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FOUR YEARS LATER

OBSERVATIONS ON PRIVATE SECTOR DEVELOPMENT IN WEST AND CENTRAL AFRICA

1985 - 1989

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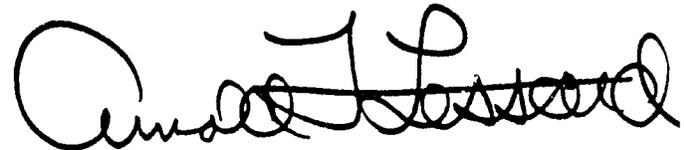
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For four years - both as an outside consultant and as REDSO/WCA's Regional Private Enterprise Development Advisor - I have had an unusual opportunity to watch and participate in donor and host government efforts to encourage private sector development in West and Central Africa. An end-of-tour sum up prompts me to try to set down what I think I have learned and what I believe about encouraging the growth and increasing the contributions of African entrepreneurs to economic development. This is not meant to be a solemn economic treatise nor a proscriptive recipe for the future. Just one man's hopefully thoughtful remarks on an exciting and personally fulfilling four years.

I want to thank some special people. Without the continuing confidence and instant and enthusiastic response of the Africa Bureau's Bud Munson and Warren Weinstein it would have never happened in the first place. I count these two men as friends and trusted allies. Art Fell, Duncan Miller, John Babylon and Tom Jefferson of REDSO/WCA were in one way or another responsible for me. They gave me full run and every assistance to do and to try to do. My sincere thanks.

There is also another group of truly dedicated people in my "territory" who made it all worthwhile. Mission directors and their key staff who as my "clients" did me the honor of seriously listening to and acting on what I had to say. You can't ask for more.

And finally, special thanks to the literally hundreds of African and European businessmen and entrepreneurs who over the years tried to educate me to the often painful realities of doing business in West Africa.

A handwritten signature in black ink, appearing to read "Arnold F. Lessard". The signature is written in a cursive, flowing style with a large initial "A".

Arnold F. Lessard

P R O L O G U E

Two overriding issues will remain at the heart of economic development in both the underdeveloped and in many of the developed "command" economies of the world.

- o Debt reduction and a return to net positive inflows of investment - particularly private sector investments and credits.
- o Organization of decentralized and liberalized market-oriented societies and economies. Where citizens and consumers have a major say.

Debt and investment problems will not be solved by donors or lenders, nor by any world model formula. There are no finite "solutions", but rather the tedious stripping away of political and economic problems in an endless process of experimentation and change.

A number of approaches are already in play:

- o Debt forgiveness by sovereign lenders.
- o Internationally-scripted pressure on and incentives to commercial bank lenders to take writeoffs and make new loans.
- o Debt-equity swaps.
- o Slimming down of government operations and disinvestment of parastatals.
- o Program lending or grants with conditionalities encouraging structural adjustment reform and market liberalization.
- o Coordinated government/World Bank/IMF efforts to improve the investment climate.
- o Organized efforts of governments and donors to promote foreign investment, and design and effectively implement competitive and attractive Investment Codes.
- o Private sector-focused development strategies.
- o Restructuring, recapitalization and reform of marginal or non-performing commercial and development banking systems.
- o Attempts to create capital markets, venture capital funds, and loan guarantee programs.

All of these efforts - and others - will help push along the desired process of change. Each must be pursued and supported.

There will be major problems and discouragements along the way. The reorientation of "Command" societies - and there are more than enough of them in Africa - towards free market-driven economies involves delicate political and government policy, structuring and staffing issues. Issues which impinge directly on national sovereignty and powerful vested interests - at every turn and at all levels. Achieving liberalizing changes in such societies - be they in Africa, Eastern Europe, the USSR or South America - will be a generations-long and potentially destabilizing process. There will be many false starts; outright rejection or inaction; retrograde steps; false dawns; discouraging short term results - and here and there some success stories.

The U.S. experience is not germane to the problem(of) managing the transition from state socialism, where the planner is king, to market socialism where consumers have some say. The West can rightly point to popular sovereignty as a way to inspire innovation and promote production, as well as to help control some of the worst abuses of state involvement in the economy. The task is to (find) a more productive and humane system on a path unmarked by ideological simplicities". (1)

These two seminal difficulties - achieving positive investment flows and liberalizing societies and economies - are not discussed further in any detail. The reader of what follows should, however, consider them as the warp and woof around which are knotted the observations which follow.

SOME OBSERVATIONS ON DEVELOPMENT

1. The stronger and more centralized you make government economic planning, the less economic development you are likely to get.
 - o Multilateral lenders, aid agencies, and host governments continue to earmark large sums for government agency "institution building" and training of public sector officials engaged in central planning and control activities over almost every sector of national life. And these efforts continue - particularly in the critical agricultural sector - even when World Bank studies, for example, tell us that the existence of master plans and major expenditures by many developing country ministries of agriculture and agricultural parastatals seem to have little or no measurable impact on agricultural production.
 - o "Central planning" in many countries has often been an effective tool for one-party central governments to gain political and economic ascendancy over their populations - often under the guise of some brand of "people's socialism."
 - o Many dirigiste leaderships and senior government functionaries - the capital city elites - truly believe that their views and decisions on economic, business, private sector, banking and market issues are totally and irrefutably superior to the logical real-life reactions of businessmen, small rural farmers, traders, cattle raisers and market women to emerging market opportunities and price signals.
2. You are likely to be in deep trouble if you put too much faith in available economic statistics to guide development policies and strategies in the Third World.
 - o Statistical aggregates, while improving, may be off from reality by "... several hundred percent."
 - o Essentially unmeasured - probably unmeasurable - informal sector activities are beginning to emerge as veritable powerhouses of grass roots rural economic development. A growing body of micro-studies in rural areas demonstrate the scope and depth of the informal economy of producers, farmer-traders and traders, money lenders, market women, small retailers and tradesmen, and voluntary economic associations.
 - o Recent low income family surveys in Ghana, for example, demonstrate that economic activities and capital formation among the lowest income groups in rural areas have been grossly underestimated - or totally ignored. Researchers found that the very lowest income poor families had verifiable tangible assets equal to one half of Ghana's estimated average annual per capita income.

3. We need to take into account the unpalatable fact of life that foreign investment and external credits and loans will remain at low levels even in terms of minimum needs and will not be sufficient to stimulate economic growth. Major internal resource mobilization and similar "BOOTSTRAP" efforts will be necessary.
 - o There are major problems in increasing internal resource mobilization. Both the public and private banks are incredibly weak, inefficient or negatively incented to promote and manage savings programs. Most have no successful track record of making sound private sector small business investments with these internally mobilized resources.
 - o Seeking short term solutions by shifting the emphasis from government controlled development, commercial and agricultural banks - most long since bankrupt using normal accounting standards - to private commercial banks is not a realistic near term possibility. Most foreign owned commercial banks in West Africa were created to meet colonial commercial trading needs of large foreign companies and state controlled enterprises, not to make loans to small local businessmen.
 - o Public sector development, commercial and agricultural bank "restructuring" will be long and difficult - or maybe not doable at all in any truly economic sense.
 - o Continued dictation by national and regional central banks and state authorities to private commercial banks on interest rate and lending ceilings, priority or compulsory lending to state owned enterprises and marketing boards, plus long delays in repayment of government obligations to commercial bank lenders make private banking in West Africa a hazardous undertaking. Banks have been forced to concentrate on high-priced, fee-based trade services (letters of credit) to known customers which are profitable, off balance sheet and present few risks, rather than developing and promoting a range of savings and small business credit products. Little wonder that most private commercial banks are minimally capitalized, show little evidence of fresh capital infusions, and have little experience or capabilities in small business lending.
4. We must insist that private sector trade development and investment promotion start - not end - with direct contacts between local traders and foreign buyers, and between local entrepreneurs and potential foreign investors.
 - o Donors support too many investment opportunity studies, product export promotion surveys, and cross border marketing analyses without ever once in the process trying to connect the only people who really know how to make such things happen, and can tell you whether any given idea has marketplace reality - people such as in-country producers-traders talking to active foreign buyer-distributors, or local entrepreneurs in direct contact with potential investors.

- o Government-run investment and trade promotion organizations - even when staffed by donor-financed "experts" - can make only a minor contribution in stimulating private sector development. Up until now, they haven't worked in West Africa. Non government intermediaries where they exist should be exploited in trade and investment promotion programs.
 - o OPIC attempts at buyer-seller, promoter-investor linking via two-way trade missions is a step in the right direction. Too often, however, such missions are one-shot "events" with little serious follow through. Without priority country and product targeting based on improving investment climates, long term commitment, direct private sector investor participation and dedicated follow-up - all of which mean a serious level of funding - such missions will produce few tangible results.
 - o OPIC's recently launched Africa Growth Fund is an innovative approach to interact directly with African project sponsors and provide a mechanism for linking them with potential U.S. partner/investors while providing a source of equity capital. If successful in its early years, this program should be expanded and continue to receive USAID support.
 - o The Africa Management Services Company (AMSCo) which is receiving AID financial support is another experimental effort to provide management and management development support directly to African private sector companies and parastatals scheduled for privatization. It is still too early to judge the effectiveness of this program, but AID should carefully monitor and evaluate the usefulness of the approach. The value of the AMSCo is that it provides direct management and training services tailored to meet the needs of a specific private sector enterprise on a one-on-one basis.
5. Our planning for economic development initiatives must recognize that the role of the private trader-businessman is vital in encouraging economic development in agricultural areas.
- o Traders in just about every developing economy have historically been a key link in the chain of product movements and sales to local, national and export markets.
 - o Traders or farmer-traders operate as effective and local market-sensitive producers, buyers and assemblers, agricultural input suppliers, credit sources, consumer products salesmen, and transporters even in the most remote and inaccessible areas.
6. All of us earning our living in the economic development business should realize that the impact of donors and lenders on economic development is - unfortunately - very limited.
- o The World Bank estimates that all external financial support equalled about 13% of total investment in the underdeveloped world in the early 1980's. Of that total, foreign aid was one-third or 5% of total third world investments - which translated to under 1% of total estimated GNP.

- o Since 1982 the situation has undoubtedly deteriorated as debt payment outflows have overtaken net investment inflows in many countries.
 - o Aid impact will even be less per dollar in countries with poor business climates which need to be fundamentally "developed" from scratch - Mauritania, Cape Verde, Zaire - than in countries which have more promising investment climates and need to be "revived" - Ghana, Cote d'Ivoire, Cameroon.
7. We should neither get very excited about - nor finance - government supported hortatory campaigns for "economic revival" and parastatal-led "revitalization" of grandiose rural development programs which have proved to have no demonstrable impact on economic development. To the contrary.
- o Efforts to "mobilize the masses", to create "national identities" or to exhort rural producers to become food self sufficient will not produce development.
 - o State-owned or controlled enterprises - regardless of organization structure, programme focus, numbers of foreign experts, or volume of foreign credits - have generally ended as operational failures or in bankruptcy, and have caused - and many are still causing - enormous drains on national treasuries.
8. Let us tell the success stories and convince host governments about the whole range of possibilities for delivering public services through non-government supplier channels.

There are plenty of good examples in the developing world of non capital-intensive provision of public services - health, family planning, electricity, water, telecommunications, road maintenance, transport, market town and market center development, refuse collection, education - by private, not-for-profit, cooperative and community action groups. A number of these are USAID success stories.

- o Donors and lenders are only beginning to seriously consider such non-government alternatives to high capital cost parastatal and ministry-delivered services.
9. We should continue efforts - such as those of West Africa's Abidjan-based Regional Housing and Urban Development Office (RHUDO) - to seek opportunities for regional and community decentralization of those government-provided public services which must continue to be provided by the public sector.
- o Decentralization will be particularly difficult in Francophone Africa - as they have been in attempts in France to decentralize decision-making and operations out of Paris - due to an "elitist" mind set of the capital city bureaucracies.

- o Self-help groups in market towns attacking urgent local problems, however, are making positive contributions, and demonstrating the success of private sector-led initiatives at local levels.

THE SPECIAL CASE OF WEST AND CENTRAL AFRICA

West and Central Africa present special problems as a region. And within the region country-to-country differences are enormous. There are countries which will never make it in terms of self-sustaining economic growth and food self sufficiency. They will probably always require donor financial and food assistance. Other countries have currently or in the past achieved respectable economic development and growth, and have the manpower, the land, mineral resources, water, and basic infrastructure resources, as well as the political and economic orientations which will permit them to resume growth.

There are, however, a number of common characteristics which must be kept prominently in the minds of donors and governments as they jointly plan economic development projects.

1. We should never forget that the agriculture sector must lead the way towards short term food self sufficiency and long term sustained economic development in West and Central Africa.
 - o Motivating the small agricultural producer - the fundamental private sector operator - is the key - not large scale investments nor state dominated regional rural development and marketing board structures with enormous operating costs and low levels of productivity.
 - o Agricultural products - both food and cash crops - will provide the base for food self sufficiency, the growth of the agricultural products processing industry, and expansion of exports.
 - o State trading companies and large integrated government-dominated agricultural and rural development organizations must be gradually dismantled and/or forced to compete on an equal footing with the private sector.
 - o Donors have, on the whole, had very limited success in spite of high levels of financial support over many years in developing self-sustaining planning, research, statistical, extension, agricultural input, and road maintenance services operated by ministries and public structures. This raises a fundamental question: Are governments in Africa seriously interested in, and/or able to provide and manage such services. The issue is not really complicated technology transfer. More a case of will, commitment and simple organization.
2. Unless donors have experienced it firsthand, it's difficult for them to fully comprehend the formidable difficulties which the current structure of the French CFA zone has on attempts to achieve reforms in the commercial banking system, and in increasing medium and long term credit to SME borrowers.
 - o The result of almost three years of experience by the African Project Development Facility in obtaining financing for ADPF-approved private

sector projects in West Africa is a dramatic demonstration of the differences in obtaining credit from the more liberal and less rigid East African banking systems, and the highly centralized and very rigid regional central banking systems of Francophone Africa.

- o Obtaining banking sector reforms for stimulating medium and long term credits to private sector small businesses in CFA zone countries which have both a national and a regional central bank are proving extremely difficult. The French Government's very real and legitimate long term interests in maintaining CFA parity with the French Franc and ensuring the viability of the in-place regional central banking system and its links to the French Treasury add another tier of difficulty in achieving banking reforms for which they are no easy answers.
 - o Practical opportunities for USAID in securing banking reform in support of small business credit expansion are probably better in non CFA zone countries such as Ghana, Zaire, Guinea and Liberia.
 - o Major breakthroughs in improving commercial bank credit to SME's is not a realistic short term possibility in view of the generally very fragile conditions and strategic orientation of the banking system throughout the region.
3. We should stop listening to banks who say there are no financeable private sector projects in West and Central Africa.
- o REDSO/WCA and APDF's Africa-wide experiences indicate that there are many entrepreneurs with ideas and a reasonable number of these ideas can successfully pass commercial feasibility screening processes. Private commercial banks in West Africa are not responding since their parent banks' current lending policies discourage term credit transactions except for large known clients, and encourage fee-based bank products such as letters of credit when the bank knows both parties to the export-import transaction. This policy is unlikely to change given the current world banking environment and the West African economic climate.
 - o New credit initiatives such as credit guarantees and venture capital funds - including the recently announced PRE Bureau Loan Portfolio Guaranty Fund - in association with such organizations as the APDF, the African Development Bank, national and regional private investment associations, and certain private commercial banks may offer possibilities.
4. Our experience so far with attempts to stimulate loans and equity financing for small-medium sized private sector operators in West Africa is discouraging.
- o Loan and guarantee schemes using commercial banks intermediaries have generally not met program objectives. Many bank executives flatly state that given current banking regulations, onerous reserve and interest rate ceilings, their lack of knowledge of the small business sector, and the implicit risks in small business financing they cannot profitably lend to

the small business segment. Some bankers state that guarantee schemes do not change the situation since "a bad loan is a bad loan" which reflects poorly on the branch bank manager making the loan regardless of an in-place guarantee, and access to loan guarantee fund payment on a defaulted loan can be a long and complicated process.

- o Programs of the multilateral lenders in extending credit lines to government development, agricultural and rural banks have had exceedingly high failure rates. Most of these institutions in West Africa are technically bankrupt.
- o Micro and small business lending programs using PVO/NGOs have almost without exception proven non sustainable because of high start-up and operating costs, small loan portfolios generating insufficient interest income cash flows in relation to expenses, and low controlled interest rates.
- o It is still early days for assessing the few venture capital funds operating in Africa, although results of a proposed USAID pilot venture capital fund should be carefully assessed.
- 5. We are having some success with group or mutualist guarantee approaches to micro and small business savings and loan programs.
 - o Informal sector moneylenders and "tontine" type mutual societies are effectively mobilizing savings, and providing a base for small loans.
 - o USAID's technical assistance to credit union programs in Togo and Cameroon are legitimate success stories. These credit union cooperatives - operating in both rural and urban settings - have been able to develop member confidence, mobilize considerable savings, and provide effective, timely and recoverable small loans to qualified borrowers, while paying interest on member deposits.
 - o Small scale non government pilot cooperatives tied to USAID-sponsored guarantee funds placed with a commercial bank are having some success. The CLUSA-BIAO Niger project is an example.
 - o Mutual loan guarantee societies - caution mutuelles and the La Financiere movements - while still in their very early days in West Africa - are promising and deserve USAID support.
 - o Financing of small businesses in West Africa will continue for a long time to come from retained savings of micro operators, loans or gifts from friends or families, and small loans from local moneylenders.
 - o Self sustainability of donor-supported micro enterprise credit projects may be unachievable. Simple, quick delivery, small working capital loan projects radiating out from an urban base with no "extra added attractions" of training and technical assistance offer the best chances for success.

6. Employment generation in West Africa is not susceptible to a "project" approach, nor to attempts to encourage large scale manufacturing investments.
 - o Employment generation is a resultant - of competitive costs, availability of both capital and skilled labor, and market demand. Stand-alone "Employment Generation" success stories in Africa are very rare.
 - o Small and artisanal business of up to 50 employees will probably generate up to 95% of new employment. Very few of these businesses will evolve into modern sector industrial or service enterprises.

7. We've learned that there is no lack of qualified African business services, management consultancies, auditors, training institutions and specialized individual consultants at both national and regional levels to support private sector program design and management.
 - o Greater reliance should increasingly be placed on using locally available advisory, service and project management personnel who have local languages, know the culture, have existing contacts, and possess necessary academic and experience credentials.
 - o Less and less emphasis should be placed on utilizing U.S.-based teams of consultants. When such U.S. teams are used, the contract must insist on qualified African team members. Experience shows that highly qualified Africans exist and are available. They provide assistance and insights which foreign consultants could not be expected to deliver.
 - o Several Human Resources Development Assistance (HRDA)-related surveys during 1977 and 1988 identified a large number of qualified and experienced national and regional training and development organizations, many able to provide advisory and consulting assistance and design special-purpose management development programs.

OBSERVATIONS ON FUTURE APPROACHES TO PRIVATE SECTOR DEVELOPMENT

1. Many of us are coming to believe that what USAID does in private sector development should be a trade off between what the private sector says it needs and USAID's capability to meet these needs.
 - o There are certain needs expressed by the private sector during both structured and unstructured interviews which USAID can meet. For example, training and development, technical assistance, commodity imports (CIP), and overseas private sector contact programs.
 - o There are other pressing private sector needs which USAID finds difficult to organize or to manage: medium and long term credit; joint venture-partner searches; venture capital. Major efforts should be addressed to develop pilot projects in these areas over the next four years. The Loan Portfolio Guaranty Program and the La Financiere Internationale-APDF guarantee and/or venture capital fund proposals are examples.
 - o USAID has its own priority agenda in helping private sector development: policy reform and structural adjustment; banking and financial sector reform; privatization; debt-equity swaps - normally issues not identified by private sector operators. These areas are, notwithstanding, important - sometimes critical - to private sector development. A caveat: while understood by specialist departments or consultants operating out of Washington, most missions do not have staff with qualifications or experience to deal with such issues. TDY'ers from Washington or REDSO will not bridge the gap. Much more effort must be made to bring along regional and mission personnel in these areas.
 - o USAID still hasn't licked the problem of having at least one staff member on West African mission teams with direct experience in the private sector. It's beginning: REDSO/WCA (1986), Cameroon (1989), Zaire (1989). Much still needs to be done.
2. At least this observer has suffered through the time-consuming and paper-logged project/program design process in recommending and designing private sector initiatives. It's one of those things everyone complains about, but the process goes marching on.
 - o There is basically little wrong with USAID's stated approach to project/program design: a simple options paper; a ten to twenty page PID; the use of LOGFRAME analysis; and a short logically constructed PP, for example. The problem is that both consultants and staff seem to equate length of submissions with quality. Insistence on short, to-the-point presentations supported by graphic presentations - even sending back a 500 page PP because it's too long - might get the message across.
 - o Broad and long term sectoral commitments along the lines of an umbrella sectoral project approach with "for instances" of follow-on sub-project initiatives to be approved at Mission level should be tried in the larger missions.

- o As an USAID outsider, I have been impressed both by the seriousness of the Agency's mission decentralization policy and by the overall quality of mission directors and their direct reports who have come up a long, hard "selection in" process. These two elements - and the fact that I don't believe Washington-based staff have superior insights, skills or experience in dealing with local mission problems - argue strongly for such an umbrella approach and decentralization of a sub-project approach with expanded local approval authorities and a massive reduction in paper.
3. One refrain many of my colleagues are tired of hearing me make is the need for better planning, selection, management and evaluation of outside consultants.
 - o USAID uses too many consultants to do too many things. Many are all too often poorly briefed and inadequately supervised.
 - o Too many unqualified consultants are slipping through the selection process, and there is no organized way to weed out the poor performers. Thus is too much unacceptable poor-to-marginal work being done - even by staff of the large audit firm consultancies.
 - o Many missions are being routinely forced to do major reworks of consultant outputs.
 - o Consultants should assist mission staff do research and design work, not replace them. Every consulting team should have a near full-time local staffer providing in-country leadership.
 4. Experience in West Africa has shown us that there is great potential synergy in close mission relationships with RHUDO, and careful coordination of private sector and HRDA strategy development efforts.
 - o RHUDO has demonstrated leadership in West Africa in promoting ideas and regional dialogue on government decentralization and private sector provision of public services.
 - o The fact that there are now private sector earmarks on HRDA programming makes coordination between private sector and HDRA planners not something that would be "nice to do" but mandatory.
 5. There is no "answer" to the major staff continuity problems posed by regular turnover of direct hire staff. Better selection, training, use and sincere efforts to integrate local national staff with mainstream top level responsibilities at mission level would help.
 6. As a lifelong consultant I believe I know good program evaluation work when I see it. USAID not only does an excellent job in individual project evaluations, but some of the "lessons learned" summaries of multiple evaluations over a period of years are outstanding. Somehow, better feedback of this material to field practitioners must be achieved.

- o Printing and circulating a volume of "lessons learned" or a statement of policy guidelines are not doing the job. Certain recent evaluation summaries point out that USAID is still doing many of the same things criticized by the last summary done five years before. Let's try taking "lessons learned" shows on the road in terms of mission level workshops.
 - o It is probably time for a private sector "lessons learned" study and the results should be presented at mission and regional levels.
7. The MAPS process is proving to be a realistic and logical management planning tool for private sector strategic planning.
- o The MAPS process as currently used in West Africa is a happy blend of original approaches developed by AID Washington with direct REDSO private sector field experience.
 - o The facts-oriented MAPS approach - both the macro-economic environmental research plus the questionnaire and direct discussions with a broad cut of private sector operators - has ensured that private sector strategy and program discussions and decisions have been based on real-world perceptions of the local private sector as to their views of their needs and problems.
 - o A key elements in the program's success to date has been the unusually close and continuing working relationships developed among team members from AFR/MDI, REDSO/WCA, carefully selected consultants, and senior mission personnel. This "core team" concept has been extremely important in maintaining continuity over the life of the MAPS process.
8. By 1992, USAID's mission strategic planning process should focus on the CDSS process, rather than on individual noncoordinated HRDA, private sector, and any number of other strategic planning efforts.
- o Mission-level field work in private sector strategic planning is highlighting that the private sector theme is already running through almost all West African mission's sectoral priorities: transport, health, population, agriculture. It is now obvious that a realistic private sector strategy is not a stand-alone project, program or sectoral element but a theme which must cut through all mission planning and programing.
 - o Once the current round of MAPS private sector strategic planning projects has been completed, the Africa Bureau should focus on the CDSS process as its primary and all inclusive long range strategic planning tool - including the private sector. A CDSS implementation manual drawing from the field experiences of the MAPS manual and implementation teams should be developed as a priority. The concept of the CDSS should not be abandoned nor down played as has been recently suggested - it is a sound planning device in use in some form by all well managed private and public sector organizations. Its development at mission level must be seriously undertaken, strongly supported - and never permitted to become "just another paper exercise".

9. While top-down-from-Washington encouragement and staffing was initially essential in getting private sector ideas accepted, 1991/1992 should be the years when the focus of staff, funding and use of consultants shifts from Washington to the field.
- o The PRE and AFR/MDI missionary and technical assistance roles have been extremely useful and necessary in getting things moving. Their messages have now been received and largely accepted at all levels of the Agency. The first step has been taken in staffing full-time REDSO private sector positions. The next step is mission level staffing and training. Transfers of positions/expertise/budgets from Washington to the field is now in order.
 - o U.S.-based consultants have had very mixed results in West Africa. Missions have not been in a position to judge consultant capabilities nor take management "ownership" of parachuted-in teams and the in-country survey work involved. Once such a team has left there has normally been little or no follow-on contact. Again, during 1991/1992 the focus should shift to the use of country and regional consultants who live and work in Africa and know how things really work. Missions can develop close and continuing relationships with such specialists.
 - o PRE, AFR/MDI and Missions should cooperate in the development of a series of in-country seminars and workshops in private sector development for mission personnel in FY 1991. The theme should be a "Look Ahead To Private Sector Development In The 1990's" which draws heavily on USAID's evaluations and summary "lessons learned" process.

COUNTRY ACTIVITY SUMMARY

REGIONAL PRIVATE ENTERPRISE ADVISER

REDSO/WCA

1986 - 1989

COUNTRY ACTIVITY SUMMARY

BENIN

USAID's activities in Benin are managed by the Lomé Mission.

The Private Enterprise Officer assisted in the development of a review of Benin's investment climate and the development of Benin private sector project proposals in connection with a U.S. supported cultural and business mission to the U.S. in 1986. Reference is made to "Private Sector Project Proposals," DIMPEX, March 1986.

There has been no further REDSO/WCA contact on private sector matters in Benin since the successful conclusion of the U.S. mission.

CAMEROON

The Private Enterprise Officer began work in Cameroon in early 1986 in connection with a USAID-assisted OPIC mission to Cameroon and a follow-up mission of Cameroonian private sector businessmen to the U.S. A report containing private sector projects seeking financing was compiled and served as a basis for these two-way missions.

This initial work was followed up by counsel on an AEPRP focusing on major reforms in the fertilizer import and distributions systems. See "Personal Comments on Proposed AEPRP Design for Cameroon," dated June 9, 1987. During this same period, considerable time was spent in promoting the launch of a formal program for structuring a private sector strategy for the Mission. See "Towards the Development of a Private Sector Strategy for Cameroon" dated May 19, 1987.

Following the publication of the MAPS process by the Africa Bureau, the Mission requested a preliminary review of private sector strategy in Cameroon in 1988. See "Review of Private Sector Strategy (MAPS) Mission to Cameroon," December 12, 1988 drafted by the Regional Private Enterprise Officer.

A Private Sector Officer was appointed by the Mission in 1989. A modified MAPS survey is tentatively planned for 1989/90

The following background reports have proven helpful in understanding the economic and private sector environment in Cameroon.

- Cameroon Fertilizer Sector Study, International Fertilizer Development Center. May 1986.

- Cameroon Rural Finance Sector Study, Deutsche Gesellschaft für Technische Zusammenarbeit, July 10, 1981.

- Credit Union Lending for Small Business Development in Cameroon, World Council of Credit Unions, Revised, August 1986.
- A Proposal for Assistance to Credit Union Development in Cameroon, World Council of Credit Unions, undated.
- Cameroon Financial Sector Report, #6028-CM, World Bank. June 2, 1986
- The Private Sector in the Economy of Cameroon, Prepared for IFC. September 1985.

CAPE VERDE

The Private Enterprise Officer did not visit Cape Verde but provided general counsel and critiques on the development of a PID and PP for the Cape Verde Export Development Services project during 1989. See in particular the memo, "Personal Comments on Cape Verde Export Development Services Project Paper," dated June 21, 1989. Once approved, this project will be one of USAID's few active investment promotion projects and it should be closely followed.

CENTRAL AFRICAN REPUBLIC

The Private Enterprise Officer participated as a member of a three man REDSO/WCA team to review USAID strategy in the CAR. He was the principal drafter of the report, "An Approach to USAID Strategy and Program Development in the Central African Republic - Interim Report," dated May 1987.

No additional in-country contacts have been made since that date.

COTE D'IVOIRE

While there is no USAID bi-lateral program in the Côte d'Ivoire both the U.S. Embassy and REDSO have shown a readiness to assist private sector initiatives within the reach of very limited budgets available for such activities. The Regional Private Sector Officer has provided leadership for several such initiatives.

1. Seed Privatization

The U.S. Embassy and REDSO responded to a GOCI request for a review of government seed farm operations. A consulting survey was organized through AFR/MDI and a preliminary survey report was submitted in September 1988. A follow-on report, "Terms of Reference for a Seed Privatization Study: Ivory Coast," was submitted by the Center for Privatization in October 1988. Following independent background investigations, the Private Enterprise Officer recommended no further action, and REDSO so informed the GOCI.

2. Consulting Assistance in the Restructuring of Two Banks: Credit de la Côte d'Ivoire (CCI) and Banque Ivoirienne de Developpement Industriel (BIDI)

Assistance was provided to the management of the BIDI/CCI in financing consulting assistance in the determination of a long term reorganization strategy. The Private Enterprise Officer prepared the RFP and supervised the work of the Coopers & Lybrand consulting team selected to carry out the assignment. The pertinent reports submitted to and reviewed with bank officials are as follows:

- Mission de Reconstruction BIDI/CCI. Tome I and II. Coopers & Lybrand. January 23, 1987.

- Mission de Redressement du Credit de la Côte d'Ivoire et de la Banque Ivoirienne de Developpement Industriel. Coopers & Lybrand, December, 1986.

- Fusion CCI/BIDI: Projet d'Organigramme. Coopers & Lybrand, June 5, 1987

3. Bank Lending Officer Training Program

An outgrowth of 2. above was the financing of a SME lending officer training program held in Abidjan in late 1988. CITIBANK New York and their local branch in the Côte d'Ivoire were awarded the contract to develop, present and evaluate a short training program for lending officers. Course materials were prepared in English and French. The following two documents should be consulted:

- Techniques de Prets aux Petites et Moyenne Entreprises, CITIBANK. November, 1988.

- Evaluation du Seminaire: Techniques de Prets au PME de Côte d'Ivoire, CITIBANK. November 1988.

4. Feasibility Study for the Creation of an Intergrated Corn Production, Processing and Distribution Company

This was an Africa Bureau funded feasibility study for the creation of a major new outreach farming, milling, packaging and marketing company for corn products in the Côte d'Ivoire. The Private Enterprise Officer was delegated responsibility for coordination and local supervision of the study which involved preparation of RFP for retention of survey consultants, review and recommendation of contract award, and certification that the final feasibility survey met all criteria established by USAID for the financing of the survey. The U.S. Pioneer Seed Company and their local representatives were the key players. Copies of the feasibility study are on file.

5. Background Documents on the Côte d'Ivoire

The multi-lateral lending and bi-lateral donor communities with active programs in the Côte d'Ivoire as well as several specialized local research/consulting agencies should be contacted for backgrounding. Three documents on file are of interest in this regard

-- The Investment Climate in the Ivory Coast, December 1983 (Dated but provides useful background)

- Ivorian Small and Medium Business Initiatives: 1960-1986. RHUDO, C. Dei. January 1987.

- An Inventory of Ivorian Training Institutions - With Special Reference to Municipal Employees. RHUDO. C. Dei. Undated

EQUATORIAL GUINEA

Interest in private sector strategy development is of recent origin in Equatorial Guinea. There have been no Regional Private Enterprise Officer interventions during the period 1986 to date.

AFR/MDI, however, has supported the conduct of an investment climate study which was published in March 1989 entitled, "Improving The Investment Climate In Equatorial Guinea: Analysis and Recommendations," prepared by SRI consultants working under the prime contractor Arthur Young.

GABON

There have been no known REDSO Private Sector contacts nor initiatives since the Africa Bureau survey, "Investment Climate Assessment: Gabon," submitted in November 1985 under a DIMPEX contract.

THE GAMBIA

There were no in-country Mission contacts made by the Regional Private Enterprise Officer.

Conditionalities associated with PL 480 food aid contained agreements made in July 1986 for the ultimate divestment and privatizations of the Gambia Produce Marketing Board (GPMB). To assist the GOTG in meeting these commitments, USAID commissioned a consulting study which was published in December 1988 entitled, "Study of the Privatization of the Gambia Produce Marketing Board." This definitive survey while establishing a long range plan and schedule for divestment/rationalization stresses the political, economic, management and financial complications involved in the process. USAID direct

involvement in implementing the privatization recommendations should proceed very cautiously. The GOTG's political will and managerial capabilities to meet these privatization commitments are questionable given the major importance of peanuts and their by-products in the overall economy.

GHANA

REDSO/WCA has provided continuing assistance to the Ghana Mission on private sector matters since late 1986.

1. Ghana Seed Company Privatization

Several TDYs were spent on reviewing Mission proposals for privatization of the Ghana Seed Company and developing action recommendations for presentation to the GOG. See "Restructuring the Ghana Seed Industry - A Proposed program for Action," November 1986. The GOG was unable to address these recommendations during 1987, and the Private Enterprise Officer recommended that the Mission officially withdraw from further privatization discussions and reallocate remaining Ghana Seed Company funds. These recommendations were accepted by the Mission.

2. Private Sector Strategy Development - MAPS

MAPS was presented to the Mission in a series of visual presentations and discussions in November 1988. A MAPS action plan was developed and approved. A start date of February 1989 was agreed, with completion of the work scheduled for late 1989. The private Enterprise Office's last TDY on the Ghana MAPS was scheduled for August 1989.

See memo and action plan in memo dated November 18, 1988, Ghana TDY Report.

The following reports have been found useful in providing background:

- Investment Climate and Assessment: Ghana, USAID ISTI, June 15, 1988.
- Ghana: Review Under Extended Arrangement, Modification of Performance Criteria, and the Exchange Systems, IMF, March 30, 1988.
- Ghana: Policies and Issues of Structural Adjustment, World Bank, March 30, 1987.
- Report and Recommendations on a Proposed African Facility Credit for the Republic of Ghana for a Structural Adjustment Program, World Bank, March 23, 1989.

GUINEA

The Regional Private Enterprise Officer was heavily involved in providing private sector counsel and assistance to the Guinea Mission during 1987/88.

1. Guinea Agribusiness Preparation Project

This 1984 AID Grant Agreement was launched in 1985 creating a National Center for Promotion of Private Investments (CNPIP) with technical assistance provided by Chemonics International. The Regional Private Enterprise Officer participated in or directed two evaluation surveys of CNPIP:

- Mid Term Evaluation of the Agribusiness Preparation Project, Dimpex Associates, May, 1986.
- Agribusiness Preparation Project: Evaluation Update. REDSO/WCA, June, 1987.

Both evaluations concluded that project objectives on the whole had not been met. In this connection, the following documents should also be consulted.

- Politique de Promotion du Secteur Privé et le Mandat du CNPIP. Chemonics International. July 3, 1987.
- Support for the Nascent Private Sector of the Republic of Guinea. Chemonics International, July 2, 1987.

2. AEPRP Conditionalities Regarding Close Down of Four Agricultural Parastatals

The major conditionalities contained in AEPRP agreements signed between USAID and the GOG in September 1986 provided for the closing of the following four parastatals:

- PROSECO - coffee and palm kernel exporter
- FRUITEX - fresh fruit exporter
- AGRIMA - importer and distributor of agricultural equipment
- SEMAPE - importer and distributor of inputs to agricultural, cattle raising and fisheries sectors.

Counsel was provided to the Mission following GOG request for "restructuring" of these parastatals rather than their liquidation as originally agreed. On-site investigations and contacts with World Bank representatives by the Private Enterprise Officer resulted in recommendations against restructuring. See memo dated February 5, 1987, Trip Report Guinea.

3. Private Sector Strategy

Presentations on private sector strategy development were made to Mission personnel. See "An Overview of Private Sector Strategy and Project Elements of that Strategy - Guinea."

The following reports should also be consulted in this regard:

- Investment Climate Assessment: Republic of Guinea, Equator Advisory Services, March, 1986.
- Survey of the Guinean Private Sector, AFR/MDI 1987.
- The Potential for Privatization in Guinea: A Background Report, The Center for Privatization. September, 1986 (Draft)

There were no contacts with Guinea during 1989

MALI

Several TDYs were carried out by REDSO's Regional Private Enterprise Officer during the period 1987-1988 with a view to assisting the Mission in developing a private sector strategy and action plan. The key reference document is entitled, "Discussion Draft: An Approach To Private Sector Strategy And Program Development In Mali," dated April 1987. This report covered the following major topics:

- Country Overview
- Review of USAID Mali's Strategy and Program Focus
- The Role of Direct Private Sector Initiatives in Economic Development in Mali.
- Current Status of Private Sector Strategies
- Towards Formulating a Long Range Private Sector Strategy and Establishing Program Priorities.
- Proposed Action Steps

A TDY in July of 1987 reviewed the observations and recommendations contained in this report with members of the Mission's management team. One direct result of this review was a decision to recruit a PSC Private Sector Officer.

A presentation of the MAPS program was carried out in late 1988. There have been no further direct contacts with the Mission during 1989.

MAURITANIA

Works on the Mauritania private sector began in April 1986 when A. Lessard led a five man team in the development of two fundamental reports.

- Investment Climate Assessment And Recommended Private Sector Strategy August, 1986.

- Investment Climate Assessment and Private Sector Survey August, 1986.

Conclusions and recommendations in these seminal reports have continued to guide the Mission's efforts in private sector development. A follow-on publication, "Towards Development of a Private Sector Strategy for Mauritania - A Plan of Action," dated March 16, 1987 served as a basis for directing Mission attention to practical alternatives for action.

The REDSO/WCA Private Enterprise Officer continued to assist the Mission during 1987 in formulating its programs, in particular in planning and organizing a policy dialogue-oriented, private-government sector seminar which drew heavily upon the earlier investment climate reports.

Mauritania was the first country in the REDSO/WCA region to carry the research-oriented investment climate assessments through to development of a Mission private sector strategy. A capable Mission management has continued to move ahead in an imaginative and dedicated manner in expanding its efforts in private sector development. Assistance from REDSO/WCA in this field has not been required since early 1988, although AFR/MDI has been responsive to the Mission's need for specialized technical assistance.

SENEGAL

REDSO's Regional Private Enterprise Officer had his first contact with the Senegal Mission as a private sector specialist on a seven man Agricultural Production Support Project Paper team in 1986. Two background documents developed for this PP under the general supervision of the Private Enterprise Officer are useful for gaining an understanding of the Senegalese Private Sector:

- Agricultural Production Support Project Design: Private Sector. Louis Berger, May 1986.

- Annex 6, Agricultural Support Project, "Agricultural Input Supply and Distribution and Cereals Marketing."

A banking sector survey conducted as part of the Agricultural Support Project, "Etude Sur Le Systeme Bancaire Senegalais," Giroday & Assoc., March, 1986 should also be consulted.

The Mission prepared and submitted a Private Sector Strategy Statement in early 1987 which was later reviewed in Washington. (see State 133156/01).

A formal MAPS presentation was made to senior Mission personnel by the Regional Private Enterprise Officer in late 1988. The Mission decision was to schedule a MAPS exercise for early FY 1990. Current plans are for a September/October 1989 launch of a modified MAPS program.

The best current overview report is the Club du Sahel report, "The Private Sector in Senegal," dated November 1988, probably one of the best such efforts reviewed to date.

TOGO

The Regional Private Enterprise Officer carried out three TDY assignments in Togo over the period 1987-88. One concerned the appraisal of the status of a private sector grain bagging operation whose feasibility study had been financed by AFR/PRE. The other two were efforts to review and stimulate Mission efforts in development of a private sector strategy. As of the date of this summary no formal survey leading to the development of such a strategy is planned.

The major effort of the TOGO Mission during 1988 was the development of Togo Rural Institutions and Private Sector Project, a multi-year \$12 million project designed to assist credit union development, rural private enterprise, and related policy reforms. REDSO support in project design came principally from PDO, with the Regional Private Enterprise Officer providing back-up counsel. There are currently no on-going commitments for Regional Private Enterprise Officer activities in Togo.

ZAIRE

Prior to his assuming his REDSO/WCA position the Regional Private Enterprise Officer had been active in Zaire in 1985 and 1986. An Investment Climate Assessment and an Investment Project Profile study were carried out under his supervision utilizing Coopers & Lybrand, CITIBANK and a local consulting firm. The two final reports were presented in January 1986 and were utilized primarily in the planning of an OPIC Investment Mission which the Africa Bureau was supporting.

The follow-on work to the Investment Climate Assessment Study in 1987/88 utilizing a Coopers & Lybrand team was the first time that any West African Mission had carried out an organized and intensive survey of the status and problems of private sector SMEs. This intensive background research provided the factual base for later PID and PP design of the major \$40 million grant Private Sector Support Program (PSSP) which received Washington approval in October 1988 and was scheduled for implementations in mid 1989. The Regional Private Enterprise Officer was the team leader in drafting the PP document.

The Zaire PSSP which is the key program/project element in the Mission's private sector strategy has two unique-to-West Africa components: a Commodity Import Program (CIP) directed at the private sector SME importers, and conditionalities targeted on banking systems reforms deemed necessary to liberalize the commercial banking system and encourage greater attention to SME borrower needs. USAID Zaire has closely coordinated banking reform initiatives with the World Bank.

The following documents will provide essential background:

- Investment Climate Assessment Zaire. A. Lessard. DIMPEX January 1986.
- Investment Project Profiles Zaire. A. Lessard, Editor. DIMPEX. January 1986.
- Analyse Générale du Système d'Intermediation Financière du Zaire. J.G.P. Consultants January, 1987.
- Private Sector Strategy and Development, Zaire. Memo Report. A. Lessard. February 23, 1987.
- Staff Appraisal Report, Zaire: Small Enterprise Development Project. World Bank, April 3, 1987.
- Zaire Private Sector Support Program. USAID Zaire, October, 1988.

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REGIONAL ACTIVITY SUMMARY

REGIONAL PRIVATE ENTERPRISE OFFICER

REDSO/WCA

1986-1989

REGIONAL ACTIVITY SUMMARY

In addition to serving individual Missions clients on private sector development matters, the REDSO/WCA Private Enterprise Officer also participated actively in a number of projects of a regional nature. The more important regional projects are summarized below.

LA FINANCIERE

The La Financière movement was started in the Cote d'Ivoire in the late 1970's grouping some 200 professionals committed to making monthly contributions for the creation of a private sector investment fund. By 1989, total investments in new private sector projects exceeded \$7 million. Since 1983, groups in a number of other West African countries have created autonomous La Financière. By 1989 the individual country organizations had decided to coordinate their activities by creating an Abidjan-based La Financière Internationale. Financial assistance was provided for the Assemblée Générale Constitutive de la Financière Internationale held in Abidjan in May 1989. A grant to assist in the creation of the headquarters of La Financière Internationale was under study in July 1989.

The following documents should be consulted:

- La Financière: The History We're Making. Undated.
- La Financière: Les Cadres d'Aujourd'hui Pour l'Afrique de Demain. Undated.
- The African Financière Movement: Towards the Creation of Indigenous Private Sector African Venture Capital Funds. A. Lessard. REDSO/WCA, January, 1989
- Possible Regional Program Linkages: La Financière, APDF and A Private Sector African Venture Capital Funds. A. Lessard memo dated February 15, 1989
- Un Interlocuteur Privilégié des Milieux D'Affaires Occidentaux. Marchés Tropicaux, June 2, 1989

REGIONAL HOUSING AND URBAN DEVELOPMENT OFFICE, WEST AND CENTRAL AFRICA
(RHUDO)

The Regional Private Enterprise Officer has maintained continuing working relationship with the Abidjan regional office of RHUDO because of RHUDO's organizational linkages at the Washington level with the Private Enterprise Bureau, and RHUDO/WCA's strong interest in privatization and decentralization of government services. REDSO's Private Enterprise Officer actively participated in the following two regional seminars:

- Conférence Regionale sur la Gestion et le Financement de la
Decentralisation. Abidjan. September 28 - October 1, 1987.

- Conférence sur la Privatisation des Services Urbain. Lomé, Togo. May
31 - June 3, 1988 (See particularly, "Les Conditions Nécessaires Pour
Rendre Efficace le Secteur Privé, A. Lessard REDSO/WCA).

For general background in private sector initiatives in provision of public services, consult "The Private Provision of Public Services." Gabriel Roth. EDI Series in Economic Development. Oxford U. Press, 1987.

AFRICAN PROJECT DEVELOPMENT FACILITY (APDF)

The APDF was created as a UNDP project with the International Finance Corporation (IFC) acting as executing agency, and the African Development Bank (ADB) as regional sponsor. Twelve donor countries including the U.S. (USAID) contribute to the financing of the project. The APDF, with regional offices in Abidjan and Nairobi, provides advisory services to private African entrepreneurs. The Regional Private Enterprise Officer was designated as a primary contact for APDF with REDSO/WCA. Consult the following documents for further information.

- The African Project Development Facility: Service de Promotion et de Développement des Investissements en Afrique. IFC. Brochure.

- Proposal to Develop a REDSO/WCA Working Relationship with the IFC-Managed APDF. Memo dated December 16, 1986 (See also REDSO/WCA letter to APDF of January 22, 1987 confirming this working relationship.)

- Comments on "Note General sur la Creation d'une Société Financière a Capitaux Privé" Submitted By the APDF. A. Lessard. Memo dated February 12, 1989.

- Africa Project Development Facility - West & Central Africa: Summary and Preliminary Review of Activities Thru December 1988. A. Lessard. REDSO/WCA January 1989.

CAUTION MUTUELLE - MUTUAL GUARANTEE SOCIETIES

The Caution Mutuelle concept is a long-established and successful French mutualist concept aimed at facilitating bank credit to small private sector entrepreneurs. Individuals associate themselves agreeing to contribute to the creation of a mutual guarantee fund for supporting member applications for credit.

REDSO/WCA was approached in late 1986 by the BIAO's Cote d'Ivoire branch bank for assistance in creating a pilot caution mutuelle in the Ivory Coast. REDSO/WCA strongly supported the concept, and was impressed by the quality of the preliminary work which the BIAO had done in the preparation of draft legislation and pro forma by-laws for creation of a caution mutuelle.

The BIAO Cote d'Ivoire was unable to obtain GOCI approval for their caution mutuelle proposals and the project has remained in suspense. The recent restructuring and acquisition of the BIAO's African banking network has blocked further action.

See the BIAO proposals and refer to the memo "Summary and Update of Mutual Guarantee Societies," A. Lessard. February 24, 1989. Also refer to the CEAO-CRUAO section which follows.

WEST AFRICAN ECONOMIC COMMUNITY (CEAO) AND NATIONALITY AFFILIATED TRADE
PROMOTION ORGANIZATIONS (CRUAO)

The Communauté Economique de l'Afrique de l'Ouest (CEAO) is a common market with headquarters in Burkina Faso grouping the following countries: Cote d'Ivoire, Burkina Faso, Mali, Mauritania, Niger and Senegal. The Secretariat of the CEAO approached USAID Africa Bureau in 1988 for financial support of major new CEAO initiatives in regional trade development with heavy emphasis on private sector operators, and including formation of mutual guarantee societies (caution mutuelle) in each of the member countries for stimulating commercial bank lending in support of regional and export trade.

The current state of play on CEAO-CRUAO is summarized in the Lessard-drafted cable Kinshasa 8480, subject West African Economic Community (CEAO) and Nationally Affiliated Trade Promotion Organization (CRUAO).

Meetings with CRUAO officials are being proposed for the week of June 26, 1989 to assess project status.

Also refer to the following documents:

- Traité Instituant la Communauté Economique de l'Afrique de l'Ouest et Protocoles Annexes. May 1987
- Programme Intégré de Promotion Commerciale - 1988 - 1992. CEAO. January 12, 1988
- Table Ronde sur les Groupements Communautaires. CEAO. Ouagadougou. May 30 - June 2, 1988

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AN APPROACH TO PRIVATE SECTOR DEVELOPMENT

A. LESSARD

USAID MISSION DIRECTORS CONFERENCE
NAIROBI, KENYA DECEMBER 7-11, 1987

REGIONAL PRIVATE ENTERPRISE OFFICER

REDSO/WCA

1980-1989

USAID
MISSION DIRECTORS CONFERENCE
NAIROBI, KENYA

December 7-11, 1987

"AN APPROACH TO PRIVATE SECTOR STRATEGY DEVELOPMENT"

ARNOLD F. LESSARD
REDSO/WCA/PRE

The objectives of this presentation were to define private sector strategic planning, review a field-developed approach to organizing and managing the private sector strategy planning process, and summarize some lessons learned about private sector development.

A private sector strategy must consider and address in a coordinated manner improvements in the overall investment climate, as well as direct efforts to assist private sector entrepreneurs.

Experience in REDSO/WCA demonstrates the need for defining and organizing the information base prior to attempting private sector strategy development. This information base includes:

- . The economic, business and regulatory environment and the climate for private sector investment.
- . Realistic sectoral development targets.
- . The nature of the indigenous private sector and major public sector companies involved in the productive sector.
- . An understanding of financial markets and the banking system.
- . Level of support and staff capabilities of host government and donor community for private sector development activities.
- . The individual mission's country development strategy and portfolio.
- . The mission's management and staffing structure, and staff qualifications and capabilities.
- . The analysis of the above information base leads to the identification and evaluation of strategic options, and finally a mission strategic statement.

The presentation stressed the need to focus initially on the mission's existing portfolio when considering private sector program/project options. Projects/programs under consideration or design should then be reviewed for private sector implications. Only then should new initiatives be considered.

The lessons learned may be summarized as follows:

- . Mission support is generally very positive. The "How to" question is now of major concern.

- . A number of missions already have impressive private sector oriented programs - although a strategy may not have been articulated.

- . Private sector oriented training and development at mission level is a critical need.

- . Consultants used in private sector development must be more carefully chosen and tightly managed. Mission staff must be better integrated into consulting teams to provide essential continuity.

- . Established in-country or regional consultants with local African staff should be encouraged.

USAIDs should play to Agency strengths: agriculture, human resources, credit union/cooperative development, commodity import programs, technical assistance.

- . AID and USAIDs must strengthen in-house staff capabilities at mission level in dealing with commercial bank on-lending programs, export promotion, privatization, financial markets, and policy dialogue.

- . Pure micro projects of a one-on-one nature are not sustainable. This segment may be reached by group or cooperative approaches.

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AN APPROACH TO
PRIVATE SECTOR STRATEGY DEVELOPMENT

USAID
MISSION DIRECTORS CONFERENCE
NAIROBI, KENYA

DECEMBER 7-11, 1987

4/12

OBJECTIVES OF THIS PRESENTATION

- ▶ ATTEMPT A DEFINITION OF PRIVATE SECTOR STRATEGIC PLANNING

- ▶ SUGGEST THAT ANY STRATEGIC PLANNING MODEL IS A TOOL IN A COMPLICATED AND ON-GOING MANAGEMENT PROCESS

- ▶ REVIEW A FIELD-DEVELOPED APPROACH TO ORGANIZING AND MANAGING A PRIVATE SECTOR STRATEGY PLANNING PROCESS

- ▶ RECOGNIZE THE "UNTIDINESS" OF PRIVATE SECTOR PLANNING AND PROGRAM MANAGEMENT UNDER FIELD CONDITIONS

- ▶ SUMMARIZE SOME LESSONS LEARNED ABOUT PRIVATE SECTOR DEVELOPMENT

8
3.

THE "PRIVATE SECTOR" AS A DEVELOPMENT CONCEPT

▶ THE PRIVATE SECTOR :

- AN ESSENTIAL PARTNER WITH THE PUBLIC SECTOR IN NATIONAL DEVELOPMENT
- NOT AN ACTIVITY ADD-ON
- ROOTS AND ROLES IN ALMOST ALL OF AID'S PROGRAM AND PROJECT ACTIVITIES

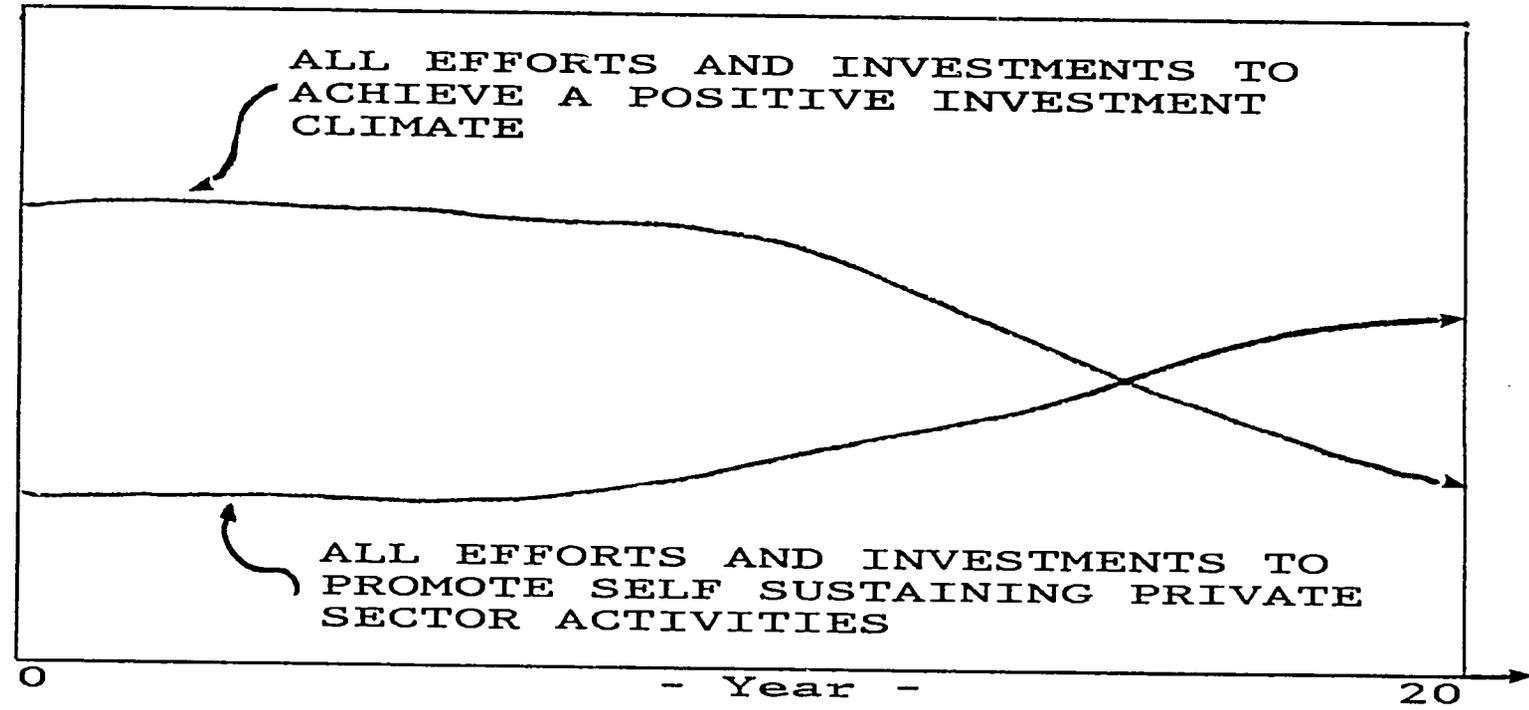
▶ PRIVATE SECTOR STRATEGY :

- ANSWERS THE QUESTIONS OF OBJECTIVES, ROLE AND DIRECTION OF USAID'S DEVELOPMENT INVESTMENTS IN BUILDING A VITAL AND FINANCIALLY SELF SUSTAINING PRIVATE SECTOR PARTNERSHIP IN NATIONAL DEVELOPMENT
- AN INTEGRAL LINKAGE WITH NATIONAL AND USAID COUNTRY DEVELOPMENT OBJECTIVES

DEVELOPING AND IMPLEMENTING AN EFFECTIVE PRIVATE SECTOR STRATEGY IN AFRICA IS A STRUGGLE WAGED ON TWO FRONTS - AND IT'S STILL EARLY DAYS

▲
Poor investment climate,
highly regulated
economy

▼
Low level of
private
sector
activity



PRIVATE SECTOR STRATEGY DESIGN STARTS WITH ORGANIZING THE INFORMATION BASE :

- ▶ THE ECONOMIC, BUSINESS AND REGULATORY ENVIRONMENT AND THE CLIMATE FOR PRIVATE SECTOR INVESTMENT
- ▶ REALISTIC SECTORAL DEVELOPMENT TARGETS
- ▶ THE NATURE OF THE PRIVATE SECTOR
- ▶ FINANCIAL MARKETS OVERVIEW
- ▶ THE DONOR COMMUNITY : LEVEL OF FINANCIAL SUPPORT AND STAFF CAPABILITIES
- ▶ THE MISSION'S CURRENT DEVELOPMENT STRATEGY AND PORTFOLIO
- ▶ THE MISSION'S MANAGEMENT AND STAFFING STRUCTURE, AND STAFF QUALIFICATIONS AND CAPABILITIES

AN APPROACH TO PRIVATE SECTOR STRATEGIC PLANNING

THE ENVIRONMENT :

PROBLEMS AND OPPORTUNITIES

THE INVESTMENT
CLIMATE

MAJOR
SECTORAL
DEVELOPMENT
NEEDS AND
OPPORTUNITIES

PRIVATE
SECTOR
PROFILES

FINANCIAL
MARKETS
AND THE
BANKING
SYSTEM

DONOR AND MISSION CAPABILITIES
AND PROGRAMS

THE
DONOR
COMMUNITY

THE MISSION
OBJECTIVES
AND
PORTFOLIO

MISSION
STRUCTURE
AND STAFFING
ASSESSMENT

STRATEGY OPTIONS

IDENTIFICATION AND
EVALUATION OF
STRATEGIC OPTIONS

A STRATEGY STATEMENT

A MISSION PRIVATE
SECTOR STRATEGIC
STATEMENT

PROGRAM/PROJECT OPTIONS

MISSION'S
EXISTING
PORTFOLIO
OPPORTUNITIES

PROJECTS/PROGRAMS
UNDER
DEVELOPMENT

NEW
INITIATIVES

2/15

THE FUNDAMENTAL LINK BETWEEN STRATEGY DESIGN AND CAPABILITY TO DELIVER - A MISSION VIEW

ASSESSMENT OF USAID'S ABILITY TO SUCCESSFULLY ADDRESS NEEDS

ASSESSMENT OF PRIVATE SECTOR DEVELOPMENT NEEDS

		HI	MED	LO	LO AND LONG
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MED	(8)		(7)	(6) (9)	
LO					

1. AERPR/STRUCTURAL READJUSTMENT POLICY REFORM
2. FINANCIAL MARKETS DEVELOPMENT
3. MEDIUM/LONG TERM LENDING TO THE PRIVATE SECTOR
4. CREDIT UNION DEVELOPMENT/SAVINGS MOBILIZATION
5. COOPERATIVE DEVELOPMENT
6. LOAN GUARANTEE FUND
7. TECHNICAL ASSISTANCE
8. HUMAN RESOURCES DEVELOPMENT
9. JOINT VENTURE/PARTNER SEARCH
10. PRIVATIZATION
11. EMPLOYMENT GENERATION
12. COMMODITY IMPORT PROGRAM

23.

ONE MAN'S VIEW OF LESSONS LEARNED

▶ MISSION SUPPORT : GENERALLY VERY POSITIVE

- NO ONE IS "FIGHTING" PRIVATE SECTOR INITIATIVES
- MISSIONS PRIMARILY CONCERNED WITH THE "HOW TO"
- A FEW MISSIONS HAVE IMPRESSIVE PRIVATE SECTOR PROGRAMS - ALTHOUGH STRATEGIES NOT ARTICULATED
- COLLEGIAL PLANNING AND DEVELOPMENT SUCCESSFUL

▶ STAFF TRAINING AND DEVELOPMENT : CRITICAL NEED

- TRAINING AND ORIENTATION OF MISSION STAFF NEGLECTED
- PRACTICAL, FIELD ORIENTED TRAINING URGENTLY NEEDED
- DEDICATED PRIVATE SECTOR OFFICERS NOW PRIORITY ISSUE
- TEAM TRAINING AT MISSION LEVEL OFFERS POTENTIAL

► USE OF CONSULTANTS AND PVOS : VERY MIXED EXPERIENCE

- TOO MANY EXAMPLES OF marginally QUALIFIED U.S. CONSULTANTS
- MANY CONSULTANTS/PVOS HAVE LIMITED FIELD SUPERVISION CAPABILITY
- USAID'S NOT "TOUGH ENOUGH" IN QUALIFYING, DEMANDING PERFORMANCE AND MANAGING CONSULTANTS/PVOS.
- TOO LITTLE MISSION STAFF PARTICIPATION IN CONSULTING FIELD WORK
- ESTABLISHED IN-COUNTRY OR REGIONAL FIRMS WITH PERMANENTLY BASED FOREIGN AND LOCAL STAFF SHOULD BE ENCOURAGED
- CONSULTANTS AND PVOS ARE BOTH STRETCHING THE LIMITS OF THEIR EXPERIENCE AND CAPABILITIES IN THEIR PURSUIT OF CONTRACTS AND FUNDING

► PROGRAM FOCUS : START FROM WHERE YOU ARE IN SECTORS YOU UNDERSTAND

PROGRAMS WHICH GENERALLY PLAY TO AID STRENGTHS :

- AGRICULTURE BASED
- HUMAN RESOURCES DEVELOPMENT
- CREDIT UNION AND COOPERATIVE DEVELOPMENT
- COMMODITY IMPORT PROGRAMS
- PRIVATE SECTOR DELIVERY OF GOODS AND SERVICES FOR ESTABLISHED PROGRAMS

PROGRAMS WHICH WE ARE FINDING DIFFICULT TO DESIGN AND MANAGE

- PURE MICRO SECTOR PROJECTS
- COMMERCIAL BANK ON-LENDING PROGRAMS
- EXPORT PROMOTION
- PRIVATIZATION
- POLICY DIALOGUE AND CONDITIONALITY AGENDAS
- FINANCIAL MARKET DEVELOPMENT

► PROGRAM FOCUS : START FROM WHERE YOU ARE IN SECTORS YOU UNDERSTAND

PROGRAMS WHICH GENERALLY PLAY TO AID STRENGTHS :

- AGRICULTURE BASED
- HUMAN RESOURCES DEVELOPMENT
- CREDIT UNION AND COOPERATIVE DEVELOPMENT
- COMMODITY IMPORT PROGRAMS
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- COMMERCIAL BANK ON-LENDING PROGRAMS
- EXPORT PROMOTION
- PRIVATIZATION
- POLICY DIALOGUE AND CONDITIONALITY AGENDAS
- FINANCIAL MARKET DEVELOPMENT

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