkina Faso on the North and the Atlantic Ocean on the South, south to north it extends approximately 600 kilometers. East to West, however, it is very narrow ranging from 53 kilometers on the Atlantic to a maximum of 100 kilometers further north. Togo has little in the way of natural resources, other than very high grade phosphate, which it exports. Its other principal exports are coffee, cocoa, and cotton. These four products generate about 65% of Togo's export earnings, and approximately 30% of all government revenue.

In years of good rainfall, Togo is self-sufficient in food production. Agriculture absorbs about 80% of Togo's active population and accounts for approximately 30% of gross domestic production.

Togolese traders, benefiting from the open, free enterprise nature of the economy, and from a solid port, road and communications infrastructural, have turned Togo into a "commercial corridor" of re-export and transit activities within the region. Commerce contributes 23% of Togo's GNP while employing 8% of the labor force.

Manufacturing plays a minor role in the overall economy contributing 7% to GDP and employing no more than 1% of the working population. The formal manufacturing sector is estimated to have some 100+ firms. The informal manufacturing sector is estimated to produce about one-half of all manufacturing output.

Togo has been politically stable since 1967, and enjoys good commercial relations with its neighbors. Politically, relations with Ghana remain somewhat strained as a result of dissidents crossing the border to try to overthrow Togo's president in 1986. Togo belongs to the Economic Community of West African States and is a member of the West African Monetary Union.

2. Togo's Economic Performance

From independence in 1960 until 1974, Togo registered rapid growth in real GDP, averaging seven per cent annually. Increased exports of phosphates and the growth of Togo as a regional commercial center fueled this growth. Consumption and investment remained low, balance of payments were in equilibrium and Togo's public finance deficit was small.

In 1974, world phosphate prices quadrupled, phosphate mining was nationalized, and Togo's revenues doubled. Banking on continued high prices for phosphate, Togo launched an ambitious investment program, under which many public enterprises were established and large investments were made in public enterprises, hotels, industry and public buildings. By 1976, however, world phosphate prices had collapsed and Togo's phosphate earnings were at one-third their 1974 levels. Togo had borrowed heavily, on commercial terms, to finance her investment program. Moreover, most of the parastatal organizations and the hotels turned out to be unprofitable. This in turn led to a decline in the economy and a five year long financial crisis (1978-1983).

In 1979, Togo began to reform its economy under IMF imposed financial stabilization programs. These programs, coupled with two Structural Adjustment Loans, continue into the 1980s. Current and capital expenditures have been reduced, the tax code has been revised and tax administration (collection) widened and strengthened, and the GOT has taken steps to divest itself of poorly performing state enterprises. Togo has had moderate success to date in its privatization program which calls for the divestiture of about 30 enterprises.

By mid-1987, however, Togo's financial situation was once again on the decline. Low world prices for her exports, a falling dollar/CFA exchange rate, and a general drop in regional trade have resulted in Togo's current economic stagnation. The stagnation is felt in the export sector, commerce, construction and much of the manufacturing and service sectors. Unemployment and underemployment, especially in Lome are growing as the government has frozen hiring and a small, formal private sector can not absorb the job market entrants.

B. Breadth of Business Base and Infrastructure

1. Breadth of Business Base

The principal beneficiaries of future training would be members of the manufacturing sector. Although there is little up-to-date reliable information* on the numbers of firms in certain lines of business, the formal manufacturing sector is estimated to have between 100-150 enterprises employing 6000 to

7000 people. Informal manufacturing sector employment is estimated at approximately three times this level. Together, the formal and informal manufacturing sectors are estimated to contribute equally about 7% to GDP. If one adds mining, the contribution jumps to 16%.

Large enterprises dominate registered employment in the formal manufacturing sector. 1982 Ministry of Planning and Industry statistics (the latest) show five mineral products companies (principally phosphates) employing 3000+, six textile and shoe companies employing 1350+, and 29 food and beverage companies employing 2150, or a total of just over 6500 people.

The following table shows how heavily skewed Togo's private sector is toward commerce and construction. Registered commercial enterprises number 499, and construction and related activities 171, while industrial establishments (including oil company service station networks) only number 74. In national statistics, commerce (including tourism) adds 23% to GDP, while manufacturing adds only 7% (excluding mining, principally phosphates - 9%).

Breadth of Business Base*

<u>Commercial Establishments</u>	<u>Number</u>
General Commerce, Import/Export	285
Ready to Wear Clothes, Fabric, Shoes	35
Indian Merchandise	20
Lebanese Merchandise	47
Used Clothing	71
Hardware, etc.	26
Bookstores, office supplies	13
Export companies, National	<u>2</u>
 Total	 <u>499</u>
 <u>Construction and Trades</u>	
Construction	119
Carpenters	25
Electricians	<u>27</u>
 Total	 <u>171</u>

*1983 Chamber of Commerce census of its members is the most recent enumeration of businesses by general line of activity. Accurate statistics are hampered by the growing practice of start-up businesses to remain "invisible", unregistered with the government and the Chamber of Commerce, as long as possible in order to avoid taxation, and the unknown number of failures of new starts, guessed to be growing as certain lines of business become saturated with new entrants.

<u>Industrial Establishments**</u>	<u>Number</u>
General	44
Oil companies	6
Printers	<u>24</u>
Total	<u>74</u>
<u>Financial</u>	
Banks	13
Insurance companies	<u>5</u>
Total	<u>18</u>
<u>Transportation, Freight Forwarding</u>	
Air transport	9
Road transport	8
Sea transport and transit	<u>23</u>
Total	<u>40</u>
<u>Professions</u>	
Layers	14
Accountants	12
Notaries	<u>4</u>
Total	<u>30</u>
<u>Tourism (Hotels, entertainment)</u>	
Hotels	36
Bars/restaurants	34
Night clubs	18
Cinemas	<u>5</u>
Total	<u>93</u>

** The definition of the manufacturing or "industrial" sector often includes such activities as bakeries, tailors, office supplies, repair garages - thus the estimate of 100 - 150 enterprises. Also, the data in this table represents those firms registered with the Chamber of Commerce, a required step in the legal establishment of one's business.

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Other

Bakeries	16
Garages	20
Tailors	29
Fishing	6
Butchers	10
Driving schools	<u>5</u>
Total	<u>86</u>

Since the manufacturing sector is split almost evenly between formal and informal sector in GDP contribution, and since the formal sector is heavily weighted toward large enterprises in GDP contribution and employment, the formal SME subsector is small. This is not to say that it is unimportant or without potential for Togo's economy. The SME subsector, formal and informal, has various characteristics which give it importance:

- It absorbs urban unemployment by job creation.
- It expands the breadth of the business base with new activities, e.g., computer programming and services.
- It is the wellspring of entrepreneurs, and it is the crucible for entrepreneurs.
- It often builds, fabricates, services, transports and distributes what the formal, large enterprise needs and produces.
- Today's SME is tomorrow's large employer and taxpayer.

2. Infrastructure

Togo's infrastructure is relatively well advanced, having allowed the country to develop a good entrepot and transit business with neighboring countries. Business infrastructure, i.e., transportation, communications, electricity, water and various municipal services are satisfactory, although certain are expensive.

Electricity reportedly costs four to five times as much as the U.S. average per kilowatt hour, and the system suffers from occasional outages. The new dam and hydroelectric facility at Nangbeto, which is due to come on stream in 1988, will increase the supply and reliability of electricity, but will not necessarily cause the cost to drop. Additionally, many parastatals do not pay their electric bills, thereby forcing those paying private and public sector users to pay higher rates, and in effect to "subsidize" the non-payers.

Telephone and telex communications to the exterior (U.S., Europe), while reliable, are expensive. Telephone communications with neighboring countries can be difficult, while within Togo communications suffer from an insufficient number of telephone lines and can be unreliable during the rainy seasons.

Port facilities are very good by African standards, with Ro-Ro capacity to handle both 20 and 40 foot containers. Most general cargo is handled in containers, both for efficiency and avoidance of theft. The only complaint voiced by businessmen is the relative costliness of port services. This is offset, however, by the security Lome offers compared with the nearby port of Cotonou (Benin). For transit from Cotonou to Niger and Burkina Faso, goods are shipped by rail to Parakou and then transferred to trucks, reportedly opening real theft possibilities. Theft in general is considered enough of a problem that business shipping goods within Togo and to neighboring countries from Togo use contract transportation, thus shifting the risk (and cost) of theft to the trucking company.

Togo's primary road system, East, West and North to the borders of neighboring countries is entirely paved. Its secondary roads, unpaved, are considered good. Togo's railroad, serving the southern tier of the country, suffers from age, notably old rolling stock and a deteriorating road bed. It is still, however, the means by which phosphate rock is moved from the interior to the Port of Lome. Lome is served by a number of European and African airlines, making transportation to and from Europe and neighboring countries relatively convenient.

C. Banking/Financial Sector

A key constraint which SMEs cite is their lack of access to credit, from working capital to long-term financing. With the GOT's accent on the development of small and medium sized industry as one of the keys to the future health of Togo's economy, the preferential lending terms which are available to the smaller enterprise, and the excess liquidity of the banking system, one must ask why is the small businessman having such problems?

1. Characteristics

Relative to many other West African nations, Togo has a large number of commercial banks and other financial institutions. This is in part due to the boom years of the 1970's and Togo's position in regional trade, and in part to her political stability over the past two decades.

Togo has eight commercial banks*, of which three dominate the market (UTB, BTCI and BIAO), a 100% government owned development bank (SNI), a national savings bank, two leasing companies and five insurance companies. There are no formal venture capital sources in Togo.

A ninth bank, 90% privately owned, will open its headquarters in Lome in April/May 1988. ECOBANK, affiliated with ECOWAS (The Economic Community of West African States), is being established to lend to the private sector in an effort to foster regional trade. It will target local and regional businesses, including SMEs, for lending.

Togo belongs to UMOA, the West African Monetary Union. As a member it shares a common central bank (BCEAO), a common currency (CFA), and an overall set of credit and monetary policies.

2. SMEs: Credit Policy

The BCEAO provides for preferential interest rates for SMEs of a maximum of nine percent per annum. To this is normally added a service tax of 10% on the interest, bringing the effective cost of borrowing to near 10%. SMEs qualify for the preferential rate provided their outstanding debt does not exceed 30 million CFA and they are managed and majority owned by nationals. Terms of loans (maturities) will vary slightly between banks, with a medium term loan usually varying anywhere from 2-10 years. A grace period of 3-12 months on principal repayment is often provided.

3. SMEs: Credit Availability

SMEs are correct in their complaint that credit is hard to obtain from commercial banks. What little credit made available to SMEs has been largely for short-term financing of commercial operations. Very few industrial SMEs reported to the assessment team that they had been successful in obtaining credit. Those that did stated that they had obtained short-term credit (working capital) from SNI, BTD and CNCA. These few SMEs all had long standing relationships with their banks and relatively good track records.

Although there is political pressure put on banks (as in most francophone African countries) to devote a certain percentage of their lendable funds to SME financing, the banks are reluctant or unable to lend to this sub-sector. Various reasons lie behind the commercial banks' reluctance/inability to lend to SMEs:

*two of these commercial banks, the BTD and the CNCA, were formerly development banks

- . interest rates allowed on SME loans only exceed interest rates paid on BCEAO money market instruments by two percentage points, not enough to cover the higher risk and higher transactions/costs of lending to SMEs.
 - . commercial banks' traditional aversion to risk and to longer term development-type lending; their lack of incentive to diversify away from existing, highly profitable, short-term commercial lending activities.
 - . the 1982-1985 loss experiences (arrearages) of the banks with medium and large sized parastatals, as well as with private sector clients as the economy deteriorated.
 - . SMEs' lack of expertise in preparing appropriate business proposals and credit applications, as well as the viability of the proposed businesses. One bank reports that it makes a maximum of two or three loans yearly to new SMEs.
 - . a general lack of institutional ability to assist the fledgling entrepreneur with the necessary business skills.
 - . low repayment rates of SMEs
 - . lack of investment capital of SMEs. New starts must put up a minimum of 20% of the total investment required.
 - . SMEs' lack of suitable collateral and bonus' inability to attach SME assets in the event of default.
 - . general lack of business experience, and management ability, coupled with the "imitation" syndrome (see Section D, Human Resources).
 - . the small number of SMEs which actually succeed. One bank puts this number at a maximum of 10 yearly.
 - . the "commercial" mentality of many new entrepreneurs.
4. Commercial Bank Flexibility vis-a-vis SMEs

One commercial bank, UTB, has a unit designed to help the SME put together its business proposal/credit application. It also offers the SME help with market studies, export sales, and in dealing with the Central Bank.

Another commercial bank expressed a willingness to entertain SME lending provided such loans would offer a minimum spread of three percentage points and that there would be some sort of loan guarantee mechanism. ECOBANK indicated that it would consider lending to SMEs in amounts as low as 1.5 million CFA (approximately \$5,000). It also might consider assuming a small fraction (10%) of the credit risk on sound agricultural and agriculture-related loans provided the borrower (individual or cooperative) were fairly close to Lome.

In other francophone countries, some commercial banks will consider creative loan mechanisms, such as undertaking a package of sound SME clients with a two-three year track record of increasing profitability, a zero default rate, and some sort of short-term (one-two years) guarantee scheme. (see DAI's mid-term Evaluation of the Community and Enterprise Development Project in Senegal, June 1987, PP 85-86).

Some banks will also consider accepting mutual loan societies whereunder members contribute to a guarantee fund to insure against individual member default. (see A. Lessard memorandum of January 23, 1988 to Mark Wentling, USAID/Togo, pg. 2).

The foregoing is to demonstrate that commercial banks will entertain SME lending under the right conditions. As they are under political pressure to lend, "creative" approaches to them can bear fruit. Today's small, risky start-up may be tomorrow's solid customer, with a variety of credit needs.

D. Human Resources

Given Togo's continuing economic stagnation and its widespread urban unemployment* and underemployment, the question of human resources and how to employ them is key today. The lack of employment has led to an exodus of Togolese, estimated at 10% of the population, to other countries to find work. A second phenomenon is the rapid growth in an exploitive apprenticeship system whereunder young apprentices pay to learn a trade, spending three to four years under the tutelage of an established craftsman.

1. Entrepreneurs: The conventional wisdom is that Togo has little in the way of true entrepreneurs. Traders yes, but real businessmen with the drive and intestinal fortitude to take large risks over the long haul, no. Examination of the small and medium sized sub-sector of business does not entirely bear out the conventional wisdom. There is certainly entrepreneurial spirit among the Togolese, fueled in part by the general lack of employment. There is, however, a lack of experienced, financially sound Togolese entrepreneurs. Entrepreneurial ability needs to be developed.

Bankers, accountants and established Togolese businessmen contend that the new entrepreneur just doesn't know what business is all about, how to structure a business, what financial responsibility is, the notion of capital, and even what working capital is. The typical business mentalities of short-term trading and "production" mean there is little understanding of the long pull nature of market-driven business. This situation is exacerbated as Togolese imitate what other businessmen are doing, i.e., there is a blind rush of new "entries" in a number of given business activities, with the result that these limited areas all soon saturated, many by "fly-by-nights". Following are the principal activities now or soon to be saturated:

- . Bakeries
- . Pharmacies
- . General Trading
- . Transit
- . Accountancy
- . Construction
- . Printing
- . Computer services

Since the public sector is over-burdened with employees (approximately 30,000), the GOT is urging University and high school graduates to seek their way in the private sector. These graduates have little, if any, idea of what a business demands - as an owner and as a manager. Herein lies the need for short-term practical training in developing entrepreneurship and management skills.

2. Management: The consensus of the Togolese business community is that management skills and know-how are lacking among the vast majority of University and high school graduates. Businessmen repeatedly cite the "diploma syndrome" of University graduates as an entitlement to a good-paying management position. The already established businessman feels that the theoretical education of the University graduate is of little use in the real business world. In fact they prefer to hire the high school graduate, who comes with no pretensions. The business community sees a lack of hands-on experience in general management, planning, financial management, marketing and in production management, including scheduling.

* No reliable unemployment statistics are available, however unemployment is known to be high. One source said that only one in 10 persons in Lome is fully employed in a full-time job. In 1987, the GOT froze government hiring, few university graduates can get jobs in the private sector, and the SME sub-sector reportedly is shrinking.

For the larger, service-oriented business, such as banks, there is no shortage of educationally qualified candidates in certain areas such as computer programming, accounting and administration. One bank reports it has a roster of 100 computer programmer job applicants. Businessmen, Togolese and foreign, state that Togolese acquire "brain" skills rapidly and thus, with appropriate practical training can become good mid-level managers and technicians. Women, however, do not fare well in the management ranks. It is difficult for a qualified (education/experience) woman to get a management position. Only in the large, foreign owned companies do women have the opportunity to move into management.

Labor

In general the labor supply is abundant given the large number of unemployed. With a stagnant economy, labor turnover is not a serious issue. Rather, increasing unemployment and underemployment are the main problems facing the labor force. The strength of the Togolese labor force is found in its tradesmen (masons, carpenters, metal workers, electricians, plumbers, etc.), and in its general trainability.

Businessmen report that a mixture of discipline, incentives and constant supervision is necessary to have a productive labor force. Lack of familiarity with processing-type machinery and with the notion of preventive maintenance and its scheduling are common complaints of Togolese businessmen. Interestingly, Ghanaians are better trained in machinery operation and repair, and are often found in production positions in business.

Some Togolese businessmen question the dedication and willingness of laborers to work the long hours that business requires. Dedication runs afoul of the extended family system and all its demands, with a resulting absenteeism rate which adds to the difficulty and cost of doing business. Also, there is growing "petit frere syndrome" of government officials pressuring businesses to hire relatives, in large part due to the growing unemployment.

Finally, Unions (syndicats) are not particularly strong in an adversarial way. They feel their function is to educate workers about their rights and obligations. This leads to a "rule-book" work mentality, i.e., of doing no more than that which is in their job description. Strikes are illegal in Togo. Only in the case of firings does the businessman run the risk of severe problems with the Union. He can only fire for cause, and if he is prudent he will have the case(s) 100% documented and will engage a very capable lawyer.

E. Economic and Industrial Potential.

Most businessmen agree that the most Togo can hope for is modest growth over the next five years. Realizing that the internal market is limited by its small size and by the small proportion of the total population in the cash economy, businessmen view the market in regional terms. When asked which sectors they see as having potential, they reply:

- . Agriculture and agribusiness.
- . Commerce (Togo as a "commercial corridor," which it is).
- . Services and the "information industry."
- . Light industry, e.g., food processing, hardware.

Agriculture and agriculture-related activities probably offer Togo the greatest potential. Cotton, coffee and cocoa are her main cash crops. Cotton suffers from a lack of ginning capacity, while coffee and cocoa both suffer from low world prices. Cocoa also has technical/replanting problems. Food crops and related activities such as food processing, agricultural input supply, storage and marketing hold longer term potential, if developed. The border areas of both Nigeria and Ghana are potential markets when (and if) these two countries get their economic problems resolved. In economic parlance, "the importance of being small," means that Togo can "ride on the coat tails" of these two larger economies without being a threat to them. It involves finding market opportunities and niches which the other economies can not fully supply. It also assumes that ECOWAS becomes operative and that Togo is able to negotiate effective regional trade agreements.

Manufacturing offers some potential if more state enterprises can be successfully privatized, and if light industry can tie into productive rural activities. If one looks at the food chain, from the farmgate to the consumer, there are potentially many operations the SME can perform.

SMEs have potential in the "construction chain," encompassing both residential and non-residential building. The construction chain is wide and long, and offers many activities suitable for the SME. These include wood products (lumber, finished wood products, particle board), cement block manufacture, manufacture of construction hardware and roofing, glass products, metal working, carpentry, plumbing and electrical supplies, associated distribution and service networks, and the builders themselves. The construction chain is largely labor-intensive, and would help address one of Togo's growing problems, urban unemployment.

Commerce and services depend on growing economies, both internal and neighboring. Togo, because of its geographic location and its good infrastructure, developed as a "commercial corridor," serving Ghana, Benin, Burkina Faso, Niger, Mali, and to an extent, Nigeria. It has also developed somewhat of an information industry, including education, training, consulting, accounting, computer programming, and word processing. For Togo to benefit from these comparative advantages, however, the regional economy must right itself.

F. Key Constraints to Private Sector Development

Six categories of constraints affect the environment in which the Togolese SME operates, viz: government policy actions, taxation, economic and market conditions, administrative/bureaucratic factors, access to credit and the characteristics of the private sector itself. Credit, economic/market conditions and the private sector's characteristics have the most direct bearing on the training needs of the SME.

1. Government Policy Actions. Certain policy actions recently undertaken by the GOT, and to a lesser extent by neighboring countries have adversely affected Togo's private sector. The most serious effects have come from Togo's economic liberalization program. Part of the liberalization is to rid Togo of its import monopolies and make trade freer. This a correct step. In certain product areas, however, Togo has indigenous companies, some established, some infant. Apparently, the potential effects of trade liberalization on the Togolese SMEs were neither explored nor anticipated. Moreover, there is a ripple effect on other companies which supply goods and services to the "primary" companies affected. The following example demonstrates the problem:

- . The principal client of a local carton manufacturer is a company which produces detergent. With the "demonopolization" of detergent, the large trading houses imported such large quantities of detergent at cheap prices that the local detergent manufacturer shut down operations from February to October 1987. The ripple effect on the carton manufacturer was the necessary halving of his work force, and a disastrous financial year. For Togo, the ripple effect was less tax revenue.

Similar complaints were registered by fabric sellers, a toilet paper manufacturer, a pasta manufacturer, a paint company, and by poultry producers. The harm done by broiler imports from the EEC was serious enough to force a ban on their future importation.

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Neighboring governments' policy actions also impact Togolese business. These actions are principally economic and protectionistic, designed to increase revenues and/or protect their own industries. Occasionally, they are political. The actions can take the form of new taxes, such as Burkina Faso's 4% tax on merchandise shipped through Burkina to Mali and Niger, or Burkina's requirement that for every two Togolese owned trucks carrying goods into Burkina, three Burkina-owned trucks must be used. A policy action can also take the effect of "price" competition, e.g., Benin reduced import fees at the port of Cotonou to lure business away from Lome. An example of a politically-inspired action was the 1986 closing of the Ghana-Togo border. This has had both short- and long-term consequences for Togo's private sector. The border closing induced changes in business and transit patterns, as Togo's Ghanaian customers turned to the Ivory Coast. Even with today's improved relations between the two countries and open borders, not all of the former Ghanaian business came back to Togo.

2. Taxes. "The Francophone tax system is not geared to the small businessman" - Togolese businessman.

The French concept of an all powerful fiscal authority and inspectorate is present in Togo. The GOT's fiscal authority has been strengthened by IMF pressure to collect more revenue in an effort to help set the economy right. Further exacerbating matters is the old French anti-private sector philosophy, which is best summed up as "anyone who is on their own must be cheating."

The GOT does not understand that a tax system can be used to give incentive, as well as collect revenues for the government. Moreover, the tax system, with its array of "minimum business taxes", falls heavily on the smaller businesses, especially those which are new and more fragile. Various taxes are of a fixed amount or percentage regardless of the size or profitability of the enterprise. The most onerous is the 14% TGA - Tax Generale sur les Affaires (Tax on Revenues), payable regardless of the profit (or loss) situation of the company. This tax jeopardizes the very life of a new, struggling enterprise.

While the GOT tries to apply taxation evenly across the spectrum of small to large companies, it can be severe in its collection methods. For example, if withholding (on payroll) and social security taxes are not paid on time, the police can take the businessman to jail. This happened several times in 1987. In addition, penalties can run as high as 100%. As noted earlier, the number of viable SMEs is shrinking. Thus, the fiscal authorities are getting tougher with fewer SMEs. An additional complaint of the small businessman is the government's sudden use of decrees, i.e., taking tax actions

which are not yet part of the law. An example cited is the recent requirement to pay for one's operating license in advance.

The smaller businessman has few options if he wishes to remain in business:

- . Seek Investment Code Protection
- . Remain "invisible" (and small) to the tax authorities
- . Hire an accountant who, through juggling the business's accounts, will help the businessman evade a portion of the taxes.

In short, the tax system forces many new smaller businessmen to be illegal or go out of business.

3. Economic and Market Factors

Within the framework of economic stagnation and rising unemployment, a major constraint felt by the Togolese businessman is the small size of the domestic market. The same economic stagnation of neighboring countries and their increasing protectionism, coupled with the weak currencies of Nigeria and Ghana also limit regional/markets for Togo. On the competitive side, cheap imports from neighbors, the EEC and Asia are hurting Togo's manufacturers. These imports range from paint to pasta, provoking charges that EEC countries are dumping and that the Chinese (fabrics, piece goods) "must need hard currency." Cheap imports is a common theme among Togolese businessmen and is supported by their accountants, who claim that this is one of several common problems their clients face. Owners of SMEs state that order size in 1987 was down significantly, and that plants are being run at 25-50% of design capacity.

To make matters worse, unemployment and a general freeze on government hiring is driving people to the private sector. Under better circumstances, this would be a desirable event. The upshot, however, is a surge of new entrants, often inexperienced and seriously undercapitalized, into various fields of business endeavor. Already limited markets become saturated with start-up businesses*, price-cutting results, and established, larger firms get hurt. Simply put, there just is not enough business to go around.

An important private sector activity, construction, is languishing. In general, a labor-intensive activity** with a great number of horizontal linkages providing employment,

* many of which are "fly-by-nights."

** all the various sub-contractors, and manufacturers/suppliers of all the material construction requires.

construction is an important business activity for a developing country. The ripple effects of the downturn in this sector were recounted to the assessment team by many businessmen.

Another economic factor constraining business is the lack of access to bank credit, even for the established business. The commercial banks suffered serious losses in the economic downturn of the early 1980's and have been reluctant providers of credit to all, but the commercial sector.

Since commerce is so important to Togo's economy, an excellent bellwether of the state of the economy is the Lome market woman. The economic stagnation is very visible in this sector, as the number of foreign buyers of fabric and other consumer good has shrunk, inventories of unsold fabric have piled up, and there been the same surge of new entries into commerce as into certain manufacturing and service activities. Unfortunately, most of the newcomers are at best selling at break-even prices.

Another market factor constraining Togo's private sector is mediocre product (and service) quality, both real and imagined*. The first quality test a Togolese product must meet is that of the internal market. If it passes this test successfully, it probably is ready for regional markets. Passing the test of the internal market regularly will alleviate the imagined prejudice. Finally, lack of market and supplier information constrains the SME. As a result, he both misses market opportunities and does not develop reliable supplier links to his business.

4. Administrative and Bureaucratic Factors. Both Togolese and foreign businessmen do not consider the bureaucracy to be a serious hindrance to doing business. Daily petty and not-so-petty harassment** of business, common in some other African countries, is also not a serious concern in Togo. For example, some petty bribery is necessary on the roads to keep goods moving, and the businessman just builds it into his price as a normal cost of doing business. On the other hand, payoffs to Togolese customs let in large quantities of smuggled goods from Nigeria. Affected Togolese businessmen are vociferous on th subject, as the goods of these "commercants baladiers" often sell at one-half the local price.

* in many developing countries, local products, even of good quality, have a certain irrational stigma attached to them. "If it's local, it can't be good; if its foreign, it must be good."

** other than tax collection, the sudden appearance of new tax decrees, and the "cascade" effect of the tax system on business.

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Red tape can be a problem, principally one of time. It often requires the passing of small amounts of money to make certain that paperwork does not get "lost" in the system. Some businessmen report that the time to get export licenses can be so long that they miss market opportunities.

Jealousy plays a role in the following manner. As administration salaries are low, anyone in the private sector is, by definition - to the bureaucrat, "wealthy." This leads to an attitude of "every man for himself," and bureaucrats can block or delay applications and other business documents. Thus are low salaries supplemented. Businessmen find their way around this problem by knowing the system and by having contacts. Businessmen do keep a low profile, however, to avoid false charges by bureaucrats and/or by competitors of having been critical of the government. Such charges, if brought to the attention of the wrong government official, can result in serious difficulties for the businessman.

More serious problems arise, however, for those firms which do business with the government. Accounts receivable from the public sector can remain uncollected from one to 12 months. One businessman said: "at times, you have to beat on the government to get payment!" Others said they neither seek out nor accept government business. Another serious problem is the length of time it takes the government to finalize and sign contracts.

Both delays in receivables and contracts put financial strain on the firms dealing directly with the government, as well as on other firms such as sub-contractors and suppliers dealing with the directly-affected companies. The initial and ripple effects hurt companies, employees, government tax revenues and finally the economy.

5. Access to Credit: If for no other constraint, Togo's businessmen are legion in their complaint about lack of access to credit. Lack of access ranges from working and bridging capital to long term capital for expansion and new starts.

Even though the banking system is excessively liquid, banks prefer to place their funds in UMOA money market instruments rather than to lend to the higher return, higher risk and cost SME. Moreover, an inherent characteristic of the commercial bank is its aversion to risk. Add to this the loan losses suffered by the banks in the early 1980's, and their reluctance to lend to SMEs becomes understandable.

Finally, French and French-trained bankers, when lending, tend to put more emphasis on the businessman's character, capital, collateral and ability to repay, than on the business's current and likely future profit performance, and therefrom greater credit needs (the American approach).

On the SME side, there are various characteristics which do not engender banker enthusiasm for lending to this class of clients. Start-up SMEs typically, have little or no capital of their own to invest, have little appropriate collateral to offer, and are inexperienced in most business functions. Furthermore, many new entrepreneurs see a business with a commercial, "make money fast" mentality rather than as a long-term investment, market-driven, generating increasing profits year after year.

A typical, and serious, SME constraint to getting credit is the lack of an accounting system for their enterprise. Banks require that books of account, no matter how elementary, be kept. The fact that a business has its own accounting helps "legitimize" the business in the eyes of the bank. Further, the bank feels more secure, knowing that it can see to what purpose(s) the loan was put, how the business is performing, and therefrom how secure their loan is.

With the exception of one bank, UTB, there is little institutional ability in Togo to help the new entrepreneur with the necessary business skills. UTB's SME/SMI unit helps new entrepreneurs put together their business proposals and loan applications. It also helps them with market studies, as well as with export marketing and relations with the Central Bank, if need be.

The picture is not all bleak, however. Under pressure to lend to SMEs, banks are becoming somewhat more receptive to creative approaches to lending. Creativity usually means some sort of guarantee mechanism whereby all or most of the credit risk is borne by someone else, e.g., a donor agency, a development project, a "mutual society" of borrowers.

6. Characteristics of the Private Sector. While the Togolese private sector has more entrepreneurial spirit than given credit for, it, like many other African private sectors, lacks entrepreneurial ability. The lack of ability appears in many forms, ranging from the blind rush of new "entrepreneurs" into various business activities to their very limited understanding of what a business is all about. There is widespread understanding of what short-term trading entails, but little of what business entails, ranging from basic accounting to personal financial responsibility, and from how to organize a business to how to manage and nurture it.

Many new "entrepreneurs" are emerging from Togo's university. They bring theoretical training with them, but little or no practical training/experience. Established Togolese businessmen complain that University graduates suffer from a "diploma syndrome" - no experience and no willingness to dirty one's hands. Businessmen want technical, practical skills. They say that the increasing complexity of the

machinery they use requires understanding, more and better maintenance, and more supervision. Businessmen want production managers not only who understand the machines, but also who can schedule production. They want managers who can schedule downtime for machines for maintenance and who understand such concepts as standardization in machinery/spare parts and the need for machinery with low maintenance requirements. Accountants want personnel who understand management accounting (cost or analytic), and how to analyze a client's business.

The functioning entrepreneur exhibits other characteristics which constrain the development of the private sector. There is a widespread fear and resentment of normal competition. At best this resentment expresses itself as anger and at worst at blocking/sabotaging competitors by nefarious means. Most established businessmen call for regulation, either governmental or "interprofessional" of their particular business areas. The most enlightened of these calls was for importers and industry to complement one another. The reasons for this attitude of resentment are in part the flood of new business entries into a limited-size, static market, in part the flood of lower-priced imports, and some say due in part to the individuality of the Togolese.

Other than in commerce, women do not fare well in the formal business sector. Traditional roles of the sexes change very slowly, and it would be only the most enlightened Togolese businessmen who would have women in professional positions. Women do fill support positions, secretarial and occasionally, bookkeeping.

CHAMBER OF COMMERCE, AGRICULTURE AND INDUSTRY OF TOGO

The Chamber of Commerce, Agriculture and Industry of Togo (CCAIT) was founded in 1921 and is presently structured as a public institution managed by a board of 17 persons (including a President, 2 Vice-Presidents, a Secretary, a Treasurer and 12 members) elected by the General Assembly of the 3000 members of the CCAIT. Four advisors are also named. The board members represent trade, industrial and agricultural interests. Trade has seven representatives, agriculture has six and industry has four.

The Chamber is financially autonomous, receiving its income from membership fees and annual dues and from a percentage of certain business taxes imposed by the GOT. The current annual budget is 50 million CFA (\$175,000).

On the national level, the Chamber has a "advisory" role vis-a-vis the GOT, i.e. it is consulted on legislation and makes proposals to the GOT on matters of interest to its members. It participates in more than 40 administrative commissions and on boards of parastatal companies. The Chamber is also charged with advising, training and informing its membership and is responsible for managing a road improvement fund. On the international level, the Chamber belongs to international associations (West African, French and International Chamber of Commerce). Certain members of the Board have participated in conferences abroad and in study tours to France, Philippines, England, Holland, India.

The Chamber has a staff of 40 persons and is organized into 6 departments: Investment, Publications, Trade Promotion, SME, Professional Training, Road Guarantee Fund.

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LIST OF ELECTED CHAMBER BOARD MEMBERS

Name	TITLE	COMPANY	SECTOR
Gbondijide K. DJONDO	President	SCOA-TOGO	Trade Car Dealership
Clain-Clain OLYMPIO	Vice President	ECCO	Construction
Mantonte M. SAMBIANI	Vice President	Buyer of Agricultural Products	Agriculture Livestock
Couadjo ANSAH JOHNSON	Secretary Gneral	SOTOGEL/JOHNSON Bros LTD	IMPORT-EXPORT
Kahohonou P. HOUENASSOU	Treasuer	ETS TACO RENOUVEAU	IMPORT
Kokou Kape SEDDOH	Advisor	SCIA	Agro-Industry
DOE BRUCE ONISSAH V.	Advisor	Trade	General Trade
Idoh K. AKAKPO	Member	Farmer	Agriculture
Kokosse ADOMAYAKPOR	Member	Farmer	Agriculture
Sodanhounoe GUIDIHOUN	Member	ETM	Wood Industry
Kokou AMEGAN	Member	Farmer	Agriculture
Tegli II KPEGBA	Advisor	Farmer	Agriculture
Yawovi GONDON	Member	Societe Togolaise des Petroles B.P.	Hydrocarbons
Gado RINKLIF	Member	Farmer/Livestock	Agriculture Livestock
Kpeto DE SABA	Advisor	Agriculture Farmer	Agriculture
Komigan AMEGEE	Member	Agriculture Famer	Agriculture
Yao E. Tonyi - AMEGANDJIN	Member	Hotel le Prince	Import/Export Hotels
Komi Abalo BAKA	Member	SCIL/TOGO	Industry (parts)
Kanle Gohe JONDOH	Member	Trade	Trade (fabric & other)
Egnonam A. QUENUM	Member	Trade	Trade (fabric)
Dumenyo MENSAH	Member		Trade

ANSWERS TO NEEDS ASSESSMENT QUESTIONNAIRE

During the assessment, twenty-seven firms were interviewed in Lome, Tsevie, Notse, Atakpame and Palime. The following characteristics are those of the sample population of firms:

1. Age of company: Range- 1 to 30 years
Average: 12 years
2. Sector: Industry- 13 -including agro-industry (48%)
Construction- 1 (4%)
Transportation- 2 (7%)
Services- 7 (26%)
Trade- 4 (15%)
3. Persons interviewed: Owner - 10 (37%)
Gen'l Mgr/CEO- 15 (56%)
Manager- 2 (7%)
4. Type of company: Private, family-owned- 12 (44%)
Private, partnership- 14 (52%)
Subsidiary of foreign firm- 1 (4%)
5. % of sales exported: Range 0 - 19%
Average: 10%
6. Level of technology: High- 0
Average- 6 (22%)
Low - 21 (78%)
7. Labor intensive firms: 6 (22%)
8. Type of competition: Local firms- 14 (52%)
Foreign firms- 16 (59%)
Monopoly- 1 (4%)
9. Level of competition: High - 20 (74%)
Average- 3 (11%)
Low- 4 (15%)

(Low levels of competition were indicated by the one monopolistic firm and by 3 service firms who felt that their professional reputation placed them above any real competition from less qualified companies).

10. Principal constraints to business development

In order of priority:

Market size- 21 (78%)

(According to most businessmen, the problems related to small market size are compounded, by the lack of regulatory requirements which would exclude certain fly-by-nights; by unfair competition from the informal sector; by EEC dumping; and by subsidized exports from China and Korea).

Access to credit- 12 (44%)

(The problem voiced here was one of access to credit and not the terms of credit. Businessmen complained that banks were unwilling to provide loans for working capital and owners of new companies complained that they were unable to raise sufficient capital or to offer adequate guarantees to satisfy bank demands for start-up loans. Owners of new ventures were generally forced to associate with silent partners and hope for credit to finance the balance of the investment).

Need for better trained personnel- 6 (22%)

Most frequently voiced concerns were for better trained managers (accountants and financial managers) and for better trained technicians (e.g., production managers).

Government regulations- 5 (19%)

The level of taxation and lengthy bureaucratic procedures were often quoted as problems.

11. Number of full-time employees: Range 4 - 100
Average: 24

(Only 7 firms employed any part-time personnel).

12. Number of managers: Range 1 - 16
Average: 4

(Ratio of managers to employees on average is therefore 1:6).

13. % employees with high school level education: 23%

14. % employees with college level education: 15%

15. Number of employees with college degrees in business: only 50% of the firms interviewed had any personnel with formal training in business.

16. Profile of the Owner/CEO:

55% had college degrees; 25% high school level education and 20% primary school only.

On the average they were 48 years old with 17 years of experience in business (many of those interviewed had completed several years of overseas training and had been GOT officials prior to starting their businesses).

TRAINING NEEDS:

85% indicated a personal need for training
Areas of most need: Principles of Management (43%)
 Financial Management (40%)
 Marketing (32%)
 Computer Applications (19%)
 Cost Accounting (14%)

25% could devote up to 1 week to training;
 30% would prefer evening or morning courses.
 75% would be prepared to pay for training, provided it was well designed. (Most quoted a rate of 50,000 CFA/week (\$175) as reasonable).

17. Profile of middle managers

50% have high school level educations;
 50% have college degrees.

On the average, these managers have 5 years experience.

TRAINING NEEDS:

75% of the CEO's indicated a need to train their middle managers in the following areas, in order of subjects most frequently requested:

Cost accounting
Marketing/sales
Production management
Maintenance and repairs

(Other areas mentioned, but to a much lesser degree, were human resources development, business law, technical topics relating to the specific business and computers).

60% of the CEO's were prepared to pay for training for their middle managers. Most would like to train up to 50% of their middle managers and could accomodate either a week long program or evening courses.

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18. Profile of Workers

Most have only a primary level education and 5-6 years of professional experience. The CEO's did not recognize any need to train this personnel and almost none would be willing to pay for training for workers.

19. Experience with local Training Institutes

Other than the Chamber of Commerce seminars which were free, only 2 or 3 firms had actually spent money on training for its personnel. Those who had paid for some type of training had opted for computer training. Certain CEO's had gone to France or Germany for technical training with the suppliers of equipment they use.

20. Annual Sales:

Range- 4 million CFA to 700 million CFA
(\$14,000 to \$2.5 million)

Average- 130 million CFA (\$435,000)

21. Increase/decrease in sales over past three years:

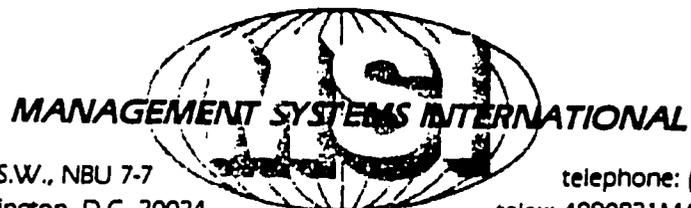
Range: - 40% to + 65%

Average: + 15% over 3 years

22. Prognosis for the firm:

25% excellent
60% good
15% average

DEVELOPING ENTREPRENEURS



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That entrepreneurs perform vital functions in economic development is well established. They are recognized as the human agents needed to mobilize capital, add value to natural resources, produce necessary goods and services, create employment and develop the means by which trade is carried on. The entrepreneur's role in development has been succinctly described as "no entrepreneur, no development".

Despite the critical importance of entrepreneurs and entrepreneurship, few private sector development strategies or programs include any systematic means for identifying entrepreneurial potential, for enhancing that potential, or for stimulating new sources of entrepreneurship. National programs aiming to increase entrepreneurial activity by means of policy reform alone have generally proven to be infeasible or disappointing in the near term. Venture capital, which is more attuned to the identification and financing of entrepreneurial potential, is unavailable in most developing countries and underdeveloped regions. Financing institutions typically have excellent systems for assessing collateral, mediocre systems for assessing project feasibility and no system at all for assessing entrepreneurial acumen.

Numerous management training programs have been developed for strengthening accounting skills, feasibility analysis, marketing and inventory control; but few, if any, of these programs address the fundamental question of how to select and strengthen the entrepreneur and his or her business plan.

In much of the world, the need for an effective and comprehensive approach for detecting and stimulating entrepreneurial potential is currently underlined by population pressure, sluggish growth in large private sector enterprises and the need for retrenchment in public sector employment. Thousands of skilled professionals are graduating each year from universities and technical schools trained to enter jobs which simply don't exist as expected growth in employment by large industries and multi-national corporations has failed to keep pace with population and educational increases. And this difficulty is further compounded as governments are forced by fiscal austerity measures to limit or even reduce civil service employment. Needed more than ever is a strategy which creates employers rather than employees and contributes directly to national production and productivity.

The traditional approaches taken to entrepreneurship by scholars and practitioners regard entrepreneurship as being a personality type, a culture or a normal and automatic reaction to the presence of economic opportunity. By implication, these approaches view the quantity and quality of entrepreneurial activity at any given place and time to be relatively fixed. As such, these approaches have little to contribute to a strategy for stimulating and promoting entrepreneurship other than to suggest broad reforms intended over time to alter the nature of society or the marketplace.

More promising, it might be argued, is an approach that regards entrepreneurship as a set of behaviors and practices which can be observed and acquired. While the proclivity and facility with which an individual evidences these behaviors and practices might indeed be strongly conditioned by his or her genes, family background, culture or economic environment, a behavioral approach to entrepreneurship suggests that such proclivities and facility can be significantly strengthened in individuals by appropriate exposure and training. Equally importantly, the behavioral approach suggests that entrepreneurial acumen can be meaningfully and accurately assessed by measuring the extent to which an individual manifests key entrepreneurial behaviors.

Critical to any effort to detect and strengthen entrepreneurial potential is a clear and accurate identification of the specific and observable behaviors associated with successful entrepreneurship. In an effort to generate a detailed and reliable specification of these behaviors, Management Systems International (MSI) and McBer and Company undertook an ambitious 5-year, \$1 million dollar research project funded by the U.S. Agency for International Development and overseen by a select committee of the National Science Foundation. The project employed a careful research methodology to analyze the actions and thought processes of successful entrepreneurs in a number of countries and to isolate those behaviors which distinguish these individuals from less successful entrepreneurs in their own countries. Among the surprising findings of this research was the fact that the most important of these behaviors were remarkably consistent from country to country.

The MSI/McBer research identified 21 Personal Entrepreneurial Characteristics (PECs) consistently demonstrated by successful entrepreneurs. Several specific behavioral indicators were found to be associated with each of these characteristics. In all, 67 such indicators were identified. Through subsequent refinement and testing, this initial list was boiled down to the following nine PECs found to be most useful for detecting and strengthening entrepreneurial potential:

- * Opportunity Seeking
- * Information Seeking
- * Persistence
- * Risk Taking
- * Demand for Efficiency and Quality
- * Goal Setting
- * Systematic Planning and Monitoring
- * Persuasion and Networking
- * Self Confidence

A detailed description of the behavioral indicators associated with each of these PECs is appended to this document.

The most reliable of the entrepreneur selection techniques developed by MSI and McBer is administered in a forty-five minute interview format. A training program of three to five days is normally adequate to instruct loan officers or other business development professionals in the administration and scoring of this selection instrument. Thereafter, the instrument can be used as a complement to the normal appraisal criteria and application procedures employed by these organizations.

The **Entrepreneurship Workshop** was developed on the basis of the MSI/McBer research and a detailed review of virtually all of the major entrepreneurship training programs currently being offered in developed or developing countries around the world.

The **Workshop** is an intensive program for identifying and expanding participants' potential to initiate or improve small businesses or other entrepreneurial activities. It is an opportunity for individuals to become more familiar with the behavioral characteristics of successful entrepreneurs; to look for, recognize and "code" those behaviors in themselves and in others; to strengthen and enhance the behaviors they choose to work on through practice and reinforcement; and finally to apply these behaviors in their own businesses. The Workshop has been delivered in English, French and Spanish to participants from 18 countries in Africa, Latin America, Asia and North America. Still experimental in concept and innovative in approach, it has been called by David McClelland, the Harvard psychologist who helped to launch the "entrepreneurial revolution", the most significant new development in entrepreneurship training for almost two decades.

The target audience for the program includes potential and existing entrepreneurs, and professionals in public or private sector organizations who are expected to act in an entrepreneurial manner. As part of the program, these participants have an opportunity to identify their entrepreneurial potential, strengthen their personal entrepreneurial characteristics (PECs), improve their business plans, and present their business ideas to a banker panel for possible funding.

The program begins with a rigorous selection procedure including a one day Assessment Center in which standardized instruments are used to assess participants' entrepreneurial strengths and weaknesses, their overall entrepreneurial potential and their business "readiness". The remainder of the Workshop is divided into 3 sections or "clusters" -- Achievement, Planning and Power -- corresponding to the key factors identified by the research as being associated with successful entrepreneurship. Each of these sections is further divided into detailed 1/2-day or full-day modules covering the nine Personal Entrepreneurial Characteristics (PECs) identified by the research.

The **ACHIEVEMENT CLUSTER** focuses on participants' willingness, ability and tendency to seek and attain improved quality, productivity, growth and profitability. The PECs included in this cluster are Opportunity Seeking, Information Seeking, Persistence, Demand for Quality and Efficiency, and Risk Taking. In this part of the Workshop participants learn to:

- * Identify personal entrepreneurial potential: strengths and weaknesses.
- * Develop a long term program of goals and objectives.
- * Identify or refine a personal business opportunity.
- * Understand their personal risk taking behavior.
- * Conduct an information search.
- * Appreciate the importance of persistence and commitment to the work contract.
- * Understand the relationship of quality and efficiency to one another and to entrepreneurial success.

The **PLANNING CLUSTER** is designed to strengthen the PECs associated with planning and managing the venture. The PECs included in this cluster are Goal Setting, Systematic Planning and Monitoring. In this part of the Workshop participants learn to:

- * Evaluate their present planning and problem solving skills.
- * Develop step-by-step methods for setting clear objectives.
- * Develop realistic business and operational plans.
- * Identify creative solutions to actual business problems.

Finally, the **POWER CLUSTER** is designed to improve participants' ability to influence outcomes to their advantage: to get necessary cooperation, to optimize the use of personal networks, and to use improved influencing and negotiating strategies. The PECs included in this cluster are Self-Confidence, Persuasion and Networking. In this part of the Workshop participants learn to:

- * Persuade others to cooperate.
- * Network personal and business contacts.
- * Develop effective negotiating strategies.
- * Use assertiveness to advantage.

The **Business Creation Exercise** is a two week event that runs concurrently with the Entrepreneurship Workshop. While participants are strengthening their PECs inside the Workshop, they are simultaneously identifying, planning, and starting up a micro-business for profit. The Business Creation Exercise adds a challenging, but very realistic, dimension to the Entrepreneurship Workshop, and provides a dramatic opportunity to witness, diagnose and strengthen PECs in a true-to-life business context. In addition, participants are encouraged throughout the Workshop to apply lessons learned to their own businesses or potential businesses and are given a specially designed Business Planning Workbook and individual counseling to assist them in planning their ventures. An optional follow-up program provides further assistance and reinforcement to participants after the Workshop through a series of entrepreneur forums, newsletters, and one-on-one assistance.

The **training method** used in the Workshop is highly interactive and experiential. In place of lectures, the training uses structured exercises, power groups, video presentations, diagnostic tools, business events, questionnaires and other vehicles designed to identify PECs and enhance them through practice. Each module is organized into the following six steps:

1. **Recognition:** The PEC is identified, and a description of the general behavior is given.
2. **Understanding:** The PEC is explored in terms of the local context and its importance to successful entrepreneurship.
3. **Self-Assessment:** Participants determine the strength or weakness of the particular PEC in themselves and make a personal choice about whether or not they wish to further strengthen the PEC.
4. **Experimentation:** Participants practice the PEC in a variety of situations, building skills and changing attitudes.
5. **Reinforcement, Integration, and Refinement:** Participants practice the PEC in real or simulated business situations.
6. **Application on the Job:** Participants apply the PEC to their actual business situations or make preparations to use the new learning when they return to their businesses.

The Workshop's 80-hour instructional program can be taught in two weeks on a full-time basis or can be presented on a part-time basis over a longer period of time to meet the special needs and preferences of participants. It can also be usefully linked in a variety of ways to existing programs of management consultancy, management training or technology transfer. A sample agenda for the full-time program is included below as an appendix to this document.

A critical component in a comprehensive strategy to foster entrepreneurship is the development of a suitable strategy for channelling needed finance to promising new ventures and business expansions. Where resources permit, the Entrepreneurship Workshop constitutes an ideal mechanism for identifying and selecting individuals to receive credit or other business assistance inasmuch as participants completing the program have been thoroughly assessed (and self-assessed) with respect to their entrepreneurial potential and the quality of their business plans. The banker panel held at the end of the Workshop serves as a special opportunity for bankers to review a number of entrepreneurs and loan packages in an efficient manner and to use the trainer team as an expert resource for assessing the entrepreneurial potential of the individuals involved.

Since the concept of entrepreneurship and the willingness to base investments on potential rather than security are hallmarks of venture capital, the strategy outlined above for identifying and promoting entrepreneurship is particularly well complemented and augmented by linking it to a mechanism for providing venture capital for the most promising entrepreneurs and business ideas.

In addition to general offerings for the population at large, the strategy outlined above for identifying and promoting entrepreneurship can be effectively directed to such specific target groups as senior civil servants, unemployed university graduates, technical/vocational school students, management personnel from existing enterprises or refugees.

The program includes completely developed Trainers Guides, participant manuals and workbooks, videotaped presentation materials, and program installation guidelines. It also includes a training of trainers option for equipping local institutions with the capacity to conduct and sustain the program over time.

For more information on MSI and its programs contact:

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Consolidated List of Clusters, PECs and Behavioral Indicators

Achievement Cluster

Opportunity Seeking

- * Sees and acts on new business opportunities
- * Seizes unusual opportunities to obtain financing equipment, land, work space, or assistance

Information Seeking

- * Personally seeks information on clients, suppliers, and/or competitors
- * Consults experts for business or technical advice
- * Uses contacts or information networks to obtain useful information

Persistence

- * Takes repeated or different actions to overcome an obstacle
- * Makes a personal sacrifice or expends extraordinary effort to complete a job
- * Sticks with own judgement in the face of opposition or early lack of success

Risk Taking

- * Takes what he or she perceives to be moderate risks
- * States a preference for situations that involve moderate risk

Demand for Efficiency and Quality

- * Acts to do things that meet or exceed existing standards of excellence or improve on past performance
- * Strives to do things better, faster or cheaper

Planning Cluster

Goal Setting

- * Sets clear and specific short term objectives
- * Sets clear long term goals

Systematic Planning and Monitoring

- * Develops and uses logical, step-by-step plans to reach goals
- * Evaluates alternatives
- * Monitors progress and switches to alternative strategies when necessary to achieve goals

Power Cluster

Persuasion and Networking

- * Uses deliberate strategies to influence or persuade others
- * Uses business and personal contacts to accomplish own objectives

Self Confidence

- * Has a strong belief in self and own abilities
- * Expresses confidence in own ability to complete a difficult task or meet a challenge

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