PN-ABJ-650

II
ZAI

PRIVATE SECTOR TRAINING NEEDS ASSESSMENT AND FY 88 - FY 92 COUNTRY TRAINING PLAN

HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA) PROJECT

USAID/ZAIRE

September 1988

Prepared by

Deborah M. Orsini
HRDA Private Sector Training Coordinator
and
David P. Harmon, Jr.
Consultant

Under Contract No.
AFR-0463-C-00-8030-00

For

LABAT-ANDERSON Incorporated
1111 N. 19th Street, Suite 600
Arlington, VA 22209

LABAT-ANDERSON INCORPORATED

PA-ABJ-650

PRIVATE SECTOR TRAINING NEEDS ASSESSMENT AND FY 88 - FY 92 COUNTRY TRAINING PLAN

HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA) PROJECT

USAID/ZAIRE

September 1988

Prepared by

Deborah M. Orsini
HRDA Private Sector Training Coordinator
and
David P. Harmon, Jr.
Consultant

Under Contract No.
AFR-0463-C-00-8030-00

For

LABAT-ANDERSON Incorporated
1111 N. 19th Street, Suite 600
Arlington, VA 22209

USAID/ZAIRE PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

TABLE OF CONTENTS

ANNEXES

ACRONYMS

AFR/TR/EHR	AID Africa Bureau Office of Technical Resources, Education and Human Resources
AID	Agency for International Development
AMDP	African Manpower Development Project
ANEZA	Association Nationale des Entreprises du Zaire
BCA	Banque de Credit Agricole
BCZ	Banque Commerciale du Zaire
BEDEPE	Bureau de Developpement des PME
CADICEC	Centre Chretien d'Action pour Dirigeants et Cadres d'Entreprises au Zaire
CDSS	Country Development Strategy Statement
CENACOF	Centre National de Coordination de la Formation
CEPETEDE	Centre de Perfectionnement aux Techniques de Developpement
CIP	Commodity Import Program
ELT	English Language Training
ENI	Economie Nationale et Industrie (Department of)
FAC	Fonds d'Assistance a la Cooperation (French AID)
FENAPEZ	Federation Nationale des PME du Zaire
GNP	Gross Domestic Product
GOZ	Government of Zaire
HRDA	Human Resources Development Assistance project
IBRD	International Bank for Reconstruction and Development (World Bank)
IESC	International Executive Service Corps
ILO	International Labor Organization
INPP	Institut Nat'l de Perfectionnement Professionnel
ISC	Institut Superieur de Commerce
LOP	Life of Project
NGO	Non-governmental organization
OICI	Opportunities Industrialization Center Int'l.
OJT	On the Job Training
ONATRA	Office National des Transports
OPEZ	Office des Ptes et Moyennes Entreprises du Zaire
PSAB	Private Sector Advisory Board
PSSP	Private Sector Support Project
PVO	Private Voluntary Organization
SAL	Structural Adjustment Loan
SARL	Societe Associee a Responsabilite Limitee
SGS	Societe Generale de Surveillance
SME	Small to Medium-Scale Enterprise
SOCREPE	Societe de Credit et d'Epargne des Petites et Moyennes Entreprises
SOFIDE	Societe de Financement du Developpement
SPRL	Societe Privee a Responsabilite Limitee
UNAPME	Union Nationale des Petites et Moyennes Entreprises
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development

HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA) PROJECT
PRIVATE SECTOR TRAINING NEEDS ASSESSMENT
AND COUNTRY TRAINING PLAN

EXECUTIVE SUMMARY

The purpose of the HRDA private sector training needs assessment conducted in September 1988 was to determine training priorities which will promote private sector development in line with the USAID Zaire assistance strategy. USAID Zaire strategy focusses on assistance in agriculture, health, family planning and rural transport, especially in two provinces- Bandundu and Shaba. The mission's strategy also emphasizes project and non-project assistance to promote implementation of Zaire's economic policy reform program and to stimulate creation and expansion of private enterprise.

The five-year training plan developed as a result of this assessment should serve as the basis for private sector training activities funded under HRDA from FY 88 to FY 92. (Certain of the recommended activities may be implemented using local currency from counterpart funds). Periodic updates of the training plan (at least at two-year intervals) should take place to ensure that the plan corresponds to the changing economic environment in Zaire and to any changes in mission priorities.

During the assessment, team members met with 26 key players in private sector development, including GOZ agencies and business promotion units, training institutes, accounting firms, employers' associations and donors; and with 28 private firms from all sectors, ranging in size from 6 to 185 employees and in gross sales from 1 million to 500 million zaires ($5,000 to $2.5 million equivalent).

The assessment identified the following major constraints to development of private enterprise, particularly as concerns small to medium-scale enterprises:

- lack of access to short term and medium term credit
- very limited availability of foreign exchange
- Accelerated depreciation of the zaire, high inflation and low purchasing power
- lacked of skilled technicians and low levels of productivity
- lack of adequate SME management skills, particularly in production management, planning, marketing and pricing
- outside Kinshasa, very poor infrastructure (roads and power)
- administrative and fiscal harrassment, inefficient public organizations and frequent corruption

The assessment identified the following major SME training needs: **owners and managers**- training in production, planning, pricing & marketing; **line managers and technicians**: technical training in production management, production techniques and quality control.

The assessment examined the programs of several management training institutes in Kinshasa. The HRDA strategy attempts to match identified training needs with existing quality training programs at local institutes. In a few cases, limited technical assistance is proposed to strengthen or initiate training programs to respond to identified needs.

The assessment also identified the need for training for certain business associations and support organizations to improve their efficiency in representing and serving their members.

To respond to the various needs identified, the HRDA private sector training strategy has four key objectives:

1. increase technical skills level among local small to medium scale industries, to be accomplished through the provision of in-country technical training, short term technical assistance and internships in U.S. firms;

2. improve mangement skills among small to medium-scale enterprises, to be accomplished through the provision of tuition grants for private sector participants at selected management training programs in Kinshasa;

3. promote the creation of new enterprises by university graduates, to be accomplished through the development of a specialized enterprise creation module for university graduates and the establishment of a small business development center to provide outreach to SMEs by business students;

4. strengthen business support organizations and associations, to be accomplished through customized study tours and short term training in the U.S., in third country African institutions, or in-country, with emphasis on FENAPEZ, UNAPME, CADICEC and OPEZ.

It is estimated that the HRDA project will be incrementally funded from the mission's OYB as follows: FY 83: $520,000; FY 89: $1,050,000; FY 90: $445,000; FY 91-92: $500,000, totalling $3,015,000 over LOP. Of that amount, $1,475,000 (49%) will be devoted to private sector training, including 3 long term and 30 short term training programs in the U.S.; 35 short term training programs in Africa; 5 study tours; 30 internships in U.S. firms; 10 in-country technical consultations; and 55 in-country training activities (the latter to be funded from local currency). It is also recommended that a private sector training coordinator, reporting to the mission training officer, be hired.

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

USAID Zaire developed a Five Year Country Training Plan in December 1987 which projected types and numbers of public and private sector training activities over the five year HRDA LOP. This plan stated that a detailed training strategy for the private sector would be developed by December 1988.

Pending the present HRDA private sector training needs assesment, USAID Zaire began a number of training initiatives for owners and operators of private sector firms and for staff of private sector support organizations. The present strategy is intended to suggest areas in which the mission might build on this experience and more closely focus its in-country, third country and U.S. training activities for the private sector over the five-year HRDA project period (FY 88 -FY 92).

During the HRDA private sector training needs assessment, a two person team conducted 55 interviews over a two-week period, including GOZ agencies, training institutes, major donors, business associations, CPA and law firms, development and commercial banks and 28 private sector firms. The team reviewed preliminary conclusions with USAID Zaire staff and with a representative group of private sector businessmen and a staff of support organizations, prior to preparing this final draft private sector training strategy.

II. DEVELOPMENT PRIORITIES

A. USAID DEVELOPMENT PRIORITIES

The USAID Zaire development assistance strategy focusses on agriculture, health, family planning, rural transport and balance of payments support, particularly in the provinces of Shaba and Bandundu. The mission actively seeks links to both private firms and private voluntary organizations for implementation of mission development activities.

USAID Zaire is also actively involved in policy dialogue on economic reform with the GOZ. Mission interest in private sector development is reflected in its FY 89 Private Sector Support Project (PSSP), intended to provide balance of payment support and to facilitate imports of esssential goods for medium and small scale productive activities.

The mission portfolio has more than doubled in the last four years and this has imposed a heavy management burden on mission staff. In addition, the mission has encountered difficulties in "weaning" certain projects away from its financial support. For these reasons and because a number of competent training resources exist in Zaire, the mission has adopted a "cash for services" arrangement with several local training institutes.

It is recommended that this approach continue to be used for private sector training, except for a limited number of cases where it was felt that additional technical assistance would be needed to refine or initiate special programs.

B. USAID Private Sector Strategy and its Relationship to Training

The major USAID Zaire initiatives to date to support structural adjustment and economic policy reforms in favor of the private sector have involved commodity import programs (CIPs) which have no training components.

The mission has undertaken a number of private sector studies, including an Investment Climate Survey, Banking Sector Survey, Draft Private Sector Development Strategy and several surveys on small and medium-scale enterprises in Zaire. These studies have served as background to the design of the Private Sector Support Project (PSSP), a $40 million balance of payments support project intended to assist medium-scale private firms to obtain essential raw materials and goods for productive activities, particularly in agro-industry.

The PSSP project, scheduled for implementation in FY 89, will assist in relieving the foreign exchange shortage in Zaire. The HRDA project will complement the PSSP credit component with its training activities. As implementation of PSSP proceeds, changes to the training plan proposed herein will be necessary based on specific training requirements of firms receiving PSSP credit.

The mission will also undertake a Small Project Support Project to select and fund PVO activities in country. This project may well identify additional in-country resources for providing training to private sector groups, particularly in areas outside Kinshasa.

The mission is scheduled to revise its CDSS in FY 89 and it is probable that the new strategy will place even greater emphasis on eliminating the constraints to private sector development. The CDSS revision may result in the recommendation for a major bilateral training and technical assistance project for private sector development. The experience gained with HRDA and local currency-funded training activities for the private sector would be useful in designing such a bilateral private sector training project.

Within the last year, the mission has undertaken a number of creative initiatives to support private sector development in Zaire. (The dollar costs of such training were funded from remaining AMDP II funds). These initiatives include the negotiation of purchase orders with 3 local training institutes to finance tuition grants (scholarships) for private sector participants (70 tuition grants at CEPETEDE; 60 tuition grants at CENACOF and 60 tuition grants at CIDEP). In addition, USAID has assisted OPEZ, the GOZ SME promotion agency, by provided training of trainers at CENACOF for 20 newly-hired OPEZ consultants, short term training in the U.S. for several staff members and long term degree training in the U.S. for 2 other staff members, with a third scheduled to depart for long term training in the near future. The mission has funded two Entrepreneurs International internships in the U.S. for Zairian entrepreneurs and a study tour of U.S. programs in entrepreneurial development for a group of 2 university professors, 2 OPEZ senior staff and the head of the SME program within ANEZA.

These efforts have been very well received by the participants involved. The training strategy defined herein (see Section IX) analyzes certain of these experiences and makes recommendations for building on them.

III. PRIVATE SECTOR ENVIRONMENT

The following section summarizes the environment in which Zaire's private sector, and especially the SME sub-sector, operates. It also sets forth the principal constraints which hinder the SME's development and recommends areas in which HRDA training can help alleviate constraints. Greater detail on the private sector environment is found in Annex 4.

A. Policy Environment and Expected Reforms

In 1983, the GOZ initiated various stabilization and reform actions, as part of an IMF stand-by program. The actions included devaluation of the zaire, establishment of a market determined exchange rate, liberalization of the exchange and trade system, decontrol of most prices (including interest rates), tight expenditure controls, including reductions in public sector employment and efforts to decrease the budgetary burden of the country's parastatals. One of the principal objectives of reform was to create a more competitive, export-oriented manufacturing sector. From 1983 to 1986, Zaire made substantial progress in most of the above areas.

The economy, however, remained weak as gross domestic product per capita declined. Also, world prices for Zaire's major mineral exports continued to decline.

Starting in 1986, Zaire experienced a sharp decline in export prices. By December 1986, Zaire had ceased making monthly payments to its bilateral creditors. Both 1987 and 1988 have been marked by severe inflation (80-100%), depreciation in the official value of the zaire from 28 z/$1 in January 1987 to 210 z/$1 in September 1988. The parallel market rate is currently 280 z/$1.

Since 1986, the GOZ has delayed taking necessary corrective actions and has failed to maintain fiscal discipline. Furthermore, political pressures to reverse the trend towards more economic liberalization have developed. The exchange rate is no longer market determined, the budget program established with the IMF is falling apart, and the GOZ's overall position is not clear. Furthermore, the GOZ continues to be marked by massive mismanagement and corruption.

Since there has been a lack of progress in IMF/World Bank designated macro-economic reforms, USAID's $40 million Private Sector Support Project's start has been delayed. USAID/Zaire is currently pursuing a policy dialogue with the GOZ to facilitate reform progress so that USAID can move ahead with the project.

The World Bank has suspended disbursements on its current structural adjustment loan. Moreover, there is the serious question of whether Zaire qualifies for new World Bank sectoral loans under preparation.

B. <u>Economic and Market Factors</u>

Zaire's economic situation ranges from bleak to precarious depending on the observer. The deterioration of the economy started accelerating at the end of 1986 and has continued to do so to date. Following are the principal problems, especially from the standpoint of SMEs:

- o Lack of foreign exchange availability to enable the importation of raw materials

- A rising rate of inflation, estimated to be 80-100% in 1987 and running somewhere between 90-100% in 1988
- Growing capital flight and very little reinvestment in Zaire
- A road infrastructure in such poor condition that much agricultural produce cannot be moved to markets. Urban-rural interchange is negligible.
- Inability of companies to obtain domestic raw materials, e.g., timber, leather, since it is more profitable to export rather than sell domestically
- A declining purchasing power among urban populations and a concomitant shrinkage of markets
- Growing amount of trading/speculation going on rather than productive business

Underlying these problems are the GOZ's unproductive past investments and high operating costs of the government. Inflationary increases in the money supply to cover yearly operating expenses, and a large balance of payments deficit stemming from past investments in large measure causes the zaire to depreciate. Also, Zaire's foreign exchange earnings are generated by a small number of basic commodities whose world prices depend on cyclical factors and requirements of users.

C. Financial Markets

Zaire's banking sector includes the Central Bank, 10 commercial banks and two development banks. Between SOFIDE, the principal development bank, and the three largest commercial banks, there are theoretically large credit facilities for SMEs. In practice, however, most SMEs do not meet the banks' stringent collateral and other banking criteria.

The deteriorating economic situation, including the continuing devaluation of the zaire, has placed many SME borrowers in the position of not being able to repay their loans. The banking system is illiquid, and there is a severe lack of credit for working capital, with the result that companies must <u>invest</u> in inventories just to keep operating.

SOFIDE reports that 40% of its portfolio is more than three months overdue and that if the rescheduling of older loans were not taken into consideration, virtually the entire portfolio would be considered uncollectible. The largest commercial bank, the Banque Commerciale du Zaire, reports that its loan delinquency rate is growing and that its business and that of the other commercial banks are decreasing.

Commercial banks are very reluctant to lend to SMEs because of the position of Zaire's currency, the traditional aversion to risk and specific SME characteristics, notably lack of investment capital, lack of suitable collateral, lack of business experience and growing loan non-repayment rates.

Certain SME characteristics lend themselves to correction through training, notably how to structure, finance and manage business, how to prepare business proposals and loan applications, how to establish an accounting/bookkeeping system, and how to nurture a market-driven, producing enterprise over the long term.

It is interesting to note that the BCZ is in the very early stages of creating a SME unit whose role will be to work with SMEs to correct these deficiencies and to help make SMEs more bankable.

D. Human Resources

Zaire's economic deterioration, the growth in Kinshasa's population and the widespread lack of business and technical skills, make the question of human resources and how to employ them gainfully key today.

Zaire has a somewhat larger pool of entrepreneurs than do many other African countries. While there certainly is ample entrepreneurial spirit, Zaire lacks a sufficient number of experienced, properly trained, financially sound Zairian businessmen to capitalize on the potential of a country of 30+ million people and a capital city of over three million.

The shortcoming of the fledgling entrepreneur is that he often lacks understanding of the requisites of business, i.e., how to organize and structure a business, how to make market determinations, how to nurture a business to the point of success and the concept of financial responsibility to the business.

Management skills and know-how are lacking among most Zairian businessmen, and extends across all the business functions, from accounting to strategic planning. High school and university graduates enter the business world with some theoretical background of little use to business and no hands on practical experience. The result is that businesses have to train their Zairian managers, except those few that are fortunate enough to lure already well-trained managers from other companies.

The labor supply is abundant, extremely underpaid, and almost totally lacking in trade and technical skills. Viable training institutions are few and ill-equipped, if equipped at all.

Illiteracy and lack of numeracy skills are serious constraints. Other problems are a lack of employee "responsibility" to firm and career, absenteeism and theft. This forces the business to have to train and constantly supervise most workers.

One fortunate result of all the necessary in-house training is that a growing pool of skilled employees is created. They are becoming mobile, moving from one job to another. One firm noted that certain of its well-trained Zairian accountants have moved on to become financial directors of large Kinshasa firms- a normal and desirable chain of events which helps promote a healthy economy.

E. Economic and Industrial Potential

Growth in Zaire's economy must be predicated on significant progress in resolving Zaire's structural economic problems and the disastrous state of much of her infrastructure. Growth potential must be viewed within a ten-year framework since this much time will be needed to reduce Zaire's problems. If this progress is made, growth could come from several sources.

SECTOR	POTENTIAL FOR GROWTH
Agriculture	Food crops; rehabilitation of tree crops (predicated on functioning internal road system and timely availability of agricultural inputs)
	Livestock (predicated on availability of feed inputs and veterinary supplies)
	Agriculture-related activities, e.g. food processing, agricultural input supply, agricultural goods and services: multiplier effect along "food chain"
Mining	Copper (significant if lower production costs, transportation situation improves and open new capacity)
	Petroleum (only if prices go over $20/barrel; but exploration costs high)
	Cobalt- weak prospects
	Diamonds, gold- capital flight vehicles, little return for Zaire
Construction	Public sector investment and multiplier effect

	along entire "construction chain": all related activities and labor
Manufacturing	Large internal market: multiplier effect small business, retailers, etc. Inter-industry linkages
Services	Services ancillary to manufacturing function of improvement of manufacturing sector. GOZ: real wages have fallen- stagnant at best
Commerce/ Distribution	Depends on rehabilitation of transportation network, investment in communications, fuel pricing and availability
Tourism	Insignificant

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

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

TYPE OF CONSTRAINT	DEGREE OF BEARING ON SME TRAINING
1. Government policy actions	Minimal
2. Taxation	Minimal
3. Infrastructure	Minimal
4. Government administrative factors	Minimal
5. General economic/market factors	Moderate
6. Access to credit	Moderate
7. Human Resources	Strong
8. Private Sector Characteristics	Strong

GOZ policy inaction resulting in a lack of corrective measures taken and the movement away from market determined exchange rates has had deleterious secondary effects for SMEs. The most serious problem facing SMEs is their inability to get foreign exchange in order to import needed raw materials.

Taxation constrains the SME, both in its complexity and in the harassment of the tax authorities. The array of variable and fixed taxes can jeopardize the life of a new business, and thus force many firms to stay outside of the reach of tax authorities.

Administrative and bureaucratic factors are serious hindrances to the effective conduct of business. From the formation of a business to its day-to-day operations, red tape, harassement by authorities and the constant need to bribe saps a business.

Infrastructure. The principal infrastructure impediments are the deplorable shape of roads in the interior and the lack of a working telecommunications system in Zaire and at times to the exterior. Rapid communications is a sine qua non of effectively doing business. The sorry state of the transportation infrastructure means that goods do not move to and from the interior, food products perish, there is little urban-rural interchange and the price of foodstuffs rises in the cities.

Economic and market factors weigh very heavily on the SME. The lack of foreign exchange and the concomitant inability to import needed raw materials, coupled with a 100% rate of inflation and declining purchasing power, are severely constraining the development and growth of a viable SME subsector.

This area has potential for SME training in so far as marketing skills are concerned. Zaire's internal markets are potentially large, and that of Kinshasa is large. With purchasing power declining, consumers are becoming choosy in their purchases and product quality is starting to become more important. Under these conditions, marketing training, from the concept of market as the "raison d'etre" of business, to the precept that the "customer is king" is an absolute requisite for the SME.

Access to credit is a prime constraint for the SME. While economic and policy factors limit access to credit and are out of the reach of SMEs to influence, practical training in areas which will make SMEs more "bankable" will help. Training needs span the entire gamut of loan application preparation, business proposal writing, market studies, and general and financial management- all of the basic business skills which legitimize a business in the bankers' eyes.

<u>Trained human resources</u> are largely lacking in Zaire. The lack ranges from basic trade skills to all of the usual expertise needed to run a business. This is fertile ground for training and can help alleviate the credit and market factor constraints. The lack of viable practical educational/training institutes means that many businesses must train their own employees. The growing pool of industry-trained Zairians represents a potential resource: larger firms could be encouraged to accept non-company trainees in their on-the-job training programs.

Finally, the <u>private sector itself has certain characteristics</u> which constrain it. Fledgling entrepreneurs, with little preparation in understanding of business, imitate what a few early entrepreneurs are doing successfully. Current businessmen are diversifying into activities about which they know very little, in an effort to earn foreign exchange and local currency, in order to save their primary businesses.

Coupled with this tendancy towards 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 <u>asks</u>: who are/what are the markets that can be tapped and how can I best tap them with my product/skills/ideas?"

Marketing training, with its broad array of jobs and techniques, can help direct new and current entrepreneurs in the business directions that are appropriate for them and help them steer clear of obvious loss situations.

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

A. Educational System

The Zairian educational system is encountering a number of major difficulties: (1) increased student enrollments due to population growth; (2) deteriorating infrastructure with insufficient capacity; (3) lack of financial resources for physical improvements or teaching materials; and (4) declining quality of teaching due to high student/teacher ratios, unsuitable curricula, inadequate teacher qualifications and lack of teacher motivation due to low salaries.

The system also suffers from a lack of statistical data on the sector and insufficient analysis of the system's relationship to employment and labor market requirements.

The GOZ budget allocated to national education has declined to one of the lowest in Africa today. Higher education, which accounts for over 40% of the education budget, has been particularly restricted. The university campuses in Kinshasa are in sad condition- cafeterias no longer function, dormitory rooms are limited to a tiny fraction of the demand, windows are broken, there are no books and teachers are often absent, pursuing other occupations in order to make ends meet.

Graduates from technical high schools, the university, business schools and technical institutes are considered essentially untrained by their employers: the educational model is of the classic academic type and the lack of financial resources is such that very little adaptation of curricula or teaching materials has been undertaken. Private, church-run schools are being instituted throughout the country to replace the inadequate public system.

Advanced educational opportunities abroad in key fields will be a priority until the educational system is reinvigorated. From the standpoint of private sector-related training, master's level education for a limited number of business school professors is needed, with particular emphasis on subject areas such as small business development, management, entrepreneurship and strategic planning. While the AFGRAD program may provide certain advanced degree opportunities, HRDA should also fund at least three masters' level programs in the above fields, in practically-oriented universities, such as those offering a semester's internship in small business as part of the curriculum. Programs at universities interested in linkages with the Institut Superieur de Commerce (ISC) or the University of Kinshasa should be given priority consideration, such as Tennessee State University or Duquesne University which were visited by Zairian univesity officials during a recent study tour. (See Section IX).

The existing network of technical schools also comes in for serious criticism from end-users. This applies both to high school level vocational technical schools and to the National Institute for Professional Training (INPP). One local private sector businessman remarked that the only technical school worth anything in the entire country is that run by GECAMINES, the huge mining company in Shaba.

There is a lack of data on educational system outputs and projected labor market demand. Two manpower studies are in process which may assist in determining future training needs for the private sector. The first is a study of manpower needs for the industrial sector, to be funded by the IBRD and completed by January 1989. The second is a manpower study to be funded by the African Development Bank during 1989.

Data from the Institut Superieur de Commerce (ISC) may be considered illustrative of the problems in the university system. This university-level institute has an enrollment of 4800 students in a three-year program in financial management. Each year 1200 new students are accepted into the program, including 500 students who are not recent high school graduates (7800 persons apply for these 500 places) and 700 students who are recent high school graduates (4000 persons apply for these 700 slots). The ratio of applicants to available places is therefore nearly 10:1. University officials estimate that of the 200-300 students who graduate each year, no more than two-thirds are readily able to find employment.

B. Employment in Zaire

Limited information on employment was available to the assessment team.

According to a University of Louvain study, in 1985, total urban employment in Zaire was estimated to be 2,300,000, of which 804,000 jobs were in the formal sector (35%). Informal employment was estimated to be 1,500,000, or 65% of all employment throughout Zaire. Males held 98% of all jobs in the formal sector as compared to 67% of all jobs in the informal sector.

An ILO study found that 71% of the entire active population of Kinshasa was employed in the informal sector in 1985 (ILO study on the African Informal Sector- Addis Ababa, 1985). The same study indicated that Kinshasa has one of the highest percentages of informal sector employment in Africa, when comparerd to Abidjan, Nairobi, Lagos, Lome and Brazzaville.

Another ILO study 1984 found that three fifths of the urban population between 15 and 60 years of age was unemployed- broken out into 37% of all men in that age bracket and 81% of all women.

A study done by the National Commission on Investment (NCI) for Zaire concluded that to keep pace with population growth, it would have been necessary to create some 24,000 jobs per year during the period 1975 and 1990. A sample of the job creation potential among all projects approved by the NCI in 1985 alone showed that under the best of circumstances, one could expect only 7,000 jobs to be created, leaving at least 17,000 persons unemployed per year.

As concerns employment among university graduates, the assessment team was informed by its advisory group that there were 9600 umemployed graduates in Zaire in 1987. By July 1988 that number had increased to 13,200. Extrapolating from information supplied by the ISC, one can assume that at most only two-thirds of all university graduates can hope to find employment.

Firms interviewed in the Kinshasa area during the assessment indicated that they are not hiring. Several had laid off employees. The GOZ has severely curtailed its hiring. However, the active population in Kinshasa is growing at a rate of 8 - 10% per year. Unemployment is therefore a serious issue. In fact, it was cited by the Secretary General at the Department of Plan as the critical issue in Zaire's future.

C. Technical Training in Zaire

1. INPP

The INPP, Institut National de Preparation Professionnelle, created in 1964, was initially founded to provide technical training and retraining for Zairian workers. The INPP has a tripartite board composed of member from the GOZ, ANEZA and the National Union of Zairian Workers. Its budget is provided from GOZ subsidies and annual fees from companies, based on a 1% fee on total wages paid by firms in Zaire.

The INPP offers both internal training at its own facilities and external training within company facilities. The various technical training programs offered include general mechanics, automobile mechanics, agricultural mechanics, welding, air conditioning, electronics, construction, and secretarial skills. INPP also serves as a final training site and certifier for graduates of certain technical schools in Zaire.

The INPP received technical assistance from the ILO and UNDP from 1965 to 1978 and financial assistance until 1973. Other bilateral assistance has been provided over time by Japan, Canada, South Korea and the U.S. (USAID provided financial assistance to INPP from counterpart funds in the amount of eight million zaires in 1986 and five million zaires in 1987.

INPP has suffered from inadequate equipment and restricted facilities. However, it recently received cold storage and mechanical equipment from the Japanese, as well as instructor training in Japan. In addition, the Italian government is revamping all equipment in the school's general mechanics workshop.

Over 85% of trainees at INPP are from the private sector. Ten percent of trainees are from SMEs. At the present time, INPP trains 4000 persons per year. In 1987 INPP served 109 different firms. (The total number of eligible companies, however, is estimated to be 7,000). Most trainees are already employed, although INPP now accepts students, at the request of the GOZ, who are not employed. Most training sessions last 4-5 months. Training is provided at no charge to participants.

INPP employs 540 persons of which 340 are trainers. It operates five centers- Kinshasa, Boma, Lubumbashi, Kisangani and Bukavu.

THe USAID-funded study by Coopers and Lybrand of private sector firms and certain training institutes in Zaire (see Coopers and Lybrand Final Report, Volume I, Chapter 5), analyzed in detail INPP's activities, staffing and budget. The report states that INPP "is known to provide adequate service in training workers but is not highly regarded as concerns training of middle managers".

The report further states that "overhead in general and particularly the number of teachers, is very high compared to the actual training activities performed and the efficiency of the overall organization does not rank very high. A full 60% of the INPP budget is used outside teaching". The report criticizes INPP for lack of program planning for the medium and long term and for not creating any new programs since the early 1970's. In addition, the report stresses the need to coordinate INPP programs with employers, through needs assessments, regular surveys of companies using its services and post-program impact assessments.

INPP formerly provided a program in management for SMEs but subsequently abandoned it since it conflicted with the OPEZ mandate. It is now organizing a training program for industrial trainers which is later to be adapted for industrial line managers and supervisors. The initial phase of the INPP program, to begin in January 1989, is intended to train 150 INPP trainers, plus 50 trainers from industrial firms in Zaire.

It is recommended that the HRDA program fund a short term technical expert to advise INPP on methods of designing its program to train industrial line managers and supervisors (see Section IX for details).

2. On-the-job training (OJT)

Most technical training in Zaire is carried out through on-the-job training (OJT) within the firms themselves. This is due to the lack of adequate technical training institutes and the inadequacy of existing programs. The quality of OJT varies obviously from firm to firm, depending upon the technical skills of the owner or foreman.

Instituting a line manager/supervisor training program within INPP is one means of dealing with the problem of quality OJT. A second approach could involve using in-company training centers, such as those available within GECAMINES, Chanix or ex-Goodyear, to train technical personnel from outside these firms. While certain larger firms have done this on occasion, particularly to assist former employees, it is recommended that a more formalized approach be developed, working through employers' associations such as FENAPEZ and UNAPME on the one hand, and through ANEZA (representing the larger manufacturers) on the other hand. Funding to assist in financing such on-the-job training for outside personnel could be provided from the HRDA project, to defray administrative or materials costs associated with the training. For example, ex-Goodyear might be persuaded to accept 5 non-company technicians for every 20 of its own technicians in training, at a per trainee fee of 100,000 zaires. HRDA funds could be used to pay for such OJT for qualifying firms.

It is recommended that the private sector advisory group (see Section IX) develop a system for organizing such training.

D. Managment Training in Zaire

A number of local training institutes offer management training programs in Kinshasa. In fact, Kinshasa has perhaps more available programs in management for SMEs than any of the other countries surveyed under HRDA. In light of the availability of such programs, it is recommended that the mission continue its policy of providing tuition grants for SME owners and operators at the institutes listed below for the programs indicated. It is essential, however, that the mission regularly evaluate the impact of these programs in order to determine which should be continued and which suspended.

1. CEPETEDE

CEPETEDE was set up as a training institute specializing in the quantitative techniques of management. The Institute provides both standard courses and customized, in-company training.

The long-term program at CEPETEDE involves seven months of full time course work, including 4 months of core courses in business finance, followed by three months specialization in either business management, project evaluation or banking. (There is also a seven month long term program in agricultural management).

Short term programs in seven general areas are also available: production, supply, sales, personnel, accounting and finance, administration and computers. Most courses last ten days. Specific topics include business management, policy and strategy, entrepreneurship, marketing, crisis management, inventory control, sales management, controlling production costs, investment management, sales techniques, cash flow management, industrial management, human resources management, administrative organization, accounting, financial analysis, budgetary control, taxation and import management. Courses in computer applications for business are also available.

Average costs per course (1989 fees) are 70,000 zaires for a two-week course ($350). Long term training costs approximately 600,000 zaires for the seven month period ($3000).

To date, CEPETEDE has trained 209 students in the longterm core program. Forty of those students completed the follow-on specialized training in Business Management, 73 completed specialized training in Project Evaluation and 18 completed the option in Banking Management.

The specialized agricultural management course has been offered twice to date to some 40 trainees.

Since the inception of short term training in 1983, 93 programs have been implemented, involving 1109 trainees. CEPETEDE has increased the number of short term courses it offers to 24 per year, including 5 for public sector senior managers and 19 for public sector middle managers and SME managers. USAID is the only donor which funds tuition grants for participants from SMEs.

In 1988, USAID offered a total of 70 tuition grants to CEPETEDE courses for SMEs. (Seven grants for each of ten programs). While those companies benefiting from the training have been very satisfied, CEPETEDE has complained that insufficient candidates are chanelled to them through the system now being used. Specifically, they were very critical of OPEZ which, along with ANEZA, accepted to publicize the availability of such tuition grants among its membership. At the time of the assessment, OPEZ had not proposed any candidates for the 35 tuition grants which had been made available at CEPETEDE by USAID. The only candidatures had come from ANEZA or from an announcement posted at CEPETEDE. In at least one instance, there were fewer candidates than grants available.

CEPETEDE suggested that an announcement be printed in the local press to recruit candidates for the various grants funded by AID.

It is recommended that this suggestion be applied for subsequent programs and that both FENAPEZ and UNAPME be informed in writing of the tuition grants and dates of the programs so that they might directly inform their membership.

CEPETEDE was created in 1981 and is staffed by a total of 5 Zairian trainers. FAC provides six French technical assistants to CEPETEDE. Financial assistance has also been provided by IBRD. In addition to training services, CEPETEDE also provides consulting, economic analyses and assistance in recruiting. CEPETEDE receives a very limited subsidy from the GOZ (500,000 zaires in 1988- $2500). The balance of its budget is derived from fees for courses, consulting and studies, as well as donor contributions. (The salaries of the FAC technical assistants are not part of CEPETEDE's operating budget). In addition to the 11 permanent trainers, CEPETEDE also draws on more than 20 part-time trainers.

CEPETEDE has had considerable experience with SME programs, beginning with a program sponsored by the European Development Fund in Shaba in 1985 in which 14 training modules were offered to local entrepreneurs over a 2 year period. Of 80 targetted companies, only 15 attended the courses regularly, but those which did claim to have benefited extensively from the training.

At the present time, CEPETEDE is implementing a series of 12 modules for a Kinshasa-based ANEZA initiative to select and train promising SMEs.

Also, CEPETEDE has been selected by BEDEPE to train support organizations for SME lending and promotion efforts. To date CEPETEDE has organized a total of 6 seminars in project evaluation for BEDEPE, whose audience has been primarily loan officers from banks in Zaire and ANEZA permanent staff.

CEPETEDE developed a proposal in 1986 for an entrepreneurial development training program in Zaire. The program was to have been modelled after that used in France for SME creation and involved selection of 8 pilot projects in Year One, which would receive diagnostic assistance, training in business basics and project preparation, and at least 3 days of post start-up consulting. Twelve projects were to be selected and assisted in Year Two. Total projected costs in Year One, including program development costs, were $130,000 ($16,000 per project). Year Two costs were estimated to be $67,000 ($6,500 per project). However, the project was not tied to any source of credit for financing selected projects. The proposal was first made in October 1986, but has not yet found an interested sponsor.

Although this proposal has not moved forward, it is generally agreed among the GOZ officials, trainers, university professors and businessmen interviewed during the assessment that an effort to promote the creation of new enterprises is needed, targetting unemployed university graduates. While ISC would appear to be a logical home for such a program, linking ISC with CEPETEDE for program implementation would provide students with both "academic" training in enterprise creation, as well as practical instruction in business start-up basics.

The HRDA training strategy proposes joining the forces of these two institutions in instituting an entrepreneurial development program within ISC for university students. (See Section IV.D.2 below).

The Coopers and Lybrand study of Zairian training institutes concluded that CEPETEDE is generally well respected and that its staff is motivated and well qualified. The report also noted that due to the financial assistance it receives from interational development agencies, it has more documentary and training materials available to it than institutes without such ongoing assistance.

2. ISC

The Institut Superieur de Commerce (ISC) was founded in 1964 by Belgian missionaries. The goal of the institute is to train managers for private firms, financial institutions and public sector agencies. In 1971 the ISC became part of the University of Zaire system, but regained its autonomous status in 1981. Its current mission is to train managers in commercial and accounting techniques.

Most of its graduates work in private firms in Kinshasa, with a lesser number employed in Shaba.

The ISC is administered by a Board of twelve persons. A four-person management committee is responsible for the day-to-day operations of the institute.

ISC offers two degrees: a bachelor's degree in business (a computer option exists) and a professional training degree for executive secretaries. The bachelor's program requires at least 3 years of study. A night school program also exists.

THe ISC is interested in expanding its program to include a section on entrepreneurial development for its students. Acknowledging that changes in curricula can require some time to be formally approved, ISC indicated that an interim measure could be adopted to initiate such a program, i.e., the creation of a special seminar on enterprise creation, pending approval by the Board of a change in the core curriculum.

Two-thirds of the 200-300 ISC graduates each year find jobs within three to six months after graduation. Every year 1,200 students are accepted from 12,000 applicants, including both recent high school graduates and older candidates.

Very few graduates have begun their own businesses. (There are a few instances of graduates establishing consulting firms).

The Director General of ISC is very interested in pursuing the development of a program on enterprise creation, especially following his tour of the U.S. in May 1988 during which he discussed such programs at length with several U.S. universities (Stanford, Duquesne, Tennessee State). ISC is also interested in developing an outreach program modelled after the U.S. Small Business Development Centers.

As outlined in the training strategy below (see Section IX), it is recommended that the HRDA project provide funding for short term technical assistance to consult with ISC on the possible design of an entreprise creation program and the feasibility of establishing such a program, working as possible with CEPETEDE.

It is also recommended that two ISC professors be sent to the U.S. for "on the job" training within an existing Small Business Development Center (SBDC). Such an internship program should involve a two-month hands-on training experience.

It is further recommended that three master's or post-graduate level academic training programs be provided to ISC faculty at U.S. universities, with concentration on programs in small business management.

3. CENACOF

The Centre National de Coordination de la Formation (CENACOF) was begun as a USAID-funded project in 1980. The goal of the project was to provide training for public sector personnel in financial management, personnel management and human resources development.

The initial LOP was 1980-1984 but the project was extended two years to 1986. From 1986-1987, CENACOF went through a difficult period in which its sustainability as a national institute was questionable and during which it lost a large number of its trained instructors.

CENACOF now has six permanent trainers, of which five were trained under the USAID project. CENACOF is under the sponsorship of the Department of Plan.

CENACOF offers 12-15 courses per year in topics such as human resources development, health service management, marketing, leadership, budget control, training of trainers, management and evaluation of development projects, performance evaluation, management ethics, inventory control, office technology and training evaluation. The courses most in demand are Ethics of Management, Project Evaluation, Human Resources Development, Marketing, and Inventory Management.

The cost per day of training is 4800 zaires. Courses are offered in the CENACOF training center which has one large training room and two areas for subgroup meetings. Courses normally draw 10-15 participants each, half of whom are from the private sector.

USAID is funding some 60 tuition grants at CENACOF for SMEs. During the assessment, an unannounced visit to a CENACOF program on Ethics of Management resulted in very favorable evaluations from the 13 participants, eight of whom were from small private sector firms.

It is recommended that the USAID tuition grants be continued, but that, as possible, groups of SME owners and operators be constituted rather than mixing SME managers with managers of much larger parastatal firms or government agencies.

4. CIDEP

The Centre Interdisciplinaire pour l'Education Permanente (CIDEP) was created in 1981 and is part of the Ministry of Higher Education. CIDEP's objective is to provide training to persons already working who wish to further their education. It has a staff of 185 including 64 researchers and 121 administrative and technical personnel. CIDEP provides training in rural development management, NGO management, SME and community association management, management for public service managers. Training for NGOs and community associations usually lasts 10 days, although certain 3-day programs are also offered on subjects such as time management, training assessments and motivation. The cost per day of instruction is 4200 zaires.

USAID intends to fund a total of 60 tuition grants to CIDEP for courses dealing with SME and NGO management. CIDEP has received technical assitance from the University of Montreal (staff training) and from the Belgian Cooperation.

Over the last three year period, CIDEP has trained 500 persons, with most coming from the public sector. CIDEP receives no external financial assistance. Its programs were not known to any of the SMEs interviewed during the needs assessment. Its programs should be carefully evaluated to determine their impact.

5. CPCZ

The Conseil Permanent de la Comptabilite au Zaire (CPCZ) was created in 1965 as a public service entity under the Ministry of Finance. The CPCZ includes a training center which is intended to design accounting training programs and teach standardized accounting principles according to Zairian legislation.

Seminars are organized in a variety of fields. Five to six seminars are conducted per year. Graduates from ISC often take advanced courses at CPCZ and certain companies have at times requested training from CPCZ.

A formal training program for Chartered Accountants is being prepared and a program in auditing is also under consideration, apparently with help from the European Development Fund.

CPCZ charges 5000 zaires per day for training. The Coopers and Lybrand study indicated that outside professional CPA firms, the CPCZ probably has the best qualified accounting personnel in Zaire. Once the formal training center, FORCO, becomes operational, USAID Zaire may wish to provide tuition grant assistance to CPCZ.

CPCZ had also requested that USAID fund U.S. degree programs in accounting for certain of its personnel. Based on experiences in other African countries which use European accounting systems, the assessment team would not recommend U.S. degree programs for such personnel but would advise internships in U.S. accounting firms or in affiliates of U.S. accounting firms (such as the local office of Coopers and Lybrand) where international auditing procedures would be emphasized. This is an area in which the U.S. comparative expertise would be useful and for which there is now growing demand in Africa..

6. CADICEC

The Centre Chretien d'Action pour Dirigeants et Cadres d'Entreprises au Zaire (CADICEC) offers a variety of training activities for the private sector. (CADICEC is described as a private sector support organization in the following section; this section deals only with the <u>training programs</u> it offers).

CADICEC is the oldest training center in Zaire, having been founded in 1956. It deals primarily with private sector firms and provides training for secretaries, personnel managers, financial managers and senior managers. It emphasizes the moral nature of management and has recently begun an interesting program to train and assist informal sector firms. (Every month CADICEC organizes a three day training session in basic legal and accounting procedures for informal sector firms).

For SMEs, CADICEC organizes one seminar per month on various topics of interest to owners and managers. CADICEC often invites speakers to address current issues or new legislation with its members. It publishes a regular monthly bulletin and newsletter and, perhaps more than any other training institute in Kinshasa, generally received praise for its programs and initiatives from the businessmen interviewed during the assessment.

CADICEC receives limited external financial assistance in the form of a small grant from the Adenauer Foundation to help with its informal sector program. The Belgian government has recently promised to assist it to set up office in a larger facility.

The Coopers and Lybrand study reported that CADICEC trains 60 executive secretaries, 60 personnel managers and 100-150 financial officers per year. The study stressed the importance of CADICEC's information role and its good reputation in the community.

It is recommended that USAID conclude the same type of purchase order agreement for tuition grants with CADICEC as was concluded with other local training institutes. (CADICEC's three day seminars cost approximately 5000 zaires per participant).

In addition, a one-time grant to CADICEC is recommended to assist it in publishing materials for its informal sector training program and its SME management training programs. (See training plan in Section IX for details).

7. OPEZ

As part of its functions as the official GOZ SME promotion office (see the following section for a more complete description of OPEZ <u>promotion</u> activities), OPEZ (Office National de Promotion des Petites et Moyennes Entreprises Zairoises) offers short term training to its members. In the final trimester of 1988, OPEZ organized 4 courses: basic accounting, loan request preparation, inventory management and SME creation and management. The cost for a two-week course was quoted as 8000 zaires.

A number of the firms interviewed during the assessment had sent participants to OPEZ's recent seminars. The courses were generally well received. However, OPEZ suffers from a lack of facilities (due to budget limitations they must rent rooms in local parish halls) and most of their attendees must be recruited personally by their agents. Nonetheless, if USAID wishes to evaluate all local training opportunities for the private sector, it is recommended that tuition grants also be provided at OPEZ. The USAID training office should carefully follow up on all trainees attending these various training sessions to determine which of the programs has had the most impact. USAID may wish to reserve the small scale enterprise as the target group for OPEZ (as compared with the medium-sized enterprise for an organization such as CEPETEDE), in which case the OPEZ courses on basic accounting and basic business management would be most appropriate.

V. PRIVATE SECTOR SUPPORT ORGANIZATIONS

The following section describes the five key business support organizations or employers' associations based in Kinshasa.

A. OPEZ

The Office de Promotion des Petites et Moyennes Entreprises du Zaire (OPEZ) was created in 1973 for the purpose of studying, designing and implementing all actions which would promote the creation and expansion of Zairian small and medium-scale enterprises. OPEZ is intended to provide four types of services to achieve this purpose:

- technical assistance to SMEs to select equipment or technology and to maintain equipment;
- mangement consulting in organization and operations;
- training and retraining of owners and mangers of SMEs;
- financial assistance, including preparation of loan requests and researching sources of funding

OPEZ does not have access to a dedicated credit line for SME start-ups or expansions. It does manage a small guarantee fund of some $100,000 (20 million zaires) which was reported to have been increased to 200 million zaires during the assessment team's stay in Zaire ($1,000,000 equivalent). However, the mechanism for use of that guarantee fund was still being negotiated among OPEZ, the local banks and ANEZA.

OPEZ has had a troubled past and faces an uncertain future. Part of the problem resides in the lack of means given them by the GOZ for undertaking a very ambitious mission, particularly under the present economic conditions in Zaire, but OPEZ also suffers from the usual lack of credibility experienced by government-run SME promotion units.

In the early 70's, with the budget allocated to it by the GOZ, OPEZ was able to assist in creating a number of Zairian SMEs, particularly in the Kinshasa area. Initially, OPEZ concentrated on conducting feasibility studies at the client's request. According to the Coopers and Lybrand study, due to a lack of descrimination in selecting projects and to inadequate collateral, only 10% of the OPEZ projects ever received financing.

During this period, OPEZ also received technical assistance from UNIDO to train their 900-person staff. Internships abroad were also organized and funded by UNIDO for heads of SMEs.

As economic problems arose in the late 70's, the GOZ cut OPEZ's budget, the level of external assistance dropped dramatically and qualified personnel began to leave. By 1984 OPEZ had no president and only five university graduates on its staff.

A new president was named finally in May 1985. He has attempted to turn the situation around, despite continuing budgetary constraints. OPEZ now has 55 university graduates of a total of 129 employees. OPEZ has received assistance from USAID to train its personnel, both in the United States (including to date a study tour for two of its key personnel, two long term degree programs and one short term management training program) as well as in Zaire (training of OPEZ trainers at CENACOF; long term management courses at CEPETEDE).

In its "Rapport d'Activites de Janvier a Aout 1988", OPEZ reported 58 SME members, of which 37 are located in Kinshasa. During that period, OPEZ conducted diagnostic visits to 46 SMEs, 42 of which were located in Kinshasa, to determine their needs for organizational or technical assistance. Some 115 requests for financial assistance were received, of which 50 were selected for evaluation. OPEZ also assisted five firms in their applications to receive investment code benefits.

OPEZ holds out hope that its newly refurbished Guarantee Fund will be helpful in turning its image around. The fund is intended to guarantee up to 80% of investment credits for SME projects. Priority sectors are intended to be industry and agro-industry. Guarantees for loans up to 5 million zaires ($25,000) may be approved by an OPEZ Management Committee. Larger loans must go before the Board.

During the assessment, OPEZ prepared and submitted to USAID a nine-page document outlining its needs for assistance in order to accomplish its mission. These include short term training abroad, especially for its technical advisors; in-country training for new hires at either CEPETEDE or CENACOF; study tours in Africa for observational purposes; technical assistance (two to three persons) assigned to OPEZ to assist them in developing training and technical assistance programs for SMEs; financial assistance to permit OPEZ staff to travel to the interior of the country on assignments; financial assistance to acquire computers, printing equipment, audio-visual equipment, automobiles, training materials, projectors and documentation; funding of special programs for women traders, enterprise creation for university graduates and inventors.

OPEZ also asked that USAID consider funding an OICI (Opportunities Industrialization Center International) project for Zaire and establishing an OPEZ-managed credit line for small SME projects (less than $50,000 total investment).

In spite of recent improvements, OPEZ faces a serious image problem: most entrepreneurs and the donor community remain highly sceptical about OPEZ's potential for effectively assisting SMEs. Many are extremely critical of OPEZ lack of efficiency and what they perceive as their reluctance, and at times a flat refusal, to work constructively with other groups assisting SMEs. In addition, OPEZ appears to lack judgement in selecting projects, operating more in a "welfare" than a "business" mode. In light of the above, the assessment team would recommend very limited assistance to OPEZ unless its performance improves greatly in the next one to two years.

It is recommended that USAID fix a ceiling on the amount of training assistance provided to OPEZ, concentrating on training its technical personnel in the near term. A limited number of third country programs in institutes such as PAID in Douala or Ouagadougou, ESAMI in Arusha, Tanzania (for training in English in transport management and road maintenance) or CESAG in Dakar should be considered for OPEZ technical personnel.

Since the IBRD-sponsored BEDEPE project has resources available to finance training for OPEZ staff in the project evaluation course offered by CEPETEDE, it is recommended that USAID concentrate on providing training in-country for OPEZ trainers (or in-country training in an area of technical expertise). Here again, it is recommended that USAID limit its intervention-perhaps to funding one annual in-country training program for OPEZ staff.

The final area of recommended assistance to OPEZ is that of computer hardware and training materials. OPEZ needs at least two computer stations to process information, maintain records and assist in contacting members. It also needs very basic training equipment. A small USAID grant to OPEZ for the acquisition of such equipment is recommended.

B. <u>ANEZA</u>

The Association Nationale des Entreprises du Zaire, ANEZA, which is Zaire's only Chamber of Commerce as well as its largest employers' association, was founded in 1973 to inform members of GOZ regulations affecting their businesses and of proposed policy and adminsitrative changes; represent Zairian enterprises to GOZ; and to provide training and financial/market research assistance to its membership.

ANEZA has eight regional and thirty-nine subregional offices in Zaire. The Kinshasa office is large, with a total of 38 professional employees.

ANEZA states that its membership includes some 2300 companies, but acknowledges that this represents only a minute portion of all firms in Zaire. At least 70% of its members are SMEs, of which the vast majority are trading firms.

ANEZA operates as an independent entity, although it does have some administrative ties to GOZ. Its financial resources, which stood at nearly $2 million in 1986, are derived from membership fees. It has also received financial and technical assistance from several donors, including the IBRD, FAC, UNIDO, EEC and the Belgian cooperation.

A new ANEZA department for SMEs was created in 1985. With UNDP assistance, it set up a mechanics training school in Kivu. With European Development Fund assistance, it implemented, through CEPETEDE, a year-long training program in Shaba for SMEs. Recently three French technical assistants funded by FAC were assigned for three years to the ANEZA SME unit to develop 11 training modules. These modules are intended to assist a select group of 60 SMEs in the Kinshasa area. Eighteen of those firms are currently participating in these training courses.

One ANEZA participant at CEPETEDE and one ANEZA participant in the study tour to the U.S. in May 1988 were funded by USAID. ANEZA personnel are also being trained in project evaluation under the BEDEPE project. (Sixteen ANEZA staff have been trained to date).

Despite their recent efforts to assist SMEs, ANEZA is not well regarded by certain SMEs in the Kinshasa area who feel that the organization is dedicated to defending the interests of large, multinational companies and of trading companies. It was in part this sentiment that led to the founding of FENAPEZ and UNAPME, as associations dedicated solely to the interests of SMEs.

C. FENAPEZ

FENAPEZ (Federation Nationale des Petites et Moyennes Entreprises du Zaire) is a recent creation: its statutes were approved less than eighteen months ago. The president of the organization claims that membership includes over 1,200 SMEs in Kinshasa. Four permament staff have been hired by the association.

FENAPEZ has been officially consulted by the GOZ Department of National Economy and Industry (ENI) on certain policy issues.

A major FENAPEZ initiative is its member-created savings and loan institution, known as SOCREPE (Societe de Credit et d'Epargne des Petites et Moyennes Entreprises) with a capital of 14 million zaires ($70,000). SOCREPE is intended to provide small working capital loans to its members and should be fully operational by January 1989.

At a group meeting held with FENAPEZ's board, its membership stressed to the assessment team the need for three types of training to assist the SME: training of management personnel in programs such as those offered by CEPETEDE or OPEZ; training of skilled workers and technicians in practical programs where FENAPEZ is consulted concerning curricula design; and training of owners through exposure to industrial operations, participation in trade fairs or contacts for joint ventures.

D. UNAPME

Union Nationale des Petites et Moyennes Entreprises (UNAPME) is a sister organization to FENAPEZ which works with it on policy issues. UNAPME's president claims that its membership includes some 500 SMEs. It employs one permanent staff member and has sought to maintain good relations with ANEZA.

UNAPME has received assistance from OPEZ in setting up their organization and appear to regroup businesses started by young university graduates or civil servants.

It is recommended that USAID seek opportunities to maintain close contacts with both these groups which directly represent SMEs. They should be included on any advisory board the training office sets up for HRDA project evaluation and implementation.

E. CADICEC

As mentioned above, CADICEC is a Christian businessmen's group which has more than 250 members. It holds regular meetings and training seminars for its SME membership and for Kinshasa-based informal sector firms.

CADICEC enjoys a good reputation among the local business community and is headed by a dynamic priest with creative ideas about effectively assisting SMEs.

BEDEPE has approached CADICEC about conducting training for the womens' traders group. (Some $65,000 is allotted to training for women traders under the BEDEPE project).

In addition to its director, CADICEC employs four university graduate staff members who organize the seminars and consult with SMEs.

As stated earlier, tuition grants to CADICEC's programs and a small USAID grant for program materials are recommended to assist this association.

VI. DONOR ACTIVITY IN SUPPORT OF THE PRIVATE SECTOR

A. IBRD

Working under the aegis of the Central Bank, the IBRD-funded Bureau de Developpement des Petites et Moyennes Entrprises (BEDEPE) provides credit through the Central Bank to the commercial and development banks in Zaire for on-lending to SMEs. The credit component totals $22.5 million, on-lent at 35% to the banks, which in turn add up to seven percentage points on the loans to SMEs. The banks assume the credit risk, while the GOZ assumes the foreign exchange risk through the Fonds de Couverture, the guarantee fund established for this purpose.

In its first year of operation, twenty-two SME projects have been approved for loans and five other projects are being processed.

The project also provides for technical assistance and training. The BEDEPE Project Management Unit within the Central Bank assists in preparing loan requests and in monitoring loans. The project funds training for personnel from banks and SME support organizations in project evaluation. At the time of the assessment, BEDEPE had funded six seminars, with most participants coming from ANEZA and the commercial banks.

B. FAC

The French Fonds d'Assistance a la Cooperation (FAC) is becoming heavily involved in the SME sector in Zaire. FAC currently provides a total of 9 technical assistants in Kinshasa for the purpose of training and advising SMEs. Six technical assistants are assigned to CEPETEDE for assistance in training public, parastatal and private sector personnel in business and financial management. Three other FAC technical assistants have been assigned to the SME unit of ANEZA to select and advise a group of 60 Kinshasa-based SMEs.

The FAC programs have achieved good results to date due primarily to the quality and continuity of the technical assistance provided.

C. UNDP/UNIDO

UNDP and UNIDO have been involved in the SME sector in Zaire since 1973 when their assistance to OPEZ began. UNDP recently funded a study by a French consulting firm, entitled "Master Plan for SMEs in Zaire". The same consulting firm also developed a project proposal for UNIDO assistance to SMEs. Both docuements are extremely ambitious. They have been distributed for comment from the donor community and GOZ agencies.

The Master Plan proposes addressing all issues relating to SME development through a $30 million, 5-year effort to be funded and implemented by a group of donors. Objectives include providinig technical support to SMEs, increasing access to credit, improving SME management, improving transportation conditions for products, improving local sales, promoting exports, developing entrepreneurship, coordinating local institutional support, coordinating donor support and establishing ongoing public/private dialogue on SMEs.

Criticism of the document as presently submitted centers around its departure from a previously-adopted Master Plan, approved by the GOZ Executive Committee in 1987. The plan also poses serious questions about the role and efficiency of OPEZ and bases its recommended actions on private-to-private assistance rather than GOZ-directed assistance.

The proposal for the UNDP-UNIDO project involves a $5 million, four year effort to create or modernize 130 SMEs in 9 urban centers in Zaire. The project would create at least 13 technical/management consulting firms (10% of all firms assisted) which would support the newly created or expanded firms. The project proposes working through a Project Management Unit set up within ENI. This proposal also excludes OPEZ from a direct role in promoting SMEs. Eligible subprojects would be in the $100,000 range. The proposal recommends that UNDP/UNIDO provide equity funding for the first set of projects on a pilot basis and that the balance of subproject funding be obtained from BEDEPE. The project is extremely ambitious, particularly in light of the current economic conditions in Zaire.

Despite their overly ambitious design, the UNDP/UNIDO proposals appropriately stress the need for donor coordination and for cooperation among the various local institutions which assist SMEs.

VII. ASSESSMENT OF TRAINING NEEDS WITHIN THE PRIVATE SECTOR

A. Profile of Firms Interviewed

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

The interviews included firms from all sectors, broken down as follows:

- 79% industry/agro-industry
    - 29% agro-industry
    - 50% manufacturing

21% services
- 14% general services
- 7% commerce

The firms were selected by OPEZ and in most instances represented client firms or firms known to their management. No microenterprises, PVOs or cooperatives were included, since USAID Zaire is designing a discrete project for that audience (Small Project Support Project).

Also, training needs related to the Zairian banking sector were not evaluated since BEDEPE has initiated a project to train commercial bank personnel in SME project evaluation and credit management.

Interviews were generally held with the firm's owner or general manager and lasted approximately 1-1/2 hours. Initial questions dealt with how the firm began and its current operating practices and problems. A questionnaire with some 40 closed-end questions (see Annex 2) was administered afterwards. Plant tours were conducted in industrial firms.

Most of the firms were small-scale, with numbers of employees broken down as follows:

1-25 employees	9 firms	(32%)
25-50 employees	8 firms	(29%)
50-100 employees	9 firms	(32%)
100+ employees	2 firms	(7%)

All but three of the firms were Zairian-owned and operated.

Most firms had been in existence for more than 6 years (only one-third were less than 5 years old) and 90% had started with personal savings, with no loan financing whatsoever. The level of technology of most firms was low. No firms were exporting any of their production and most were operating at very low capacity (30 - 50%).

Most owners and managers indicated that competition is not heavy and, despite the very difficult economic conditions, most were optimistic about their firms' prospects.

The typical management structure of the firms interviewed was very simple. Nearly all firms were very directly managed by the owner. In firms with more than 15-20 employees, the owner was usually assisted by a production manager, an accountant and a sales manager, but the owner was still very much involved in day-to-day management of the firm.

Most owners (86%) had at least high school level educations. Fifty-three percent had completed university training. None were illiterate. The average age of the owners was 40 and more than 80% had more than 10 years of experience in business.

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

1. Access to credit- 66%

Complaints centered around the total lack of access to both short and medium term bank credit. Most owners had financed their own operations from personal savings. Businessmen are forced to resort to very short term lending at extremely high interest rates, for cash flow purposes (referred to as "Banque Lambert" loans).

2. Lack of raw materials and equipment - 66%

Lack of raw materials and equipment is often due to the lack of foreign exchange available to the SME. Also, the strong export market for certain raw materials (wood, rubber, sugar) produced in Zaire results in shortages for local manufacturers. The same problem is encountered for certain locally-produced intermediate goods, such as textiles.

3. Government regulations/controls - 25%

Complaints regarding constant government administrative and fiscal harrassment were voiced. The continually changing tax regulations were heavily criticized by several SME owners.

4. Lack of trained personnel- especially technical - 20%

Concerns about inadequate technical training were voiced more frequently in Zaire than in other African countries where the HRDA survey has been conducted. The lack of production management skills was cited as being particularly critical. Owners were generally more interested in opportunities for themselves and their employees for industrial internships or advanced technical training, rather than management training .

5. Infrastructure - 10%

Firms with operations outside of Kinshasa and particularly those involved in transport of goods were extremely critical of Zaire's road infrastructure. Power supply in non-urban areas was also cited as a serious problem, as was the general inadequacy of communications in Zaire.

6. Other: Among the other constraints mentioned by owners and managers were the constant devaluation of the zaire, delays in payment or non-payment for GOZ contracts, the lack of reliabiblity and honesty among workers who must be constantly

supervised to prevent stealing and the low purchasing power of the population.

B. Training Needs Identified Among Firms Interviewed

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

For owners and operators themselves: 70 % of those interviewed felt they needed training, but only 50% felt they could afford the time to be trained. The priority areas identified and the percentage of owners who indicated such as need were:

Production techniques/management	50%
Principles of Management (especially short and long term planning)	33%
Financial Management (especially cost accounting)	20%
Computers for Management	20%
Marketing	15%

(Prior to the HRDA assessment, Coopers and Lybrand, under contract to USAID Zaire, completed a study on medium and small-scale enterprises in Kinshasa and in Shaba. The general conclusions of this study are noted here since they confirm certain of the conclusions reached by the present study: while the group of entrepreneurs interviewed by Coopers- 130 firms in Kinshasa and 50 firms in the Shaba region- generally did not rank training as a high priority constraint to the expansion of their businesses, Coopers concluded that the managers of these firms could benefit from well-designed, highly practical training in financial management, with emphasis on basic accounting methods, cash flow management, cost control, project evaluation and dealings with commercial banks).

Most owners interviewed indicated that they would prefer half-day sessions over several weeks, preferably during the day due to transportation and security problems at night. Only 50% stated they would be willing to pay. Only one firm had any type of written training plan.

For their managers: 93% felt their managers needed some type of training. Priority areas were the following:

Production techniques 55%
Principles of Management 50%
Marketing/Sales 30%
Financial Management 30%
Accounting (primarily cost accounting) 30%
Business Applications of Computers 20%
Personnel Management 15%

Most owners/operators (55%) wanted to train all of their managers. A large majority (75%) wanted to train 50% or more of their managers. Larger industrial firms also indicated the desire to train their plant managers and foremen.

Most owners (82%) felt their employees could spare the time for training and 60% were willing to pay for such training. (Figures most often quoted ranged from 50,000 to 100,000 zaires for a 2-3 week course). Most owners (55%) felt that their employees should devote fulltime to training over a few week, while 40% preferred the half-day formula.

Only 30% of the owners expressed interest in training their workers, most of whom had only primary level educations and three to five years experience with their firms. Those owners who did respond positively owned industrial firms and identified needs for technical skills training for their workers. Ten percent of the firms interviewed also stressed the need for some type of "ethics" training, to promote honesty on the job, and especially to reduce stealing.

Twenty of the twenty-eight firms interviewed had used local training resources,including CEPETEDE (six firms), OPEZ (six firms), INPP (five firms), CADICEC (three firms) and CENACOF (one firm). CEPETEDE and CADICEC received the most positive reviews from the owners interviewed. OPEZ was criticized by two firms for a lack of organization in its courses. Feedback on INPP was generally negative.

Industrial firms stressed the need for good on-the-job training in their operations. Several had been able to send a few of their workers to train at Goodyear or Bata.

The strategy and training plan proposed for responding to the needs identified above are presented in the following section.

IX. TRAINING PLAN

A. Training Strategy

Based on the needs identified above, the training strategy proposed for USAID Zaire has four key objectives:

1. increase technical skills level among local small to medium-scale industries, to be accomplished through the in-country technical training, short term technical assistance and internships in U.S. firms.

2 improve management skills among small to medium-scale enterprises, to be accomplished through the provision of tuition grants for private sector participants at selected management training programs in Kinshasa;

3. promote the creation of new enterprises by university graduates, to be accomplished through the development of a specialized enterprise creation module for university students and graduates and the establishment of a small business development center to provide outreach to SMEs by business students;

4. strengthen business support organizations and associations, to be accomplished through customized study tours and short term training in the U.S, in third-country African institutions, or in-country, with emphasis on assisting FENAPEZ, UNAPME, CADICEC and OPEZ.

B. Target Audiences

Target audiences include owners and managers of existing SMEs; technicians from small to medium-scale industries; unemployed university graduates; professors from the Institut Superieur de Commerce; staff of local business associations, support organizations and training institutes.

C. Training Activities

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

(N.B.: Training activities listed under FY 88 will in fact be implemented during FY 89 due to the current allocation schedule. The following description and tables includes all recommended training activities which support private sector development. Certain activities will be funded in dollars from the HRDA project. For most in-country activities, it is assumed that local currency will be used for funding. However, in Table II, HRDA Private Sector Training Costs, the dollar equivalent of local currency costs is shown in parentheses to give a picture of overall levels of expenditures for all the recommended activities).

OBJECTIVE 1: INCREASE TECHNICAL SKILLS LEVEL AMONG SMALL TO MEDIUM-SCALE INDUSTRIES

It is recommended that the HRDA project fund four types of training activities/technical assistance to achieve the above objective.

1.1 Short term technical assistance to INPP

It is recommended that HRDA fund short term technical assistance to the Institut National de Perfectionnement Professionnel (INPP) to assist in the design of a training program for industrial line managers and supervisors.

The projected cost ($30,000) is based on two months technical assistance provided by a U.S. expert in industrial training. The technical expert would work directly with INPP management and trainers to evaluate the existing design for industrial trainers, consult with local industries and business associations to determine their training requirements and produce written recommendations on a final program design for industrial managers and its implementation. This activity would take place in FY 89.

1.2 Business internships in the U.S. for SME managers

It is recommended that four Zairian owners or managers of industrial firms be selected each year to participate AID/W's Entrepreneurs International (EI) Program. Under this program, which has been in operation since 1987, entrepreneurs from the developing world are carefully matched with owners of U.S. firms with similar operations. The foreign entrepreneur is "placed" with the U.S. firm during a two to four week period to study U.S. technical operations and management. Two Zairians had participated in EI at the time of the assessment and were very positive about the experience. It is recommended that, as possible, candidates be selected from small to medium-sized industrial firms with strong potential for job creation or increased value-added. The annual cost of four EI internships is estimated to be $20,000.

1.3 Short term technical assistance to local industries

It is recommended that HRDA fund two annual short term technical consultations for local private sector firms, working through the International Executive Service Corps (IESC) and/or VITA for identification of appropriate U.S. technical experts. The firms to be assisted would be determined through consultation with local business associations, including ANEZA, FENAPEZ and UNAPME. The consultation would be designed to benefit a maximum number of small to medium-scale industrial firms in the same subsector. (Ideally, the technical expert would work with a group of 3-5 firms, on an individual and a collective basis. Illustrative industrial subsectors include metal working, spare parts manufacture, shoemaking and textiles).

The projected cost of two such short term technical assistance assignments per year, assuming that volunteers from IESC and/or VITA are recruited, is $30,000.

1.4 On-the-job training opportunities for technicians

It is recommended that HRDA fund the development of on-the-job training opportunities for industrial skilled workers and technicians from small to medium-scale industries, within established, larger industries. Examples of firms which could provide such training opportunities include Chanix, Gecamines and ex-Goodyear. The organization and selection of candidates for such programs should be coordinated among ANEZA, representing the larger firms, and business associations and organizations representing smaller firms, such as FENAPEZ, UNAPME and OPEZ.

Larger firms accepting non-company trainees in their on-the-job training program would receive a per-trainee fee to cover their

administrative and supply costs. The projected cost of this training activity was calculated using a 100,000 zaire per trainee fee ($500 equivalent). It was assumed that each of four large companies would accept a group of 5 non-company trainees twice a year for OJT. Each company would receive $2500 per group of 5 trainees for a total of $5,000 per year. If four firms accept to participate, total costs would be $20,000 per year. It is assumed, however, that these fees to the participating companies would be paid in zaires from local currency funds.

<u>OBJECTIVE 2: IMPROVE MANAGEMENT SKILLS AMONG SMEs</u>

It is recommended that two types of training activities be undertaken to achieve this objective.

2.1 Provision of tuition grants for SME managers

It is recommended that USAID Zaire continue to provide tuition grants to a select group of local training institutes for SME participants. Six institutes are proposed initially for such tuition grants. It is recommended, however, that these institutes organize courses specifically for SME managers sponsored by USAID, rather than providing grants for generic training programs which often address management problems of large public agencies or parastatal firms. The projected costs for these programs are based on fees charged currently by the training institutes for a two weeks program. It is assumed that all such costs would be funded from local currency funds.

The recommended training institutes (in order of priority), types of programs, numbers of trainees and projected costs using the dollar equivalent of current training fees in zaires, are:

a. CEPETEDE:
4 programs at 20 participants each
Recommended programs: Business Management, Controlling Production Costs, Cash Flow Management, Marketing
Projected Cost: $28,000 (80 participants x $350)

b. CADICEC:
3 programs at 20 participants each
Recommended program: Management for microenterprises (3 day seminar on legal and accounting aspects of business)
Projected Cost: $3,000 (60 participants x $50)

c. CPCZ:
2 programs at 20 participants each
Recommended program: short term training in accounting at FORCO training center once it is operational
Projected Cost: $10,000 (40 participants x $250)

d. CENACOF:
2 programs at 20 participants each
Recommended programs: Inventory Management, Ethics of Management, Marketing
Projected Cost: $10,000 (40 participants x $250)

e. OPEZ:
2 programs at 20 participants each
Recommended programs: Accounting Basics, Loan Request Preparation
Projected Cost: $2,000 (40 participants x $50)

f. CIDEP:
2 programs at 20 participants each
Recommended programs: NGO management, rural development management
Projected Cost: $10,000 (40 participants x $50)

The total annual number of participants in these 15 programs is 300. These 300 participants break down into the following subgroups, based on the target training audiences of the institutes listed above:

Medium-sized firms:	80 participants (CEPETEDE)
Small-sized firms:	80 participants (CENACOF, OPEZ)
Microenterprises:	60 participants (CADICEC)
NGO/Rural firms:	40 participants (CIDEP)
Accountants:	40 participants (CPCZ)

Total projected dollar equivalent cost for training these 300 persons in-country at local institutes is $63,000, or a per participant cost of $210. This is a very cost-effective and productive means of training SME participants and of developing local institutions. The mission is to be commended on this initiative.

The type and number of tuition grants through the HRDA LOP should be based on an impact assessment among participants attending the above courses to determine which were most useful to them in their professional activities. The results of the impact assessments would determine changes in the distribution of courses among the targeted training institutes.

2.2 Internships in auditing/accountancy

It is recommended that HRDA fund two annual internships in U.S. CPA or management consulting firms in international auditing practices and/or computerized business systems for CPCZ and personnel of Zairian CPA firms. Exposure to current practices in U.S. firms is recommended. Projected costs for two annual two-month internships is $15,000.

OBJECTIVE 3: PROMOTE CREATION OF NEW ENTERPRISES BY UNIVERSITY GRADUATES

It is recommended that three types of training activities be funded by HRDA to achieve this objective.

3.1 Short term technical assistance to ISC for program development

It is recommended that HRDA fund the provision of three months' technical assistance to the Institut Superieur de Commerce (ISC) to assess the feasibility and design of a program in entrepreneurial development for university students and graduates. The U.S. technical expert selected would examine the current university curriculum, the programs offered by CEPETEDE and the business creation experience and opportunities in the Kinshasa region. He would work with ISC and CEPETEDE to develop a program design which would provide training to currently enrolled ISC students and to unemployed university graduates to assist them in developing and funding new ventures. Such technical assistance should be sought from U.S. universities with entrepreneurial development programs of their own and with Small Business Development Centers (SBDCs). A linkage arrangement with such a university could be envisioned for the future development of the entrepreneurial development program and for faculty exchanges.

The projected cost for the short term technical assistance in Year One is $40,000. It is recommended that an additional sum of $60,000 be allotted in the following year to cover development and start-up implementation costs of this entrepreneurial development module.

3.2 ISC faculty internships in U.S. SBDCs

It is recommended that two ISC faculty participate in a two-month internship in a university-based Small Business Development Center in Year One, if possible in conjunction with the technical assistance provided in 3.1 above. A continuation of this faculty exchange (two professors per year) over the four other years of the project is recommended.

The annual cost for two internships/exchanges of ISC professors in the U.S. is projected to be $20,000.

3.3 Master's program in small business management

It is recommended that HRDA fund three master's level degree programs (M.A. or MBA) or post graduate study programs in a U.S. business school for ISC professors. The program should concentrate on small business development, entrepreneurial development or strategic planning. If possible, the choice of university should be linked to activities 3.1 and 3.2 above.

It is assumed that the three degree programs would take place every other year, i.e. one in Year One (beginning in September 1989), the second in Year Three and the third in Year Five.

The projected cost for one advanced degree/study program is $50,000. The budget assumes that each of the programs would be forward-funded.

<u>OBJECTIVE 4:</u> <u>STRENGTHEN BUSINESS SUPPORT ORGANIZATIONS AND ASSOCIATIONS</u>

It is recommended that three types of training activities be funded by HRDA to achieve this objective.

4.1 Short term U.S. training programs/study tours

It is recommended that HRDA fund four annual short term U.S. training programs and one annual U.S. (or African) study tour for staff and members of business support organizations and associations.

The target audience for such programs includes FENAPEZ, UNAPME, ANEZA, CADICEC and OPEZ. It is strongly recommended that all such opportunities be fully publicized among these organizations and that associations directly representing SMEs be given priority consideration (i.e., FENAPEZ, UNAPME or CADICEC).

Possible U.S. short term training programs include the francophone management training seminars in Pittsburgh, the University of Atlanta and Altanta Management Institute; the World Trade Center programs on Export Promotion; the International

Marketing Institute's programs on Marketing; the Center for Leadership Development's courses on Association Management.

Projected costs for 4 annual programs of this nature is $60,000.

Possible types of study tours for the targeted organizations include role and management of private business associations, creation and operations of cooperative savings and loans organizations for SMEs, industrial quality control, or technical training links to industrial performance.

The projected cost of each annual study tour is $25,000.

4.2 Publications grant to CADICEC

It is recommended that HRDA fund a one-time grant to CADICEC to enable it to develop and print training materials for its training programs for local microenterprises. This small grant would cover costs for technical assistance in drafting the materials and for printing and binding charges. The total amount of the recommended grant would be $10,000.

4.3 Institutional development assistance for OPEZ

It is recommended that HRDA fund three types of institutional development activities for OPEZ: one annual in-country training program for either its training or technical staff, to be financed from local currency funds (projected cost is $10,000 dollar equivalent); two annual third-country training programs for OPEZ technical personnel in institutes such as the Institut Pan-Africain de Developpement, the Eastern and Southern African Management Institute or Centre d'Etudes Superieures en Gestion (projected cost for two annual third-country training programs is $10,000); and a one-time grant to assist OPEZ in acquiring minimal computer hardware, software and training materials to process information, maintain records and conduct training sessions (projected amount of such a one-time grant is $15,000).

D. <u>Adjunct Training Activities</u>

The HRDA project provides for five Zairian participants per year at HRDA regional private sector conferences which will be held at various locations in Africa. Per participant costs are estimated to be $2,000 to cover travel and per diem expenses during the training program. (Total annual cost: $10,000).

E. <u>Training Support</u>

The diversity of the HRDA private sector training activities and the need for ongoing coordination and monitoring of those activities with the Private Sector Advisory Board, ISC, the six targeted training institutes and the five targetted business support organizations, as well as with other USAID offices and projects, justify the recruitment of a private sector training coordinator.

It is recommended that HRDA fund such a coordinator over the life of the project. Estimated annual costs for this position are $20,000.

F. Role of Private Sector Advisory Board (PSAB)

It is recommended that a Private Sector Advisory Board (PSAB) be established to assist the USAID training office in scheduling and announcing training programs and in recruiting and selecting participants. The PSAB should be composed of no more than eight persons, with the USAID/Zaire training officer serving as technical advisor to the PSAB. The following organizations are recommended as board members:

ANEZA- SME Unit
ISC
CEPETEDE
CADICEC
OPEZ

In addition to the above organizations, it is strongly recommended that at least three owners of private sector firms be named to the board. Possible candidates for such nominations are Mr. Komba, head of UNAPME; Mr. Kabeya, head of FENAPEZ; Mr. Mukawatshi, owner of a local SME and recent EI program participant; Mr. Kedar, owner of small shoe repair shop.

The PSAB should meet quarterly to determine the schedule and types of tuition grants to be funded at the local training institutes; to evaluate candidatures for Entrepreneurs International, for IESC/VITA technical assistance, for OJT training and for U.S. short term training; and to discuss progress in assessing/designing the INPP line manager program and the ISC/CEPETEDE entrepreneurial development program.

The PSAB should be specifically charged with evaluating past program results and preparing annual plans for future activities in light of those evaluations. The PSAB serves in a purely advisory capacity; all recommendations of the PSAB will be transmitted to the USAID/Zaire project officer for final decision.

G. Recruitment and Selection

Recruitment and selection of participants will be key factorsin the success of the HRDA private sector training activities. The PSAB should play a key role in the selection process. PSAB members should also be responsible for fully informing the local SME community of program opportunities, through newspaper ads, radio announcements and notices at the various business association offices.

The PSAB should establish with USAID Zaire criteria for the selection of candidates for U.S. internships, in-country technical assistance, OJT opportunities, and short term training programs in the U.S. Candidates should be selected based both on individual qualifications and on the profile of their firms (i.e., growth potential, job creation potential, priority sectors, etc.). PSAB selection recommendations would be made to USAID/Zaire for final approval.

H. Evaluation and Follow-Up

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

I. Management of Program

Management of the HRDA program is more labor intensive than that of the predecessor AMDP II project. It is estimated that FY 89 activities would include the following major in-country training activities: OJT training activities with four firms; two IESC consultations, an OPEZ training activity, and tuition grants to six local training institutes. FY 89 would also involve the selection and processing of six candidates for short term training in the U.S., six candidates for U.S. internships, 5 candidates for HRDA regional training programs in Africa and 2 candidates for third country training. One study tour would be organized, and a linkage program between a U.S. university and ISC would be negotiated. Grant agreements with CADICEC and OPEZ would be needed. FY 89 activities would also include the establishment of the PSAB and definition of recruitment and selection procedures for private sector training activities.

A private sector training coordinator would be required to assist the Training Officer in accomplishing the above. This person should be capable of gaining the confidence of the private sector advisory board members and of interfacing effectively with GOZ offices, business promotion organizations and local training institutes.

AFR/TR/EHR will backstop the USAID/Zaire training office as required and has scheduled at least one annual follow-up trip, to assist the training office in programming and evaluating its private sector activities.

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

J. Funding

The following summary reflects projected funding levels over the life of the HRDA project. (The amounts for public sector training are illustrative and are based on the assumed buy-in level over the life of the project, minus the projected dolar costs for the private sector training strategy outlined herein).

	Private Sector	Public Sector	Total
FY 88	$355,000	$165,000	$520,000
FY 89	$285,000	$765,000	$1,050,000
FY 90	$285,000	$160,000	$445,000
FY 91	$240,000	$260,000	$500,000
FY 92	$310,000	$190,000	$500,000
Totals:	$1,475,000	$1,540,000	$3,015,000

TABLE I: SCHEDULE OF HRDA PRIVATE SECTOR TRAINING ACTIVITIES AND COSTS

OBJECTIVE/ ACTIVITY	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992
1. Increase technical skills level among SMIs					
1.1 Short Term Tech. Ass't to INPP	2 Months Tech. Ass't $30				
1.2 Entrepreneurs Int'l.	4 Internships $20	4 Internships $20	4 Internships $20	4 Internships $20	4 Internships $20
1.3 Short Term TA to SMIs (IESC/VITA)	2 2-Month Tech. Ass't $30	2 2-Month Tech. Ass't $30	2 2-Month Tech. Ass't $30	2 2-Month Tech. Ass't $30	2 2-Month Tech Ass't $30
1.4 On-the-Job Training Opportunities	40 Trainees ($20)	40 Trainees ($20)	40 Trainees ($20)	40 Trainees ($20)	40 Trainees ($20)
2. Improve management skills among SMEs					
2.1 Tuition Grants					
CEPETEDE	80 trainees	80	80	80	80
CADICEC	60 trainees	60	60	60	60
CPCZ	40 trainees	40	40	40	40
CENACOF	40 trainees	40	40	40	40
CIDEP	40 trainees	40	40	40	40
OPEZ	40 trainees	40	40	40	40
	($63)	($63)	($63)	($63)	($63)
2.2 Auditing/ Accountancy Internships	2 Internships $15	2 internships $15	2 internships $15	2 internships $15	2 interships $15
3. Promote creation of new enterprises by university graduates					
3.1 Short Term TA to ISC	3 Months Tech.Ass't-$20	Program Development- $60			
3.2 Faculty Exchanges (SBDC)	2 U.S. Exchanges $20	2 U.S. Exchanges $20	2 U.S. Exchanges $20	2 U.S. Exchanges $20	2 U.S. Exchanges $20
3.3 ISC Staff Development	1 Long Term U.S.- $50		1 Long Term U.S.- $50		1 Long Term U.S.- $50
4. Strengthen business support organizations/associations					
4.1 Staff Development	4 Short Term U.S.- $60	4 Short Term U.S.- $60	4 Short Term U.S.- $60	4 Short Term U.S.- $60	4 Short Term U.S.- $60
Study Tour	1 Tour $25	1 Tour $25	1 Tour $25	1 Tour $25	1 Tour $25
4.2 CADICEC Grant	Publications Grant- $10				
4.3 OPEZ Staff Development	1 In-Country Seminar ($10)	1 In-Country Seminar ($10)	1 In-Country Seminar ($10)	1 In-Country Seminar ($10)	1 In-Country Seminar ($10)
	2 Short Term 3rd Country- $10	2 Short Term 3rd Country- $10	2 Short Term 3rd Country- $10	2 Short Term 3rd Country- $10	2 Short Term 3rd Country- $10
	Equipment Grant- $15				
ADJUNCT TRAINING	5 Regional Programs- $10	5 Regional Programs- $10	5 Regional Programs- $10	5 Regional Programs- $10	5 Regional Programs- $10
PROGRAM TOTAL	$335,000	$250,000	$240,000	$190,000	$240,000
TRAINING SUPPORT:	Priv Sector Trng Coord- $20	Priv Sector Trng Coord- $20	Priv Sector Trng Coord- $20	Priv Sector Trng Coord- $20	Priv Sector Trng Coord- $20
TOTAL	$355,000	$270,000	$260,000	$210,000	$260,000
INFLATION	--	$15,000	$25,000	$30,000	$50,000
GRAND TOTAL	$355,000	$285,000	$285,000	$240,000	$310,000

TABLE II: HRDA PRIVATE SECTOR TRAINING COSTS
(BY TYPE OF TRAINING)

FY	LONG TERM U.S.	SHORT TERM TRAINING U.S.	SHORT TERM TRAINING AFRICA	STUDY TOURS	IN-COUNTRY	SPECIAL	SUPPORT	PROGRAM TOTAL
1988	1 MA/MBA FOR ISC $50	4 EI $20 2 AUDIT INTERNS $15 2 ISC FACULTY 20$ 4 FOR BUS. ASSNS $60	2 3RD COUNTRY FOR OPEZ $10 5 HRDA REGIONAL $10	1 FOR BUS. ASSNS $25	4 OJT FIRMS (40 TRAINEES) ($20) TUITION GRANTS AT 6 TRNG INSTITUTES ($63) 1 OPEZ SEMINAR ($10)	TA INPP $30 TA IESC $30 TA TO ISC $40 1 CADICEC GRANT $10 1 OPEZ GRANT $15	1 TRNG COORDINATOR $20	$355,000
1989		4 EI $20 2 AUDIT INTERNS $15 2 ISC FACULTY 20$ 4 FOR BUS. ASSNS $60	2 3RD COUNTRY FOR OPEZ $10 5 HRDA REGIONAL $10	1 FOR BUS. ASSNS $25	4 OJT FIRMS (40 TRAINEES) ($20) TUITION GRANTS AT 6 TRNG INSTITUTES ($63) 1 OPEZ SEMINAR ($10)	TA IESC $30	1 TRNG COORDINATOR $20	$270,000
1990	1 MA/MBA	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	$260,000
1991	--	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	$210,000
1992	1 MA/MBA	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	$260,000

NOTE: FIGURES IN 000'S

FIGURES IN PARENTHESES ARE DOLLAR EQUIVALENTS OF LOCAL CURRENCY COSTS

ANNEX 1: ASSESSMENT METHODOLOGY

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

A two-person assessment team was responsible for the scope of work. The team included a specialist in private sector analysis and the HRDA private sector training coordinator. The OPEZ Training Department assisted in scheduling meetings, conducting interviews and providing documentation. The assessment was completed in two and one-half weeks, using the following methodology:

1. Literature search

   Literature on the local private sector (studies of constraints, evaluation of growth potential, surveys of small and medium-sized firms, etc.), recent economic analyses and existing training program descriptions were reviewed. (See Annex 5 for bibliography).

2. Contacts with key private sector players and support institutions

   A Private Sector Advisory "group" was convened by USAID Zaire for an initial meeting with the assessment team. The responsibility for selecting and organizing appointments with key private sector players, support organizations and GOZ agenices was assigned to OPEZ's training department, with oversight by the USAID Zaire training officer.

   A tight schedule of meetings during Weeks 1 and 2 was organized with officials from GOZ ministries or agencies (Departments of Plan, Agriculture, Rural Development; OPEZ), from local training institutes (INPP, CENACOF, CEPETEDE, ISC), from business associations (ANEZA, UNAPME, FENAPEZ, CADICEC), from local CPAs (Coopers and Lybrand and Martin Thomar), as well as key private sector representatives (certain large manufacturing concerns, presidents of employers' associations, etc.).

3. Interviews with a representative sample of SMEs

   During weeks 1 and 2, twenty-eight interviews were conducted with SMEs, using a prototype questionnaire with 40 close-ended questions. The questionnaires were administered in French to the owners or operators of the firms.

The interviews generally lasted one hour, including an introductory discussion with the owner on how he had started up his business and usually followed by a plant tour where small manufacturing firms were interviewed. (See Annex 2 for the questionnaire and Annex 3 for the list of all persons interviewed).

4. Tabulation of questionnaire results and review of preliminary conclusions

The assessment team reviewed preliminary conclusions with USAID staff during the early part of Week 3, in order to better adapt strategy directions to mission development objectives, management load and future programming potential. A debriefing was held also with a private sector advisory group selected by the team in order to allow this group to comment on proposed initiatives.

5. Preparation of private sector training plan

Prior to departure the assessment team submitted a final draft training strategy, to be reviewed and modified as necessary by mission staff. AFR/TR/EHR and USAID Zaire also agreed to targetting the mission for HRDA core-funded assistance, follow-up and evaluation in the implementation of its private sector training activities.

ANNEX TWO

DATE: ______________________

INTERVIEWER: ______________________

QUESTIONNAIRE FOR PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

NAME: ______________________

TITLE: ______________________

COMPANY: ______________________

ADDRESS/PHONE: ______________________

A. YOUR COMPANY

1. Date business created: ______________________

2. Initial mode of financing: ______________________

3. Which best describes your business:
   - Manufacturing _____
   - Agribusiness _____
   - Construction _____
   - Transport _____
   - Services _____
   - Trade _____

4. Are you: owner _____, senior manager _____, manager _____, other _____?

5. Is your company:
   - Private, family owned _____
   - Private, partnership _____
   - Mixed ownership (private/public) _____
   - Government owned _____
   - Subsidiary of foreign firm _____

6. Percent sales exported _____%.

7. Is the technology involved in your company:
   - High _____
   - Average _____
   - Low _____

8. Who is your competition:
   - Local firms _____
   - Other African firms _____
   - Non-African firms _____
   - No competition (monopolies) _____

9. Is competition:
   - Strong ________
   - Average _______
   - None __________

10. What are the major constraints to expanding your business:
    - Government regulations ____________
    - Credit ____________________________
    - Need for trained personnel ________
    - Need for management consultant ____
    - Market size _______________________
    - Economic factors __________________
    - Lack of marketing information _____
    - Other _____________________________

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 train per year?
____

5. How much money would you be willing to pay for 40 hours of instruction ______________________?

6. What format is best:
   1-2 evenings/week ______________
   Seminar Friday, p.m./Saturday, a.m. ______
   Consultation ______________
   In company training ______________
   Other ______________

D. MANAGEMENT TEAM PROFILE

1. What is the level of education of most of your managers:
   High School __________
   University __________
   Specialized training _____

2. How many years business experience does your average manager have: ______________?

3. What are your managers' typical training needs (rank highest 5, lowest 1):
   General management ______________
   Financial management ______________
   Marketing/sales ______________
   Accounting ______________
   Purchasing ______________
   Management Information (computers) _____
   Manufacturing ______________
   Repair/maintenance ______________
   Other (specify) ______________

4. How much time your managers devote to training 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:
   1-2 evenings classes/week ________
   1 Friday p.m./Saturday a.m. ______
   In company training ______________
   Other (specify) ______________

E. WORKER PROFILE

1. What is the 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. Percentage of sales growth over the last three years ______________________.

4. What is the future outlook for your business:
   Excellent _____
   Good __________
   Fair __________
   Poor __________

ANNEX 3: PERSONS INTERVIEWED

USAID/ZAIRE

Mr. Dennis Chandler, Director
Mr. Joe Goodwin, Deputy Director
Mr. John Bierke, Program Director
Mr. Bill Anderson, Division Chief
Mr. Kamal Zein, Training Officer
Mr. Richard Dry, CIP
Mr. Richard Macken, Project Officer
Mr. Joe Ryan, Economist

TRAINING INSTITUTES

Mr. Kandolo, Director General, CEPETEDE
Mr. Mukotshi, Director General, INPP
Prof. Nkombondo, Director General, ISC
Mr. Masumbuko, Director, CENACOF
Dr. Kioni-Kiabantu, Dean, Faculty of Economics, Univ. of Kinshasa

GOZ AGENCIES/OFFICES

Mr. Mbu Isampuye, President Delegate General, OPEZ
Mr. Daya, Assistant Delegate General, OPEZ
Dr. Mushi, Director of Training OPEZ
Mr. Mikobi, Secretary General, Dept. of Plan
Mr. Ngoma, Director, Training, Dept. of Agriculture
Secretary General, Dept. of Rural Development

BANKS

Mr. Kazadi, President Director General, SOFIDE
Mr. Rugamba, Director of Operations, SOFIDE
Mr. Bieme, President Director General, BCA
Mr. Kambinga, Director of Studies, BCA
Mr. Kasongo, Citibank
Mr. Claessens, BCZ
Mr. Mukendi, Director, BEDEPE
Mr. Le Corre, Senior Advisor, BEDEPE, Banque du Zaire

PRIVATE SECTOR SUPPORT ORGANIZATIONS

Mr. Matenda, Director, SME Program, ANEZA
Mr. Kabeya, President, FENAPEZ
Mr. Komba, President, UNAPME
Pere Ekwa, Secretary General, CADICEC

ACCOUNTING AND LAW FIRMS

Mr. Lombart, Coopers and Lybrand
Mr. Gittleman, Mitchell, Friedlander and Gittleman

DONORS

Mr. Chevallier, IBRD
Mr. Conan, Director of Studies, CEPETEDE project, FAC
Mr. Doss, UNDP
Mr. Ceyhan, Industry/Energy Dept., IBRD Washington
Mr. de Leede, Country Economist, IBRD Washington

PRIVATE SECTOR FIRMS

Ferme Bangala, Pineapple Plantation, 24 employees
Ferme Masamba, Pig Farm, 87 employees
Sojuf Tunda, Fruit Juices, 26 employees
Afri-Cafe, coffee drying, 80 employees
Martin Thomas, CPA, 14 employees
Mbocam Metal, Boat construction, 24 employees
Mr. Kinduelo, Alaska, ice cream manufacturer, 44 employees
Mr. Bitsukulo-Pungu, Plantation TUA, Lumber, 75 employees
Mr. Mukaya, Mukawatshi Corp., rubber parts manufacturing, 6 employees
Mr. Kedar, Kedar Shoe Repair, 15 employees
Mr. Nkwakala, Hotel Diplomate, hotel, 64 employees
Mr. Mansongi, Frigen Engineering, cold storage distribution/repairs, 32 employees
Ms. Hoolans, Groupe Habit, food processing, printing, clothing, 40 employees
Mr. Malonga, GTAC, construction, 100 employees
Mr. Nsau-Ndoluvuala, Bayonika, bakery, 30 employees
Mr. Vettas, Sokitra, transport, 65 employees
Mr. Basidi, Amekin, metal construction, 46 employees
Interfruits, liqueur manufacturer, 30 employees
Mr. Mukanya, Egedeza, pesticides, 67 employees
Mr. Kanyiki, Kingza, fruit/vegetable sales, 41 employees
Mr. Bakebe, Mbaku et Fils, candy manufacturer, 100 employees
Mr. Simons, Saku, cabinet maker, 100 employees
Mr. Galora, Zapak, packaging, 185 employees
Mr. Kazadi, Intermode, tailor, 12 employees
Afrika Fantastic, leather goods, 15 employees
Mr. Bolombi, Corthoza, orthopedic shoes, 7 employees
Mr. Mawangi, Fanair, air conditioning systems, 110 employees
Mr. Kabende, Ferme Onden, pig farm, 21 employees
Mr. Doumis, UPAK, industrial bakery, 700 employees

ANNEX 4

PRIVATE SECTOR ENVIRONMENT

A. ZAIRE'S ECONOMIC PERFORMANCE

From independence in 1960 until 1967, Zaire's economy was severely disrupted by political strife. Order was restored in 1967 and was followed by seven years of economic growth, averaging seven per cent annually. Starting in 1973/1974, the GOZ introduced policies of zairianization and nationalization which resulted in the deterioration of the country's infrastructure and productive capacity, high inflation, the collapse of the distribution network, the creation of many uneconomic government projects, falling per capita income and chronic shortages of essential goods.

A brief economic recovery, occurred in 1980 - 1981, followed by a contraction in 1982, which was triggered by the drop in world copper prices. By 1982 the Zairian economy was severely handicapped by an overvalued currency, continuing high inflation and widespread price controls.

In 1983, under IMF pressure, Zaire started to reform its economy. The principal measures included a seventy-eight percent devaluation of the zaire, liberalization of trade and revision of tariffs, lifting of price controls on most products and on interest rates, reductions in public sector employment and in the budgetary burden of parastatals, and the establishment of a floating exchange rate. A principal objective of these reforms was to create a more competitive, export-oriented manufacturing sector. From 1983 to 1986, Zaire made substantial progress in achieving most of these reforms.

During this period, however, the economy remained weak. World prices for Zaire's mineral exports declined as did gross domestic product per capita. Finally, debt rescheduling occurred in May 1986, followed by cessation of payments to bilateral creditors in December 1986.

Since 1986, Zaire's economy has continued to decline. Inflation has been running at 80 - 100 percent yearly, the zaire has seriously declined in value, capital flight is rife and foreign exchange is severely curtailed officially. Manufacturers have extreme difficulty in obtaining raw materials. Purchasing power is dropping and the infrastructure of the country's interior is in such poor shape that much agricultural produce cannot be moved out.

The GOZ has delayed taking necessary corrective actions and has failed to maintain fiscal discipline. Furthermore, political pressures to reverse the trend towards more economic liberalization have developed. The budget program established with the IMF is falling apart, and the GOZ's overall position is not clear. In addition the GOZ continues to be marked by massive mismanagement and corruption.

The World Bank has suspended disbursements on its current structural adjustment loan. Moreover, there is the serious question of whether Zaire qualifies for new World Bank sectoral loans under preparation.

The only bright spot in the economic picture is the last eighteen months rise in world copper prices and some slight increase in world coffee prices.

B. INFRASTRUCTURE AND BREADTH OF BUSINESS BASE

1. Infrastructure

Depending on the location of the company, business infrastructure can be quite adequate or almost non-existent.

The principal problems are in the interior of the country. Roads there are in an advanced and continuing state of deterioration, to the point where many agricultural goods cannot be moved out on a timely basis. Generally, only light trucks can move in the interior and even then with difficulty and at high cost.

Businesses state that they cannot count on ONATRA at all for transportation and that even privately-owned trucks are hard to find to move goods to and from the interior. Shaba Province (Lubumbashi), for example, is supplied from Durban, a ten day trip by truck, rather than from Kinshasa.

River transport, a partial alternative to road transport, is reported to be in average condition, as are river ports. The main constraint is the depth of water at certain times of the year. Businessmen report that privately-owned river shipping is out-competing ONATRA, Zaire's transportation parastatal.

Further aggravating the transportation situation is the high price of fuels and their frequent unavailability in the interior.

With respect to other infrastructure components, telephone and telex communications are so poor in the interior that people rely on radio. The railroad from Matadi, Zaire's one oceanport, is in good condition and functions well. The port has Ro-Ro container facilities and is reported to work well but draft is a problem, restricting the size of ships that can use the port. The other principal railroad line, the SNCZ, in Shaba, is in poor shape. Other than truck supply from Durban, there is rail transport from Dar Es Salaam (Tanzania). This method is undesirable because of lack of reliability and the very high incidence of theft at Dar Es Salaam. Internal air transportation is expensive but relatively good - except when there are no aviation gasoline supplies.

In short, any business located in the interior, must provide most of its own infrastructure.

The infrastructure situation in Kinshasa is generally better. There is some deterioration of roads, especially in the industrial area of Limete. Electrical power suffers from occasional swings in voltage and outages in certain areas of the city. These problems are frequent enough that businesses dependent on a regular supply of power often have their own generators. Electrical power is very inexpensive in Zaire. For example, a small Zairian home with a refrigerator, small electric stove and lamps will pay the equivalent of $1 - 2 per month. A company which is opening a textile operation in the east of Zaire quoted rates of 2-4.5 zaires/kilowatt hour ($.01-.0225). In northern Virginia, a kilowatt hour of electricity costs a homeowner more than $.10.

Communications are in the same sorry state in Kinshasa as in the interior. Companies rely on radios and walkie-talkies. International communications can be reliable, but one can wait a week to place a telephone call successfully.

The water supply system in Kinshasa is the high point of Zaire's infrastructure, working very well. The cost to business is just under $1 per cubic meter.

Finally, there are reports of sporadic shortages of jet fuel at Kinshasa, resulting in international flights bypassing Kinshasa since they cannot refuel.

2. Breadth of Business Base

Because statistics in Zaire are too scanty and unreliable, it is impossible to describe the breadth of the business base adequately. A few aggregate statistics are available:

- Manufacturing contributed 6.2 percent to total gross domestic product in 1984.
- Trading (commerce) contributed 26.8 percent in 1984.
- Manufacturing activities were distributed in 1984 accordingly:

Beverages	25.6%
Textiles/clothing	15.3%
Chemicals	13.3%
Metal Products	11.8%
Food Products	11.3%

Tobacco	4.9%
Wood Products	3.4%
Shoes	2.5%
Miscellaneous	12.0%

- o Inter-industry and inter-company linkages are growing.
- o A 1980 census of small scale enterprises shows the following:

Agriculture/Livestock	47% (725 enterprises)
Other Manufacturing	26% (402 enterprises)
Food and Beverages	25% (397 enterprises)
Forestry	1% (22 enterprises)
Miscellaneous	1% (15 enterprises)

If reliable statistics were available, they would probably show a heavy skewing toward commerce and construction/trades since these are the easiest activities to start. Transportation and freight forwarding would also be important in number.

C. BANKING/FINANCIAL SECTOR

A key constraint cited by SMEs is their lack of access to credit - from working and bridging capital to long-term financing. This lack of access is due to a variety of factors: economic, policy/structural, and characteristics of the Zairian businessman himself.

1. The Sector in Brief

Relative to many other African nations, Zaire has a large number of commercial banks (10) and other financial institutions. Three of the ten commercial banks dominate the market, accounting for approximately 80 percent of banking business done. Two development banks, SOFIDE and BCA, round out the banking part of the financial sector. Other financial institutions include postal savings, a social security fund and insurance companies.

The Central Bank imposes credit ceilings on each bank by an annual allocation of money each can lend. Interest rates charged on loans and paid on deposits are market-determined, the sole exception being loans for agriculture other than coffee.

Banks report that their volume of business this year is down and that loan repayment rates are falling. Additionally, banks are not hiring.

2. SMEs: Credit Policy and Availability

Apart from SOFIDE credit lines, there is no particular GOZ policy favoring SMEs with preferential interest rates. Currently, the Central Bank lends to commercial banks at 35 percent. Commercial banks on-lend at 37 - 52 percent. A 37 percent rate would be granted, for example, to a coffee exporter who generates foreign exchange for the bank. A 52 percent rate would be charged to a user of credit and foreign exchange. For the commercial bank, collateral, the amount of investment the entrepreneur brings to the business, the entrepreneur's business track record, the bank's familiarity with the borrower (character) and the viability of the investment are the main factors which bear on the lending decision, with most weight given to collateral and the entrepreneur's equity.

SOFIDE, however, through its various lines of donor credit, lends at 13 percent for foreign exchange requirements on all of its lines, except for one line on which loans at ten percent are made for agriculture and livestock projects. Its zaire-denominated loans carry an interest rate of 30 percent for all SMEs. Most of its loans are medium-term equipment loans.

SOFIDE's portfolio is made up of 75 percent SME loans in number and 30 percent in value. Its lending criteria are much the same as commercial banks, but also include the business and/or technical training the entrepreneur has received. Under SOFIDE lending, the SME bears the full credit risk, while the GOZ Fonds de Couverture de Taux d'Echange guarantees the foreign exchange risk. The GOZ Guarantee Fund is not yet operative, and is not retroactive to old loans.

For a new business, the owner must put up 25 percent of his own money and 25 percent from any other source. SOFIDE will lend up to 75 - 80 percent of the total investment amount. SOFIDE states that the minimum size loan they would consider is 1.5 million zaires ($7,000).

With the deteriorating economic situation and the continuing decline in the value of the zaire, SOFIDE has been forced to reschedule many of its loans. Even so, SOFIDE reports that 40 percent of its loan portfolio is more than three months delinquent and that if loan rescheduling (from five to eight years) had not taken place virtually 100 percent of the portfolio would be seriously delinquent, if not worthless.

SOFIDE has a training unit for SMEs which offers assistance in accounting, general management, and financial management. It also evaluates proposals and monitors loans. (BEDEPE is assisting in training commercial banks' loan officers in SME project evaluation).

SMEs are correct in their complaint that credit is hard to obtain. Very few SMEs reported to the assessment team that they have obtained credit or that bank credit played a part in their initial investment. Various reasons lie behind the banks' reluctance/inability to lend to SMEs:

- o The majority of start-up SMEs are not credit-worthy because of lack of project viability, entrepreneur investment capital, and/or collateral. SOFIDE reports that of 1,000 loan applications received in 1987, it financed 110.

- o Commercial banks are traditionally averse to risk and long-term development lending and have little incentive to diversify away from existing, highly profitable short-term trade/commercial lending.

- o Loss experience with SMEs (as well as with larger clients) is growing as Zaire's economy deteriorates.

- o There is little institutional ability to assist the fledgling entrepreneur with the necessary business skills.

- o Banks are unable to attach collateral in the case of loan default. Legal recourse exists on paper only.

- o The entrepreneur generally lack business experience and management ability.

- o The SME which defaults on a loan, is placed on an inter-bank "index", which prohibits the SME from obtaining credit from any other bank.

In summary, the economic environment is so uncertain, that credit availability for the SME has all but dried up. The economic situation is so tenuous that the various "creative" lending solutions envisioned in other African countries cannot be considered at this time in Zaire. [1]

D. HUMAN RESOURCES

Although there are no reliable statistics available, unemployment and under-employment are reported to be growing in Kinshasa, the main source of formal sector employment. Given the growing economic stagnation of much of the business sector, business closures and the beginning of lay-offs, the question of human resources and how to employ them is critical today.

---

[1] Creative approaches include:

- partial donor guarantees of commercial banks for credit risk
- risk pooling arrangements
- "cocktail" loans
- mutual loan guarantee arrangements

1. Entrepreneurs

The conventional wisdom is that Zaire has more true entrepreneurs than many other African countries because Zairians had to fend for themselves since independence. Examination of the SME subsector of business bears out of this conventional wisdom, but only in part. While there certainly is entrepreneurial spirit among the Zairians, there is a lack of experienced, financially sound Zairian businessmen. Entrepreneurial ability, i.e., the ability to recognize true opportunities and to capitalize on them in the sense of understanding the long-term market-driven nature of a productive enterprise, must be developed. This ability includes the drive, commitment and intestinal fortitude to put financial resources at risk to create, manage and structure a business so that it becomes successful.

Banks, accountants, and established foreign and Zairian businessman all agree that most new Zairian entrepreneurs simply do not know what business is all about, do not know how to structure a business, and do not understand the notion of capital nor what financial responsibility (to the firm, to himself) is.

2. Management

Management skills and know-how are lacking among the majority of Zairian businessmen. This lack extends across all business skills from accounting to strategic planning. Furthermore, the theoretical training of the university graduate is of little use to business. Business owners want hands-on experience and therefore have to train their personnel on the job. Businessmen state that training must be accompanied by constant supervision and follow-up. Businessmen also mention that many of their lower level management employees are not career-oriented and that leadership qualities are absent. These characteristics are absent even with bonus and other production incentive programs.

For technical training, businesses often send employees to their equipment suppliers in Europe. Zaire lacks training schools with appropriate operational machinery and skilled trainers, across virtually all technical areas.

Interestingly, certain businesses, principally European owned, note that well-trained Zairian managerial staff exhibit a certain job mobility as there is movement from one company to another. This is an encouraging sign of the development of a pool of management skills for the country.

3. Labor

The labor supply is abundant given the number of unemployed, the economic need to make ends meet in a stagnant economy, and the migration of rural people into Kinshasa. Thus, labor turnover is not a serious problem for business.

The principal problem facing business is the near total lack of trade skills in the labor force, except for those who were trained prior to independence. Illiteracy and inability to do arithmetic are serious constraints where the ability to measure accurately is important. The result of this situation is that the business itself is forced to train the vast majority of its employees. This situation is not all bleak, however, because a broad-based pool of skills is being developed in industry.

Employers complain of a lack of "conscience professionnelle" - employee responsibility - which appears as absenteeism, lack of punctuality, theft and little interest in job advancement (other than more money) or increased responsibility. This is in part explained by the deteriorating economic situation and declining purchasing power. Dedication to the job also runs afoul of the extended family system and its demands on time.

Finally, there are mixed reports on the National Labor Union. Some businessmen report that the union has become stronger over the past two years. These businessmen feel that while the union is very "protective" of the employee, it is interested also in the good health of the enterprise.

Others state that the union is a purely political organization and if a business is well connected, it has no problems. They also feel that the union is marked by widespread incompetency stating that 1,000 - 5,000 zaires will resolve any labor problem because often "inspectors" have no idea of the complaint they are investigating. Most smaller employers solve employer-employee problems among themselves. The large, foreign-owned company, with "big pockets", attracts union attention and law suits - especially when it dismisses employees.

E. ECONOMIC AND INDUSTRIAL POTENTIAL

Most businessmen agree that economic progress depends on the resolution of Zaire's structural economic problems and investment/rehabilitation of her transportation, electric power and communications infrastructures.

Growth potential should be viewed within a ten-year framework during which time substantial progress will be required in the structural economic and infrastructure areas. If this progress is made, growth could come from several sources.

Agriculture, livestock and agriculture-related activities offer large potential if the internal transportation system (roads, truck fleet, river facilities) can be rehabilitated and maintained. Other requirements are the timely availability of agricultural inputs, credit, extension and research. The potential of agriculture extends all along with the "food chain" from farmgate to consumer, i.e., inputs, equipment, transportation, storage, transformation, and marketing/distribution. These are natural areas of endeavor for the SME.

Manufacturing holds potential for the SME because of Zaire's large internal market, its already established base and because it is the developer of a broad range of trade, technical and business skills. Already employing 150,000 people, with virtually all training activities being carried out in-house, manufacturing firms increasingly are a reservoir of skills the country can tap. Further development of manufacturing will have a multiplier effect and will create inter-industry linkages (supplier firms, smaller firms servicing larger ones, retail distribution networks).

Mining could offer significant potential if Zaire's mining company, Gecamines, were able to reduce production costs and open new capacity. The potential would also depend on a much improved transportation infrastructure. The other mineral exports, cobalt, diamonds and gold, offer at best modest potential. Cobalt prices are forecasted to remain weak, diamonds and gold are capital flight vehicles offering the country little in return, and petroleum offers little as world prices remain low and exploration costs in Zaire's interior are very high.

Construction holds potential stemming from expected public sector investment in non-residential building. The "construction chain" is wide and long and offers many activities suitable for the SME. These include wood products (timber, 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 Zaire's urban unemployment.

Improvement in the commerce and distribution sector depends on a rejuvenated transportation infrastructure, investment in communications and the availability of motor fuels. Services ancillary to manufacturing and commerce are a function of the degree of improvement in these two sectors.

F. KEY CONSTRAINTS TO PRIVATE SECTOR DEVELOPMENT

Following are six principal constraints which affect the environment in which the Zairian SME operates. Credit, economic/market factors and Zairian entrepreneur characteristics have the most direct bearing on the training needs of the SME.

1. Government Policy Actions

The GOZ's delay in taking needed corrective actions, its failure to maintain fiscal discipline, its inability to adhere to the public sector budget established with the IMF and its continuing mismanagement of the public sector have serious secondary effects for business. Credit availability is curtailed, foreign exchange is severely rationed, and imported and some domestic raw materials simply are not available for the SME. Inflation has been running at a rate of 80 - 100 percent since 1987 and general purchasing power has declined.

Current GOZ policy has resulted in a decline in factory capacity utilization, employee lay offs and business closings. Some SMEs report that they are running at 10 - 20 percent of capacity. Others report having to lay off workers. Firms that use wood and leather in their operations report an almost complete inability to get supplies of these raw materials.

2. Taxes

Zaire's tax code is complex and is administered by people who are not fully competent to do so. Further, the concept of an all powerful fiscal authority and inspectorate is coupled with some of the European anti-private sector philosophy, which is best summed up as "anyone who is on their own must be cheating". As is true of many African governments, the tax system is used both as a punitive and as a revenue gathering tool. The Anglo-Saxon concept of a tax system as both a revenue gatherer and an incentive for economic growth is not present. Moreover, there is so much tax evasion[2] via double sets of books of account, no books, bribery, and remaining invisible to the tax authorities, that the GOZ creates new taxes on sources from which it is certain it can collect. The most recent is the "taxe de roulage" (taxe speciale de circulation routiere) ranging from approximately $100 for a small personal vehicle to $1,200 for buses and tractor trailers. Businessmen complain of incessant hassle with the tax authorities, who try to "go by the book" on a tax code that is complex, at times unclear, and not well understood by the authorities. Arbitrary, and altogether too frequent, audits and assessments are carried out.

Businesses (especially those whose production/sales are low) feel the weight of the tax system. Fixed amount/percentage taxes continue to fall due, regardless of the business health of the enterprise. Moreover, the system's array of taxes weighs heavily on the smaller businesses, especially those which are new and therefore more "fragile".

---

[2] Of both business taxes and import duties

TAX ARRAY

o	Tax on Revenues (CCA - a l'interieur)	3 - 18%
o	Tax on Property (CR - land, buildings and vehicles)	according to square footage and vehicle weight/horse power
o	Tax on Profits[3] (CP)	50%
o	Tax on Imports (CCA - a l'importation) (in addition to import duties)	3% on essential items; 20% on all other items
o	Yearly Registration tax	150,000 Z ($750)
o	Yearly Vehicle Authorization Tax	5,000 Z/truck ($25)
o	Tax on Value of Property Transferred	15% of value
o	Tax on rental income	4 - 60%
o	Tax on dividends, interest, royalties	based on deemed dividend of 40-50% (whether dividend is actually paid or not)

Tax on revenues and fixed taxes are due regardless of the profit (or loss) situation of the enterprise and can jeopardize the very life of a new struggling firm. Relative to other African countries, the CCA on products of mass consumption is low - only three percent.

Thus, the smaller businessman with less financial resilience and fewer connections, who wishes to remain in business, has the following options:

- To keep no books and remain "invisible" to the tax authorities; or

---

[3] Individuals pay a maximum income tax (on salaries) of 50 percent at a very low salary level.

Under such a system, it is only the larger, visible companies that pay taxes and "subsidize" the mass of smaller companies which do not. It is often said that if every business and individual paid their taxes (and customs duties on imports), the GOZ would have no revenue problems.

3. Economic and Market Factors

Within the context of a bleak economic situation, the Zairian SME faces major constraints to the operation of his business. He is unable to obtain foreign exchange to import needed raw materials. In some cases, he cannot get domestic raw materials as large companies prefer to sell to the export market to get foreign exchange (e.g., wood, leather) or withhold raw materials to insure their own operations (e.g., sugar for soft drinks).

High inflation and low purchasing power further aggravate the situation of the SME, especially those with limited financial staying power.

Finally, capital flight is occurring and most businessmen say that nobody is reinvesting in Zaire. Formerly productive businesses and businessmen are turning to trading/speculative activities to try to save their base enterprises.

4. Administrative and Bureaucratic Factors

Both Zairians and foreign businessmen consider the bureaucracy to be a serious hindrance to doing business. First, there is little or no trust in the government. The private sector feels the public sector is just there to milk it of money: businessmen cite the official policy of no price controls, although a Ministry of Prices continues to exist and to extract money from the private sector.

Second, there is the constant harassment of a panoply of government agencies. Restriction of the harassment means "striking deals" and constant pay-offs. Nowhere is this more evident than in the imports of spare parts by air. Reportedly, every GOZ "office" participates in the process of clearing customs.

Tax verification is also another lucrative area, with constant visits by "verificateurs" and "contreverificateurs" to places of business. To protect himself, the entrepreneur either keeps two sets of books of accounts, or none. If a businessman plays by the rules, he ends up paying more. Often the business that becomes successful draws the attention of the bureaucracy, which tries to extract increasing amounts of money from it.

Third, the bureaucracy weighs down heavily. Red tape is both a problem of time and money to keep paperwork moving and to make sure it does not get "lost" in the system.

The weight of the bureaucracy is apparent in the formation of a business. Business formation is a 12 -15 step process entailing from three to six months in the case of A S.P.R.L. and six to nine months in the case of a S.A.R.L. - the two preferred forms of business creation. The steps entail the usual business registration with the government, the social security system, the labor department and a local bank. Additional steps are required for those businesses engaged in import and/or export of goods, and for those businesses engaged in "dangerous, unsanitary or disagreeable" activities. Finally, the establishment of a S.A.R.L. requires the authorization of the President of the Republic. Businessmen state that the better one's connections are, the faster the process goes.

Fourth, the Swiss company, Societe Generale de Surveillance (SGS), operates in Zaire. Its role is to verify the quality and prices of imported goods and domestic ex-factory prices to prevent over-billing. SGS typically charges one per cent of the invoice price of the imported merchandise. This operation typically adds more time to an already time-consuming process and is seen as just more government harassment by the businessman.

Fifth, businessmen feel that parastatal organizations are often a "law unto themselves". ONATRA is cited as having the monopoly on the transport of containers. When it has to engage private trucking companies to move excess containers, those companies are liable for severe financial penalties which double each day if the containers cannot be transported - for whatever reason.

Finally, an important disincentive to investment in Zaire is the legal system. In the case of legal disputes (contractual, labor, etc.) for both large and small companies those which do not pay off judges often up being pursued rather than pursuing. Also it goes without saying that the legal resolution of any dispute is a very time-consuming process.

5. <u>Access to Credit</u>

One of the businessman's principal complaints is the lack of access to credit, particularly working and bridging capital. Medium and long term capital is also very difficult to obtain. In spite of interest rates of 37 - 52 percent charged by commercial banks, inflation rates of 80 - 100 percent make returns on local lending negative. Thus, commercial banks prefer exterior trade transactions where they earn substantial fees.

Additional constraints to lending are the illiquidity of the banking system, the low lending ceilings applied by the central bank to commercial banks, and the commercial banks' traditional aversion to risk and to long-term development-type lending. Also limiting access to credit is the banks' inability to attach collateral/assets in the event of default because of the corruption and inefficiencies of the judicial system.

Access to credit is also limited by various SME characteristics. New SMEs often have insufficient capital of their own to invest, bring little appropriate collateral, lack experience in business and many business functions, and present propositions which simply are not bankable.

A typical SME constraint is its lack of an accounting system. Banks require that banks of account, even elementary, be kept. An accounting system helps "legitimize" a business in the eyes of a bank, for the bank can see to what purpose the loan is put, how the business is performing and therefore how secure their loan is.

At present, there is little institutional ability in the banking sector to help the new entrepreneur acquire the necessary business skills. One bank, BCZ, reports that it is the initial stages of creating an SME unit which will assist new business/borrower with business proposals, loan applications, bank/borrower relations, accounting systems and market studies. Citibank reports that it is moving very slowly toward "the second tier" of companies, i.e., the largest of the medium sized enterprises. Their intent is to build basic, depository relationships with these firms for possible wider relations in the future. This initial step does not include credit facilities nor foreign exchange access.

6. Characteristics of the Zairian Entrepreneur

The Zairian private sector is given credit for having more entrepreneurial spirit than many other African private sectors, in part because it had to "stand on its own two feet" from the early days of independence and in part because of the "free-wheeling" nature of business activity in Zaire. More important, however, is entrepreneurial ability. Here, the Zairian businessman falls short, like many other African businessmen, and largely for the same reasons.

Many Zairian businessmen exhibit the usual lack of understanding of what a business entails. Often the business is seen as a "cash cow", the revenues from which support the purchase of large ticket consumer items and employment for many family members and friends, whether qualified or not. There is widespread understanding of what short-term trading entails, but little of the long-term market (customer) driven, profit building nature of a business. This characteristic appears in the "rush" of new entrepreneurs into such typical activities as bakers, pharmacies, transport, construction and print shops, many of which fail in the short term. This characteristic is also appearing in established entrepreneurs' choice of "diversification" activities, notably agriculture (especially coffee) and small hotels. This "diversification" is an attempt by established entrepreneurs to save their basic businesses by generating income and foreign exchange from other activities.

An interesting phenomenon is occurring as a result of the decline in consumer purchasing power. As the average consumer has increasingly less money he is becoming increasingly choosy in what he buys. This fact is forcing the businessman to learn his market and to understand facets of marketing other than price, i.e., quality, customer credit, and volume as a means of generating greater <u>overall</u> profits.

Both Zairian and foreign SME owners/managers bemoan the quality of graduates coming from lycees and the university. While the graduates bring some theoretical background with them, they have no practical training or experience. This lack extends across all business functions, from basic accounting to scheduling production for equipment maintenance.

The Zairian entrepreneurs exhibit another characteristic which constrains the development of the private sector, namely the lack of trust between businessmen. They will not naturally group together to achieve mutual objectives (e.g., purchasing common raw materials in quantity) which will benefit all of them. There is little understanding that today's competitor may be tomorrow's associate - either in times of economic distress or in a dynamic, opportunity-offering economy. Fortunately, Kinshasa's economy has not yet become static, a factor which can engender fear and resentment of normal competition, resulting in its worst form, the blocking and sabotaging of competitors by nefarious means.

ANNEX 5: BIBLIOGRAPHY

Banque de Credit Agricole, Republique du Zaire, Rapport Annuel, 1986

CADICEC, Activites Cadicec 1987, Mars 1987

Centre International de Formation et de Recherche en Population et Developpement, Louvain-La-Neuve, Belgique: Population et Emploi a Kinshasa, Secteur Formel-Secteur Informel, Simple Dichotomie ou Dualisme, Juillet 1988

CEPETEDE, Projet d'Assistance a la Creation d'Entreprise, Note de Presentation, Octobre 1986

Coopers and Lybrand, Private Sector Overview- Survey of Capital Markets and Financial Intermediaries: Survey of Training Needs and Resources. December 15, 1987 (Private Sector Strategy and Program Design for USAID/Zaire)

Coopers and Lybrand, Survey of Medium-Sized Private Enterprises and Assessment of Their Financial Needs. April 29, 1988 (Private Sector Strategy and Program Design for USAID/Zaire)

Gittleman, Richard M. and Mitchell, Patrick H., The 1986 Zairian Investment Code, Analyses and Commentary, ICSID Review-Foreign Investment Law Journal 122, 1987.

Gittleman, Richard M. and Mitchell, Patrick H., The Establishment and Operation of a Business Enterprise in the Republic of Zaire, to be published in the ICSID Review, Foreign Investment Law Journal.

IBRD, Report and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Development Credit in the Amount of SDR 42.2 million and a Proposed African Facility Credit in a Amount of SDR 72.2 million to the Republic of Zaire for a Structural Adjustment Program.

IBRD, Staff Appraisal Report: Zaire- Report and Recommendation of an Eighth IDA Credit for Societe Financiere de Developpement (SOFIDE), April 1, 1986.

IBRD, Report and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Development Credit in an Amount of SDR 43.3 million ($US 50.0 million equivalent) to the Republic of Zaire for an Eighth Development Finance (SOFIDE) Project, April 10, 1986.

Journal Officiel de la Republique du Zaire, Code des Investissements, avril 1986

Lessard, Arnold F., Investment Climate Assessment: Republic of Zaire, no date

OPEZ, Besoins de l'Opez, Redige pour l'USAID Zaire, Sept. 1988

OPEZ, Rapport d'Activites de l'Opez de Janvier a Aout 1988, septembre 1988

Societe Financiere de Developpement, Rapport Annuel, Exercice 1987.

UNDP, Developpement des PMI/PMA au Zaire, Proposition de Projet, September 1988

UNIDO, Schema Directeur des PME au Zaire: Propositions pour un Ensemble de Modalites Pratiques de Mise en Oeuvre, Septembre 1988, JGP Consultants

USAID Guinea, Private Sector Training Needs Assessment and Private Sector Training Plan, May 1988

USAID Senegal, Private Sector Training Needs Assessment and Private Sector Training Plan, June 1988

USAID Zaire, Country Development Strategy Statement- FY 85, January 1983

USAID Zaire, Private Sector Support Project, Project Paper, May 28, 1988

USAID Zaire, Annual Budget Submission, FY 1990, May 1988.

USAID Zaire, HRD Strategy and Five-Year Training Plan, December 3, 1987