

**SYNTHESIS OF HRDA
PRIVATE SECTOR TRAINING NEEDS ASSESSMENTS**

SEPTEMBER 1989

David Harmon

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GLOSSARY OF ACRONYMS

AFORS	Association for Training in Senegal*
AFR/TR/EHR	A.I.D. Africa Bureau, Office of Technical Resources, Education and Human Resources
AGI	Association of Ghana Industries
AMDP	African Manpower Development Project (A.I.D.)
ANEZA	National Association of Zairian Enterprises*
BARAF	Office of Aid in Retraining Civil Servants (Guinea)*
BCEAO	West African Community Bank
BEDCO	Basotho Enterprise Development Corporation
CCAIT	Chamber of Commerce, Agriculture and Industry of Togo*
CCCE	Central Fund for Economic Cooperation*
CCI	Chamber of Commerce and Industry
CCIA	Chamber of Commerce, Industry and Artisanat (Guinea)*
CESAG	African Center for Higher Management Studies (Senegal)*
CIDA	Canadian International Development Agency
CNES	National Council of Senegalese Employers (Senegal)*
CNJDS	National Council of Young Business Leaders in Senegal*
CNPG	National Center for Executive Management Education (Guinea and Niger)*
CTI	Togolese Investors' Center*
DIRE	Delegation for Labor Integration, Reintegration and Employment (Senegal)*
ECOWAS	Economic Community of West African States
EEC	European Economic Community
EI	Entrepreneurs International Program (AID/OIT)
ESAMI	Eastern and Southern African Management Institute
FAC	Aid and Cooperation Fund (French Aid Agency)*
FENAPEZ	National Federation of SMEs in Zaire*
FY	Fiscal Year
GTZ	German Technical Assistance Agency
HRDA	Human Resources Development Assistance Project
IBRD	International Bank for Reconstruction and Development (The World Bank)
IESC	International Executive Service Corps
ILO	International Labor Organization
IMF	International Monetary Fund
LCCI	Lesotho Chamber of Commerce and Industry
LOP	Life of Project
MDPI	Management Development and Productivity Institute (The Gambia)
NGO	Non-governmental Organization
OIC	Opportunities Industrialization Center (Togo, Guinea)
OJT	On-the-job training
OYB	Operating Year Budget
PSAB	Private Sector Advisory Board
PSSO	Private Sector Support Organization
PSTNA	Private Sector Training Needs Assessment
SAL	Structural Adjustment Loan
SME	Small to Medium-Sized Enterprises
SODIDA	Dakar Industrial Zone Company (Senegal)*
SOE	State-owned enterprise
SSE/I	Small-scale enterprise/industry
TA	Technical Assistance
TOT	Training of Trainers
TRIPS	Togo Rural Institutions and Private Sector Project (USAID/Togo)
UNDP	United Nations Development Program
WAMU	West African Monetary Unit

* Approximate translation of French title

EXECUTIVE SUMMARY

This report is a synthesis of ten private sector training needs assessments (PSTNAs) undertaken from January 1988 to March 1989 under the Human Resources Development Assistance (HRDA) project, managed by Africa Bureau's Office of Technical Resources, Education and Human Resources (AFR/TR/EHR). Seven of the ten assessments were carried out in francophone countries. Three were made in anglophone countries. Like the individual assessments, this report identifies the major constraints to the development of private sector activities, particularly those factors impeding the development of the small to medium size enterprise (SME). The report also addresses the means of assisting in alleviating certain of these constraints through training, as established in country training strategies developed under HRDA for participating USAID missions.

The purpose of this report is to summarize conclusions reached during these HRDA private sector training needs assessments and to provide insight into training options available to USAID missions in support of private sector development.

A. Major Constraints and Means of Alleviating Constraints Through Training

Constraint	Means of Alleviating
Access to credit	Practical training in basic business start-up skills, simplified accounting, simple business plan development, organization and management
Size/knowledge of markets and marketing	Practical training in how to market, use of market research and marketing tools
Increased competition due to trade liberalization and import deregulation	Practical training in means of "leaning down," including financial management, inventory and production management
Unfavorable government Regulations and Policies	Training in research, policy analysis and advocacy to effect change
Growing unemployment in the face of continuing economic stagnation or decline	Training in Entrepreneurial Development for carefully selected individuals

B. The HRDA Strategy

From the ten PSTNAs analyzed herein, following are areas of greatest need where HRDA can have an important impact by providing training and technical assistance:

1. Strengthen local management training institutes

- Develop local institutional capability to implement training programs, with assistance from U.S. or third country resources, to address directly and practically the human resources development constraints facing the SME
- Develop training staff via study tours, training of trainers, and, where possible, linkages with U.S. institutions

2. Strengthen local private sector support organizations

Develop the capacity of these organizations to offer a range of specific services to their members and to engage more actively in policy analysis and dialogue, via U.S. or regional training, study tours or grants

3. Management Training for SMEs

- Develop programs at local training institutions which address the managers' critical strategic and tactical needs, in a practical and problem-solving format (basic management, marketing, financial management)
- Provide partial or full tuition grants to assist the SME with limited resources to avail itself of the appropriate training at local institutions
- Use Entrepreneurs International to provide advanced entrepreneurial/management skills and opportunities for selected African business owners
- Develop Entrepreneurs Africa to provide intermediate entrepreneurial/management skills and opportunities for a larger base of African entrepreneurs

4. Entrepreneurial Development Training

Where applicable, develop local institutional capability to implement training for selected potential or existing entrepreneurs to reinforce characteristics and business habits proper to successful entrepreneurs

5. Women

Target women entrepreneurs and women managers for training opportunities, to encourage their full participation in the development process

6. Policy Analysis and Reform

Broaden the knowledge base of local policy planners by training researchers to evaluate the need for policy reform, with emphasis on research on the informal economy and the effect of existing laws and regulations on private enterprise

I. INTRODUCTION

The Human Resources Development Assistance Project (HRDA) was initiated in 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:

- enhance the growth of the private sector;
- increase the participation of women in development;
- strengthen African development institutions.

The HRDA project has two new targets that distinguish it from its predecessor regional training projects, African Manpower Development (AMDP) I and II:

- 50% of training (i.e., number of participants) should serve to promote private sector development;
- 35% of project trainees should be women.

In addition, the project places increased emphasis on the use of third-country and in-country institutions for training delivery.

To help USAID missions meet these targets, AFR/TR/EHR provides assistance in conducting country-level Private Sector Training Needs Assessments (PSTNAs), in order to develop private sector training strategies and training plans. A first assessment was done in Togo in January 1988, which enabled field-testing of a standardized methodology (see Annex 1 for the detailed PSTNA methodology). To date, assessments have been done in nineteen different HRDA countries. This report summarizes assessments conducted through March 1989, i.e., those conducted in the Gambia, Ghana, Guinea, Lesotho, Mali, Niger, Rwanda, Senegal, Togo and Zaire. All assessments targeted the small to medium-sized enterprise (SME)¹ for analysis of their constraints and needs, although discussions did take place with a limited number of informal sector and larger scale formal sector firms.

The purpose of this report is to summarize conclusions reached during these HRDA private sector training needs assessments and to provide insight into training options available to USAID missions in support of private sector development.

The report reviews the private sector environments and USAID country training strategies for private sector development under HRDA for these 10 countries. The first section of the report focuses on the private sector environment, specifically economic performance and policy reform, access to credit, market factors and business potential, business infrastructure, administrative and bureaucratic factors, human resources, training institutions, private sector support organizations and donor response to private sector needs. The subsequent section deals with USAID country training strategies for private sector development, specifically training strategy objectives, target groups, training activities, private sector advisory boards, program management, funding levels and HRDA core-funded technical assistance. A final section provides a series of options and ideas for further development of the private sector in Africa.

Mission comments on the conclusions reached regarding private sector environments, constraints and recommended training strategies are welcomed.

¹ for the purposes of the assessments, SMEs were considered to include those companies which are legally registered and which employ fewer than 100 employees, with total assets not in excess of \$500,000 equivalent.

II. PRIVATE SECTOR ENVIRONMENT

A. The Link Between the Private Sector Environment and Training Needs

The environment, in all its aspects (policy, economic, financial, market, human resources, and characteristics inherent to the private sector), in which the African formal sector operates is the principal factor which determines training needs.

The formal private sector in most countries is fighting for its very existence, but has been called upon to become, suddenly, the economic motor, even salvation, of many economies. At this point in time, however, it can absorb only a small fraction of new entrants, as entrepreneurs, managers, technicians, and labor. While the informal sector is often the wellspring as well as the crucible for new entrepreneurs, it too has a limited capacity to absorb the flood of graduates, retirees and laid-off employees in productive business activities.

If the formal private sector in many countries is to survive, prosper, and be able to absorb an increasing number of new entrants from government, universities and the informal sector, training of both present and soon-to-be businessmen, managers, technicians and workers in basic, but requisite, skills must be given high priority. The second and equally important condition is that the general business deterioration must be turned around into expansion. Careful analysis is required to develop an enabling environment to promote the effective participation of the private sector in economic development.

The following sections summarize the conclusions of ten PSTNAs as regards the existing environment in which the African private sector functions.

B. Economic Performance and Policy Reform

In the 1960s to mid-1970s, all countries examined registered economic progress, due in large part to high world prices for their exports. At the same time, parastatal organizations and large government bureaucracies were being built.

From the late 1970s to mid-1980s, all countries examined derailed, some very severely, as world prices for basic commodities collapsed and the economies could no longer support bloated bureaucracies and ineffective parastatals.

Currently, IMF/World Bank structural adjustment programs undertaken in eight of the ten countries examined are producing modest economic recovery. Price rebounds for selected commodities (copper, bauxite) have helped in Zaire and Guinea, and good rainfall in the Sahelian countries has generally resulted in increased agricultural production, which in turn has helped economic recovery. Export proceeds from cotton, peanuts and cacao continue to be affected by low world prices, while coffee has recovered slightly (15% from its low of 1987).

The objectives of the IMF/World Bank reform programs are largely similar, concentrating on:

- liberalization of trade and deregulation of imports
- administrative and fiscal (including taxes) reform
- privatization and divestiture of parastatals
- removal of price controls and subsidies
- increased private sector involvement in the economy
- reduction in government inefficiency and financial burden

Progress is being made toward the objectives at varying rates in each country. Generally, importers and retailers have profited from structural adjustment, while manufacturers have suffered. The former benefit from trade liberalization. The latter had little time (and often little ability) to prepare for direct competition with imports. Some companies have gone out of business and many others are in jeopardy. The potential negative effects of trade liberalization were apparently not anticipated or, at best, underestimated.

C. Access to Credit

This is the principal concern of the SME everywhere. At best, the SME with a good business track record and an established bank relationship has increasing difficulty in obtaining additional credit for both operational and expansion needs. At worst, the SME simply can not get credit of any kind from the commercial banks.

1. SME Borrowing Needs

SME borrowing needs cover the gamut of conventional business requirements, from working capital to long-term loans for start-up and for expansion. For a variety of reasons, SMEs are generally unable to borrow from commercial banks. Particularly aggravating is the SME's inability to get bridging capital to finance short term increases in business activity, and the inability to get pre-financing for increased production, even with firm orders in hand.

The SME has few alternatives: retained earnings, if there are any, supplier credit, if it can be obtained (often at effective interest rates higher than bank rates), family and relatives, or money lenders (at extremely high rates). The SME can also simply shelve the activity or expansion, actions which many are forced to take.

2. Commercial Banks' Reluctance to Lend

SME and commercial bank characteristics, as well as business and legal environment factors, underlie banks' hesitancy regarding loans to SMEs.

SME Characteristics: Most of commercial banks' reluctance to lend stems from the high degree of credit risk they perceive. The risk, in turn, stems from:

- the sheer lack of bankable (non-viable, or highly risky) SME business propositions, the generally poor business track records of SMEs, and their growing loan loss rates as economies deteriorate
- the entrepreneur's lack of business experience and ability, including business organization, management, and marketing (as distinct from selling)
- his lack of financial responsibility, especially "confusion" of business receipts with personal funds, and including little understanding of the roles of capital, credit and banks, as well as the lack of personal investment capital (equity) and collateral brought with the business proposal

Commercial Bank Characteristics: Commercial banks have various characteristics which inhibit them from lending to SMEs:

- their traditional aversion to risk and to longer-term investment and development-type lending
- as a corollary, their lack of incentive to diversify away from existing, highly profitable, short-term and larger-scale commercial lending
- their general lack of in-house ability to identify and evaluate new SME clients, to assist the promising entrepreneur with business skills and the development of a viable proposal, and to monitor and follow-up with this class of client

The Gambia points up the lack of bankability of SMEs. There, the spread between the money market instrument yield and loan yields is eight to ten points--and still commercial banks will not lend to SMEs.

Business and Legal Environment Factors: Finally, certain factors exogenous to the commercial bank-SME equation affect banks' willingness/ability to lend to SMEs:

- In most countries, the interest rates allowed on SME loans do not sufficiently exceed the interest rate paid on money market instruments to cover the risk and transactions costs of lending. (The West African Monetary Union - WAMU - area which includes Senegal, Togo, Niger and Mali, provides preferential interest rates for SME lending, which are the lowest interest rates for SMEs practiced among all the countries assessed. In spite of this fact, commercial bank lending to SMEs has always been minimal, and is becoming more difficult. Simply put, most SMEs are not bankable at the maximum allowed spread of 3 percentage points. Most new starts are not bankable at any spread. The BCEAO, the union's common central bank, now recognizes that its policy of preferential interest rates has not promoted its SME sectoral credit policy; in fact, it has had the opposite effect.)
- In many countries, the demise or extremely troubled financial situation of development and agricultural credit banks has made commercial banks leery of dealing with any class of clients other than the low risk, high return commercial class. (Rwanda's commercial banking system is unresponsive to the needs of SMEs. Only the Rwandan Development Bank lends to SMEs, but 65% of this bank's SME loans- fully 29% of its portfolio- are in default.)
- The general economic stagnation, and in some cases deterioration, has caused banks to curtail lending activity to both new and old clients. (Zaire's deteriorating economic situation, coupled with the continuing devaluation of the zaire, has placed many SME borrowers in the position where they are unable to repay their loans. Commercial banks in Zaire are no longer lending to any SMEs.)
- In many countries, banks are unable to attach collateral in the event of default. (In francophone countries, the judicial process is extremely slow, judges often condone debtors in default of a legal obligation, and client-lawyer delaying actions as well as client-bank officer collusion in overvaluing assets are not unknown.)

3. Promoting Commercial Bank Lending to the SME

In spite of commercial banks' general reluctance to lend to SMEs, certain commercial banks in all countries visited expressed a willingness to entertain SME lending under the right conditions. Key factors which condition banks' willingness to lend are:

- political pressure from the host country government to lend to SMEs, including new business starts by redundant government and parastatal employees (early retirees, laid-off personnel) as well as by university graduates (However, certain donor SME credit programs are designed to absorb the shock of thousands of retirees, laid-off employees and graduates as they attempt to enter the private sector. These programs blunt potential political repercussions for a short time, but offer no real solution to the longer term problem of increasing unemployment. In Guinea, where some 12,000 public sector employees are being released, of 1,400 loan requests received under the BARAF² program, 345 have been financed by commercial banks. The banks assume none of the credit risk on loans over 1 million French francs and only 20% on loans under this ceiling. Widespread local sentiment is that non-repayment rates will range from 60-80% and that BARAF is a government give-away to lessen temporarily the impact of the public sector personnel reduction measure.)
- the perceived need to diversify their loan portfolios, thereby spreading/lowering the overall risk of the portfolio

²Bureau d'Aide à la Reconversion des Agents de la Fonction Publique: a government program to assist laid off civil servants to enter the private sector, primarily through subsidized loans.

- the SME's business track record, relationship with the bank, as well as the investment and collateral the entrepreneur brings to the proposed business activity (Banks will be more favorably disposed toward SME lending if the SME already has a depository relationship with the bank, has good accounting records, sound treasury management and offers solid, attachable collateral.)
- credit ceilings, interest rate limitations and the interest rate spread the bank can earn (Under a USAID SME credit project in Kaolack, Senegal, interest rate ceilings were waived. Rates of 24% are practiced, despite which the repayment rate is 96%.)
- alternative investments the bank can make, e.g., money market instruments
- the availability of lending mechanisms which allow for risk reduction (Various creative lending mechanisms exist, and if properly designed, can be used with success: mutual guarantee groups of like businesses, e.g., bakeries; short-term, decreasing loan guarantee arrangements with donors; packages of sound SME clients, with increasing profitability records and a zero default rate; commercial bank-trading house-donor lending collaboration, with all three partners sharing in the risk and return; a risk support fund to allow banks sufficient margin to cover the risk of lending to SMEs; circumvention of interest rate limitations by charging administrative fees and commissions on loans and associated bank services.)

D. Economic and Market Factors

Economic and market factors are of critical concern to the SME, and affect its ability to do business, to expand, and to take advantage of business opportunities.

1. Economic Factors

- **Size and strength of the economy and the private sector.** Most African economies and formal private sectors are very small and fragile, thus disproportionately susceptible to both exogenous and endogenous events. Since most African economies depend heavily on agriculture, a bad harvest (endogenous) or a drop in world prices for a key crop (exogenous) translate into decreased consumer purchasing power, with a direct ripple effect out to the private sector.
- **Business stagnation and lack of private sector dynamism.** Many African economies have declined over the past decade, with the result that entire regional economies became stagnant. While African formal private sectors exhibit little of the dynamism associated with Western private sectors, country and regional economic stagnation has smothered much of the dynamism which existed.
- **Breadth of business base.** African private sectors tend to be heavily dominated by commerce. While accurate statistics are generally unobtainable, commercial activities are estimated to account for anywhere from 41% to 73% of all formal business activity, and contribute from 14% to 35% to GDP depending on the country. Manufacturing, on the other hand, is much less important, accounting for 2% to 12% of business activity and contributing from 2% to 16% to GDP.
- **Foreign exchange availability.** Businesspersons in non-WAMU countries often have difficulty in obtaining foreign exchange. Thus they can not import needed raw materials, intermediate goods and spare parts.
- **Inflation and purchasing power.** Low purchasing power, common to most African countries, and high inflation, present in some African countries, jeopardize the life of the SME, especially those with limited financial staying power.
- **Capital flight.** In certain West African countries and in Zaire, capital flight is occurring and reinvestment is next to nil.

2. Market Factors

- Domestic markets are small and fragmented. Regional markets suffer from economic stagnation.
- Domestic markets are reeling under the impact of legal, dumped and illegal imports, resulting from recent trade liberalization. Import competition comes largely from Europe, South America, the Far East, and especially in West Africa, from and through Nigeria.³
- European markets are difficult to access due to lack of information, knowledge of marketing circuits, contacts, and inability to produce and deliver quantities and qualities of products desired on a timely basis.
- The limited domestic market is unable to absorb new business entrants in many activities. The new African entrepreneur tends to mimic what others are already doing, i.e., enter unsophisticated, low capital requirement businesses such as bakeries, pharmacies, transport and freight forwarding, printing, consulting, video cassette rentals, general commerce, and construction.

E. Business Potential

In spite of the general pessimism of businesspersons and bankers in much of Africa today, there are areas of business activity with potential for SMEs. Much of the potential is predicated on a turnaround of economies, local and regional. A valuable way of looking for the areas of potential is to use the "chain" construct, viz:

- the "food chain:" production and export of high value crops/food products to regional and European markets; operations ancillary to agricultural production, i.e., agricultural equipment/tools, storage/cold chain construction and operation, transportation, selected food processing, marketing, institutional food markets
- the "construction chain:" a variety of labor-intensive operations exist from the forest to the home, i.e., timbering, sawmills, building materials, iron/wood intermediate and finished products, glass products, simple hardware, construction, carpentry (rough and finished), plumbing, electrical, office and home furnishings
- the "tourism chain:" all the basic hotel infrastructure, new and rehabilitated, and creation of most of the supporting infrastructure: restaurants, shopping facilities, tours, tourguides, sports, land, river and air transportation in-country

Another useful way to seek out areas of business potential is to look for discrete opportunities in the marketplace. The marketplace can be local, urban, domestic and foreign:

- import substitution products which can successfully compete with imports on a price basis and/or quality basis; opportunities for light industry which services domestic, urban markets where product quality and timely supply are important criteria
- services for domestic, urban markets, i.e., to industry and to government; opportunities in maintenance, product repair, office/business services, consulting, management accounting, and training

³Nowhere is the matter of imports from Nigeria more pernicious than in Niger. With a 2000 kilometer-long porous border, imports from Nigeria are flooding in, many of which are shoddy, to the point where for the first time, product quality is starting to become a desirable attribute and the consumer from Niger is willing to pay for it.

- exports to neighboring country markets of light manufactures, food and food-related products (This entails serious market research to find market niches, i.e., where there are product shortfalls, quality differences, price differences, etc. For most exportables, satisfying neighboring country markets can be the initial step in acquiring the necessary capacities to enter and satisfy European markets and standards.)

Finally, there are special areas wherein certain countries have advantages, and special areas in which all countries have opportunity:

- countries on the Atlantic littoral: fisheries, shrimp (European markets for these to continue to grow)
- moderate tourist growth for certain Atlantic ocean countries, and near-term, but eventually limited, growth for the Sahelian countries
- municipal and central government services, e.g., garbage collection, central market management, various port and warehousing activities, subcontracting to government

F. Business Infrastructure

Business infrastructure has no direct training implications for businesspersons, but has relevance for assistance to private sector support organizations which speak on behalf of the businessperson. The latter's ability to produce competitive goods on a timely basis and to move goods to both domestic and foreign markets depends in great measure on a well-functioning, cost-effective infrastructure. Table 1 describes the condition of business infrastructure in each of the countries assessed, as viewed by the businesspersons themselves.

As might be expected, those countries (Senegal, Togo and Lesotho) with somewhat more advanced economies have business infrastructures in fairly good condition. Across the 10 countries examined, main roads and truck fleets vary in condition from poor to good, while secondary roads generally are poor. Truck transport is expensive in all of the ten countries. North-South external air transportation ranges from fair to excellent, while East-West transport is at best fair and internal air transport is generally poor and expensive. Other than "specialty" service for certain commodities, rail service tends to be poor. The exception is the Dakar-Niger railroad (Dakar-Bamako), which is adequate for general freight service.

Communications (telephone, etc.) with the outside (Europe, U.S. and neighboring African countries) are improving over much of Africa with the installation of microwave facilities. Internal communications are slowly improving, however, compared to the U.S., internal and external communications are expensive. Market and supplier information available to the indigenous businessman is generally inadequate.

Electricity is generally expensive (except in Zaire where it costs 1/10th what it does in the U.S.) and ranges from being unreliable to fairly reliable. Even so, all process industries must have back-up generator facilities. Water for industrial purposes tends to be adequate. Eight of the 10 countries have industrial parks or zones available. Services vary from industrial land to lease to workshops and central administrative facilities for smaller scale businesses.

Finally, a very important contributor to the fragile nature of the SME subsector is the general lack of business linkages, i.e., downstream linkages with local suppliers of raw materials, upstream linkages to intermediate and final business consumers, and cross-linkages between industries, such as suppliers of packaging materials, and repairers of electric motors and refrigeration equipment.

Table 1: Condition of Business Infrastructure

Infrastructural Component	Country									
	Gambia	Ghana	Guinea	Lesotho	Mali	Niger	Rwanda	Senegal	Togo	Zaire
1. Transportation	improving	poor	poor	good	improving	good	good but roads to foreign ports poor	good	good	generally very poor except to Matadi and in parts of the east
a. Principal Road Networks										
b. Secondary Road Networks	poor	poor	very poor	to be improved	poor	poor	poor	improving	fair	very poor
c. Truck and Bus Fleets	dilapidated	dilapidated	dilapidated	adequate	dilapidated	improving	good	good	good	dilapidated
d. Rail; rolling stock	N/A	unreliable; old	for bauxite-good; remainder/poor	modest	adequate (to Bamako)	N/A	N/A	fair/good	deteriorating	port to capital is good
e. Rail Freight Service	N/A	slow	N/A	slow	cheaper than truck (Abidjan-Bamako)	N/A	N/A	cheaper than truck, but less flexible	N/A	idem
f. Sea and Ports	improving	poor	poor	N/A	N/A	N/A	N/A	good	very good	good
g. River	fair	limited to upper part of Volta River	N/A	N/A	modest - rainy season only	very modest rainy season only	N/A	largely limited by rainy season	N/A	fair
h. Air-external	fair/improving	poor	poor	fair	fair	fair	fair	excellent	excellent	fair
i. Air-internal	charter only	poor	charter only	fair	charter only	charter only	good	fair	charter only	poor

Table 1: Condition of Business Infrastructure

Infrastructural Component	Country									
	Gambia	Ghana	Guinea	Lesotho	Mali	Niger	Rwanda	Senegal	Togo	Zaire
2. Communications	excellent	unreliable	poor	improving	satisfactory	excellent	poor	excellent	excellent	poor
a. External Telephone, Telex, Telefax										
b. Internal Telephone, Telex	poor - lack of lines	unreliable	almost non-existent	improving	improving	improving	inadequate	improving	need more telephone lines	almost non-existent
c. Market and Supplies Information (for indigenous firms)	inadequate	inadequate	inadequate	improving	inadequate	inadequate	inadequate	improving	better than most Togo is a commercial corridor	inadequate
3. Utilities	unreliable	unreliable	unreliable	good	unreliable	improving	inadequate	fairly reliable	fairly reliable	unreliable
a. Electricity										
b. Water	deteriorating	adequate	adequate	good	adequate	adequate	inadequate	adequate	adequate	excellent
4. Other	available	none	none	available	available	available	available	available	available	available
a. Industrial Parks/Zones										
b. Up, cross and downstream linkages between businesses	weak	weak	weak	weak	weak	weak	weak	growing	growing	moderate (Kinshasa)
c. Spare Parts Availability	unsatisfactory	unsatisfactory	unsatisfactory	satisfactory	unsatisfactory	improving	unsatisfactory	satisfactory	satisfactory	unsatisfactory

G. Administrative/Bureaucratic Factors

While administrative and bureaucratic factors do not have a direct bearing on SME training, they do have implications for potential training of government officials or researchers involved with the private sector. Francophone and anglophone countries differ distinctly.

Administrative and bureaucratic factors in the francophone countries pose serious impediments to the efficient functioning of business, and draw some of the most vociferous complaints of indigenous businessmen.

1. Business start-up

In most **francophone countries**, the indigenous businessman who starts a business faces a time-consuming, multi-step process, often with payoffs required and contacts in government extremely useful. Business formation can take a year or more to accomplish.

In the **anglophone countries**, the new, indigenous entrant to business has fewer problems and delays in setting up his business than in most francophone countries. In The Gambia, for example, with the assistance of an accountant or lawyer to guide him through the registration process, it takes about one month to become registered. The most important factor is the entrepreneur's persistence in making certain that paperwork is proceeding through the system.

2. Operating a business and taxation

All of the **francophone** private sectors suffer from very restrictive regulations and taxes.

- In certain countries, routine petty and not-so-petty harassment of business is common, by the police, customs authorities, tax authorities, and the "economic police." Bribery is a necessity. In other countries, this is slowly becoming less of a problem as regulations are eased under IMF and donor pressure. (e.g., Zairian SMEs complain of being harassed constantly for petty fines and taxes.)
- Bureaucracy, i.e. red tape, is a universal problem principally affecting time required to obtain permits and licenses. (The time necessary to get export licenses in Togo can be so long that businesspersons miss market opportunities.)
- Qualification for Investment Code protection and privileges can take an inordinate amount of time, requiring the approval of many ministries, and entailing delays and the "participation" of interested officials. (Guinean SMEs complained of months of delays and the need for a multitude of small bribes to keep the paperwork moving.)
- Government contracts often are not awarded strictly on the basis of low bid and a firm's qualifications.
- For those firms which do business with the government, accounts receivable from the public sector can remain unpaid for up to a year, putting serious financial pressure on those firms, and, via a ripple effect, those firms' suppliers, subcontractors and eventually, government tax revenues and the economy. (A Zairian manufacturer of uniforms for the nation's soldiers spoke of delays of one year to obtain payment for any part of the price of the uniforms. He no longer accepts government contracts.)
- Francophone countries' tax systems are complex and punitive. Governments do not realize that a tax system can be used to give incentive to business so as to strengthen the economy, as well as collect revenues for the state. (The multiplicity of taxes and fees, and especially the array of "minimum business taxes" creates a "cascade effect" on business, and falls most heavily on the smaller, financially fragile SMEs. The tax on revenues is perhaps the most onerous for the start-up

enterprise, since it is payable regardless of the profit (or loss) situation of the firm.)

- The smaller businessman often has only two options if he wishes to remain in business: hire a "creative" accountant to help him evade as much tax as possible; remain "invisible" to the tax authorities, i.e., stay in the informal sector.

Relative to the francophone countries, the **anglophone countries** are easier countries in which to do business.

- The business formation requirements and tax systems are simpler and less onerous. There are fewer "contrived" penalties and shake-downs.
- As in all African countries, connections in government certainly help when a businessperson needs approvals, exemptions, etc. Favoritism is present, and the bigger the business deal, or concession, or favor required, the bigger the "participation" of interested officials.

H. Human Resources

For most of the countries assessed, the need for trained personnel at all levels ranges from serious to acute. Only Senegal has a pool of skills of any size and depth. Following are the characteristics which typify the African entrepreneur, African management and African labor:

1. Entrepreneurs

Despite differences in economic conditions, entrepreneurial spirit is present in all countries assessed. Management ability, however, has to be developed. Training bears particularly on those individuals who have entrepreneurial ability, i.e., the vision, willingness and drive to create and nurture a producing enterprise. Most entrepreneurs need a better understanding of what business is all about, from structure and organization of the firm to comprehending the long-pull nature of a market-driven producing enterprise.

- In many countries, there is an "imitation" syndrome, whereunder fledgling entrepreneurs, especially among laid-off or early retired government employees, rush into business activities which are easily entered, but soon become supersaturated. (There is a pharmacy or a bakery on nearly every street corner in the capital cities of all the francophone countries assessed.)
- In all countries, training is shunned by many entrepreneurs. For themselves, they shun it because they feel they already know and fulfill their firms' important positions (indicative of inability to delegate authority), and what training is offered generally is not practical or oriented to their problems. For their employees, they shun training because they do not understand the importance of human resources to the firm and fear that once employees are trained they will leave or be pirated away. (The owners of several medium-sized customs brokers in Togo complained bitterly of having trained competent personnel, only to have them leave to start rival firms.)
- In all countries, there are numerous examples of entrepreneurial ability in the informal sector. These entrepreneurs are self-made individuals, with an intuitive sense of their market(s) based on experience, and a clear idea of the constraints facing them.
- A "production" mentality is often prevalent which says "because I know how to make a product, I'll sell it," rather than a "market" mentality which asks "what are the markets that can be tapped, and how can I best tap them with my product/skills/ideas?" (Women clothing dyers in Guinea complained of large stocks

of unsold cloth which had never interested their customers. No one had thought to show samples of the cloth to the clients beforehand to get their reaction.)

- In many countries, there is a fear and resentment of normal competition, which at best expresses itself as anger, and at worst as sabotaging competitors by nefarious means. Businessmen do not understand that fair competition can be a positive force, and that today's competitor could be tomorrow's partner.
- There are very few senior female managers in the formal business sector, but women do fill support positions (secretarial and occasionally accounting). However, there is a growing number of woman-managed small scale formal enterprises, although titular ownership may rest with the husband. The most prominent women entrepreneurs are the "Nana Benz" of Lome, the most prosperous of whom own hotels and restaurants, in addition to their main trading businesses in fabrics.

2. Management

The consensus of the various countries' business communities, local and expatriate, is that management skills and know-how are widely lacking. This is not surprising given a history of trading, rather than productive activities, given limited education and training facilities, and, for the francophone countries, given higher education systems which trained people almost exclusively for government service. Management in African private sectors is characterized by:

- a lack of hands-on experience and skills across the spectrum of business functions, especially markets and marketing
- a distinct lack of middle management, experienced and willing to assume responsibility immediately
- a relative absence of leadership qualities and initiative-taking (Leadership behavior tends to be "undercut" by peers and subordinates rather than accepted as a desirable trait. No one is "allowed" to get very far ahead of the pack.)
- the absence of a pool of managerial talent, of the size that permits it to be easily tapped and which itself is mobile (Senegal comes the closest to filling this requirement, especially in services and banking. Togo is developing a pool of managerial talent, while Zaire has a small, but growing, pool of banker and accountancy talent.)
- an almost complete lack of production management talent, involving semi-sophisticated and/or specialized operations and equipment (Many SMEs with capital intensive operations "import" their production managers from countries with better trained personnel or from abroad, to avoid costly slowdowns or shutdowns due to poor production management.)
- the presence of a "diploma syndrome" of university graduates who feel they are entitled to be hired directly into management, but who have no desire to "get their hands dirty"
- the businessman's preference to hire the high school graduate, who comes with few pretensions, rather than the theoretically trained university graduate, who has few practical skills to offer

3. Labor

In most of the countries assessed, the basic labor supply is abundant due to growing unemployment, stemming from reduction or cessation of government hiring and the stagnation/decline of manufacturing sectors and economies. The strength and reasonableness of labor unions varies according to country. Unions tend to be strong in francophone countries,

where there are direct political linkages, and vary in reasonableness in the case of legitimate employer-employee disputes. By contrast, in The Gambia and Lesotho, unions are weak. From the businessman's standpoint, a variety of weaknesses beset the labor force:

- a very thin labor market from which it is difficult to find experienced employees ready to fill positions
- generally, poor quality graduates of training institutions with the result that companies are forced to retrain new employees. (However, in the long-term, the positive result is that a pool of skilled labor develops. This is the case of larger, more advanced private sectors, such as those of Senegal and Zaire (Kinshasa). It is also the case of Ghana, which in its more prosperous economic days and over time has developed a labor force which is well qualified.)
- in certain countries, e.g., Guinea and The Gambia, a near total absence of all service sector skills: plumbing, electrical, automotive mechanics, construction
- a lack of employee responsibility (dedication) to the firm, which shows up as absenteeism, lack of punctuality, theft and little interest in job advancement or increased responsibility
- a lack of recognition of the need for maintenance, especially preventive maintenance
- illiteracy and inability to do simple calculations are constraints
- "my little brother" syndrome, where government officials, family and friends pressure businessmen to hire relatives, whether qualified or not
- varying degrees of difficulty in the ability of the firm to fire employees and/or to replace employees with better ones due to strict labor laws

I. Training Institutions, Private Sector Support Organizations (PSSOs) and Industry Training

1. Local Management Training and Technical Institutions

Viable training resources vary in availability, balance and quality, as well as in emphasis toward SMEs and their needs. Table 2 evaluates these key characteristics based on the assessment teams' findings.

In many countries, management training is principally directed to the public sector and parastatal companies. SME training is relatively new for many African countries.

The **availability of training resources** for SMEs appears to be directly related to size and sophistication of the economy, as well as to relative historical importance of the private sector. Limited viable training resources are present in Guinea, Rwanda, The Gambia, Niger and Mali, while moderate to extensive resources exist in Lesotho, Senegal, Togo, Ghana and Zaire.

Balance: This takes two forms: first, between management and vocational/technical and second, between theoretical (classic academic approach) and practical, hands-on. SMEs are in legion in their complaints about job applicants steeped in theory, but with little or no practical training, which would make them much more employable.

Quality: This varies greatly, but is generally better in the more advanced economies, i.e., Senegal, Togo, Lesotho, and to a degree, Ghana.

SME emphasis: In seven of the ten countries, the emphasis is either already strong or is growing.

2. Private Sector Support Organizations (PSSOs)

The last column of Table 2 shows the degree of activity of both the private sector and public sector organizations which support the SME. Surprisingly, in only three countries (Senegal, Zaire and Togo) are private sector organizations truly active in support of SMEs. In only one country, Lesotho, is the public sector truly active in supporting its SMEs. In Niger, Mali, Guinea and Senegal, public sector organizations support retirees, laid-off public employees and graduates in an effort to move them into the private sector.

PSSOs need much more contact with the business community they are supposed to support. Moreover, as representatives of the business community, they should have input to and work as partners with local training institutions. The PSSOs need to be strengthened so that they become true advocates of the private sector and, where feasible, undertake high quality training as a complement to that of local training institutions.

Following is commentary on the principal private sector support organizations found in the countries surveyed. Also included are some of the innovative activities undertaken by the few forward-looking PSSOs.

Chambers of Commerce: In the francophone countries, they are typically tied to government through the Ministry of Commerce and/or Industry. Many industrial entrepreneurs view the Chamber as an "old-boy network" wherein the majority of the members are large traders, and feel that it does not truly represent the entire business community. Francophone country membership typically ranges from 100-200, while anglophone chambers are both truly private and much larger, e.g., 1800 members in Lesotho. Level of activity ranges from dormancy to active expansion.

Activities include training (Guinea, Senegal, Togo, Zaire, Mali), lobbying (Guinea, Zaire, Togo), information dissemination (Lesotho, Rwanda, Zaire), trade promotion (Guinea, Togo) and investor assistance (Togo- planned).

Employer Federations and Business Associations: These organizations vary greatly in type and level of activity and effectiveness. Employer federations are often accused of representing primarily the largest and often the European firms, and little interested in the indigenous, smaller, but formal private sector entrepreneur. By contrast, business associations, especially those with grass-roots origins, represent the smaller firm better and can be quite effective and innovative. Senegal, Ghana and Zaire have the largest and broadest business association support bases. Following are highlights of the business association network and some innovative activities undertaken.

In Ghana the Association of Ghana Industries (AGI) has a membership of some 1000 firms. Other smaller business associations also exist, including business and professional women, printers, furniture manufacturers, bankers and CPAs.

In Zaire the National Federation of SMEs (ANEZA) has 1200 member firms and operates a member-created Savings and Loan company. ANEZA has a sister organization for policy issues and is consulted by government.

In Senegal, the goal of the Senegalese Training Association (AFORS), organized by 60 Senegalese businesses, is to change worker mentality and behavior through leadership training and, for middle and line managers and technicians, to address productivity and quality control as requisites for firms' survival. The National Businesspersons' Center of Senegal (CNES) is a small, dynamic business association pushing for better policy analysis and dialogue with the government. Young graduates from U.S. business schools have created the CNJDS, National Council of Young Managers from Senegal, which publishes a monthly magazine on entrepreneurship and makes policy and training recommendations for newly created SMEs.

In Gambia, the Association of Gambian Entrepreneurs (AGE) was formed by the graduates of the Entrepreneurship Workshop, a USAID- funded program run by Management Systems

International. There are 350 dues paying members (mostly informal sector) and 600 "associates." The AGE plans to establish a link with the Gambian Chamber of Commerce, so that as both organizations grow, the AGE becomes a feed for the Chamber of Commerce and both organizations benefit from what each has to offer.

In a number of West African countries (Mali, Senegal, Cote d'Ivoire, Ghana) "financieres" (private finance companies) have been established by young, dynamic businessmen to fill the credit gap which exists in virtually every country. Based on the "tontine" principle of small, equal contributions by many members, these organizations plan to adopt corporate status once they reach a certain capitalization, and eventually become the equivalent of venture capital funds.

Government Promotion Agencies: All countries assessed have some form of public sector support for SMEs, ranging from implicit support through their emphasis on private sector development to explicit and considerable support with national offices for SMEs offering a wide range of services. This assistance to the SME varies widely, depending on:

- the strength of government commitment to private sector development
- the quality of personnel assigned to these agencies
- how effectively and "professionally" they manage lines of credit
- government interest in assisting the growing pool of voluntarily retired civil servants, laid-off parastatal employees and university graduates

Lesotho's Basotho Enterprise Development Corporation (BEDCO) provides perhaps the most extensive services, including credit at 12-15% interest, with only 10% owner equity required, business and technical training, low cost rental space in two industrial parks, machinery rental and assistance with supply of raw materials. BEDCO has financed over 250 companies, 150 of which are in manufacturing. These companies have created 1600 jobs.

Senegal provides an interesting contrast with Lesotho. Support of SMEs comes through a number of promotional agencies, most of which exhibit a rather lackluster performance. The two development banks most involved with SMEs are in serious financial difficulty. Both have loan portfolios with low repayment rates based on past lending to non-manufacturing and non-SME clients. The principal promotion agency (feasibility studies, investment promotion and development of industrial zones) is facing growing competition from private firms and has a mediocre reputation in business circles. The Senegalese organization (SODIDA) analogous to Lesotho's Enterprise Development Corporation offers a wide range of support services, including operation of an industrial zone for SMEs, with rental of space provided, consulting unit for market research, a central purchasing unit which also provides raw materials financing at 13% interest, a technical unit for production advice and, originally, an incubator-type service center for the SME units, which closed since there was little demand for such services. Niger's National Center for Executive Management Training (CNPG) offers a novel approach to training in its 1989 pilot program which will offer in-depth analysis/diagnosis of several client companies, ranging from examination of overall company objectives to production shifts' needs and zeroing in on deficiencies which can be addressed by training.

3. Industry Training

In general, industry shoulders the responsibility for training many of its employees, both managerial and labor. Most industry training takes place locally in the factory, while specialized training often takes place in Europe. Training in the services, notably, accounting, banking and hotel operations takes place locally for lower level professional staff, regionally (e.g., Abidjan, Dakar, Nairobi) for middle level staff, and in Europe for senior staff. The reasons why industry assumes the responsibility for training are:

- Local vocational or technical training institutions are not of the caliber to turn out immediately productive employees. (SMEs in Zaire complain of having to spend up to 12 months to retrain technicians.)

- In the francophone areas in particular, graduates of universities and other higher learning institutions are generally prepared for careers in government and are steeped in theory with little practical experience. As such, without additional training, they are of little immediate use to business. Industry must retrain them in order to have productive employees. (To address the absence of auditing and internal control in its client companies in Niger, the accounting firm, Fiduciare France Afrique, an Arthur Young International affiliate, adopted a novel approach where clients' chief accountants/controllers were taught auditing and internal control by working with FFA staff on actual audits of other clients.)
- Graduates feel they are "entitled" to senior management positions immediately, with all the rights and privileges pertaining thereto, when in fact they know little of business and have to perform to "earn" these positions. (Participants in the ILO Entrepreneurial Training Program in Dakar who had university educations were offended if they were not placed in senior management positions in companies which accepted to hire them, despite the fact that they had no prior practical experience.)
- Africa has extremely few training facilities which can train in specialized and in semi-sophisticated technical areas, e.g., refrigeration, electronics, industrial gases.

Many smaller firms requiring technical skills voiced the desire to work with the medium to larger-scale industrial firms to allow for in-plant training for the formers' employees at the latter's facilities. Certain large plants were willing to study this possibility. This expressed need was so prevalent in Senegal that a recommendation of the PSTNA was that USAID seed money serve to initiate such a system of "paid" in-plant training for smaller firms' employees at some of the larger firms with training facilities (e.g., Dakar Marine). The same suggestion was made in Zaire.

Table 2: Local Management Training/Technical Institutions and Private Sector Support Organizations: SME Training--Key Characteristics

Country	Availability of Resources	Balance	Quality	SME Emphasis	PSSO degree of activity for SMEs
Gambia	Very limited; one good management training institution with potential to become better.	Difficult to judge since there are so few training institutions.	Vocational--poor; managerial--fair-good	Growing	Private sector--very little but will grow in future. Public sector--very limited.
Ghana	Moderate	Fair balance between theoretical and practical. Some skew toward managerial.	Varied; vocational training good; Managerial (including accounting and marketing) needs improvements.	Starting	Private sector--non-existent. Public sector--just starting.
Guinea	Very limited--should expand as CNPG moves into private sector training.	Not yet present since current CNPG activity(ies) entails vocational and public sector retraining.	Poor/very poor (vocational).	Very limited; just starting.	Private sector--just starting. Public sector--very limited. NGOs--could play important future role
Lesotho	Moderate-extensive	Fair balance between managerial and vocational/ technical and between theoretical and practical.	Fair--SME management training skills need strengthening.	Strong	Private sector--very limited. Public sector--active, but needs strengthening.

Table 2: Local Management Training/Technical Institutions and Private Sector Support Organizations: SME Training--Key Characteristics

Country	Availability of Resources	Balance	Quality	SME Emphasis	PSSO degree of activity for SMEs
Mali	Limited-Moderate	Skewed toward vocational and theoretical, but current shift toward managerial and practical at certain institutions. Some income-generating instruction for women.	Spotty, but starting to improve.	Growing	Private sector--very modest. Public sector--very modest except for Office Nationale de la Main d'Oeuvre et de l'Emploi which targets early retirees, laid-off public sector employees, and especially graduates.
N.ger	Limited with one (CNPG) excellent management training institution.	Very theoretical--little practical; slightly skewed toward management. Principally aimed at producing civil servants.	Spotty, except for CNPG	Growing	Private sector--modest, but growing; two women's organizations which could be training vehicles. Public sector--starting for graduates, early retirees, and laid-off civil servants.
Rwanda	Very limited; primarily University	Skewed toward management/ accounting; fair balance between theoretical and practical.	Low, except for ESGI/Gisenyi, the graduates of which find employment easily.	Very limited	Private sector--nil Public sector--very limited

Table 2: Local Management Training/Technical Institutions and Private Sector Support Organizations: SME Training--Key Characteristics

Country	Availability of Resources	Balance	Quality	SME Emphasis	PSSO degree of activity for SMEs
Senegal	Moderate-extensive; 47 technical schools in the formal educational system, 23 private schools, and 5 "in-house" (large company) schools.	Good balance between theoretical and practical, and between vocational/technical and managerial. Company-specific programs available.	Good-excellent: for managers and technicians. Practical internships available.	Growing	Private sector--provide more training than similar organizations in other countries. Public sector--inadequate to date.
Togo	Moderate; Limited management training resources	More balance than most countries, but still overly theoretical per businessmen. Developing linkages with employers for future job creation.	Varied	Fairly strong	Private sector--moderate; Chamber of Commerce developing specific capability for SMEs. Public sector--starting.
Zaire	Moderate-extensive	Fair balance between theoretical and practical. More management programs for SMEs than in all other HRDA surveyed countries.	Managerial--good. Vocational/technical--does not meet employers' needs.	Strong	Private sector--very active. Public sector--modest.

J. Donor Response to Private Sector Training Needs

This section examines how major donors have responded to the training needs of the private sector and the complementarity between USAID's programs and those of other donors.

1. Donor Response

Table 3, Major Donor SME In-Country Training Strategies and Target Audiences, shows how the major donors have responded in terms of training offered to business and to the variety of organizations which train/support businesses. The following conclusions apply to the training strategies adopted by the major donors, in support of SMEs:

1. Institutional strengthening is the first priority of all donors, with UN agencies (including ILO, UNDP and UNIDO) supporting business training institutions, Chambers of Commerce and government agencies, and the World Bank split between business training institutions and government agencies which assist business. In seven of the ten countries, the World Bank has "Enterprise Development Programs" which typically offer a credit line for SMEs through the commercial banking system. The individual programs vary as to technical assistance and training offered. USAIDs, as a group, support the entire spectrum--training institutions and private sector support organizations, including truly private entities which most other donors are unable to assist due to the nature of their agreements with the host government.
2. The bulk of training assistance to SMEs goes through training institutions and private sector support organizations. More direct types of training are AID's Entrepreneurs International Program, technical assistance via the IESC, and USAID-sponsored seminars for business owners or managers.
3. Only USAIDs accord wide-spread, **specific** importance to women entrepreneurs, including the Gambia, Guinea, Lesotho, Mali, Niger, Rwanda and Togo.
4. USAIDs accord importance to the informal business sector, especially rural economic activities. This is in large part due to AID's long standing efforts in agriculture and agriculture-related activities and its more recent interest in means of opening the formal sector to informals through policy and institutional reform, e.g., Guinea, Mali, Niger, Lesotho, Senegal and Togo.

Table 3: Major Donor SME In-Country Training Strategies and Target Audiences (Current & Planned)

Strategy/ Audience	AID	World Bank	UN Agencies	Others
1. Institutional Strengthening				
a. Local Training Institution				
Management	Ghana, Guinea, Rwanda, Gambia, Senegal, Zaire, Niger, Mali	Guinea, Senegal, Gambia, Niger	Ghana, Senegal, Guinea, Niger	Lesotho (Ireland, Germany) Senegal (France, Canada) Zaire (France) Togo (France) Gambia (UK) Mali (Canada)
Vocational	Guinea, Togo, Gambia, Senegal (industrial worker literacy)		Niger	Lesotho (Germany, other donors)
Universities, Technical Schools	Lesotho, Zaire, Rwanda, Togo		Mali	Gambia (EEC)
Linkage/Exchange with US/Foreign Institutions	Ghana, Senegal,	Niger		Togo (France)
b. Private Sector Support Organizations Strengthening				
Chamber of Commerce	Rwanda, Gambia, Lesotho, Togo	Togo	Gambia, Guinea, Rwanda, Togo	Rwanda (Switzerland)
Business Associations	Ghana, Guinea, Senegal, Zaire, Gambia	Togo		
Government Agencies	Lesotho, Zaire, Ghana, Togo	Guinea, Zaire, Gambia, Niger, Senegal	Guinea, Lesotho, Togo, Zaire, Gambia, Niger, Ghana	Lesotho (Germany) Guinea (EEC) Mali (Germany) Ghana (Finland)
2. SME Promotion/ Strengthening				
a. Businesspersons -General				
	All countries (mainly institutions)	*Ghana, Senegal, Togo, Zaire, Lesotho, Gambia, Niger		Zaire (France)
b. Entrepreneurship				
	All countries via institutions (and Entrepreneurs International)		Senegal	
c. Bankers				
	Ghana, Guinea, Rwanda, Lesotho	Ghana		
d. NGOs				
	Guinea, Togo	Togo		
e. Specialized:				
— Computer Science	Togo			
— Leadership	Mali			

Table 3: Major Donor SME In-Country Training Strategies and Target Audiences (Current & Planned)

Strategy/ Audience	AID	World Bank	UN Agencies	Others
f. Women Entrepreneurs	Guinea, Rwanda, Togo, Lesotho, Gambia, Niger, Mali	Gambia, Mali	Lesotho	Mali (Canada)
3. Assistance to Redundant Government and Parastatal Employees	Mali, Senegal, Guinea, Niger	Senegal, Niger	Senegal, Niger	Guinea (France)
4. Assistance to University Graduates	Zaire, Senegal, Mali		Mali	Senegal (Canada) Mali (FED)
5. Other (Selected)				
a. Public Sector/Private Sector Round Tables/Seminars	Guinea, Mali		All	
b. Informal Sector- Including Rural Productive Activities	Togo, Lesotho, Mali, Niger, Senegal, Guinea		Senegal, Togo, Niger	Senegal (FAC, FED) Guinea (PC) Mali (PC)
c. Bankers' Technical Skills	Ghana, Guinea, Lesotho, Rwanda, Niger			All WAMU countries
d. SME Training Through Established Larger Industries	Senegal, Zaire			
e. Ocean Fisheries	Guinea			Guinea (EEC)

* Enterprise Development Programs

2. Complementarity between USAIDs and Other Donors

Due to the degree of donor support in favor of private sector development, a concerted effort was made during the assessments to avoid duplication of training or technical assistance.

A good example of donor complementarity is that of the World Bank's Enterprise Development Program in Togo, which has as its centerpiece funds to be on-lent through the country's banking system to SMEs on preferential terms. Training offered under the World Bank program is restricted to Central Bank training in project economic analysis and to promotional and informational activities aimed at SMEs, through a referral/orientation center and an "extension" unit, both housed in the Chamber of Commerce. Strengthening of local training institutions, other private sector support organizations, University staff, and third country training is handled by other donors, including USAID. Togo's HRDA program has a large emphasis on rural economic activities, rural women's groups, all consonant with the Togo Rural Institutions and Private Sector project.

Another example of donor complementarity is the support offered The Gambia's Chamber of Commerce by both the UN and USAID/Gambia. The UN will offer assistance in establishing a member service oriented Chamber of Commerce, while USAID, through IESC consultation, will deal with training needs of the Chamber, and specifically with trade promotion. Thus, the UN will get the Chamber of Commerce up and running, and USAID will assist with determining training needs, as a function of the services to be offered members, and also will strengthen the Chamber's capacity to promote trade.

III. HRDA PRIVATE SECTOR TRAINING STRATEGIES

A. Constraints Identified by Local Private Sector Firms

During the PSTNAs, the key constraints identified by SMEs interviewed were (composite percentages of all firms interviewed in all 10 assessments):

- Access to credit - 80%
- Size/knowledge of markets - 60%
- Increased competition- 50%
- Government regulations and policies- 45%

In addition, a key problem facing all countries assessed is the growing level of unemployment, including increasing numbers among laid-off civil servants, from both public sector and parastatal entities and university graduates, with the resulting need for accelerated job creation. In Guinea, for example, for 67,000 annual new job market entrants, only 5,500 will be available. In Togo, for 50,000 new entrants, only 5,000 jobs will be available. In Mali, of 3,500 university graduates each year, two-thirds will not find employment.

The training priorities established as a function of the constraints identified above include:

1. Access to Credit (Becoming Bankable): All the Basic Business Skills

Access to credit is one the most severe constraints facing the SME and the start-up firm. Their inability to obtain credit is largely due to the fact that the firms and/or business propositions simply are not bankable. The needs are:

- practical training across the span of business functions, covering basic business start-up skills, simplified accounting and business plan development, organization and management skills, financial management, and especially markets and marketing. (The most frequently cited need for training among SMEs was "Principles of Management" which would give the SMEs a summary of the basics in all aspects of SME management.)
- training could be tied to obtaining credit from a commercial bank, to ensure that the entrepreneur has successfully completed his training and is starting off with a solid foundation of skills and a "bankable" business activity.
- SME client assistance units within commercial banks (banks generally lack in-house ability to assist the new entrepreneur) or a competent support unit working in close collaboration with the commercial banks could assist in loan appraisal and follow-up. (An effective SME client assistance unit is part of the Union Togolaise de Banques in Togo.)
- use of a local accounting firm in collaboration with banks to develop simplified accounting systems for SMEs which meet both parties' requirements.

2. The Survival of the SME: Knowledge of Markets and Marketing

In most countries the African manufacturer faces his most critical challenge from a growing flood of imports. In general, he knows little of how to market his product successfully in the face of this competition, has little idea of the tools at his disposal, and even less idea of how to put together a marketing strategy that would allow him to fight back. Marketing training, in all its aspects, is urgently needed.

Specifically, the following training is needed:

- understanding what/where/who the firm's market is.
- the use of market research and market information for both domestic and export markets--to find market niches and to capitalize on desired product attributes, e.g., product quality, timeliness of delivery, seasonality, appearance, packaging.
- seeking out the customer rather than waiting for the customer to come: understanding that the "customer is king."
- therefrom, the use of marketing tools:
 - product/packaging differentiation to tap different market segments
 - pricing strategies to undercut competition, to capture different market segments and to enter new markets.
 - market segmentation: for example, drawing on the experience of Niger, where product quality is starting to be desired by the consumer; "cream the market," leaving the low end of the market for the lower quality Nigerian imports.
 - use of advertising and giveaways, the establishment of lines of goods of lesser quality at lower prices--to combat the imports.
 - the ability to plan for and respond to market opportunities.
- underlying all of the above, the philosophy that markets drive the system, not production.

Despite the general lack of the notion of marketing in the countries assessed, certain examples were observed and could be used as case study materials, e.g., an innovative give-away program devised by manufacturers of bottled fruit drinks in Guinea to encourage consumers to try the drinks and which resulted in increased demand; ice cream distributors in Togo who devised portable ice boxes placed on the front of bicycles in order to take the product to the client.

3. Facing Increased Competition: Leaning Down

A large part of the SME's inability to compete with imports is that their product costs are simply too high. In order to compete successfully, a second set of actions is necessary and has direct implications for training--attaining leaner (lower cost) operations. Training is needed in:

- financial management, i.e., all treasury operations: cash management, accounts receivable and payable, inventory control, short-term bank loans and lines of credit.
- cost (management or analytical) accounting, i.e., the understanding of the costs of different operations and their contribution to profits, to permit cost control and cost cutting, and therefrom lower product costs and products which are more price competitive.
- inventory and production management--to match, at least, cost, raw materials, labor, and intermediate goods supply with market demand.

Manufacturing entities tended to cite cost accounting and production management as the second most important training need after principles of management. Many expressed frustration at not knowing how to better lay out their production process or to account for production costs.

4. Unfavorable Government Regulations and Policies: Creating an Enabling Environment

Increasing the knowledge base of policy planners and decision makers concerning the structure of the economy and the impact of existing law and regulations on private enterprise is a critical factor in informing their decisions on possible policy or institutional reform. Training in research methods to evaluate this impact and to effectively communicate the results to government officials is needed. Creation of an enabling environment of adapted laws and regulations will promote economic development and also serve to open the economy to all entrepreneurs, including the large number of urban informals.

5. Need for Job Creation: Entrepreneurial Development

Under the impetus of donor-promulgated policy reform and implementation, civil servants are being retired early, surplus parastatal employees are being let go and university graduates are no longer guaranteed government jobs. The private sector is expected to absorb many of these people as new entrepreneurs and as employees. Under the auspices of various donors' programs, early retirees receive a "golden handshake," and many from all three categories receive financial assistance (credit on fairly soft terms) to start businesses, with varying degrees of training provided, even though most of these people have no business experience. Furthermore, as is true everywhere, most are simply not entrepreneurs.

In most countries, the early non-selective credit and business start-up programs have had little success. The exodus from government and university and other institutions of learning, however, continues unabated. There are few job positions available in the private sector, the candidates for these positions are not qualified, and those who start businesses typically do so in classic areas of endeavor (transport, pharmacies, bakeries, etc.) which soon become saturated. Failures abound.

Training for selected individuals who demonstrate the qualities for successful entrepreneurship or who have already begun a business and are looking to improve their entrepreneurial abilities is needed. A careful screening process is critical. Follow-on basic training in business skills is needed for those individuals without prior experience.

Where entrepreneurs have proven their ability to successfully initiate a business, opportunities to expose them further to well run business operations and management practices should be sought out, in firms with similar activities either abroad or elsewhere in Africa.

B. Training Strategies and Target Groups

Table 4, USAID Training Strategies and Target Audiences with Principal Activities, provides the principal elements of each training strategy developed as a result of the HRDA PSTNA. Following are areas of greatest need where HRDA can have an important training impact on private sector development.

1. Strengthen local management training institutes

- Develop local institutional capability to implement training programs, with assistance from U.S. or third country resources, to address directly and practically the human resources development constraints facing the SME
- Develop training staff via study tours, training of trainers, and, where possible, linkages with U.S. institutions

2. Strengthen local private sector support organizations

Develop the capacity of these organizations to offer a range of specific services to their members and to engage more actively in policy analysis and dialogue, via U.S. or regional training, study tours or grants

3. Management Training for SMEs

- Develop programs at local training institutions which address the managers' critical strategic and tactical needs, in a practical and problem-solving format (basic management, marketing, financial management)
- Provide partial or full tuition grants to assist the SME with limited resources to avail itself of the appropriate training at local institutions
- Use Entrepreneurs International to provide advanced entrepreneurial/management skills and opportunities for selected African business owners
- Develop Entrepreneurs Africa to provide intermediate entrepreneurial/management skills and opportunities for a larger base of African entrepreneurs

4. Entrepreneurial Development Training

Where applicable, develop local institutional capability to implement training for selected potential or existing entrepreneurs to reinforce characteristics and business habits proper to successful entrepreneurs

5. Women

Target women entrepreneurs and women managers for training opportunities, to encourage their full participation in the development process

6. Policy Analysis and Reform

Broaden the knowledge base of local policy planners by training researchers to evaluate the need for policy reform, with emphasis on research on the informal economy and the effect of existing laws and regulations on private enterprise

Table 4: USAID Training Strategies and Target Audiences With Principal Activities

Country	STRENGTHEN: Local Training Institutions	STRENGTHEN: Private Sector Support Organizations	BUILD/STRENGTHEN: Entrepreneurs/SME Owners/Management Business Skills	STRENGTHEN: Women Entrepreneurs	STRENGTHEN Public Sector Policy Makers' Management Skills	ASSIST/STRENGTHEN: Civil Service Retirees/Redundant Parastatal Employment/School Graduates	STRENGTHEN/ DEVELOP: Other
Gambia	<ul style="list-style-type: none"> Staff development <ul style="list-style-type: none"> training of trainers Course and outreach development workshops (MSI) <ul style="list-style-type: none"> tuition credits Linkage with US institution 	<ul style="list-style-type: none"> Staff development <ul style="list-style-type: none"> Technical consultations (IESC) Equipment grant 	<ul style="list-style-type: none"> Business skills <ul style="list-style-type: none"> management, marketing, financial management (including informal sector entrepreneurs ready to move to formal sector). entrepreneur bankable project preparation Business internships (EI) 	<ul style="list-style-type: none"> entrepreneurs and managers in both formal and informal sectors entrepreneurial development workshops possible tuition credit for Gambia Womens' Finance Corp. members 			
Ghana	<ul style="list-style-type: none"> Staff development Linkage with US institution 	<ul style="list-style-type: none"> Staff development for advocacy/policy dialogue <ul style="list-style-type: none"> study tours 	<ul style="list-style-type: none"> Technical skills Business internships (EI) 		<ul style="list-style-type: none"> Management, technical skills <ul style="list-style-type: none"> short-term US courses 		<ul style="list-style-type: none"> Bank loan officers' technical skills <ul style="list-style-type: none"> internships in US banks University agribusiness management program <ul style="list-style-type: none"> post-graduate program for staff Promote Ghana/US joint ventures
Guinea	<ul style="list-style-type: none"> Staff development <ul style="list-style-type: none"> training of trainers study tours 	<ul style="list-style-type: none"> Staff development <ul style="list-style-type: none"> project appraisal investment promotion feasibility studies 	<ul style="list-style-type: none"> Business skills <ul style="list-style-type: none"> management, marketing, financial management, accounting 	<ul style="list-style-type: none"> SSE program 	<ul style="list-style-type: none"> Staff development of offices for women and for early retirees <ul style="list-style-type: none"> study tours 	<ul style="list-style-type: none"> Early retirees: <ul style="list-style-type: none"> "pre-credit" training for loan recipients 	<ul style="list-style-type: none"> Banks' rural branch staff in credit appraisal NGO staff in credit appraisal Public/private sector round tables Extension programs for rural enterprises Specialized training for: <ul style="list-style-type: none"> fisheries industry Central Bank

Table 4: USAID Training Strategies and Target Audiences With Principal Activities (Cont.)

Country	STRENGTHEN: Local Training Institutions	STRENGTHEN: Private Sector Support Organizations	BUILD/STRENGTHEN: Entrepreneurs/SME Owners/Management Business Skills	STRENGTHEN: Women Entrepreneurs	STRENGTHEN: Public Sector Policy Makers' Management Skills	ASSIST/STRENGTHEN: Civil Service Retirees/Redundant Parastatal Employees/School Graduates	STRENGTHEN/ DEVELOP: Other
Lesotho	<ul style="list-style-type: none"> Staff development training of trainers 	<ul style="list-style-type: none"> Staff development: investment promotion export marketing study tours technical consultations 	<ul style="list-style-type: none"> Business skills: management, marketing, financial management tuition grants (accounting) study internships with local firms Medium scale enterprises 	<ul style="list-style-type: none"> Urban and rural 	<ul style="list-style-type: none"> Management, planning, investment promotion, export marketing, loan appraisal for rural enterprises US short term training work internships in Kenyan SMEs 		<ul style="list-style-type: none"> Rural productive activities Bank loan officers-credit appraisal
Mali	<ul style="list-style-type: none"> Staff development training of trainers literacy training 		<ul style="list-style-type: none"> Business skills management, marketing, financial management, planning Leadership, production management Workforce motivation, banking and credit CEO symposia CEO workshops Business internships (EI) Small Firms (EA) 	<ul style="list-style-type: none"> Rural business skills management cooperative development 		<ul style="list-style-type: none"> Through local institutions for school graduates training of trainers in US entrepreneurial development workshops (MSI/ILO) preparation for entering the job market * Mission currently has a project to assist early retirees financially to enter the private sector 	<ul style="list-style-type: none"> Productivity of informal sector training of trainers literacy/numeracy training Government/private sector mutual understanding observation tours for GRM officials to other African countries forum for CEOs and cabinet level officials
Niger	<ul style="list-style-type: none"> Staff development outreach capability short term training/study tours-3rd country Course development 	<ul style="list-style-type: none"> Staff development study tours short term training-3rd country 	<ul style="list-style-type: none"> Business skills management, marketing, accounting systems Technical consultations (IESC) Business internships (EI) 	<ul style="list-style-type: none"> Business skills management, marketing, accounting 		<ul style="list-style-type: none"> Government organization dealing with early retirees outreach, enterprise development, credit appraisal, bank document preparation short term training-3rd country 	<ul style="list-style-type: none"> Bankers-credit appraisal for SSEs NGOs-credit appraisal for SSEs

Table 4: USAID Training Strategies and Target Audiences With Principal Activities (Cont.)

Country	STRENGTHEN: Local Training Institutions	STRENGTHEN: Private Sector Support Organizations	BUILD/STRENGTHEN: Entrepreneurs/SME Owners/Management Business Skills	STRENGTHEN: Women Entrepreneurs	STRENGTHEN: Public Sector Policy Makers' Management Skills	ASSIST/STRENGTHEN: Civil Service Retirees/Redundant Parastatal Employees/School Graduates	STRENGTHEN/ DEVELOP: Other
Rwanda	<ul style="list-style-type: none"> Staff development Course development 	<ul style="list-style-type: none"> Staff development study tours Information dissemination 	<ul style="list-style-type: none"> Business skills management, accounting, entrepreneurship, English business/work study tours business internships (EI) 	<ul style="list-style-type: none"> Business creation 	<ul style="list-style-type: none"> Management, financial analysis study tours 		<ul style="list-style-type: none"> University staff development: management, finance, accounting, computer science, English Course development English training for banking personnel
Senegal	<ul style="list-style-type: none"> Staff development training of trainers study programs Course development development of entrepreneurs Linkage with US institution 	<ul style="list-style-type: none"> Staff development study tourism-US 	<ul style="list-style-type: none"> Business skills: management, marketing, financial management production management (line managers) literacy (industrial workers) Business internships (EI) Technical consultations for firms (IESC) 			<ul style="list-style-type: none"> Those who qualify under National Employment Fund as SSEs. Includes redundant private sector employees. 	
Togo	<ul style="list-style-type: none"> Staff development training of trainers 	<ul style="list-style-type: none"> Staff development study tours Young entrepreneurs' group 	<ul style="list-style-type: none"> Business skills management, planning, cost accounting business/work study tours entrepreneurial development workshops Tuition grant to local computer firm for training 	<ul style="list-style-type: none"> Rural groups Business skills management seminars short term management training-third country 	<ul style="list-style-type: none"> Staff development research and planning in human resources development 		<ul style="list-style-type: none"> Productivity of rural and urban productive groups University staff in entrepreneurship and enterprise creation study tour study program linkage with US institution
Zaire	<ul style="list-style-type: none"> Staff development Training program design 	<ul style="list-style-type: none"> Staff development study tours Publications grant 	<ul style="list-style-type: none"> Business skills management, marketing, financial management, accounting technical skills (line managers) tuition grants Auditing/accounting internships for Zairian CPA firms Technical consultations for firms (IESC/VITA) Business internships (EI) Small business development center 		<ul style="list-style-type: none"> Staff development study tours short term US training Grant for computer hardware/software 	<ul style="list-style-type: none"> Develop entrepreneurial development program for university students and graduates faculty internships 	<ul style="list-style-type: none"> Faculty small business management skills masters degree- US On the job training for SME skilled industrial workers and technicians in large firms in Zaire.

C. Training Activities

The following summarizes certain of the more frequently recommended training activities under HRDA country training strategies for private sector development:

- 1. Capacity building of local training institutions and private sector support organization receives first priority.**
 - staff development, supported by study tours and training of trainers is the principal goal, followed by course development.
 - staff development for PSSOs varies between developing ability to offer very specific services/training to developing an advocacy and policy analysis capability.
 - for three missions a linkage between a local training institution and a U.S. institution was recommended. For one mission a linkage between the local university and a U.S. institution was recommended. (These linkages are established through a cooperative grant to a U.S. institution which develops a detailed workplan with the local institute for strengthening its training capabilities, e.g. a linkage in Ghana between the Management Development and Productivity Institute in Accra and California State Polytechnic.)
- 2. Most strategies aim at strengthening SMEs in management, marketing, and financial management via training institutions and PSSOs.**
 - the strategies in the more developed economies add somewhat more specific and advanced topics to the list of business skills for training of SMEs (e.g., export marketing for the Lesotho Exporters' Association.)
 - seven strategies call for internships for businesspersons through the Entrepreneurs International program.
 - technical consultations from the International Executive Service Corps, a group of retired U.S. businesspersons, are planned for the SMEs of three countries.
- 3. Seven strategies specifically target women entrepreneurs as an important audience, four in some detail.**
- 4. Six strategies target public sector officials who have responsibility for policies and programs affecting the private sector.**
 - the goals range from staff development to very specific (work internships in foreign SMEs).
- 5. Five strategies address the entry of government and parastatal employees, as well as university graduates, into the private sector, in concert with other donors.**
- 6. Most strategies have a variety of training activities for special audiences:**
 - bankers--five missions
 - rural economic activities--five missions
 - university staff--four missions
 - government/private sector (mutual understanding)--two missions

A sample of innovative activities from the strategies includes:

- Guinea: specialized training for the fisheries industry (targeting an industry with high potential located on the richest ocean fishing grounds of West Africa)

- Lesotho: work internships for PSSO business counselors in Kenyan SMEs as part of the Kenya Institute of Management business skills training program
- Senegal and Zaire: production management training for line managers (indicative of the training needs of more advanced private sectors)
- Zaire: on-the-job training for SME skilled labor and technicians in large firms (taking advantage of local hands-on training opportunities at low cost and with rapid "payoff.")
- Gambia: formal linkage between an informal sector business association and Chamber of Commerce (to facilitate "graduation" of informal sector businessmen to the formal sector)
- Niger: Implementation of an action/training model for SMEs developed by a local training institution (model assesses a business from its overall objectives to shop floor work flow--determining where weaknesses are that appropriate training can correct)
- Mali: specific attention to leadership and workforce motivation training (the attitudinal objective)
- Mali, Togo, Senegal: preparation for entering the job market (highly selective entrepreneurial development)
- Mali: CEO symposia and workshops (exposure to and reinforcement of topics of mutual interest, high level lateral learning, and business advocacy)

Table 5, USAID SME Training (Current and Planned) By Topic, identifies the specific nature of training proposed in the various countries assessed. From this table, it can be seen that the most frequently recommended courses, in line with the training needs identified by SME owners and managers, include: Management (9 missions), Marketing (7 missions), Financial Management (7 missions), Entrepreneurial Skills (8 missions).

TABLE 5: USAID SME Training (Current and Planned) By Topic

Business Topics	USAID
1. Management-general	Guinea, Zaire, Lesotho, Togo, Rwanda, Senegal, The Gambia, Niger, Mali
— Agribusiness	Ghana
— Microenterprises	Zaire
— NGOs	Zaire
2. Financial management-general	Rwanda, Senegal, Zaire, The Gambia
— Accounting (financial)	Lesotho, Rwanda, Senegal, Guinea, Zaire, Niger
— Accounting (cost) Guinea	
3. Marketing-general	Senegal, Zaire, Niger, Mali
— Market analysis	Guinea, The Gambia
— Export promotion	Lesotho, Rwanda
— Trade promotion	The Gambia
4. Entrepreneurship	Rwanda, The Gambia, Senegal, Togo, Mali, Zaire, Ghana, Niger
5. Production management	Senegal, Zaire
— work organization, time management and motivation	Mali
6. Banking	Ghana, Lesotho, Rwanda, Guinea, Niger, Zaire
— Project analysis/credit appraisal	Ghana
— Loan request preparation	Zaire, Niger
7. Planning	Mali
8. Computer sciences	Rwanda, Togo, Ghana
9. Investment promotion	Lesotho
10. Business advocacy	Togo
11. English	Rwanda
12. Literacy for business	Senegal (industrial workers), Mali (informal sector)
13. Project preparation	The Gambia, Niger
14. Legal aspects of business	Zaire
15. Income generating skills	Togo
16. Business consulting skills	Lesotho
17. Business ethics	Zaire
18. Statistics	Ghana
19. Leadership development	Senegal, Mali
20. Preparing for the job market	Mali

D. Private Sector Advisory Boards

A key to the success of private sector training is the PSAB. Composed principally of private and public sector representatives, the PSAB helps plan future training activities, evaluates past and on-going training, selects and recommends candidates for training, advises on training and curriculum, is the voice of the private sector vis-a-vis training needs, and disseminates information on training. Carrying out these various activities, it not only makes valuable contributions to private sector training, but also assumes an important part of both the conceptual and the management burden that would otherwise be USAID's.

USAID/Guinea offers perhaps the best example of a PSAB which is both contributing to training and to lightening the USAID's management burden. The PSAB in Guinea is composed of 4 owners or operators of private sector firms, 2 representatives of the training institutes which will be working with the private sector and 2 representatives of government SME promotion organizations. From these eight members, a president is selected. The USAID project and training officers serve as technical advisors to the PSAB.

The PSAB in Guinea meets independently of USAID for planning sessions and then submits a detailed quarterly training plan to USAID for approval. The PSAB handles all recruitment and selection activities, based on selection criteria pre-approved by the local USAID. The PSAB in Guinea has proposed and organized numerous in-country training activities, using both external (U.S.) and local resources. It has also designed study tours for cooperative managers, credit program managers and NGO officials.

In general, a PSAB, in its advisory capacity, can be a catalyst to:

- help expand government's understanding of the private sector
- help identify young, dynamic businesspersons who may have limited contact with formal business organizations such as Chambers of Commerce, Federations of Employers, etc.
- bring to AID's attention the grass roots business "organizations" such as the Financieres (nascent venture capital operations) of Mali, Senegal, Cote d'Ivoire, Guinea, Ghana, arising to meet the sheer lack of commercial bank credit for SMEs.

E. USAID Levels of Funding and Program Management

The ten USAIDs for which five year training plans were developed allocated funding for private sector training activities ranging in amount from \$812,000 to \$2,645,000. Funding of private sector training represented anywhere from 35% to 60% of the total public sector/private sector training program. On average, 48% of the total funding was destined for private sector training activities.

For eight of the ten countries, additional staffing (i.e., a specialized Private Sector Training Assistant) was recommended. Additional staffing is usually needed because HRDA training activities are more management intensive than were predecessor activities, especially in light of the emphasis placed on in-country training.

F. HRDA Core-Funded Assistance

AFR/TR/EHR has offered the following services to missions who actively pursue their private sector training efforts:

- advice on resources available for in-country seminars and assistance in contacting such resources, notably IQC firms
- follow-on evaluation trips after the initial strategy is developed, to determine any need for adapting the strategy, or to assist the PSAB in its planning and recruiting

- exchange of information among missions to suggest training options based on experience elsewhere (correspondence, training officers' conferences, HRDA Newsletter)
- organization of regional conferences based on common needs (e.g., small scale enterprise credit management programs, francophone women's management, entrepreneurial development workshops, policy issues related to the informal sector)
- organization of follow-on training activities to regional conferences when mission or participant interest justifies it

IV. RECOMMENDATIONS FOR PRIVATE SECTOR DEVELOPMENT:

From the 10 assessments conducted, a series of options and ideas for private sector development surfaced. These either directly support training activities to be undertaken or address constraints which in conjunction with training can be overcome. HRDA, and USAID policy reform efforts, and/or private sector projects could serve as a testing ground for these ideas.

A. Policy Reform and Informality

The informal sector in nearly all African countries is large and vibrant and absorbs much of the urban active population. However, this sector usually operates outside the law due to inadapted laws and institutions and the high cost of entry into the formal sector. Research and advocacy efforts are needed to determine what legal, administrative and institutional changes are needed to bring these informals into the mainstream of economic development.

Another important aspect of the informal-formal sector question is the practical matter of assisting those informal sector businesses who are of the size and acumen to "graduate" to the formal sector. One effective way of finding these candidates is through "downstreaming." Many informal sector businesses provide goods and services for the formal sector, particularly for larger companies. For example, the construction sector often is replete with informal sector operators, servicing larger companies ("downstream" of these companies) as builders, electricians, carpenters, plumbers, painters, etc. Certain of these operators are engaged repeatedly, presumably for their reliability and the quality of their work. These are the "downstream" candidates because they come with the imprimatur of the larger company.

B. Access to Credit

One of the important constraints facing the SME is lack of access to credit. This is due in part to the banker's perceived riskiness of the SME, in part the mutual lack of familiarity, and in part the fact that many SMEs simply are not "bankable." USAID, through its training and policy reform efforts, could ease this constraint in a number of ways:

1. Develop and train a SME client assistance unit within the commercial bank(s) most willing to lend to SMEs, or within PSSOs willing to support such banks.

Typically, a client assistance unit takes promising entrepreneurs and helps make them bankable with assistance for their business proposals, preparation of loan applications, market studies, general management and organization, and financial management and accounting. In short, the unit helps instill the basic business skills and thinking which legitimize a business in the bankers' eyes. A bank unit has the added advantage of physical location in the bank and makes both parties familiar with one another. It also makes the SME familiar with the bank's requirements and procedures vis-a-vis the borrower.

2. Banks can be interested in SMEs if they perceive them as sound, future streams of income, and creative packages/mechanisms can be developed to induce commercial banks to lend:

- a. A SME project can tailor packages of SME borrowers with good business track records for sale to a bank on a recourse basis. For example, a bank lends to a single package of 20 clients, thereby reducing its transactions costs. The project assures the follow-up of the 20 "parts" (e.g, Dakar's bakers) of the package, and assumes all or part of the credit risk for one to two years. The bank and the project share in the loan interest income according to the amount of credit risk assumed by each and the follow-up costs incurred. The bank also has entree to 20 potential new clients, and after year two is on its own, possibly with all 20 borrowing at market interest rates and terms.
- b. Establish joint credit arrangements where suppliers of goods and services to business, e.g., a well established trading company, banks, and USAID come together to form a pool of credit, share the risks and the gains, and USAID provides a partial risk backstop on the order of 25% maximum. The role of the supplier is key to such an arrangement, since it knows its clients' credit-worthiness better than anyone else, and thus brings only the truly sound borrowers to the credit pool of which it is a major partner.

C. Markets and Marketing

A main area of concern is markets and marketing. Since markets and marketing is key to the growth of every country's formal manufacturing sector, the entire marketing chain for products and services in demand (and which could be in demand), domestically and in neighboring countries, should be explored and illuminated. The recommendation of David Wilcock in AID's August 1987 report, "Agricultural Marketing in Niger...", for rapid reconnaissance commodity studies should be undertaken for manufactures and services domestically, and for manufactures in neighboring countries. The countries to be explored first should be those neighbors with the already strongest trade links, those with the more developed markets, and those with the greater purchasing powers.

Rapid reconnaissances would include the following activities in order of ease and rapidity:

1. emphasis on what the investigating country already does best--in order to reinforce and increase its hold on markets.
2. Search for those markets where the investigating country's penetration and hold can be increased.
3. Search for new markets, products, and services, taking advantage of the dynamics of markets (they change), the lapses of other players, of niches available, and of consumer needs not being adequately met.

The Private Sector Training Needs Assessments made in other African countries offer examples of potential new or expanded markets, products, and services:

- a. Lome: municipal garbage collection contracted to private firm--domestic market
- b. Dakar: manufacture of fire extinguishers and fireextinguisher/security systems with concomitant training--domestic market and prospecting neighboring countries
- c. Lome: lime and whitewash manufacture--domestic market
- d. Niamey: private bus company--effectively competing with Societe Nationale des Transports Nigeriens on long distance runs--domestic market
- e. Lome: computer software/repairs--domestic market and the Ivory Coast

- f. Maradi, Niger: agricultural implements sold to Nigerian customers and distant Nigerian customers on the basis of high quality--domestic and Nigerian markets
- g. Conakry: industrial maintenance/cleaning--domestic market
- i. Dakar: oil reconditioning--domestic market
- j. Kinshasa: orthopedic shoes manufacture--domestic market
- k. Kinshasa: gaskets, other automotive composition/rubber parts manufacture--domestic market
- l. Banjul: port authority--operating under performance contract. Various operations likely to be privatized--domestic market
- m. Banjul: manufacture of aluminum doors/windows, corrugated metal products, paints--successful import substitutions--domestic market
- n. Niamey: management of central market--domestic market

D. Entrepreneurs Africa

A program which continues to have success is Entrepreneurs International (EI). Under this program, African entrepreneurs are matched with American entrepreneurs in similar businesses of comparable scope and size. Out of the 10 assessments came the idea of establishing a program called Entrepreneurs Africa (EA), whereunder smaller scale African entrepreneurs can visit and learn from successful entrepreneurs who are carrying out similar business activities in other African countries.

The rationale behind EA is that the African environment (economic, social, political, business) will be closer to the African reality than is the U.S. African entrepreneurs will see how similar enterprises are successfully developing. EA also has the advantage that it is less expensive (lower travel and per diem expenses; no need for interpreters) than EI. Successful businesses in African countries could serve as hosts for similar African businesses. HRDA could assist in the start-up of such a program by funding a central office (possibly as an adjunct activity to the third country training management office in Dakar) to receive requests and coordinate placements. Sponsoring USAID missions would provide funds for participant travel and per diem, as well as a small fee to the central office and to the host SME.

Following is a list of potential host businesses:

Niger

- ENITRAP** manufacture of paper school supplies and printing supplies, 23 employees. ENITRAP is a parastatal taken private and operating successfully. CEO is a member of the PSAB.
- SONIA** manufacture of cookies and biscuits; 67 employees. Successfully competing with Nigerian imports on the basis of quality and packaging. Exporting 35% of production to Burkina Faso, Mali, Togo, and Gabon. Successfully competes with Ivoirian cookies in these countries. CEO is a member of the PSAB.
- ENTRELEC** electrical/electronic products, installation of electrical systems, services; 32 employees. Well-run company.

**TAPISSERIE
NIGERIENNE** furniture manufacture (both upholstered and unupholstered) of good quality; 58 employees. Operation is artisanal, rather than modern--in production layout.

Senegal

CABINET ABC management consulting for business; 11 employees. Works directly and daily in clients' place of business - demonstrating how profitable business can be if run rationally; also serves to change trader-quick buck mentality to one of a real businessman.

SOCECI fire extinguisher manufacture, design/installation of fire extinguishing systems; 15 employees. Modern and well-run; profitable and growing.

THIAROYE Auto automotive spare parts distributor; 14 employees. Purchase motors, major drive train parts, electrics, water pumps, radiators, etc. (second hand) from Europe. Reconditions parts, motors in Dakar. Appeared to be fairly well-run; a big operation.

Togo

SOTOEMA municipal garbage collection. Private company with contract with municipality of Lome. Well-run by young, dynamic entrepreneur.

ETS. GNANIH photocopiers and computer sales. Young entrepreneur just over start-up phase.

**CLINIQUE
BLASSA** Private OB/GYN clinic in Lome with growing demand for private medical services

ANNEX 1: ASSESSMENT METHODOLOGY

The purpose of the HRDA private sector training needs assessment is to define, with the USAID mission, a multi-year strategy to promote human resources development within the private sector.

A two-person assessment team is assigned to the task: a specialist in private sector analysis and in a specialist in management training. It is recommended that a local expert be recruited by the local USAID to organize the team's schedule, assist in conducting interviews, and in analyzing other donor activity in the area of private sector development. The assessment usually requires three weeks in country, using the following methodology:

1. Literature search

Literature on the local private sector (number and size of firms, breakdown by sector, evaluation and future growth potential), recent economic analyses and labor statistics are reviewed, including reports from USAID, other major donors and key government statistical studies from ministries such as Labor, Plan and Education.

2. Contact with key private sector players and support institutions.

It is recommended that the USAID mission establish a Private Sector Advisory Board including representation from key private sector business associations, the Chamber of Commerce, local management training institutes and government ministries directly involved in policy affecting the private sector.

A tight schedule of meetings during weeks 1 and 2 is organized with officials from the key government agencies, local training institutes, major donors, local commercial banks and owners and operators of key Malian and foreign private firms. As deemed necessary, a day trip to the interior of the country may be organized for the purpose of evaluating training needs among rural productive or cooperative groups.

3. Interviews with a representative sample of SMEs

During week 2, at least 30 interviews are conducted with SMEs, using a prototype questionnaire with 40 closed-ended questions. The questionnaires are administered to the Chief Executive Officers (CEOs) of the firms. The interviews last about an hour, including an introductory discussion with the CEO on how he or she had started up the business.

4. Tabulation of the questionnaire results and review of preliminary conclusions

The assessment team regularly reviews results of the interviews and discusses impressions with USAID staff during the assessment. At the end of week 2, results from the questionnaires are tabulated. A list of the preliminary conclusions is prepared for a meeting with the training officer before the training plan is prepared. This allows for feedback from this group on the nature of the proposed training.

5. Preparation of the private sector training plan

Prior to departure, the team submits a final draft of the Private Sector Training Needs Assessment and multi-year training plan to USAID. A debriefing is held with the Mission Director before departure. The mission reviews the final draft in detail within two to three weeks and then provides comments by cable to AFR/TR/E/IR. Mission comments are included in the final report.

6. Follow-Up

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