

**NEEDS ASSESSMENT FOR
A SMALL ENTERPRISE
DEVELOPMENT PROJECT
FOR PEACE CORPS/SENEGAL**

Performed by
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NEEDS OF FARMERS

Production Input Delivery

Equipment Acquisition & Maintenance

Credit Provision

Market Outlets

NEEDS OF ARTISANS

Input Acquisition

Credit Provision

Training & Information Dissemination

Infrastructure & Market Outlets

POTENTIAL AREAS OF ACTIVITY

Diagnosis & Monitoring

Training

Technical Assistance

Credit

Facilitation of Access to Information

EXECUTIVE SUMMARY

The primary purpose of this consultancy was to conduct a needs assessment of Peace Corps/Senegal's (PC/S) potential for programming a Small Enterprise Development (SED) initiative in Senegal. Interest had been expressed by PC/S in the current Country Management Plan and Budget (CMPB) in developing a SED project and this consultancy is meant to assist in that effort.

Particular aspects of the PC/S program which impacted upon the needs assessment included the phasing out of the Rural Animation (RA) project and the focus on rural development. These factors meant that the consultants analyzed small business development in terms of farmers as well as artisans and small-scale traders. Furthermore, an attempt was made to develop recommendations for a SED project in which current PCV's and new RA PCV trainees arriving next May could be integrated, if desired.

This consultancy was performed during November and December 1989 with extensive field trips in Senegal and interviews with small farmers, artisans and merchants as well as government officials, non-government institutions, village organizations PC/S staff and PCV's. Besides this primary research, the consultants also had access to a substantial number of recent reports on small business development in Senegal, many of them commissioned by USAID.

Although PC/S has engaged in various sorts of small business development over the years, the work has been largely a result of the individual initiative of PCV's rather than having a specific focus on small business, per se. These efforts typically involved income generation activities as a means of empowerment of low-income Senegalese or they were undertaken to resolve a particular problem relative to agricultural production or forestry issues. Recent examples of these efforts are the construction of a tourist camp with a village group near a wild game reserve in the Tambacounda region, promotion of local handicrafts made by a women's group near Louga, an analysis of marketing problems for farmers growing vegetables and fruit near Bignona and Nioro, the encouragement of the growth of more fruit trees for commercial purposes, and training of artisans and small traders in financial management in connection with a USAID project.

The report provides an overview of the agriculture and artisanal sectors in Senegal, describes the policy contexts under which farmers and artisans are operating, and reviews the principal constraints these sectors are facing. The different levels of entrepreneurs involved in small business activities are discussed within the context of devising an analytical framework for defining the target group for a SED project.

This assessment revealed that the major needs of small farmers include production input delivery, equipment acquisition and maintenance, credit provision and market outlets. Artisans have critical needs in input acquisition, credit provision, training and information dissemination, and infrastructure and market outlets.

The institutions active in small enterprise development in both the agriculture and artisanal sectors are reviewed. In the agricultural sector, activities by governmental and non-governmental institutions, the private sector and farmer's organizations are analyzed. In the artisanal sector, an historical background of the past 30 years is provided and the institutions currently involved in this sector are analyzed.

Recommendations for the design of a SED project in Senegal are as follows:

The Goal of the project would be to expand the private sector and increase employment opportunities in Senegal. The title of the project would be the Peace Corps/Senegal Micro-Enterprise Development Assistance Project (MEDAP).

The project would have 2 components - one rural and one urban. The subgoal of the rural component would be to foster local rural employment and to assist in the development of micro-entrepreneurs engaged in agricultural, artisanal and commercial activities. The subgoal of the urban component would be to improve the level of productivity, incomes and job creation of micro-entrepreneurs working in the artisan and commercial sectors.

The objectives of the rural component would be -

1. To conduct research on improving and sustaining local economic development, rural-urban linkages, the economic potential of "communautes rurales", local group activities and individual micro-entrepreneurs.
2. To extend small business credit operations to rural micro-enterprises through a revolving loan fund.
3. To help local groups and micro-entrepreneurs improve their skills in bookkeeping, decision-making, management, marketing and planning.

The objectives of the urban component would be -

1. To link urban artisans with existing credit assistance programs in order to foster the growth of self-sustaining income and job creation activities.
2. To upgrade the skills of artisans in bookkeeping, project analysis, management, marketing and appropriate technologies.
3. To provide follow-up technical assistance and marketing services through local Chambres des Metiers.

4. To strengthen the capacity of the Chambres des Metiers to provide viable private technical services and training to its members and clients.

The project targets would be micro-entrepreneurs engaged in farming, artisanal and commercial activities. Individual entrepreneurs would be provided with assistance as well as groups of entrepreneurs, depending upon the type of assistance provided and the appropriateness of the approach.

The geographical focus of the project would "market centers" in the Tambacounda and Kolda regions for the rural component and various secondary towns throughout Senegal for the urban component.

The project would strive to improve the environment for micro-enterprises in Senegal through the encouragement of appropriate policies and programs of assistance for micro-entrepreneurs. The project would take a long-term, incremental approach to both programmatic interventions and to local institutional development.

The potential areas of activity for PC/S would be in the following categories:

- Diagnosis and monitoring of micro-enterprise activity in the designated geographical areas
- Training in literacy and basic business management skills, financial management, and technical training in organizing training programs
- Technical assistance in the areas of input supply, production and marketing
- Credit provision through revolving loan funds which could be tied to savings mobilization
- Facilitation of access to information for entrepreneurs, for service and credit providers, and for policy makers

Potential institutions for collaboration are the Chambres des Metiers, the USAID-funded Sahel Regional Financial Management Project and Community Enterprise and Development Project, USAID, various local and international PVO's and NGO's, the Ministry of Social Development (particularly the Direction de la Condition Feminine), the Centres d'Expansion Rurale, the National School of Applied Economics, and the National Park Service.

There are a number of promising developments in small business assistance programs now occurring in Senegal which involve a considerable number of government, private, international and non-governmental institutions. The challenge to PC/S is to formulate an assistance program which meets the needs of the targeted micro-entrepreneurs, which builds on Peace Corps strengths while recognizing its limitations, and which collaborates with other local and international institutions which can assist PC/S to meet project goals and objectives.

ACKNOWLEDGMENTS

The consultants would like to thank all of the persons who contributed to this needs assessment. These included PC/Washington and PC/Senegal staff and PCV's, government officials working in various ministries and departments, USAID officials and USAID project staff, representatives of local and international non-governmental institutions, and the numerous farmers, artisans and small traders interviewed over the course of our field work in Senegal. A special thank you goes to Demba Balde, the MPCD/RA who is charged with designing the SED project for PC/S. His considerable efforts to arrange meetings for us throughout the country and the long-hours he spent driving in frequently adverse conditions allowed us to cover a lot of ground (literally and figuratively) in a relatively short time. In addition, his counsel and collaboration in making this assessment a reality was much appreciated.

LIST OF ABBREVIATIONS

AFSI	African Food Systems Initiative
ASAP	African Small-Business Assistance Program
CED	Community Enterprise Development Project
CER	Centre d'Expansion Rurale
CFAF	CFA franc (local currency)
CM	Chambre des Metiers
CMPB	Country Management Plan & Budget
CNCAS	Caisse Nationale de Credit Agricole de Senegal
DA	Direction de l'Artisanat
FONGS	Federation des ONG du Senegal
GIE	Groupement d'Interests Economique
GOS	Government of Senegal
ISR	Senegal Agricultural Research Institute
LHPSC	Local Hire Personal Services Contractor
NAP	New Agricultural Policy
NGO	Non-governmental Organization
OSA	Office for Artisanal Development
OTAPS	Office of Training & Program Support
PASA	Participating Agency Service Agreement
PC/S	Peace Corps/Senegal
PCV	Peace Corps Volunteer
PC/W	Peace Corps/Washington
PVO	Private Voluntary Organization
RA	Rural Animation
RDA	Regional Development Agency
SED	Small Enterprise Development
SME	Small and Medium-size Enterprises
SONEPI	National Society for Industrial Studies & Promotion
SOSEPRA	Senegalese Society for Artisanal Promotion
SRFMP	Sahel Regional Financial Management Project
SOW	Statement of Work
TA	Technical Assistance
USAID	United States Agency for International Development

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INTRODUCTION

PURPOSE

The primary purpose of this consultancy was to conduct a needs assessment of Peace Corps/Senegal's (PC/S) potential for programming a Small Enterprise Development (SED) initiative in Senegal. Interest had been expressed by PC/S in the current Country Management Plan and Budget (CMPB) in developing a SED project and this consultancy is meant to assist in that effort.

CONTEXT OF THE NEEDS ASSESSMENT

Particular Aspects of the Peace Corps/Senegal Program which have Impacted upon this Needs Assessment

This needs assessment has been performed within the context of the phasing out of the Rural Animation (RA) project and the development of a Small Enterprise Development project in Peace Corps/Senegal. Concerns about the effectiveness of the Rural Animation project as well as volunteer satisfaction problems have led PC/S staff to look at the potential of replacing the RA project with an SED project. This factor has impacted upon this needs assessment and will also affect the project design phase since that it is anticipated that current RA volunteers as well as new RA volunteers scheduled to come to Senegal next June could be re-assigned to the SED project after it has been finalized (estimated to take place within the next 6 months). PC/S also has a particular focus on rural development which has impacted upon this assessment. As the summary of the PC/S program in the current CMPB states,

"Peace Corps Senegal will continue to assign volunteers primarily to small-scale projects (in specific work zones) aimed at training rural individuals or communities to have input and tackle their own development problems and priorities."

This focus resulted in the inclusion of farmers in the definition of small entrepreneurs used for the purpose of this assessment. Although SED programs in international development have generally tended to focus on urban and non-farm enterprises, PC/S argues, rather convincingly, that farmers are also "small entrepreneurs" and need assistance in running their businesses just as non-farm entrepreneurs do.

In fact, information gathered in connection with this assessment has revealed that many Senegalese farmers actually supplement their farm income by engaging in non-farm activities, particularly during the dry season. Also, in most of the secondary towns in Senegal much of their economic activity is

directly or indirectly related to agricultural production. Furthermore, the economic impact of the growing season is felt in all of these secondary towns and villages by the artisans and merchants who depend on agricultural production and consumption by farmers for their livelihood.

In consequence of these factors, this assessment has looked at the needs of small entrepreneurs, defined very broadly and including farmers, in rural areas as well as those in market centers and secondary towns. It has also focused on those institutions providing services and/or credit in these locations as well as the various forms of organization (both formal and informal) used by small entrepreneurs in Senegal.

The Africa Small-Business Assistance Program (ASAP)

The ASAP program was initiated in 1987 by Peace Corps in response to a felt need for an institutionalized approach to the development of small businesses as part of Peace Corps' overall assistance strategy. It is recognized that many Peace Corps Volunteers (PCV's) have already been engaged in income generating activities and development of small businesses in many countries over the past years. However, as the ASAP program description states,

"What is new about the ASAP initiative is that emphasis Peace Corps will place on the special needs of small businesses, e. g., access to credit, a business plan, preservation of capital, and business training. Specifically ASAP will assist community members (particularly those with little or no access to credit) identify small business opportunities and resources; increase their skills in planning, implementing and monitoring profit-making activities; and improve their capability to produce quality outputs at reasonable costs. Special attention will be focused on the pivotal role of women in private enterprise development."

PC/S is one of six African countries where ASAP projects are currently being developed. It is important to note that although the ASAP concept will be used to promote SED in many countries, a planned country-by-country response which takes specific local needs into consideration is being undertaken. This needs assessment is part of the attempt to make the SED project relevant to the particular needs of small entrepreneurs in Senegal.

The Participating Agency Service Agreement (PASA) between Peace Corps and USAID

This agreement between Peace Corps and USAID is administered by the Africa Region Program and Training Unit in Peace Corps/Washington and the Office of Market Development &

Investment of the Africa Bureau in USAID/Washington. It provides USAID financing to Peace Corps to perform small business needs assessments in two countries and project designs in four countries. This consultancy was performed with the support of this PASA.

Summary of Statements of Work

This consultancy was performed under the specific Statement of Work (SOW) prepared by PC/W which presented the purpose of the needs assessment and detailed the various phases of the consultancy as well as the methodology to be employed in conducting the assessment and outputs. In addition, it referred to other documents which were to be used to guide the consultants in their work.

PC/W hired an American consultant, Stephen C. Silcox, with the approval of PC/S and PC/S hired a local Senegalese consultant, Fadel Ndiame, to jointly conduct the needs assessment between October 28, 1989 and November 22, 1989. The SOW states that,

The Contractor (Silcox), working with a Locally Hired Personal Services Contractor (Ndiame), the Africa Region and PC/S, will apply the guidelines of the Peace Corps "Integrated Programming System" Manual, the ASAP concept, the ASAP PASA, and specifically, the PC/S Recommendations for an SED Assessment in Senegal.

Whereas the SOW and the other documents mentioned dealt mainly with the process of the needs assessment, the PC/S recommendations presented content and criteria issues to be addressed.

The terms of reference for the ASAP PASA presents the function of the needs assessment rather well. It states,

"The needs assessment is meant to stimulate thinking and dialogue within Peace Corps and its collaborating institutions and clients. The consultants will therefore be expected to (i) carry out the work in participatory fashion integrating the ideas of Ministry officials, PCV's, Peace Corps staff, collaborators, and clients, and (ii) raise issues and options in the report pointing toward strategy formulation rather than a concrete project design."

Keeping this function in mind, as well as the need to try to assist those who will be involved in the project design phase, the SOW also sought to develop a Project Outline, if feasible, which could focus on certain elements of project design and provide the project design phase with a headstart in the formulation of specific options for activity and locations for those activities.

Workplan

The consultants attempted to integrate all of the various concerns, documents, procedures and guidelines into this exercise to the fullest extent possible within the time frame of the consultancy. This report is the result of the following activities undertaken to perform this needs assessment.

- October 23 - 27: Stateside briefing by relevant personnel in PC/W and contract/logistical work by Contractor. Preliminary briefing for LHPSC in Dakar.
- October 28: Contractor traveled from Washington, DC to Dakar.
- October 30: Meeting of both consultants with Buddy Shanks, PC/S Peace Corps Director and Demba Balde, APCD Rural Animation Project. Agreement on workplan for the consultancy and travel schedule.
- October 30 - 31: Meetings with government, USAID and other officials in Dakar.
- November 1: Reviewed documents at PC/S office in Dakar. Traveled to Kaolack in evening.
- November 2 - 10: Visited and interviewed government officials, parastatal organizations, internationally funded project officials, research institutions, local and international PVO's & NGO's, PCV's, small entrepreneurs (farmers, artisans and merchants), village and producer/consumer groups. Sites visited included Kaolack, Tambacounda, Velingara, Kolda, Ziguinchor and villages and market centers around those towns.
- November 11: Travel from Ziguinchor to Dakar.
- November 13 - 14: Further meetings in Dakar and review of documents and materials collected during field survey. Agreement reached on outline of the report and responsibilities for the drafting of the report.
- November 15: Meeting at PC/S offices with about 20 representatives of various government and development organizations which have interest in PC/S efforts in small enterprise development. Preliminary findings were presented by the consultants and interest in possible collaboration with PC/S in this area was solicited. Types of activities which might be performed by PCV's were discussed and

potential for cooperation with specific institutions was explored.

November 16: Traveled to Louga in morning. Discussed activities of a PCV working in small enterprise development in her village and area and met with village women's group active in craft production. Returned to Dakar in afternoon.
November 17 - 20: Wrote draft report on consultancy.

November 21: Presented draft report to PC/S.

November 22: Debriefing with PC/S and discussion of draft report. Contractor left Dakar for Washington in late afternoon.

November 27 -

December 12: Revision of sections in report by the LHPSC in Dakar and completion of final report by Contractor in Washington.

Methodology

As this schedule shows, the consultants sought to perform primary research by meeting with the broadest sample possible of persons involved in small enterprise development in Senegal and to hear their views on the needs of small entrepreneurs as well as opportunities and constraints in meeting those needs. In-depth interviews were held with small entrepreneurs in the field to get impressions of their particular problems and how they related to the sector in which they worked.

Discussions were held with organizations attempting to meet the needs of small entrepreneurs as well as government officials who could present their views on the situation of small entrepreneurs within their geographical areas. Documents were collected from many sources in the USA, Dakar and during field work and were reviewed to better understand the political, social, macro/micro-economic and physical environment within which the small entrepreneurs operate and to corroborate information received from interviews.

Discussions were also held with PC/S staff and PCV's in both the PC office in Dakar and in the field to ascertain previous PC experience relevant to small enterprise development and, in particular, the potential for PCV involvement in small enterprise development. The consultants worked very closely with Demba Balde, the APCD for Rural Animation who has prime responsibility for designing the SED project in Senegal. He arranged and attended nearly all meetings. Furthermore, he traveled with the consultants on all field visits and provided invaluable information on both small enterprise in Senegal and the potential for Peace Corps involvement in an SED project.

Based upon the research described above, this report has identified characteristics and needs of small entrepreneurs in Senegal. In addition, this report looks at the types of institutions involved in meeting those needs and provides potential options for PC/S involvement in that sector. Recommendations regarding project design and project targets are made in Section V of this report. These include suggestions for types of activities to be undertaken by PC/S, institutional linkages, geographical locus of activities, and issues to be resolved during project design. It may be possible for PC/S to conduct preliminary research and discussions on some aspects of these issues prior to the project design phase.

The first draft of sections I, II & V were written by the Contractor and the first draft of sections III & IV were written by the LHPSC. These drafts were discussed with PC/S staff at the debriefing on November 22, 1989 in Dakar. Based on the inputs of PC/S staff, the draft report has been revised. Section V, in particular, has been changed considerably to reflect the thoughts of both the consultants and PC/S staff on the initial focus and possible evolution of the SED project over the next 2 - 3 years.

This final report was compiled and edited by the Contractor upon his return to Washington, DC. and reflects his best judgment regarding feasible options for PC/S in developing a SED project. It is natural for differences of opinion to surface during the conceptual phase in the development of a project such as this. Where differences of opinion exist on assumptions, concepts or potential avenues for a SED project, the Contractor has attempted to accurately represent the differing viewpoints so that these issues may be resolved during the project design phase.

PAST AND CURRENT PC/S ACTIVITIES

IN SMALL ENTERPRISE DEVELOPMENT

This section of the report is based upon PC/S documents as well as discussions with Demba Balde (APCD/Rural Animation), Alan Johnston (APCD/AFSI), Scott Lewis (APCD/Natural Resources) Jill Schiager (Volunteer Leader - Rural Animation Project), Brook Johnson (Volunteer Leader - AFSI & Natural Resources Projects), Susan Bornstein and Liz Wilp (Rural Animation PCV's working with USAID funded Sahel Regional Financial Management Project in Kaolack and Ziguinchor, respectively), and Sandy Ricci (Health PCV working with women's group producing local craftwork in Keur Momar Sarr, a village near Louga).

PC/S has been involved in various sorts of small business development over the years, but the work done has largely been a result of individual initiative on the part of PCV's, i. e., it has not been performed with a specific focus on small entrepreneurship per se, but rather seen as a way to generate income for villagers, as a means of empowerment of low-income Senegalese (particularly for women), or to solve a particular problem relative to agricultural production or forestry issues. Furthermore, these efforts in the past have tended to be related to group activities rather than individual enterprises.

Income Generation

PCV's have been working on various income generation projects in the past, often as a focus for PCV's in the RA project. Many of them have been related to agriculture activities at the village level, particularly with women's groups. The government has promoted the formation of groups in rural villages and has had limited success in trying to generate income and forge group solidarity. Typically, millet grinding (using machines), vegetable gardening and animal fattening activities have been widely used for these purposes. PCV's have been involved in all of these activities in various villages. By and large, group management of the millet grinding machines has allowed those operations to pay their own way and has considerably reduced the daily drudgery of women, but they have not generated a large amount of excess income. Gardening and fattening projects have provided some promise in terms of increasing incomes, but only when the role of individual incentive was taken into account and in specific geographical areas where market conditions made these activities profitable.

A Peace Corps couple in Dindéfelo in the Tambacounda region is currently assisting a village group to construct a tourist camp to generate income for the villagers from tourists visiting a nearby wild animal reserve. This project has received funding

from the U. S. Ambassador's self-help fund and is expected to open in January.

A PCV assigned to the health project is currently assisting a local group composed of 45 women from three tribal groups in Keur Momar Sarr in the production and marketing of village crafts, namely bead necklaces and jewelry, decorated wooden bowls and woven rugs. She has been serving as marketing coordinator for the group, largely finding outlets through the expatriate community, and coordinating production relative to that market. She also performed some exploratory work on export markets in the USA during a recent trip home. Her current concern is how to develop the capacity within the local group to be able to market their crafts when she leaves. The monitrice of the group is a dynamic Senegalese woman who works for the Ministry of Social Development and whose husband happens to be the head of the local Centre d'Expansion Rurale (CER). The PCV believes that the monitrice might be able to take over her efforts, but she and her husband are government employees and will probably not work in this village indefinitely. Meanwhile, these activities are generating income for the women involved and providing a focus for group efforts.

African Food Systems Initiative Project

The PC/S AFSI project was begun in January 1988 as part of a Peace Corps initiative in Africa and in support of the new agricultural policy of the government of Senegal. The goals of the project are to increase the availability and accessibility of sufficient quantities and quality of food to small scale, low resource farmers and herders. The project has centered its activities to date in two departments - Bignona in the Ziguinchor region and Nioro in the Kaolack region.

The AFSI project has been considered to be a model by some for future PC/S programs. As the current CMPB states,

The plan proposes: to institutionalize a long-term approach designed together with and approved by the Host Country ministry; a specific geographical focus; built in follow-up, insured by the systematic replacement of volunteers by others who, in the same area, will undertake activities that build upon those of their predecessors; and a team approach that allows volunteers to pool their efforts, to work together, or at least to operate less in isolation than in the past.

The AFSI project has started to look at some issues which could be relevant to an SED program, particularly in regard to marketing. At PC/S's request, the PC/W Office of Training and Program Support (OTAPS) sent a marketing consultant in March of this year to identify specific interventions by AFSI/PCV's to resolve the marketing problems facing horticultural producers in Senegal, particularly in the departments of Bignona and Nioro.

The analysis performed revealed a number of problems related to production and marketing of garden crops. The report suggested a system of data collection and agricultural statistics generation for production and marketing planning purposes; improved marketing planning and strategy development by garden producers; and the introduction of new approaches to marketing to reduce post harvest loss. It recommended specific types of training for PCV's in order to provide them with the skills necessary to perform these tasks.

According to the APCD/AFSI, the timetable for this activity has been moved forward at least six months in order to further develop the rationale for this activity and to determine feasible programmatic interventions by PCV's regarding marketing information systems. Since this area of activity is also relevant to potential directions for an SED project, the unresolved issues and possible linkages between volunteers in the different projects should be explored during the SED project design phase.

Natural Resources Project

This project has the overall goal of improving rural people's ability to undertake active management of their natural resources (soil, water, vegetation) so as to insure the long-term sustainability of local agricultural systems.

One particular focus of this project is reforestation. Aspects of that focus which appear particularly relevant to an SED project involve agroforestry and the development of new seedling production systems. There is a tie-in here with the marketing issue mentioned in the AFSI section above. If PCV's are encouraging the development of more fruit orchards, they need to be aware of the potential market for the produce generated and be prepared to assist those farmers who plant orchards with information and training on how, where and when to market their produce.

Likewise, with the disappearance of state organizations providing agricultural inputs under the government's new agricultural policy, the development of new seedling production and delivery systems by individual farmers could prove to be a very profitable business and increase incomes while providing an opportunity for the private sector to fulfill the role envisioned for it under the new agricultural policy. The APCD/Natural Resources suggested that commercial nurseries could be a potential area of activity for a SED project, including trees grown for use as poles, for charcoal production and for lumber, particularly in the Casamance area. He also mentioned the need to analyze the effect of new forest legislation and government policy vis-a-vis tree planting activities.

PCV's could be a valuable resource in this area in terms of

providing access to market information and guidance on production and marketing strategies to farmers who wish to develop their capacities in this area.

Financial Training

Two PCV's are currently working with the USAID project entitled the Sahel Regional Financial Management Project (SRFMP). These volunteers had been working in villages as part of the RA project but were dissatisfied with their work there. They were assigned to work in the SRFMP. One was placed in Kaolack and the other in Ziguinchor. The purpose of the project is to provide training in financial and business management to small entrepreneurs working in those areas. This training is carried out through a participatory approach which first organizes the various artisans (tailors, bakers, masons, carpenters, etc.) into trade groups, then determines training needs with the group, then designs a training program to meet those needs and trains selected members of the group to be the trainers for their respective groups. The training is conducted on a fee basis in order to develop a program which is self-sustaining.

The two PCV's have been assisting the local project staff to recruit and organize the various artisans as they are selected as targets for the training. They then assist the members of the group which are selected to be trainers. The volunteers cooperate with the local Chambres des Metiers, when feasible, during this process.

The two volunteers are very satisfied with the work they are performing and look forward to continuing with this work. In terms of skill necessary to perform this work, they both mentioned that some training and background in small business management, marketing and accounting could be helpful, but that much of the knowledge of basic business management techniques which are taught are part of an average American's repertoire of knowledge. They both mentioned that the local Senegalese project staff provide them with a good deal of support and direction which helps them to perform their jobs better.

The USAID funding for this project is due to expire by next summer, but an extension could be possible. A local consulting firm composed of current local project staff has been organized to continue the training on a self-sustaining fee basis. The APCD/RA has expressed his satisfaction with this program and is seriously considering the assignment of more volunteers to this project to be placed in other regional capitals as part of a SED project.

CHARACTERISTICS AND NEEDS OF SMALL BUSINESSES IN SENEGAL

SECTOR ANALYSIS - Agriculture

Overview of Agriculture in Senegal

The agricultural sector plays a predominant role in Senegal's economy. About 3/4 of the country's population make their living out of agriculture. Moreover the country's gross domestic product is highly influenced by the agricultural sector. From 1961 to 1985, total area cultivated amounted to 2,352,000 hectares; about 52% of these were devoted to food crops. However, soil degradation and desertification problems, related to frequent droughts, constitute major constraints to sector expansion.

Rainfall pattern is characterized by a decrease in the amount of rainfall and a shortening of the rainy season. Average rainfall recorded in the 1981-84 period is only 73% of the long run average calculated over the years from 1960 to 1984. The drought problem was much more severe in northern regions (Fleuve, Thies, Diourbel, & Louga with 70% of the 1960/84 average) than in southern regions (Casamance, Tambacounda, Kolda) where the amount of rainfall was about 85% of the long-run trend.

This situation explains the major emphasis the Government of Senegal (GOS) have put on irrigation development. Indeed, during the country's VIth plan, covering the 1981/82 - 1984/5 period, 13,700 hectares of irrigated land were brought into production by various governmental agencies. The GOS objective is to increase irrigated land by 5,000 hectares annually. About 90% of irrigated land is in the Northern Fleuve region.

Since the country's independence in 1960, several governmental structures have been set up to implement government agricultural policies. These structures include regional development societies, created in the 1970's in charge of agricultural production, farm input delivery to product marketing.

Over the years, the overall performance of the agricultural sector has been worsening. Agriculture is contributing to less than 25% of the country's GDP. During the 1981/85 period, net cereals productions increased by 1% per year while annual population growth was estimated at 2.6% per year. The country is relying more and more on imports and foreign aid to cover its food deficit. About 500,000 metric tons of cereals were imported every year in the mid-80's.

The New Agricultural Policy

Senegal's New Agricultural Policy (NAP) is characterized by

progressive withdrawal of the GOS from the agricultural sector through a phasing out or scaling down of state-run regional development agencies. The NAP involves a transfer of responsibility to village groups, cooperatives and the private sector for input supplies and other marketing functions. All these measures are aimed at achieving a major objective of the agricultural sector, i. e., progress towards food self-sufficiency.

Specific measures were taken including the creation of a national agricultural credit fund administered by the Caisse National de Credit Agricole de Senegal (CNCAS), a new agricultural credit bank in which the state holds a minority interest, to provide financial resources to local producers. Moreover, the Cereals Plan provided some guidance on ways and means to induce productivity gains by restructuring crop mixes. Recommendations were made to relocate promising crops in areas with adequate rainfall, promote improved varieties, encourage the use of high-pay-off inputs and bring more irrigated land into production.

Constraints on Agriculture Production

Senegalese agriculture, especially its rainfed component, is undergoing a serious crisis related to a complex set of factors including environmental degradation, lack of production investment and a decrease in persons engaged in agricultural production (with a corresponding migration to urban areas).

In terms of natural environmental degradation, decrease of rainfall and soil depletion problems constitute major determining factors. This problem is further exacerbated by demographic pressures, resulting in the shortening of fallow periods, and the introduction of animal traction to increase areas cultivated rather than to increase productivity.

Investments in rainfed agricultural production are currently minimal. The withdrawal of the government from agricultural input provision has made equipment renewal and input acquisition extremely difficult for average farmers. Likewise, the high cost of fertilizers, compared to relative output price and the high level of risk and uncertainty associated with rainfed farming has drastically reduced fertilizer usage.

A progressively decreasing subsidy program funded by USAID to encourage private sector involvement and to promote fertilizer use had little effect at farm level since most farmers could not afford fertilizer, even at the old subsidized price. The CNCAS, which was designed to provide financial resources to local producers has adopted repayment procedures which have, in effect, eliminated the institution as a provider of credit for peasant farmers.

Overall performance seems to be better for irrigated agriculture despite the persistence of technical, economic and financial

constraints as well as social and organizational problems.

Physical and technical problems relate to cost of irrigation facilities, control of water at the perimeter and plot levels, maintenance of facilities and channels as well as production diversification. In fact, efforts to master water have been associated with costly basic infrastructure, e. g., dams, channels, pumps, etc. Moreover, irrigated agriculture often requires costlier inputs, leading to higher production cost than for rainfed agriculture. Social and organizational problems relate to difficulties of moving from traditional rainfed to irrigated farming and of changes in cropping patterns from extensive subsistence agriculture to more intensive cash-oriented farming. Irrigated farming also creates other important requirements such as appropriate cultivation practices, an effective and timely input delivery system, adequate management and maintenance of irrigation facilities. Nevertheless, some economies of scale are expected through the better organization of farmers and a shift to crop diversification and double cropping.

These problems, along with others, make it difficult to achieve major production increases within existing incentive systems. In the absence of credit, farmers find it difficult to make a profit out of growing food grains while paying for inputs necessary to attain profitable production levels. Under those conditions, it is becoming more and more difficult to attain the government's food self-sufficiency objectives.

Strategies developed by farmers to adapt to this situation include diversification of activities through off-farm income generating activities, out-migration, and reliance on external funding by farming groups with the support of NGO's.

SECTOR ANALYSIS - Artisans

Scope of Activities and Economic Contribution of the Informal Sector

Ministerial decree No. 00550 of May 10, 1988 defines officially-recognized artisanal activities in Senegal. These activities fall into the following categories:

1. Food products and beverage processing
2. Textiles, clothing and leather work
3. Wood and vegetable raw material processing
4. Paper product processing
5. Chemical product processing
6. Mineral and nonmetallic product processing
7. First stage metal processing
8. Metallic products, machines & raw material processing
9. Housing and public work
10. Repair services

11. Other services
12. Miscellaneous

The ministerial decree also provides criteria to classify the activities under production, services and arts. Most of the these activities are undertaken by micro-enterprises operating in the informal sector.

According to a recent study on the informal sector in metropolitan Dakar (Zarour, 1989), this sector is playing a predominant role in terms of employment, production and exchange. A September 1988 census conducted in Dakar revealed that 29,639 micro-enterprises were providing jobs for 57,413 people. By comparison, 1,035 parastatals and private enterprises operating in the formal sector were employing 83,405 salaried workers. Furthermore, investment to active worker ratios in the formal and informal sectors were found to be CFAF 12.5 million and CFAF 250,000 respectively; this indicates that employment generation is 50 times cheaper in the informal sector than in the formal industrial sector. This is significant since demographic pressure, along with rural out-migration related to under-employment and low productivity in agriculture, will likely result in a greater demand for jobs than the current agricultural and formal industrial sector can meet.

In addition, recent liberalization measures directed to the industrial sector are leading to many lay-offs in the formal sector. It is estimated that only 20% of the people laid off will find another job in the formal sector. The informal sector is the likely outlet for the other workers.

Policy Context of Micro-Enterprises

For many years, the GOS has paid little attention to micro-enterprises operating in the informal sector. During the first 10 years after independence, the economy was characterized by the large presence of foreign enterprises and state investment activities. Small enterprises were then limited to low-market or low-return activities not performed or neglected by large-scale businesses.

It was only in the 1970's that the GOS changed its attitude to one more favorable to small and medium-sized businesses. This new attitude was probably due to the realization that reliance on a few state-controlled and protected industries had retarded economic development. Moreover, it appeared that the existence of a network of small and medium-sized industries which could provide inputs into larger businesses was necessary to stimulate industrial growth. A major effort was then made by the GOS to reform and revitalize the industrial sector by abandoning its policies of protection and by giving a liberal hand to industries. (CMPB, FY 90)

Measures taken included the creation of 3 promotion and financing

institutions (SONEPI, SONAGA, & SOFIDESIT). Regulations were also instituted during the 70' and 80's on behalf of small and medium-sized enterprises (SME's). These included the following:

- Tax reduction for investment purposes (Investment Code)
- Creation of industrial parks
- Preferential treatment for government contracts
- Customs reductions
- Protective tariffs

In the study performed by Zarour, only 14% of micro-enterprises in a sample of businesses surveyed were registered with the authorities and had a legal status. Likewise, only 26% of the micro-enterprises were paying taxes.

The most common problems faced by micro-enterprises operating in the formal sector include lack of capital, difficulties in acquiring equipment and tools, and limited markets.

CHARACTERISTICS OF SMALL ENTERPRISES IN SENEGAL

Formal Definitions of Small Enterprises

It is difficult to define small enterprises in Senegal. Available definitions cover very different enterprises depending upon each viewer's particular objectives. The most frequent criteria used include both quantitative and qualitative elements such as gross investment, turnover, and number of jobs within certain intervals, etc.

For instance, several laws were passed to provide incentives and protection to small and medium-sized enterprises. Under law No. 81-55 of July 10, 1981, a small enterprise was defined as an enterprise carrying out an investment program of less than CFAF 20 million within 2 years; in contrast to medium-sized enterprises whose investments within a 3 year period would be between CFAF 5 million and 200 million. This legal definition was later completed by law 87-27 in July 1987 which defined small enterprises as those that cumulatively meet the following criteria:

- gross investment between CFAF 5 and 200 million
- 3 or more permanent salaried employees
- have regular accounts which conform to Senegal Accounting Standards

Other institutions involved with SME's use similar definitional criteria:

- SONEPI uses the following criteria to discriminate between SME industrial enterprises and artisanal or large-scale enterprises.

- gross investment between CFAF 5 and 25 million
 - capital turnover from CFAF 5 to 50 million
 - 5 to 50 jobs or employees
- The West African Central Bank's (BCEAO) definitional criteria include nationality of the entrepreneur and the enterprise credit ceiling:
- at least 51% of capital is to be held by nationals or citizens of the West African Monetary Union (WAMU)
 - effective management of the enterprise is to be in the hands of nationals of WAMU countries
- National enterprises are then classified into 2 categories:
- those with a credit ceiling (determined by the Central Bank) of less than or equal to CFAF 30 million
 - those with a credit ceiling greater than or equal to CFAF 30 million

It is obvious that none of these definitions are concerned with very small artisans operating within urban and rural areas.

Analytical Framework for a Working Definition of Small Businesses for designing a PC/S SED Project

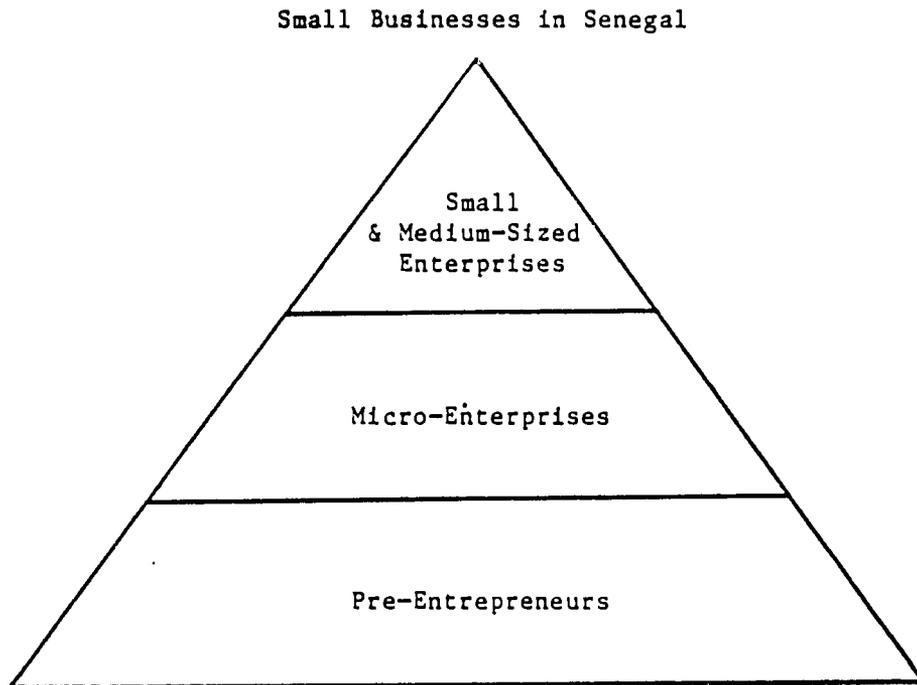
From the preceding official definitions, it is apparent that attempting to produce a universally accepted definition of small businesses is not a useful exercise. Moreover, the conditions of small entrepreneurs are very diverse and frequently do not lend themselves to a hard-and-fast definition. In this context, it can be argued that measures such as value of capital, number of employees, sales and other quantitative factors are not always appropriate. A more practical approach might be to describe the general characteristics of what is meant by small businesses for the purposes of this assessment.

One can argue that the primary entrepreneurs in Senegal are small farmers, merchants and various artisans operating in rural as well as urban areas. This universe of small entrepreneurs thus includes the traditional agricultural sector and what has come to be known as the informal small business sector. Indeed, many of the artisans operating in rural areas have direct agricultural production as their primary activity and are supplementing their incomes through non-farm activities as well. Also, most artisans and merchants in rural areas and in secondary towns are directly affected by the agricultural season since the agricultural produce sold and consumer items produced are tied to the agricultural economy.

One could describe the types of small businesses operating in Senegal by the use of a pyramid (See Figure 1) with small &

medium-sized enterprises at the top, micro-enterprises in the middle and pre-entrepreneurs at the bottom.

Figure 1



Small and medium-sized enterprises may be described as businesses which are run by entrepreneurs who have a good deal of practical knowledge about their businesses, who often have sufficient equipment and credit at their disposal, and who have a basic concept of accounting and marketing. In the Senegalese context, these are the businesses which tend to be defined in the section above regarding official definitions of small and medium-sized businesses.

Micro-enterprises can be defined as including a large number of farmers as well as most artisans and small shopkeepers. In the rural areas, farmers in this category have reached a "take-off stage." They own basic agricultural equipment and use animal traction and are eager to improve their equipment, but are still reluctant to use fertilizers, improved varieties of seeds and herbicides. They are also often involved in cash crops, e. g., groundnuts, cotton & horticulture). These farmers usually have limited access to formal credit since it is difficult for formal financial institutions to supervise large numbers of small loans, particularly when borrowers lack the fixed assets for securing repayment. These entrepreneurs typically require training in literacy, in basic management skills and production planning, and in marketing.

Artisans and small-scale traders in this category are those business persons who have a basic understanding of business practices and opportunities and possess considerable practical skills acquired through years of on-the-job training. In Senegal, these small businesses may be registered with the Chambres des Metiers, but have limited access to formal credit, for many of the same reasons as the farmers in this category. Many of these entrepreneurs require literacy training as well as basic cash flow management and accounting training and assistance in quality control in production and marketing.

The third category, the pre-entrepreneurs, includes most marginal businesses such as shoe-polishers, domestic servants, and small merchants selling such things as kola nuts, fruits and cigarettes on street corners. These entrepreneurs could be considered as underemployed and are mainly found in urban areas in Senegal. Frequently, they are migrants from rural areas or other countries and are just meeting their economic needs on a day-to-day basis. They have no access to formal credit and have very little knowledge of either basic business practices or marketing. They tend to exhibit the following characteristics:

- total reliance on indigenous resources including family labor and skills learned outside of formal channels
- ease of entry and exit in their business activities
- relative absence of regulation
- great diversity of backgrounds, experience and training which make designing interventions a difficult task

NEEDS OF SMALL BUSINESSES

Farmers

The sector analysis provides some background information about farmers' physical and policy environment. Farmers' needs presented here are those identified during the consultancy team's field trips. It should be kept in mind that production opportunities, farm size and cropping patterns varied notably from one region to another in the area surveyed. Accordingly, the best we can do here is to provide an overall picture of the types of problems faced by farmers we met.

Major farmers' needs identified fall into the following broad categories:

- Production Input Delivery

These inputs included mainly seeds and fertilizer. Seed acquisition problems are particularly serious for groundnuts, the major cash crop in all the regions visited. Most farmers are now keeping their own seeds, encouraged by the current government policy. But most farmers complain about poor seed quality due to inappropriate storage procedures and facilities. Most farmers do

have the option to buy good quality seeds just before the rainy season. However, this option requires that they have cash on hand during a season when they typically face household needs for consumption items.

This problem is even more serious for fertilizer which is only available on a cash basis as private traders are becoming the primary means of with fertilizer distribution. Fertilizer is now being sold at its real cost since government subsidies have been removed. Even though farmers recognize the usefulness of fertilizer for both peanuts and cereal crops, most find it too expensive in relation to output price and crop yields. Some farmers said they were willing to increase their fertilizer use if they could get it by credit. However, most private traders are unwilling to provide input credit on risky rainfed agriculture.

- Equipment Acquisition and Maintenance

Farm equipment was also mentioned as a major constraint by farmers. Much of existing farm equipment was acquired through a government-run equipment program (Programme Agricole) which was dismantled in 1980. Although existing farm implements have been repaired and maintained by local village blacksmiths, much of it has reached the end of its useful life and needs replacement.

SISMAR provides farm equipment either for cash or on a credit basis using CNCAS. Farmers indicated the cost of this equipment was prohibitive. Furthermore, the farmers claim that prices charged by SISMAR are much higher than those farmers pay in the informal market. The consultants were informed that prices charged by SISMAR for a "houe sine weeder" and an ox-cart cost CFAF 80,000 and 160,000, respectively. Farmers we talked to in the Kaolack region asserted that they could buy similar equipment in local weekly markets for CFAF 25,000 and 55,000, respectively. According to farmers, it is the prohibitive cost of farm equipment which explains why they are not renewing existing ones. Instead they try to maintain them, with the help of local artisans.

This problem of farm equipment acquisition is even more serious for small farmers operating in the relatively less endowed regions of Kolda, Tambacounda and Ziguinchor. This lack of equipment is exacerbated by the out-migration of rural youth due to the low returns provided by subsistence agriculture and the expectation of a better life in large cities.

- Credit Provision

Credit is needed to acquire production inputs and farm equipment as well as for other household needs such as consumption items, medicine, and working capital for off-farm activities. Most farmers face some food shortage at certain times of the year, particularly during the August "hungry season" before the cash crops are harvested). In addition, they often have need of

credit throughout the year to cover expenses resulting from circumstances such as disease, death, or the birth of a child. Since even informal credit may be unavailable to meet these needs, many farmers are obliged to sell all of their cereal production and in some instances, small ruminants, to meet these social obligations. They may then have to buy cereal for consumption at much higher prices later during the year. It is important to note that for this category of farmers, any provision of credit for production is likely to be diverted for these social needs first. Thus, there appears to be a clear need for undirected credit in rural areas to meet these needs.

- Market Outlets

The problem of output marketing was mentioned by farmers in all regions. Farmers face similar marketing problems for all crops (including peanut marketing which is relatively well organized through cooperatives and other private participants). The timely transportation of perishable garden products and fruits was mentioned both during field visits as well as in the report made by James McCulloch in March 1989. The problem is particularly acute for farmers in the more remote regions of Kolda and Tambacounda where local markets outlets are limited. Transporting these products to higher consumption areas involves additional costs and spoilage.

Artisans

The types of needs described by the small rural and urban artisans interviewed by the consultancy team fall into the following categories:

- Input Acquisition

This seems to be a major constraint for micro-enterprises in all sub-sectors including metal workers, carpenters, tailors, handicrafts workers, etc.; although the need varies according to the type of activity engaged in and the location of the enterprise. In some instances, the problem is related to the unavailability of raw materials in the area of work. This is frequently the case of small artisans operating in the countryside. For instance, village blacksmiths in the department of Bignona in the Casamance can only obtain raw materials in either Bignona or Ziguinchor. A group of women making pottery in Velingara must rent a truck and travel to the Gambian city of Basse to get the appropriate clay for their business. Besides the additional expenses occasioned by such an operation, the women also experience harassment by customs officers and policemen in both countries.

In other cases the input acquisition problems may relate to a lack of working capital, even if there's a secured market for their products. Some micro-entrepreneurs are able to get either credit from their input suppliers or a down payment from their

clients; but these types of arrangements are not always feasible.

- Credit Provision

Artisans interviewed generally needed credit either for working capital or for new investments to expand their business. As indicated earlier, none of these micro-entrepreneurs had access to a formal banking system loan. Some artisans have access to loans from the USAID funded Community and Enterprise Development (CED) project in Kaolack. Many of these loans were repaid early and some applicants have applied for another loan. Beneficiaries of this credit program made generally positive comments about the project's operating procedures. However, some of them suggested that the grace period be extended from one month to two and others suggested that a technical assistance component be added to the credit program.

- Training and Information Dissemination

Artisans met by the consultancy team expressed training needs in various areas, e. g., vocational training, accounting and business management, literacy and numeracy, improved production and marketing techniques. Not all artisans felt the need for further training, however, and many of them thought it was a waste of time due to past experiences with inappropriate training programs which were not relevant to their particular needs.

On the other hand, one young tailor in Kaolack who attended the financial management training course provided by the Sahel Regional Financial Management Project after having received a loan from the CED project is effectively implementing the acquired knowledge in her business. She is also helping the PCV working in this project to recruit other participants for this program.

Information needs expressed by artisans include information on prices, on potential market outlets, and on administrative procedures and governmental regulations. This need was particularly expressed by artisans affiliated with the "Chambres des Metiers" and who believe that the Chamber should improve its effectiveness in the delivery of this information.

- Infrastructure and Market Outlets

Infrastructure needed by small artisans include workshops as well as promotion centers such as artisanal villages. Artisans interviewed are using different strategies to market their products, e. g., personal contacts, door-to-door sales, and exhibition of products in city or weekly markets. Other artisans, operating in more isolated regions (Kolda, Velingara, Tambacounda) try to set up contractual arrangements with artisans or traders in Dakar or in secondary towns.

INSTITUTIONS ACTIVE IN SMALL ENTERPRISE DEVELOPMENT IN SENEGAL

This broad analysis of types of institutions involved in small enterprise development is conducted in light of the identified needs of micro-enterprises operating in rural and urban areas. This section deals with the ways and means these institutions are addressing those needs and, to the extent possible, their successes and failures. It is hoped that this analysis will assist PC/S to make a better assessment of its options as to potential avenues of intervention and of appropriate institutions with which it might collaborate.

AGRICULTURAL SECTOR

GOVERNMENT-RELATED INSTITUTIONS

With regard to agriculture, 4 types of government-related institutions operate at regional and local levels. They are the decentralized research centers, administrative services, development projects and regional development agencies.

ISRA Research Stations

The Senegalese Agricultural Research Institute (ISRA) operates several research units located in the different regions of Senegal. These stations, often specialized in livestock, forestry or vegetable production, conduct both on-station and on-farm trial experiments to generate appropriate technologies which are suitable to small farmers' conditions. Three farming systems research teams located in Ziguinchor, Kaolack and Saint-Louis work very closely with small farmers to diagnose major constraints, to experiment with improved cultivation practices, and to promote new technologies in collaboration with regional extension agencies and with farmers organizations. In addition, ISRA's Macro-Economic Unit is involved in production economics and marketing studies.

Administrative Services

These operate at regional, departmental and arrondissement levels. The "Centre d'Expansion Rurale (CER), a multi-disciplinary team of technicians works at the arrondissement level. They are composed of an administrative head officer, technicians from the agriculture, livestock and environmental protection departments, an instructor in home economics and, sometimes, a health agent. This team is placed under the authority of the "Sous-Prefet" and is charged with providing technical assistance to farmers. In theory, they help farmers to set up local development plans and to design and implement local projects. However, lack of adequate transportation and limited

operating budgets limit the effectiveness of the CER's considerably.

Similar problems are encountered by technicians working at the departmental and regional levels. These technical agencies include the crop protection department, the seed production and validation unit, and the cooperative department. Their major activities involve meeting with farmers, data collection, reporting on agricultural activities, seed multiplication controls, and other related duties. These agencies likewise suffer from the lack of adequate resources and, consequently, their effectiveness is also limited.

Development Projects

A large number of projects of different size and duration exist in the agricultural sector. They generally pursue specific objectives to be met within given time frames and usually receive funding from foreign donors. The sheer number of these projects and the numerous institutions involved prohibited a comprehensive analysis of these projects within the timeframe of this consultancy.

Regional Development Agencies

Most of the regional development agencies (RDA's) were created in the 1970s and represented the centerpiece of government rural development policy during that decade. Since the adoption of the New Agricultural Policy in 1984, these development agencies are in the process of being dismantled and replaced by private sector and farmers' organizations. The primary RDA's are SOMIVAC (Casamance), SODEVA (Peanut Basin), SAED (Fleuve Region) and SODEFITEX (Tambacounda). While SOMIVAC and, to a lesser extent, SODEVA have notably reduced their operations, SAED and SODEFITEX have been experimenting with new activities by which a specific scope of work is periodically assigned to them (the RDA's are parastatals with limited ownership by the government). Regular evaluations allow government to assess the progress made and, if needed, to redefine the development agencies' mandate.

Regional development agencies generally provide the following functions:

- Assistance to producers through extension services for improved farming practices
- Input distribution of seeds, fertilizers, insecticides, farm equipment, etc.
- Purchase and transportation of farm products
- Processing of agricultural products and exports (e. g., cotton with SODEFITEX)

In addition to these specific functions, most RDAs are charged with major development actions such as the construction of

infrastructure, training of producers, operation of cereal banks, and resource management. However, their activities in this sphere are hampered by budget cuts resulting from the government's progressive withdrawal from a direct role in agricultural production.

NON-GOVERNMENTAL ORGANIZATIONS

In addition to government-related structures, about 100 non-governmental organizations (NGO's) conduct agriculture-based activities. Most of these are affiliated with CONGAD, a confederation of NGOs active in rural development. CONGAD was created in 1982 to encourage the exchange of experience amongst NGO's and to facilitate a policy dialogue with the GOS and other external agencies. All the NGO's operating in Senegal sign agreements with GOS, represented by the Ministry of Social Development, which describe their activities in Senegal.

PRIVATE SECTOR

Under the New Agricultural Policy, the private sector is expected to play a major role in agriculture. Key functions devoted to this sector include inputs and equipment delivery, service provision for post-harvest operations, credit, marketing. These functions are currently being performed by a large number of private enterprises (although the government sometimes has a minority share in these enterprises) in specific subsectors. Examples of their activities are shown below:

- production and delivery of inputs by SENCHIM
- processing of farm produce and distribution of farm equipment by SISMAR & MATFORCE
- irrigated land preparation and maintenance by SOGEX in the Fleuve Region and SODAGRI in the Kolda Region
- marketing of cereals by individuals or private company wholesalers and retailers
- food processing by SOCAS, SNTI (tomatoes) and CSS (sugar)

In many instances, the private traders involved in cereals marketing provide credit and market information to producers. However, price controls and frequent changes in government regulations have been a major source of uncertainty for private traders.

FARMER'S ORGANIZATIONS

In accordance with the NAP, the GOS has been promoting the formation of organized farmers groups to take charge of economic functions previously performed by the state. During their field trips, the consultants observed a large number of farmers organizations which were either initiated by external bodies (RDA's, administrative services, NGO's, etc.) or by agricultural

producers themselves. Farmers organizations operating in Senegal fall into 3 broad categories - village-based organizations, farmers organizations involving several villages and federations of farmers organizations.

Village-Based Farmers Groups

These include producers groups, various groups related to NGO's or administrative services, and Groupements d'Interests Economiques (GIE's), corresponding to a recently defined legal status allowing two or more people to undertake joint income generating activities.

- Producers groups were initially set up by RDAs for extension purposes. In many instances, they evolved into organizations for input provision, credit management and marketing functions. When they have financial resources and receive adequate support in technical and management training, the producers groups may undertake village development activities such as health projects, farm equipment acquisition, and vegetable gardening. However, in most instances these producers groups remain very isolated from each other and dependent on the RDA's. Producers groups could nevertheless be appropriate partners for village group activities.
- Groups related to administrative services or NGOs are generally found in specific subsectors such as fishery, vegetable gardening or tree planting. These groups often tend to be age group or gender specific.
- GIE's organized by members of a family are often initiated by retired people or former migrants. Pre-existing family ties and good organization enable this type of GIE to operate a business successfully. However, this type of organization does not always allow for the promotion of marginal members of the family such as women and youth due to cultural reasons.
- GIE's exclusively composed of farmers are generally set up by RDA's, development projects, and NGO's in their attempt to empower the villagers they assist. Access to credit and implementation of sustainable economic activities typically represent primary objectives.
- Mixed GIE's composed of farmers and technicians are being organized, especially in the irrigated areas of the Fleuve Region. Generally, farmers provide their land and technicians provide capital and know-how to start joint businesses.
- The last category of GIE's are generally created by technicians and other urban-based persons who decide to invest in agriculture. They often have clear objectives

and the managerial knowledge necessary to successfully operate their farming businesses.

All of these locally based groups share some common problems. Because of inadequate training and/or lack of information, they tend to be very dependent on external partners who initiated them. In addition, important competence gaps may exist among members of the same group, resulting in frequent internal conflicts. Even if some farmers groups achieve good performance in certain regions, a large number of them lack a solid economic foundation. Nevertheless, some of these organizations hold good potential for common interest, village-based activities, if they have the solidarity and motivation to carry out a specific project or activity.

Farmers Organizations Involving Several Villages

This type of farm organization almost always originated from the on-going agricultural crisis. Indeed, the drought situation and its negative effects on farming systems have motivated their creation. The most frequently pursued objectives include food self-sufficiency and improvement of farmers' living standards.

These organizations are generally supported both technically and financially by NGO's. They typically federate several locally-based organizations to coordinate and reinforce their activities in several areas - training, credit, service provision, etc. They usually begin by addressing basic needs before undertaking more productive activities in vegetable gardening, livestock fattening or tree planting.

A sample of this type of organization in different regions is presented below:

- Saint-Louis Region: "Federation des Associations du Fouta"
- Tambacounda Region: "Inter-Entente de Bamba-Thialene", Federation des Paysans Organises de Bakel".
- Ziguinchor Region: "Comite d'Action pour le Developpement du Fogny" (CADEF), "L'Entente de Kabiline".

Federation of Farmers Organizations

These federations tend to be of two types: those emanating from administrative services and those formed by various organizations themselves to achieve certain goals which can only be reached through cooperative effort of numerous organizations.

The first type is typically promoted through a top-down approach. A national decision is made to federate local and regional farmers groups. The federation of women's groups and the federation of GIE's dealing with livestock are good examples. In these instances, the objective is usually to set up guarantee

funds allowing groups with no collateral or legal status to get access to CNCAS loans. But very often there is no systematic information about credit conditions in relation to the intended group objectives and level of organization. However, in spite of their frequent bureaucratic procedures, these national federations of farmers groups do provide their members with political leverage that they lack individually. Farmers organizations thus have a chance to articulate their concerns during the decision-making process and to induce favorable policy reforms.

The "Federation des ONG du Senegal" (FONGS) is a good example of the second type of federation which tends to have more of a bottom-up approach. FONGS includes 16 village associations with a total of 75,000 members in about 700 villages. Since its creation in 1978, FONGS has undertaken several activities:

- A training system was jointly set up with its members in 1985. Subjects taught according to a pre-defined time table included management and planning, with an emphasis on training of trainers to diffuse acquired knowledge to the different producers' groups
- A cereal bank was set up to allow exchanges between village associations with excess production and those with a deficit
- The creation, in 1987, of a savings/credit scheme in relation to CNCAS. Savings mobilized and a CFAF 156 million subsidy allowed FONGS to negotiate with CNCAS to provide credit to several village organizations that would otherwise not have received it.

Besides FONGS, several other federations of village organizations operate at regional and departmental levels. They are generally initiated to collectively tackle common problems such as fruit and vegetable marketing, training and the collection and sharing of information of interest to the groups.

The macro-institutional context created by the NAP has certainly facilitated the emergence of various types of farmers organizations. The progressive withdrawal of the state from several production-related activities has also created new opportunities for organized farmers. Some farmers organizations have been able to achieve noticeable economic performance thanks to appropriate organization and good management.

However, several farmers groups still face problems of bureaucracy, lack of training and overdependency on external bodies. Moreover, lack of accountability of leaders, conflicts of interest among members and political rivalry characterize many of them. In order to minimize problems of working with groups having these problems, some NGO's conduct thorough investigations to determine group solidarity and democratic procedures of operation prior to association with a group.

ARTISANAL SECTOR

HISTORICAL BACKGROUND (1960-1985) *

The Senegalese Office for Artisanal Development (OSA)

This parastatal institution was created by Law No. 63-34 in June 10, 1963 to assume commercial functions and to provide technical support to artisans. OSA had three general objectives:

1. To increase artisans' level of qualification
2. To improve artisans' working conditions
3. To organize artisans

Regional offices of OSA were set up on January 27, 1967 to decentralize and expand its activities. Initially, OSA was planned to self-finance its operations. However, it appeared that this institution could not survive without government subsidies. Several artisans' support programs were implemented during OSA's 15 years of operation including professional training, search for market outlets, sector studies and statistical surveys. OSA was terminated in 1975 and its mandates were then assigned to newly created institutions.

SONEPI-SOSEPRA (1975-1985)

The Senegalese Society for Artisanal Promotion (SOSEPRA) is a parastatal which took over from OSA to promote artistic artisans. At the same time, a section was created within the Societe Nationale d'Etude et de Promotion Industrielle (SONEPI) to deal with production and service oriented artisanal activities. To a large extent, SONEPI and SOSEPRA continued OSA's activities through the following programs:

- Credit for equipment and acquisition of raw materials. This was intended to overcome the regular banking system's reluctance to provide credit to artisans. Working capital was advanced to artisans who secured a market for their products. In addition, guarantee funds were set up to facilitate artisans access to institutional credit.

With a CFAF 60 million guarantee fund financed by the national budget (50%) and the French Caisse Centrale de Cooperation Economique (CCCE), SONEPI was able to negotiate with SONABANQUE to fund 8 projects for a total investment of CFAF 41,169,090. Because of regular reimbursement by artisans who obtained credit, SONABANQUE accepted a reduction in the guarantee level from 75 to 50%

* This section draws on Zarour's study of the informal sector of Dakar and its surroundings.

of loans. This increased the operational capacity of the guarantee fund enabling the funding of 10 new projects.

- Actions were also taken to facilitate artisans' acquisition of raw materials and equipment. In this respect, a central warehouse has operated since 1982, with funds provided by the state. Its operations have suffered from poor repayment records. Tax reductions were also obtained from the Ministry of Finance on equipment donated by a French Artisan Association.
- Artisanal villages were created in many cities and monitors were placed in those centers to assist artisans.
- Several promotion programs were undertaken, including the editing and dissemination of advertising catalogues in Senegal and abroad, the establishment of commercial ties with foreign clients, and the sale of artisanal products through credit arrangements.

A recent evaluation of the artisanal development policy followed during the 1960-1985 era revealed that most of the measures adopted were not effective. It appeared that the institutions in charge of artisanal development could not function without subsidies. Meanwhile, small artisans still have found it difficult to get access to formal institutional credit. Moreover, despite the emphasis put on increasing artisans' qualifications, most programs tended to neglect this objective.

INSTITUTIONS CURRENTLY INVOLVED IN ARTISANAL DEVELOPMENT

Direction de l'Artisanat

The Direction de l'Artisanat (DA) is a central administrative structure set up after the dismantling in 1986 of SOSEPRA and the artisanal section of SONEPI. The DA is in charge of implementing the government's artisanal development policies. It also participates in the definition and the general orientation of professional training programs. Its mandate covers the following areas:

- Analysis and synthesis of socio-economic data on artisans, preparation of studies to be undertaken, search for funding programs and participation in their implementation.
- Design of artisanal development programs and projects, and the assessment of projects submitted by artisans.
- Monitoring and evaluation of ongoing artisanal development programs.
- Revision of government regulations to improve the environment of artisans and to increase their

opportunities.

However, the DA suffers from a lack of qualified personnel and limited financial resources which prevent it from playing a key role in artisanal development.

The Chambres des Metiers

The Chambres des Metiers (CM) are responsible for representing artisans' interests at regional levels and for implementing artisanal development programs funded by the state. Regional CM's were established by Ministerial Decree No. 86-57 on January 13, 1986. They are composed of artisans' representative bodies (General Assembly, elected committees, and a president), of administrative personnel (general Secretary, accountant) and of technical service departments in charge of implementing artisanal development programs (including project identification and design and training programs). The CM's resources come mainly from membership fees and from income generated by services provided by the technical department.

National Union of the Chambres des Metiers

The National Union is an association of the presidents and vice-presidents of the regional CM's. This association also represents artisans' interests and provides administrative and technical services. Its major roles are to consult with the 10 regional CM's and to undertake the promotion of artisans at the national level.

Four major programs for artisans are included in government's current 3 year investment plan:

- a. The production unit and artisanal development program: the objective of this program is to create a network of micro-enterprises with appropriate equipment, good organization and management, and able to produce high quality products. These micro-enterprises are expected to innovate and to adjust to clients' needs. In this program, small projects associating investments and training components were set up under the supervision of regional CM's technical service department.

Several projects dealing with different artisanal subsectors have been implemented across the country. They represent concrete experiences for the technical service departments of regional CM's, giving them the opportunity to assist small artisans in private artisanal project implementation.

- b. A training support program consisting of short-term training sessions was organized at the national level to reinforce apprentice training. A number of training

sessions have been conducted during the 1986-1989 period. Recently, the union has tried to draw more on other public and private institutions to strengthen the training package. In addition, scholarships have been provided to artisans to attend training sessions abroad.

- c. Workshop programs have been instituted with the objective of facilitating the establishment of artisans. An artisanal center is set up in each region to rent unequipped workshops to artisans. Several feasibility studies have already been conducted to identify appropriate sites. Other studies are now being conducted to estimate the overall project costs and the potential financial returns for artisans.
- d. A rural artisan support program targets small rural artisans dealing with farm equipment production and repair. It will support rural artisans in the design and production of innovative new equipment. A product marketing component is also included in this program. This program's cost was estimated at CFAF 132 million and the French Action and Cooperation Fund has agreed to finance it.

In summary, the Chambres des Metiers constitute an appropriate organizational framework for artisanal development programs. However, they face several structural and operational problems that need to be tackled to make them more effective. Lack of qualified personnel at all levels and inadequate funding constitute major constraints. In addition, only a small percentage of artisans are registered with the Chambres des Metiers. In the past, regional CM's have suffered from elected members interference with the technical service operations. As a consequence, only a small percentage of funds were devoted to artisanal promotion activities and most went to pay salaries and operational expenses. There appears to be a serious need to reform the Chambres des Metiers standard operating procedures to provide services which make them more attractive to potential members.

The government's new strategy with respect to artisanal development rests on the following principles: reinforcement of private initiatives through support of productive projects, improvement of artisan labor skills, and follow-up with logistical support. However, better programs and services are needed in technical as well as in management training.

In addition, funding of artisanal activities should be done through appropriate credit programs, taking into account the specific needs of the sector as well as the credit worthiness of submitted projects. Finally, the technical and promotional sections of the CM's need to be reinforced to enable them to effectively address artisans' problems.

RECOMMENDATIONS FOR A PC/SENEGAL
SMALL BUSINESS PROJECT DESIGN

GOAL

As a result of this needs assessment, this report proposes that a Small Enterprise Development Project be established as an integral part of the Peace Corps/Senegal Program and have the overall goal of expanding the private sector and increasing employment opportunities in Senegal. The title of the project would be the Peace Corps/Senegal Micro-Enterprise Development Assistance Project with the acronym of MEDAP.

The project would have two components, one rural and one urban which would have the following sub-goals:

Rural Subgoal: To foster local rural employment and to assist in the development of micro-entrepreneurs engaged in agricultural, artisanal and commercial activities

Urban Subgoal: To improve the level of productivity, incomes and job creation of micro-entrepreneurs working in the artisan and commercial sectors.

OBJECTIVES

The rural component would have the following objectives:

1. To conduct research on improving and sustaining local economic development, rural-urban linkages, the economic potential of "communautes rurales", local group activities and individual micro-entrepreneurs.
2. To extend small business credit operations to rural micro-enterprises through a revolving loan fund.
3. To help local groups and micro-entrepreneurs improve their skills in bookkeeping, decision-making, management, marketing and planning.

The urban component would have the following objectives:

1. To link urban artisans with existing credit assistance programs in order to foster the growth of self-sustaining income and job creation activities.
2. To upgrade the skills of artisans in bookkeeping, project analysis, management, marketing and appropriate

technologies.

3. To provide follow-up technical assistance and marketing services through local Chambres des Metiers.
4. To strengthen the capacity of the Chambres des Metiers to provide viable private technical services and training to its members and clients.

PROJECT TARGETS

Micro-Enterprises

In reference to the discussion of the levels of small businesses found in the section of this report dealing with characteristics of small businesses and their needs, the consultants propose that the micro-enterprise level of entrepreneurs be targeted for support under a PC/S SED Project. Entrepreneurs at this level have a distinct need for attention and tend to have been neglected in past efforts to assist small businesses. They are also good candidates for training and technical assistance since they have already have basic technical and business skills which can be built upon. Furthermore, these entrepreneurs currently have very little access to credit in Senegal and existing credit projects show much promise for the potential of this level of businesses to utilize credit effectively and repay their loans.

Farmers, artisans and small-scale traders

Farmers would receive particular attention as "small businesses". That is to say that farming is a business just as commercial and industrial activities are and requires many of the same business skills as those typically considered for urban enterprises. The MEDAP project would, therefore, address the needs of farmers and other rural entrepreneurs as well as those of urban entrepreneurs.

Individual Entrepreneurs as well as Groups of Entrepreneurs

Concern was expressed by the ACPD/RA as well as by others regarding the tendency for development programs to focus on groups when designing their programmatic interventions. In fact, it appears that an objective of some government departments is to form Groupements d'Interets Economiques (GIE's) as a sine qua non for the provision of services and credit. Although there is nothing wrong with working with groups, per se, there is concern that many of the groups formed may be artificial and lack the group solidarity necessary to provide a workable basis for group activities or credit repayment. Some have expressed concern that the GIE's are just another version of the cooperatives which were formed in the past in order to get access to agricultural inputs, credit and other services. The cooperative system, as employed;

was not perceived as being successful and government policy toward cooperatives is currently in the process of reform.

Field interviews with small entrepreneurs and with those with small enterprise development experience in Senegal has revealed that there are instances when an individual approach to small enterprise assistance is more appropriate. This is not to say that a group approach should be abandoned entirely. It is only to reflect on the fact that some economic activities are better undertaken on an individual basis.

The rationale for considering assistance to individual entrepreneurs is based on the following assumptions:

1. Individuals tend to be motivated more by self-interest than group interest when economic activities are the focus.
2. Members of a group may have competing interests.
3. Groups may or may not-
 - a. make decisions in a manner perceived as "fair" by all members,
 - b. be composed of individuals who trust on another,
 - c. provide an equitable return on the individual's investment (be it time, money or level of effort).
4. The speed and timeliness of the decision-making process for economic activities is enhanced.

On the other hand, the rationale for a group approach to assistance efforts is applicable when individual access to services or capital is unavailable, too expensive, or limits the effectiveness of the provision of these efforts.

An example the consultants discovered in the field involved the operations of a family of women pottery makers in Velingara. The family joined with other pottery makers in the town for certain limited objectives, but operated independently for the rest of their operations. The potters jointly arranged for clay to be collected and transported from the countryside. The clay was then distributed to the individual households. The pots were shaped by the individual families. Then, in order to fire the pots, group efforts were again arranged to transport the pots to the countryside where firewood was available and where the smoke would not disturb neighbors. Once the pots were fired, they were redistributed to their individual families and sold on an individual family basis.

This example shows very well the need for utilizing group efforts for specific aspects of the life-cycle of an economic activity when there are compelling reasons to join together to perform those aspects.

The consultants therefore recommend that the PC/S SED project

should look at the appropriateness of assistance to be provided in terms of its delivery on an individual basis or on a group basis.

GEOGRAPHICAL FOCUS OF ACTIVITIES

A recent study by the Research Triangle Institute for USAID on the promotion of economic development and employment generation through decentralization made the following observations:

Senegal is experiencing an increasing concentration of population and economic activities in the Western one-quarter of the country, in and around Metropolitan Dakar and the Cap Vert Region. Moreover, the fastest growing secondary cities and towns in Senegal are within a 150 kilometer distance from Dakar.

Local economic development depends on creating stronger economic and physical linkages between towns and cities as markets for agricultural goods, distribution points for rural products, and supply points for the agricultural inputs needed for rural development.

Some smaller towns in Senegal are also market centers offering a wide variety of agricultural and consumer goods and the collection, transfer, storage, brokerage, credit and financial services needed by farmers. Even small towns have sufficiently large populations and the locational advantages to foster the growth of artisan and cottage industries. These enterprises satisfy demand for low-cost manufactured goods.

Another recent report commissioned by USAID and performed by Arthur Young investigated informal financial markets in Senegal and Zaire. It also supports a decentralized approach to development as evidenced in the following comment:

A focus on market centers, however, can have major impacts on both the national economy (for example, by stemming the rate of migration to the capital city) and on relatively small villages surrounding market centers, because these centers both aggregate the products these villages sell for cash, and distribute to them the products which they do not produce for themselves. The market center is "relevant" to both the country as a whole and the small locality.

Based on our research, the consultants recommend that PC/S seriously consider focusing activities of the SED project in the Tambacounda and/or Kolda regions. This would be consistent with PC/Senegal's rural focus and also permit these regions to receive some attention in terms of assistance in developing their local economies. Most of the international donors have tended to concentrate their activities to date in the coastal regions of Senegal. PC/S could assist in giving these interior regions some

much needed attention by the international development community.

Furthermore, these regions meet most of the criteria specified in the PC/S recommendations for an SED needs assessment, to wit,

identification of optimal regions in Senegal that appear as the critical areas in need of and/or for promoting, assisting and supporting small rural enterprise development programs and services. The criteria for doing this will primarily be based on:

the project areas should be relatively isolated with respect to the large urban centers if the assessment evolves into a credit system for agricultural input supplies and other marketing functions.

the project areas have to be sufficiently rainfed to not only make agricultural diversification possible, but also direct agricultural production and, consequently input supplies, a less risky business.

an established tradition of individuals and village groups for active participation in self-reliant development activities. The PC/Senegal SED initiative should draw on the full range of local resources available including local management, using a "greenhouse approach" which starts with what already exists and focuses on factors that help local efforts grow on their own.

an evidence of the area in mobilizing labor time and savings of rural populations for capital formation of direct benefit to local populations.

Except for the last criteria which the consultants were not able to verify during the limited time available, the Tambacounda and Kolda regions appear to meet all of the criteria specified. In addition, the Kolda region around Velingara offers other special opportunities as a result of the possibilities of irrigated agricultural production due to the dam and reservoir in the Anambe area. SODAGRI is actively promoting rice production in the area and the consultants visited a vegetable and fruit farm close to the lake formed by the dam where the water level of a well was less than a meter below ground level.

In regard to the placement of PCV's in those regions, the consultants believe that PC/S should strongly consider placing PCV's in market centers for reasons described in the excerpts above. The size of the village or town is less important than its function as a market center. By placing volunteers in market centers, they will have the opportunity to view closehand the relationships between the various actors in the economic life of those communities and will be able to better identify economic relationships and interventions which can most effectively

address the needs of small entrepreneurs in their area. Consequently, the consultants suggest that the Communaute Rurale level be the lowest level considered for the placement of PCV's.

As a final comment on this issue, it should be emphasized that there may be compelling reasons, such as a viable local counterpart or appropriate project, for placing PCV's in other regions. The consultants do not intend that other regions be totally excluded from consideration for the SED project, but rather that a substantial effort be made to place as many SED activities and PCV's as possible in the Tambacounda and Kolda regions.

IMPROVING THE ENVIRONMENT FOR MICRO-ENTERPRISE DEVELOPMENT

The proposed SED project should assist in improving the environment for micro-entrepreneurs. This includes improving the policy framework for small entrepreneur development at all levels of government. It also should seek to encourage the development of programs with both local and international funding to assist small entrepreneurs. Finally, it should strive to work with local groups and institutions to strengthen their capacities to develop and manage resources to assist the small enterprises.

The activities undertaken by PC/S in this project should complement and take advantage of existing programs and expertise, and, in the final analysis, the SED project should be designed to phase out PC/S activities as Senegalese nationals are trained to take over these activities and local institutional capabilities are evidenced.

POTENTIAL AREAS OF ACTIVITY

The consultants found a number of areas of activity that appear to be appropriate for PC/S to address the needs of small entrepreneurs in Senegal. These include, diagnosis and monitoring studies, training programs, technical assistance, credit, and the facilitation of access to information of various types.

Necessity for a Long-term, Incremental Approach

It should be kept in mind that these areas require various levels of technical expertise. To the extent that the PCV's recruited are generalists, the program must be adapted to their limited capabilities in providing technical assistance. In such cases, it would be wise to team the PCV's with local institutions and counterparts who have the necessary expertise to manage the programs envisioned. This could take the form of teaming PCV's with local project staff, for example, in the case of experimental credit programs. Or it could involve assistance to a local institution which provides technical assistance to small

entrepreneurs in a specific sector.

On the other hand, PCV's with relevant experience in these activities could serve as resource persons to other volunteers who lack that experience. The areas of activity suggested are based upon an approach which will concentrate on diagnosis and monitoring at first, and gradually get involved in the other areas of assistance as interventions become evident and feasible. That is to say, that an SED project should be designed which takes a long-range view and allows for an incremental approach to development assistance.

Diagnosis and Monitoring

There was almost total agreement by persons consulted with expertise in development that PCV's could provide an invaluable service in analyzing the activities and environment of small entrepreneurs. This activity could commence with an "etude de milieu" such as that currently being performed by RA volunteers in their villages, but adapted to look at the activities of small entrepreneurs. It could then be followed by more in-depth analyses of specific businesses. These analyses would look at the inputs necessary for the business, production techniques, processing activities, and sales and marketing functions. They would attempt to identify constraints and opportunities which occur during the cycles of business activity and try to identify potential interventions which could help to resolve particular problems. This would be followed by sector analyses which would look at the various problems of farmers, artisans and small-scale traders and result in recommendations for possible interventions to assist small entrepreneurs to improve their operations and increase their incomes.

One important point raised during the debriefing of the consultants was that diagnosis and monitoring efforts by PCV's should not be an end in themselves, but should lead to potential interventions which could occur within a two-year timeframe of a PCV's normal term of duty. Concern was raised that PCV's will tire of collecting information if they do not see something concrete resulting from their efforts. It is also important that work performed by PCV's in diagnosis and monitoring be directed by trained professionals so that the most effective use of the PCV's time may be facilitated.

Training

There are various types of training which have potential for PC/S activity. The first type suggested is literacy and basic business management skills. This training would be similar to the type of training currently provided by SODEFITEX in the Tambacounda/Kolda regions and by the USAID small-scale enterprise/PVO credit project in the Kaolack region. These programs identify village groups who desire training in these

areas and provide teachers to do this training. This type of training could either be performed by the PCV (if his/her local language and French is good enough) or in conjunction with a local counterpart from one of the agencies cited or another local PVO/NGO (e. g. the Maison Familiale). Classes could be held either once or twice a week and could provide an initial structured activity (in addition to the diagnostic work cited above).

A second type of training which could be provided is training in financial management. This is the type of training currently being performed by the two volunteers in Kaolack and Ziguinchor for the USAID-funded Sahel Regional Financial Management Project. It would involve PCV's assisting the SRFMP local project staff/consultants in recruiting artisans, forming professional groups, determining training needs, training the trainers and assisting in the organization of the classes as well as conducting follow-up work.

It is important to point out that the APCD/RA is currently considering (based upon current volunteer satisfaction with the job and interest on the part of SRFMP staff) providing PCV's for this position in other regional capitals in Senegal. Since the positions would be assisting local project staff (or consultants who are currently expected to carry on the work even if USAID fails to extend the project beyond next summer), this work could provide a good source of activity which would be integrated into an overall SED strategy.

It is also helpful to note at this juncture that all of the training provided for small business development should be based upon a participatory approach such as that evidenced in the SRFMP. Experts in small business development in developing countries have observed that this type of training is the most successful rather than training which is imposed upon the recipients.

A paper submitted by Dr. Carl Liedholm and Donald Mead entitled, "Small-Scale Industries in Developing Countries: Empirical Evidence and Policy Implications," to a USAID-sponsored conference in April 1987 on future AID directions in small and micro-enterprise development commented on this aspect of training programs,

A review of the limited number of evaluations of nonfinancial assistance projects indicates that most were not particularly successful in terms of benefit-cost analysis. Nevertheless, some were successful and possessed several common characteristics. First, the projects address situations where a single "missing ingredient" needs to be supplied to the firm rather than an integrated set of multiple ingredients. An implication of this finding is that projects assisting existing firms are more likely to be successful than those attempting to establish new firms. Second, the successful projects are industry and not task

specific. Third, before these projects or schemes are launched, prior surveys were undertaken to uncover the demand for the activity and number and type of "missing Ingredients." Finally, successful projects tend to be built on proven existing institutions, even "informal" ones.

This paper also pointed out a concern repeated by a number of persons in Senegal as well, i. e., is it necessary that training in financial management be tied to a credit program? The PCV currently working in Kaolack mentioned that many of the training recipients believe that taking the training will improve their ability to receive credit and the persons recruiting for the training courses say nothing to dissuade them of that impression. One could inquire as to how successful future training courses may be if credit does not follow the successful completion of the courses by recipients of the training. An evaluation which is expected to be performed on the SRFMP in the next few months could be instructive on this point.

There is also the potential for technical training and technical assistance in organizing training programs, particular for artisans. The regional Chambres des Metiers provide periodic technical training in various artisan crafts to their members. They have recently switched from a system of providing instructors from the Union Nationale des Chambres des Metiers for this purpose to one of developing regional capacities using local artisans to teach the courses. The national union and the "agents technique" at the chambers visited in Kolda and Ziguinchor indicated interest in receiving assistance from PC/S in developing their training capacities. This could provide an opportunity for PC/S to get involved in institution-building activity with this local organization which has state support and should be investigated further. The experience and training needs of PCV's working in this activity would also require further definition.

Finally, there are also other potential training needs which may be determined during the course of the SED project which are not foreseen at this juncture. The diagnostic and monitoring activities of PC/S as described in the previous section may identify other training needs where PCV involvement may be feasible.

Technical Assistance

There is potential for PC/S involvement in other types of technical assistance (TA) as well, but mainly in the context of working with local experts, particularly in the area of agricultural production. This type of activity also demands a greater degree of technical expertise that the average generalist volunteer has.

The TA to be supplied would be in the areas of input supply, production, processing and marketing. In this case, the TA would

MICRO-ENTERPRISE DEVELOPMENT ASSISTANCE PROGRAM (MEDAP)

OVERALL GOAL

Expansion of the Private Sector and Increase of Employment Opportunities

RURAL SUB-GOAL

To foster local rural development and to assist in the development of micro-entrepreneurs engaged in agricultural, artisanal and commercial activities

URBAN SUB-GOAL

To improve the level of productivity, incomes and job creation of micro-entrepreneurs working in the artisan and commercial sectors

OBJECTIVES

1. To conduct research on improving and sustaining local economic development, rural-urban linkages, the economic potential of "communautes rurales", local group activities and individual micro-entrepreneurs
2. To extend small business credit operations to rural micro-enterprises through a revolving loan fund
3. To help local groups and micro-entrepreneurs improve their skills in bookkeeping, decision-making, management, marketing and planning

OBJECTIVES

1. To link urban artisans with existing credit assistance programs in order to foster the growth of selfsustaining income and job creation activities
2. To upgrade the skills of artisans in bookkeeping, project analysis, management, marketing and appropriate technologies
3. To provide follow-up technical assistance and marketing services through local Chambres des Metiers
4. To strengthen the capacity of the Chambres des Metiers to provide viable private technical services and training to its members and clients

most likely be activity or industry specific and would be determined during the incremental development of the SED project. The work done by the consultant in marketing for determining the best approaches to marketing horticultural productions in the Bignona and Niore areas is an example of this type of TA.

-Credit -

Successful credit programs for small enterprise development require a considerable degree of forethought, analysis and detailed planning prior to implementation. This consultancy has only been able to determine that a need for additional credit to small entrepreneurs exists; but a PC/S response to that need will take a great deal more time and work to develop the parameters of that response.

The chances for success of PC/S involvement in a credit program would be enhanced if initial efforts in this area were directed at joining forces with institutions already experimenting with credit programs for small entrepreneurs in various sectors. The report by Charbel Zarour performed in August for USAID entitled, "Etude du Secteur Informal de Dakar et de ses Environs," looked at a number of institutions and projects involved in credit programs for small entrepreneurs. An intensive review of these and any other local credit programs would be the first step in analyzing a role for PC/S in a credit delivery system for an SED project.

*Good
points*

A most important consideration to keep in mind in this area of activity is the necessity for the development of institutional linkages from the outset. Linkages to informal groups would be the absolute minimum, but linkages to formal lending institutions would be the ideal. Unless one has access to the formal system, credit programs tend to be one-shot, capital-driven exercises which usually do not have the long-term resources to provide a replicable credit system with broad application. There can be a valuable role for the informal sector to play in the process, but a long-term approach to credit delivery usually necessitates a linkage with the formal system. As the Arthur Young report on Informal Financial Markets states,

The ideal situation may be to have good linkages between healthy formal and informal markets, allowing funds and participants to move between them. Financial markets could thus become more structured or more flexible, depending upon market conditions. Of course, as development proceeds, it is only reasonable to expect formal financial markets, following a universal pattern, to grow more rapidly than the informal. The informal market should not be expected to disappear, however, since these markets continue to exist and thrive in even the highest income countries.

Within this context, PC/S should seek ways to become involved in experimentation with innovative savings mobilization and credit

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schemes. The role of PC/S will depend upon funding sources, institutional contexts and the skills and qualifications of PCV's available. One potential activity could be the support of credit union types of institutions, should they prove feasible in Senegal. The American consultant is aware of Peace Corps involvement in support of a national credit union association in Malawi (the Malawi Union of Savings and Credit Cooperatives - MUSCCO). African countries which have credit union movements have access to ACOSA, a trans-African organization, which has ties with CUNA in the U.S. and provides technical expertise and training to member credit union associations in African countries. In the Malawi instance, two volunteers were assisting MUSCCO to develop a small scale enterprise loan fund with overall technical assistance being provided by Africare. There may be potential for this type of program in Senegal in the future.

Facilitation of Access to Information

A final area of activity which has been identified as having potential for PC/S involvement is that of providing and facilitating access to information relative to SED. This would build on the comparative advantage that PCV's have in being closely attuned to the needs of individuals and groups in their town or village while having access to information and resources which can be brought to bear in meeting those needs. The information which the PCV's would facilitate would have three audiences - entrepreneurs, service and credit providers, and policy-makers.

PCV's would disseminate information to entrepreneurs regarding opportunities, constraints, services, credit and market information. It would be particularly helpful for PC/S to work with local institutions to develop a market information system, especially for agricultural crops. The need for farmers and small-scale traders of agricultural crops to be aware of market conditions, opportunities and restraints was mentioned by a number of persons interviewed and reflected in the report by James McCulloch for PC/S.

PC/S would provide information to service and credit providers regarding the needs of entrepreneurs and the effectiveness of services provided. This could help service and credit providers to better focus their activities and provide some valuable feedback which would help them to improve their operations.

PC/S could provide information to policy-makers on actual and potential contributions by small entrepreneurs to national economic development. This type of activity is necessary in order to convince public and private institutions of the need for and efficacy of actual programs and policies to encourage and develop small enterprises.

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COLLABORATION WITH OTHER INSTITUTIONS

There are two types of issues to deal with here. One is which government ministries and agencies should be the host country sponsor of PC/S relative to the SED project. The other is with which institutions, organizations and groups should PC/S collaborate in the actual implementation of the various areas of activity engaged in.

There was no clear consensus on the host country sponsor of PC/S relative to the SED project. The APCD/RA would prefer that it not be the Ministry of Social Development, however, due to concerns over the effectiveness of that ministry. This issue should be resolved during the project design phase.

Regarding potential institutions, organizations and groups with which to collaborate, a number of institutions are listed below which could prove useful in implementing a PC/S SED project.

Chambres des Metiers

This government institution appears to be one of the most likely candidates to work with, particularly with the urban component, but could have some impact in rural areas as well if PC/S could provide them with assistance in outreach programs. Although this institution has the typical problems of understaffing and underfunding of most government agencies, it does have offices in all of the regions and has the potential to develop its capacities if it can find a means to generate more income. The Chambers also have a national association which permits them to operate at two levels. Furthermore, although the membership needs to be broadened, local representatives of the artisan community serve on the boards of directors of each regional office and, consequently should reflect the real needs of the artisans in their area.

The Sahel Regional Financial Management Project

Two PCV's are already working with the local staff of this project to recruit and train local artisans for financial management courses. Even if the USAID funding for this project should expire next summer, a local consulting firm composed of project staff has been established to carry on these activities on a self-sustaining basis. The APCD/RA has already evidenced a commitment to placing other PCV's in this program in other regional capitals.

The Community Enterprise and Development Project

This credit program for small entrepreneurs in the Kaolack area has had relatively good success in its efforts and could be a source of good information, particularly on credit issues. In

addition, project staff suggested that they would be available to train PCV's how to conduct literacy and numeracy courses for villagers as well as a basic business skills course. This project is also waiting to hear from USAID as to whether an extension of funding will allow the project to continue beyond next summer. If this project extends to other areas, there may be a need for PCV's to provide outreach services.

USAID

USAID has been doing a great deal in promoting the development of small entrepreneurs and could provide considerable assistance in developing programs in a number of areas. In addition, it could be a source of funding either for technical assistance unavailable through the Peace Corps or for a credit program which could be a part of a MEDAP project.

PVO's & NGO's

A number of international and local PVO's and NGO's are active in small enterprise development, e. g., CRS, Caritas, OEF, Maison Familiale Rurale, and World Vision, to name only a few. Where PC/S and the interests of those organizations converge, areas of collaboration should be explored.

Ministry of Social Development

This ministry can serve as an important resource in certain limited instances, particularly working with village and women's groups. The Direction de la Condition Feminine within that ministry also could be a potential resource and ally in developing small enterprise programs for women.

Centres d'Expansion Rurale

These offices can be helpful in specific instances. Their resource base is small, but as the experience of the PCV near Louga shows, they are well placed to address rural issues and problems if they have the will and drive to do so.

Ecole Nationale d'Economie Appliquee

Representatives of this research institution who attended the presentation of preliminary findings of this consultancy appeared interested in PC/S data collection and analysis activities relative to a SED project. They could prove to be a good resource base for analysis purposes and might be able to assist in providing direction for these activities.

National Park Service

The National Park Service in Tambacounda could be a possible source of collaboration in trying to develop income generation activities for local villagers to provide alternatives to poaching of wild animals in the park. They are currently involved in a Canadian project to grow guinea fowl.

IMMEDIATE DIRECTIONS FOR PROJECT DESIGN

In terms of project design, the urban component appears to be already underway with plans to use PCV's to expand the Sahel Financial Management Project to other regions and secondary towns. In addition, the Chambres des Metiers appear to be very likely candidates for collaboration on other aspects of the urban component of the project and has shown its interest in working with PC/S in this area.

On the other hand, the rural component will require more investigation regarding the choice of institutions with which to collaborate and the type of interventions which may be feasible for PC/S including credit, training, technical assistance and information dissemination. PC/S staff is interested in exploring experimental ways of mobilizing local savings for credit purposes and determining the role of PC/S in such a scheme.

As stated earlier, the approach used to develop the SED project in Senegal should be to start small and gradually develop appropriate interventions as they become evident and feasible. Utilizing this approach, PC/S staff has indicated that the seven Rural Animation PCV trainees arriving in May 1990 could be used to reinforce the already existing urban component while more research is conducted on the rural component by current Rural Animation PCV's and PC/S with the possible assistance of OTAPS in PC/Washington. It is envisioned that the rural component might be more effectively started by May 1991. However, research done by PC/S in the next few months and by consultants during the project design phase might permit some activity in this component before then.

Current plans by PC/S staff are to conduct some further research on approaches used by PC in Mali in the next two months and to carry out the project design phase in March or April, 1990.

CONCLUSION

In conclusion, the consultants would like to re-emphasize that their research demonstrated a clear need for a micro-enterprise development assistance project in Senegal to assist small farmers, artisans and merchants. The need for credit is particularly urgent, but training needs in basic business management, production/marketing planning, and marketing techniques are also apparent. In addition, there are also specific areas of technical assistance which are required by certain institutions involved in small business development.

There are a number of promising developments in small business assistance programs now occurring in Senegal which involve a considerable number of government, private, international and non-governmental institutions. The challenge to PC/S is to formulate an assistance program which meets the needs of the targeted micro-entrepreneurs, which builds on Peace Corps strengths while recognizing its limitations, and which collaborates with other local and international institutions which can assist PC/S to meet project goals and objectives.

ANNEXES

ANNOTATED BIBLIOGRAPHY

(These documents were reviewed by the consultants in their research and preparation of this report. They are all available either at PC/S or at USAID. Some of them should prove helpful in designing the SED project as well as in the training of PCV's in an eventual SED project.)

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 - legal steps to be taken in the banking sector
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 - kinds and sizes of small-scale enterprises to support
 - what kind of SSE credit programs work
 - what kinds of SSE technical assistance work

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- how can AID and the intermediary institutions best achieve cost effective small enterprise programs
- how can AID policy dialogue benefit small enterprise development
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- looks at current savings and credit programs and projects currently or recently in operation with either local or international funding or both

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Annex 2

LIST OF PERSONS INTERVIEWED

WASHINGTON, D.C.

Peace Corps/Africa Region

Linda Borst
Margaret McLaughlin
Ray Panczyk
R. J. Benn
Michael Grimmett
Paul Olson

Peace Corps/OTAPS

Becky Parks
Weyman Fussell

SENEGAL

Peace Corps

Buddy Shanks, Country Director
Demba Balde, APCD/Rural Development
Alan Johnston, APCD/AFSI
Scott Lewis, APCD/Natural Resources
Susan Bornstein, PCV, Kaolack
Peter Harvey & Lisa Eddy, PCV's, Velingara
Liz Wilp, PCV, Ziguinchor
Jill Schiager, Volunteer Leader/Rural Animation
Brook Johnson, Volunteer Leader/AFSI & Forestry
Sandy Ricci, PCV, Keur Momar Sarr

Private Voluntary Organizations & Non-Governmental Organizations

Abdoulaye Ndiaye, Project Director, Catholic Relief Services

Philippe Bonnevale, Director, CARITAS/Kaolack

Moussa Kane, Regional Director, Maison Familiale Rurale,
Tambacounia

Birame Biteye, Monitor, MFR, Boutou

Issa Mane, Monitor, MFR, Tangalo

Made Diop, Project Leader, ENDA, Ziguinchor

Mary Ann Zimmerman, Country Rep, OEF International, Dakar

Karen Schoonmaker, IDRC, Dakar

Village Organizations

Sambe Balde, member of village organization, Sahon

Kalietta Bubusow, Pres., Women's Group in Sinthioun Malem

Alassane Couhibaly, Pres., village organization, Boutou

USAID & USAID Project Staff

Bill Hamminck, Project Officer, USAID

Amadou Ly, Project Officer, USAID

Frank Lusby, Team Leader, Sahel Regional Financial Management Project

Bertrand Laurent, Chief-of-Party, Community Enterprise Development Project (CED), Kaolack

Adama Tounkara, Director, PVO Component CED

Amadou Diouf, Associate Director, CED

Pape Songle Diop, CED

Mr. Loum, CED

Government Officials

Dial Diop, Governor, Kaolack Region

Cheikh Ndoye, Deputy Governor, Ziguinchor

Mamadou Dioum, Prefet, Kolda

Mbaye Sarr, Technical Advisor, Ministry of Rural Development, Dakar

Mamadou Ba, "

Youssou Diagne "

Anne Marie Preira, Director, Direction du Projet Economique des Groupements Feminins

Mztar Gaye, Researcher, Institute Senegalais de Recherche Agricoles, Kaolack

Cheikh Boye, Researcher, ISRA, Kolda

Aliou Mane, Technician, Centre's d'Expansion Rurales, Koukande
Ousmane Tamba, " "

Ibrahim Sene, Regional Chief, Ministry of Social Development, Ziguinchor

Ibrahim Sidi Diallo, Regional Chief, MSD, Tambacounda

Mamadou Gueye, Departmental Chief, MSD, Tambacounda

Malamine Balde, Departmental Chief, MSD, Velingara

Ousmane Camara, Departmental Chief, MSD, Kolda

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Yaya Badji, Director, Centre de Perfectionment Agricole, Missirah

Boubacar Manet, Director, Chambre de Metiers, Ziguinchor

Mr. Diagne, Technical Agent, CM, Kolda

Moussa Sonko, Vice Pres., CM, Kolda

Oumar Niang, Treasurer, CM, Kolda

Salomon Cisse, Director of Energy, Ministry of Industrial &
Artisanal Development, Dakar

Fayol Dioum Tall, Direction Monnaie et Credit, Ministry of
Economics and Finance, Dakar

Columba Fall Gueye, " "

Regional & Parastatal Organizations

Bachir Diop, Associate Director, SODEFITEX, Tambacounda

Youssou Diallo, Project Leader, SODAGRI, Anambe

Mr. Coly, SODEZI, Ziguinchor

Fade Ndiaye, Director of Credit, Caisse Nationale de Credit
Agricole de Senegal

Farmers

Lamine Toure, Vegetable/Fruit farmer, Koukande

Issac Mballo, Beekeeper, Kaone

Group of 11 farmers (Groupement d'Interests Economiques) in
village near border with Guinea Bissau near Koukande

Artisans

Penda Diouf, tailor, Kaolack

Pape Kandj, blacksmith, Kaolack

Ousmane Thiam, blacksmith, Kaolack

Issa Diallo, blacksmith, Velingara

Awa Cissokko, potter, Velingara

Marioma Diankhe, potter, Velingara

Aliou Diouf, well-digger, Kousenar

Moussa Diarra, bamboo furniture maker, Biyaro-Ablaye

Group of 21 artisans in Missirah

Group of 45 women in Keur Momar Sarr which makes costume jewelry,
woven rugs & gourd bowls for tourist trade

Traders

Elias Azar, general trader, Kousanar

Mamadou Mballo, trader in agricultural inputs, Kolda

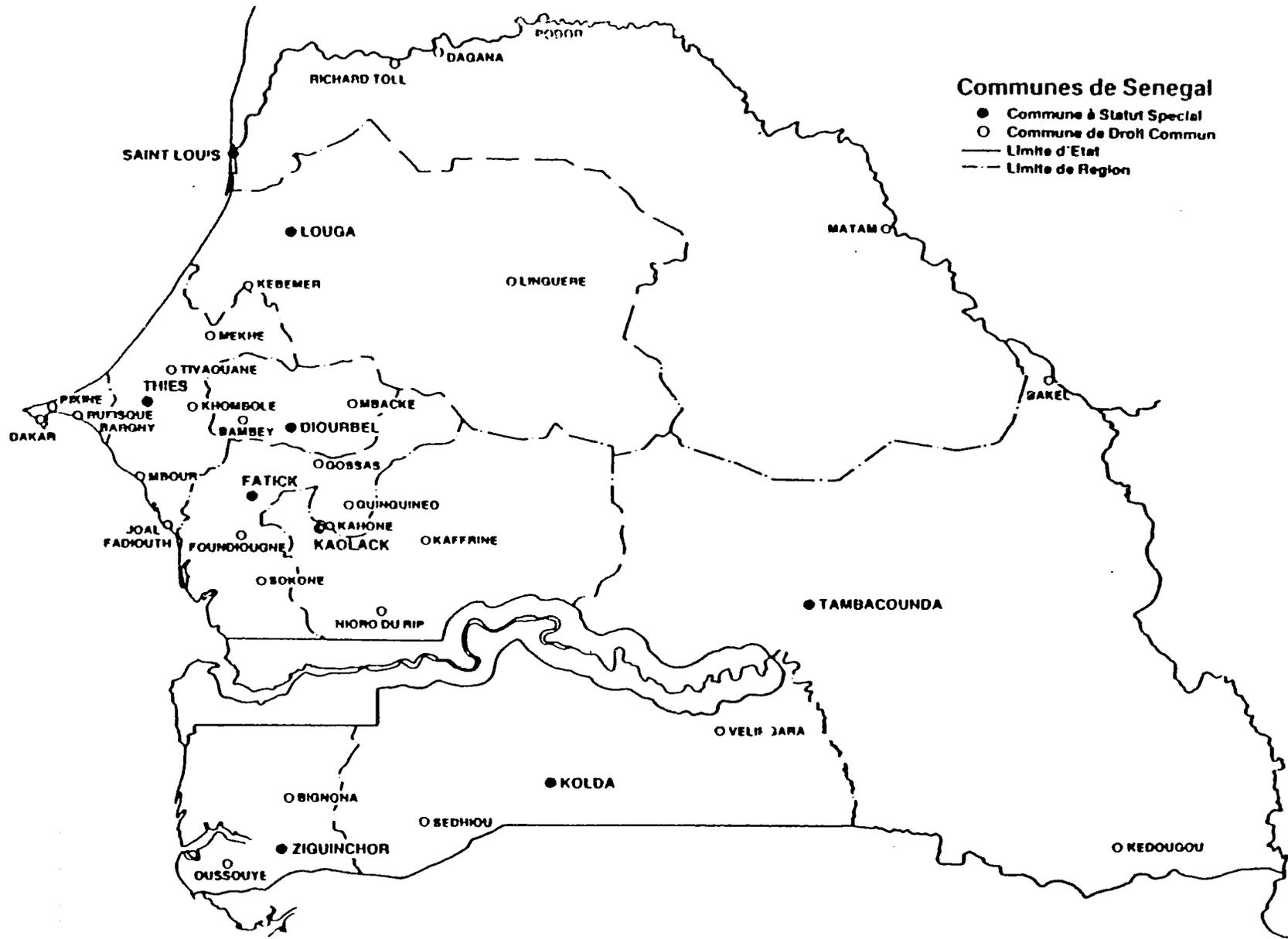
President of a women's group in Koukande which sells rice

S. C. Silcox
F. Ndiame
Consultants
15 Nov. 1989

OUTLINE OF PRESENTATION OF PRELIMINARY FINDINGS

- I. Introduction
 - A. Scope of work
 - B. Working definition of small entrepreneur
- II. Preliminary findings
 - A. Needs of small entrepreneurs
 - 1. Training in literacy & basic business management skills
 - 2. Credit
 - 3. Market information
 - 4. Production/marketing coordination training
 - 5. Transport
 - 6. Basic infrastructure
 - 7. Appropriate technology
 - 8. Technical assistance
 - 9. Improved regulatory environment & institutional responsiveness
 - 10. Production inputs
 - B. Differences among needs of farmers, artisans & merchants
 - C. Urban/rural differences and linkages
 - D. Institutions involved in small enterprise development
 - 1. Government
 - 2. Parastatals
 - 3. PVO's & NGO's
 - 4. Private
 - 5. International donor organizations
 - E. Elements of a potential PC/Senegal SED project
 - 1. Aspects of the AFSI model
 - 2. Approach to consider the individual as well as the group
 - 3. Areas of activity
 - a. Diagnosis & monitoring in
 - 1. Etude de milieu
 - 2. Case studies
 - 3. Sector analyses
 - 4. Potentials for intervention
 - b. Training
 - 1. Literacy & numeracy
 - 2. Basic business management

3. Vocational & other technical training
- c. Technical assistance in
 1. Input supply
 2. Production
 3. Processing
 4. Marketing
- d. Credit
 1. Experimentation with innovative savings mobilization & credit schemes
 2. Development of institutional linkages
- e. Facilitate access to information
 1. To entrepreneurs regarding opportunities, constraints, services & credit
 2. To service and credit providers regarding the needs of entrepreneurs and the effectiveness of services provided
 3. To policy makers on actual and potential contributions by small entrepreneurs to national economic development
4. Collaboration with other institutions
 - a. Sponsoring government ministry(ies)
 - b. Service and credit providers
5. Geographical location of activities
 - a. Urban/rural
 - b. Region(s)



Structures décentralisées pour l'administration du territoire

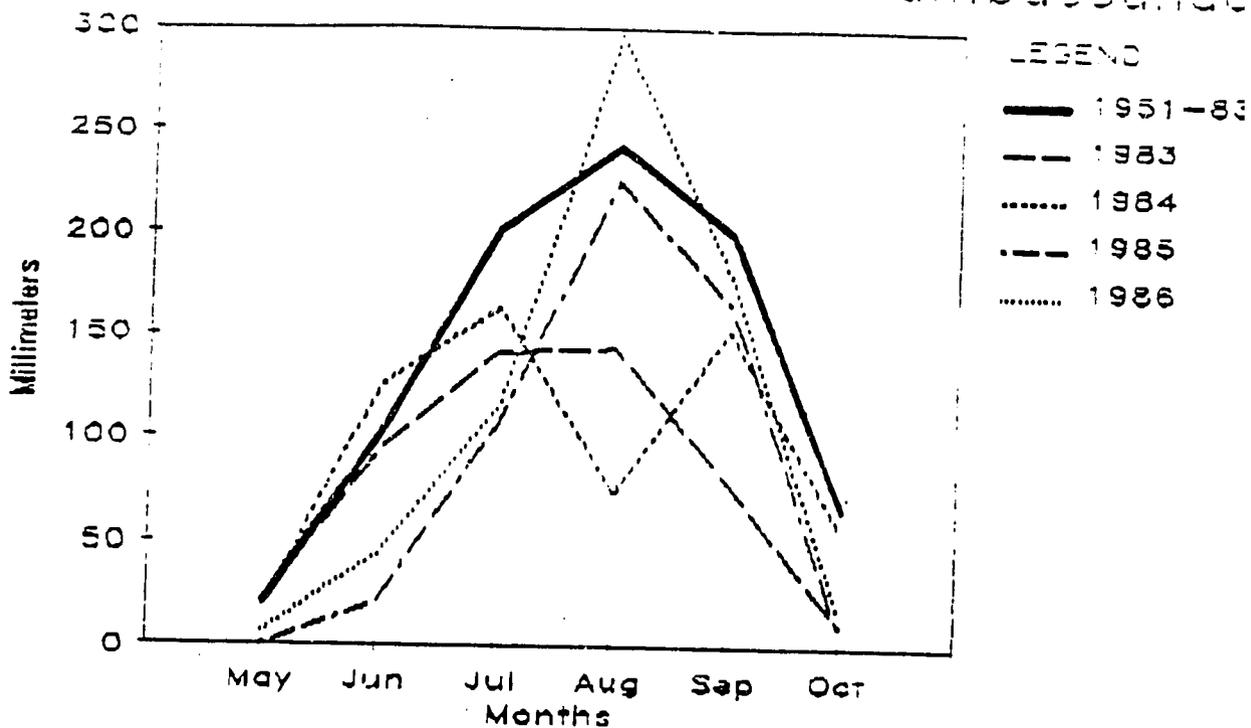
Unité territoriale coordinatrice	Exécutif	Entité délibérative	Entité de Coordination
Région	Gouverneur (nommé)	Conseil régional (représentants élus des communes, collectivités rurales)	Comité de Développement régional
Département	Préfet (nommé)	Conseil départemental (représentants élus des communes, collectivités rurales)	Comité de Développement départemental
Arrondissement	Sous-Préfet (nommé)	Conseil d'arrondissement (représentants élus des communes, collectivités rurales)	Comité de Développement d'arrondissement
Commune	Maire (élu)	Conseil municipal (élu)	
Communauté rurale	Président (élu)	Conseil rural (élu)	
Village	Chef (nommé)		

Source: Promoting Economic Development and Employment Generation Through Decentralization in Senegal, USAID

POPULATION DES COMMUNES SENEGALAISES, 1976 et 1988			
Commune	Population 1976 (en milliers)	Population 1988 (en milliers)	Taux de croissance annuelle (%)
Dakar	514,7	686,6	2,44
Pikine	298,7	623,9	6,31
Thies	115,3	175,5	3,57
Raolack	104,2	152,0	3,20
Rufisque	92,7	137,2	3,32
Ziguirchor	69,6	124,3	4,94
St. Louis	88,7	115,4	2,22
Djourbel	53,8	77,6	3,10
M'Bour	37,0	76,8	6,28
Louga	38,6	52,8	2,64
Tambacounda	25,7	41,9	4,14
M'Backe	25,4	39,0	3,63
Kolda	19,0	34,3	5,08
Richard Toll	10,7	29,6	8,72
Tivaoune	17,0	27,1	3,97
Bignona	14,5	22,2	3,62
Joal-Fadiout	11,2	19,0	4,53
Fatick	10,0	18,4	5,22
Bambey	9,8	17,0	4,65
Kafferine	11,4	17,0	3,34
Dagana	10,2	15,7	3,69
Velingara	8,8	14,1	4,00
Sediou	9,3	13,2	2,94
Guingueneo	11,0	12,9	1,37
Mekhe	8,7	12,1	2,83
Nioro du Rip	7,9	11,8	3,40
Kedougou	7,7	11,2	3,16
Matam	9,9	10,7	0,71
Kebemer	6,8	9,9	3,18
Linguere	7,8	9,8	1,96
Khombole	6,8	9,4	2,77
Gossas	7,4	9,3	1,37
Sokone	5,8	8,6	3,31
Bakel	6,6	8,0	1,61
Podor	6,8	7,5	0,83
Oussouye	2,5	3,9	3,72
Foundiougne	2,7	3,4	1,86
SENEGAL	1.694,7	2.659,1	3,82

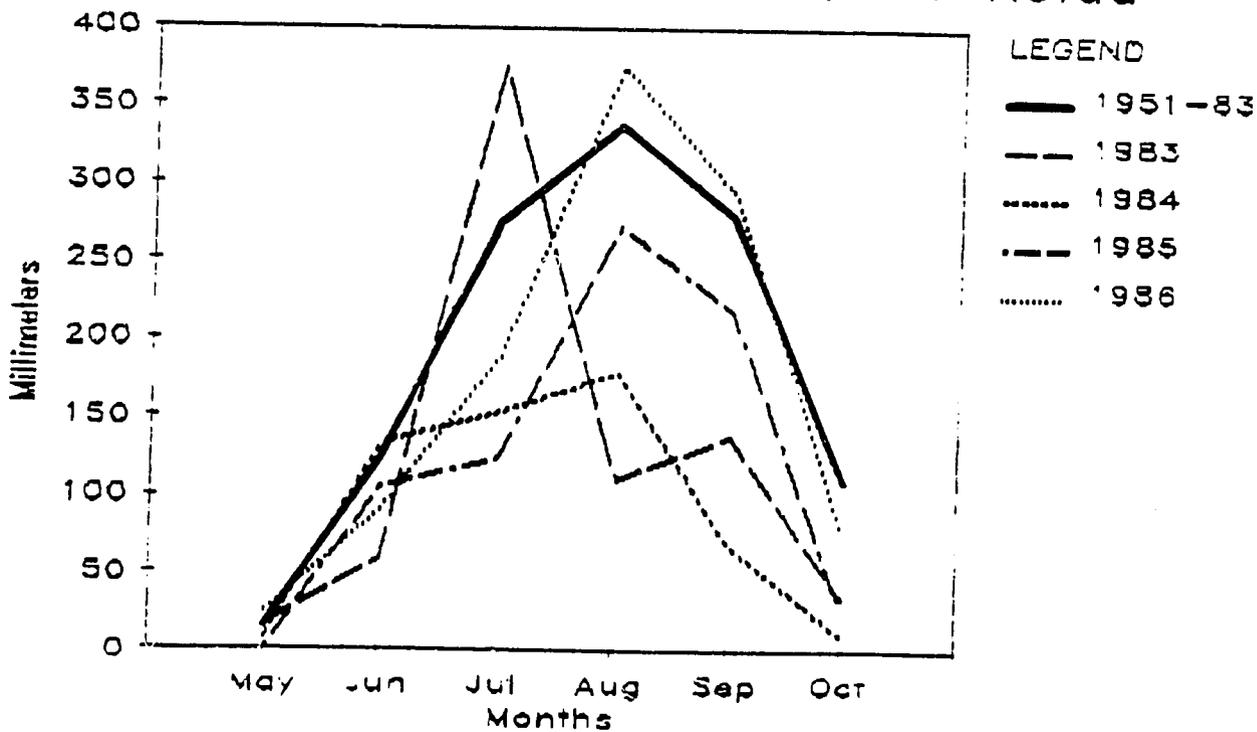
Source: Enders, 1989.

Figure 5: Historical Monthly Rainfall Pattern In Millimeters, 1951-86, for Tambacounda



Source: Calculated from Table A-2

Figure 6: Historical Monthly Rainfall Patterns In Millimeters, 1951-86, for Kolda



Source: Calculated from Table A-2

CONCEPT PAPER

STRATEGIC PEACE CORPS INTERVENTIONS

FOR

SMALL ENTERPRISE DEVELOPMENT

IN

LESOTHO

Jim Cotter
Senior Consultant

Delton Allen
LHPSC

February 1990

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SED TRAINING MATERIALS

CONCEPT PAPER
ON
STRATEGIC PEACE CORPS INTERVENTIONS
FOR
SMALL ENTERPRISE DEVELOPMENT
IN
LESOTHO

EXECUTIVE SUMMARY

The contractor visited Lesotho from February 5th to 16th to do interviews with small enterprise development (SED) implementing organizations and prepare preliminary designs PC/L would use to develop their SED project.

During the first half of this consultancy, the senior contractor and the local hire personal services contractor (LHPSC) have identified over 40 organizations implementing SED programs in Lesotho. Our approach was to screen potentially suitable host organizations and to identify potential employment creation opportunities and/or under-utilized local SED resources. The next step was to prepare and submit six potential SED project initiative scenarios as the agenda for dialogue with PC/L staff. This dialogue session was highly productive and helped to define the two priority organizations and program activities recommended by the consultant as final first-phase design suggestions.

Locating a stable, private sector host organization with established service delivery outreach capability within the placement areas targeted by PC/L, proved to be a challenge. Several of the potential sponsor organizations interviewed will not be operational for a year or more, and others lacked sufficient organizational development to make suitable candidates.

The contractor will return in approximately eight weeks to refine the top two SED project design suggestions, and emerging new initiatives, using additional baseline data collected in the meantime by the LHPSC.

During that eight week period, the local hire personal services contractor (LHPSC) will continue doing follow-up interviews with organizations PC/L has selected as top priority potential PCV sponsors. Lists of SED design issues and interview questions were prepared by the contractor to be used by the LHPSC during that time.

Ten SED/PCV trainees will be arriving in Lesotho in June of 1991 and will be placed in August. Ten more will be added in 1992. Twenty will be added in 1993. This will bring the total to 40 SED/PCVs in 1994.

The balance of this Executive Summary is presented in two parts. The first is a summary of the economic, financial, institutional and cultural environment influencing the PC/L SED program in Lesotho. The second is a description of the two potential sponsoring organizations with the best support services capability and potential SED/PCV roles and responsibilities. These are subject to change. If on-going data collection indicates other SED/PCV opportunities they will be incorporated in the final PC/L program design.

SED CONSTRAINT ANALYSIS

Lesotho has an extremely high economic dependency on the Republic Of South African (RSA) which is the primary constraint to small enterprise development. Some of the key indicators of the severity of this dependency relationship include:

- o An estimated 45% of Lesotho's male labor force (in a country of 1.5 million people) works in South Africa's mines;
- o Remittances from the miner's wage labor totals approximately 50% of Lesotho's GNP;
- o 67% of the households in Lesotho have direct access to remittances from those mine workers. 35% of these households rely on these remittances as their main source of income;
- o The Republic of South Africa has provided some 95% of Lesotho's imports since independence. Imports have consistently been about 10 times greater than exports;

Lesotho also has very severe internal economic problems which is illustrated by its inability to provide jobs for the country's rapidly growing population. The country has a growth rate of 2.7% a year. Approximately 20,000 people are expected to enter the labor force each year.

Lesotho has an unemployment rate of 23% and underemployment is endemic. Formal sector employment is growing at less than 2% a year. It is estimated that if employment in manufacturing were doubled in the next five years, it would absorb less than 3% of the 1995 work force. The public sector has frozen its hiring and no new jobs are currently available as a result of cut-backs mandated by structural adjustment.

The largest potential source of internal employment generation is the Lesotho Highlands Water Project which will supply water to RSA and electricity for domestic use. The project will cost over two billion dollars and take 30 years to complete, which means

it can potentially supply career-length employment for thousands of Lesotho workers. Final bids on that contract will be submitted in April 1990, and awarded from four to eight months later. Workers on this project will generate the need for high levels of service jobs which should expand opportunities in the small business sector.

The role of women in Lesotho is essential for the success of any small business income and employment creation strategy. Women have the main responsibility for the domestic workload because male migrant laborers spend an average of 15 years away from home working in RSA. Over 60% of the households are headed by women while their husbands are working in South Africa. This results in a very active role for women in small business because alternative employment opportunities are generally not available.

RECOMMENDED SED PROJECT DESIGN

The following is the consultant's proposed PC/L SED project design for years One (1991) and Two (1992) which will place a total of 10 in-coming SED/PCVs. Potential exists for the productive placement of the total of 40 SED/PCVs expected to be in-country by 1994.

The following two sponsoring organizations were found to offer the best SED/PCV support services and program delivery systems at this time:

1. The Lesotho Christian Council of Churches (LCCC) was formed in 1967 and has ten participating religious denominations located throughout the country. There are three departments within LCCC which are interested in SED collaboration with PC/L:

- o The Women's Department
- o The Migrant Labor Department
- o The Small Enterprise Development Department

The LCCC could initially absorb a large number of SED/PCVs (10 or more) who would help the organization to:

- o Provide small business advisory services for clients in its member churches;
- o Provide credit referral services;
- o Help the top graduates of local vocational schools open small business and employ subsequent graduates;
- o Assist school entrepreneurial projects;
- o Help small businesses provide services to the Highlands Water Project; and,
- o Help analyze the profitability and marketability of potential and existing small businesses offering goods and services.

2. The Lesotho Agricultural Development Bank (LADB) is the most effective financial intermediary organization serving the credit and technical assistance needs of rural-based entrepreneurs. It have shown remarkable growth. LADB did not have any branches outside Maseru until the mid 1980's. It has since established nine rural branches in places which previously has no banks. Indications of LADB's successful operations include:

- o They approve loan applications in one to nine days;
- o When weather causes problems, loans are rescheduled;
- o They have a zero loan default rate; and,
- o Loans are made to borrowers without collateral.

SED/PCVs could work with LADB's staff of 20 rural extension officers after completing a six-month training program, followed by on-the-job training. This would provide a well structured, stable and productive work environment for SED/PCVs who would serve as rural extension officers.

An Under-utilized Resource Identified

One of the under-utilized resources we identified which could be useful to the PC/L SED/PCV project has been made available by the failure of Co-op Lesotho.

Co-op Lesotho was established in 1959 to supply agricultural inputs. A series of retail outlets were constructed between 1978 and 1980. They served as the product input and service delivery structure for a large agricultural service project which collapsed in 1984. The buildings are now unoccupied and being offered for sale on a concessionary loan or grant basis. These outlets could become the organizational focal point for local community marketing and production group activities which would receive business advisory services from PC/L SED PCVs.

CONCLUSION

Although Lesotho faces significant small business constraints, sustainable PC/L project success appears to be highly probable. The focus and design of PC/L's SED project may be altered as new data and potential initiatives emerge.

CONCEPT PAPER

STRATEGIC PEACE CORPS INTERVENTIONS FOR SMALL ENTERPRISE DEVELOPMENT IN LESOTHO

The recently completed (September 1989) *Manual for Action in the Private Sector* (MAPS) study of Lesotho funded by A.I.D. reported that expanding the private sector "is the most cost effective and perhaps the only workable way" to generate economic growth and employment.

The MAPS Study identified gaps in its planning data and explained that "the most important is the lack of information on informal sector activities." The report recommended further study of small scale and informal sectors and suggested that USAID consider initiatives including: "sponsoring NGO efforts and expanded cooperation with the Peace Corps."

THE LESOTHO COUNTRY CONTEXT

MICRO/SMALL BUSINESS NEEDS ASSESSMENT OVERVIEW

It was not possible to do a rigorous, structured analysis of micro/small business needs during the ten days the consultant was in Lesotho. Therefore, the LHPSC and I interviewed as many business people as possible between interviews with SED implementing organizations to gather some impressionistic data.

We conducted informal interviews with some randomly selected micro and small business people in Maseru to gather data on their needs. We found that these needs included, but are not limited to, the following:

- o Access to micro and small business short-term credit;
- o Bookkeeping skills (some had receipt books, most did not);
- o Basic accounting techniques for producers to estimate costs and profitability;
- o Basic sales and marketing techniques:
 - Diversification and volume pricing;
 - Collection and uses of data on market demand/preferences;

- Understanding and knowledge of the advantages/uses of products being sold;
- o Innovative options for dealing with special constraints:
 - High transportation costs to reach rural/mountainous market suppliers and outlets; and,
 - A preference for imported goods from South Africa, even when locally grown and/or produced items are cheaper and quality competitive.

GOVERNMENT AND PRIVATE SECTOR SED SUPPORT ORGANIZATIONS

Donor Organizations

Bilateral donors provided an estimated 49 percent of Lesotho's technical assistance. The most active donors are CIDA (Canada), Scandinavian countries, the UN International Trade Center in Geneva, Ireland and the United States.

USAID's privatization initiative includes:

- o US \$15 Million to the Lesotho Agricultural Policy Support Project (LASP) to promote privatization of agricultural input and marketing services;
- o US \$382,000 from the Human Resources Development Assistance (HRDA) project to strengthen the Lesotho Chamber of Commerce and Industry (LCCI);
- o Development of SED teaching materials through the Basic and Non-Formal Education Systems Project (BANFES) which are being tested in several vocational education training centers; and,
- o Implementing Student Enterprise Projects (SEPs) through the Lesotho Agricultural Production and Institutional Support Project (LAPIS).

NOTE: All of the suggested Peace Corps/Lesotho SED initiatives were designed to reinforce USAID's programs to the maximum extent possible consistent with Peace Corps' distinct mandate. Relations between PC/L and USAID/L are excellent.

SED-related Organizations in Lesotho

Peace Corps/Lesotho has chosen to implement its SED project initiative through the private sector rather than GOL agencies with the exception of the Lesotho Agricultural Development Bank (LADP). This is the only GOL agency being potentially considered part of PC/L's long-term SED strategy. With this exception, this Concept Paper has focused upon the private sector participants in Lesotho's small enterprise development scenario.

A list of the SED individuals and organizations interviewed by the senior consultant and the HCPSC during the ten day initial field visit to Lesotho is attached as Appendix 'A.' Additional appendices include:

- o A list of SED-related organizations in Lesotho (Appendix 'B'); and,
- o A list of the NGOs recruited for membership in the newly created NGO umbrella organization (Appendix 'E').

Performance Capabilities/Data

It was not possible to get performance data on all of the GOL and NGO organizations involved in promoting and/or implementing small scale enterprise development in Lesotho. However, some patterns emerged during our interviews which are generally applicable.

- o There is consensus that SED-related organizations have a low level of outreach and service delivery capability;
- o Many potentially influential SED-related organizations are not operational at this time and will not be for one or more years.
- o An attempt to use the credit unions as an organizational delivery system for agricultural production loans resulted in a 100% loan default rate.
- o Surveys identifying skill levels and performance gaps report a pervasive lack of management skills;
- o The Chamber of Commerce and Industry has been the focus of considerable amounts of funding for institution building. However, there are serious doubts that it has sufficient rural service delivery capability at present to be able to use SED/PCVs effectively any time in the near future.
- o Co-op Lesotho is an extremely inefficient parastatal organization designed to distribute agricultural inputs to a network of rural outlets. A team studying that organization reported that Co-op Lesotho does not know how many stores it has, exactly where they are nor their estimated market value.
- o The labor union movement is factionalized, politically sensitive, and currently does not appear to be effective.

- o With a few exceptions, the vocational schools are using a theoretical rather than practical curriculum. Graduates either have to be retrained by employers or can't find jobs. This may improve in the future through the efforts of an employers and educators coordinating organization.
- o The Highlands Water Project is the largest construction project in the world and will provide thousands of jobs. However, it is not known at this time which of several firms now bidding will be awarded the contract. Bids close in April and it will be four to eight months before a decision is made. Work is expected to begin on or around January of 1991.

Women's Organizations Suggested for PC/L Collaboration

The following women's organizations were identified by USAID as having potential for collaborative counterpart programming:

- Basali Boitlarong is attempting to affiliate with Women's World Banking to establish a loan guarantee fund for women entrepreneurs. At present, they lack sufficient membership to qualify.
- Women in Business is an advocate for the needs of women entrepreneurs.
- The Federation of Women Lawyers educates women on their legal rights in business.
- The Lesotho National Council of Women (LNCW) has a total membership of over 31,000 and has organized 30 day care centers for working women. The following women's groups are affiliated with LNCW:

Lesotho Homemaker's Association
 Lesotho Women's Institute
 Boiteko Women's Association
 Housewives League
 Business and Professional Women
 Ikaheng Women's Club
 Women's Section of the Lesotho Council of Workers

SED CONTEXTUAL ANALYSIS OF LESOTHO

The following is a brief description of the economic, financial and cultural factors in Lesotho which effect the initial feasibility and longer term viability of the Peace Corps' small enterprise development programming:

High Economic Dependency on the Republic of South Africa (RSA)

Lesotho has an extremely high economic dependency on the Republic of South Africa (RSA):

Wage Labor

- o An estimated 45% of Lesotho's male labor force (in a country of 1.5 million people) works in South Africa. Now, the up-grading of mining technology in RSA's mines is reducing the demand for their labor. The following items illustrate some of the impact of this on the Lesotho economy:
 - Remittances from Lesotho wage labor in RSA total approximately 50% of Lesotho's GNP.
 - 67% of rural households in Lesotho have direct access to remittances from these mine workers. 35% of these households rely on them as their main source of income;
 - These miners import M 100 million (One Maloti equals slightly less than 2.5 U.S. dollars).

Imports

- o Lesotho consistently imports about 10 times more than it exports.
 - RSA has provided some 95% of Lesotho's imports since independence.
 - Over 70% of the raw materials used by Lesotho manufacturers is imported from RSA.

Exports

- o RSA also is Lesotho's most important export trading partner.
 - 88.2% of exports went to RSA in 1985, which more than doubled the 1979 export level of 34.5% .
 - Exports have grown by over 33% per year since 1983, but Lesotho's balance of trade has continued to be negative.
 - In 1980, exports represented about 16% of GNP.
 - In 1987, exports represented only about 14% of GNP.
 - By comparison, Swaziland exports were about 50% of GNP in 1980 and 75% in 1987.

Investment Climate

- o In a recent report prepared for USAID, Lesotho was compared to Swaziland and Botswana in terms of its investment climate, and Lesotho was ranked:
 - Well below those countries in dispute settlement
 - Below Botswana in investment incentives
 - Below both countries in tax rates
 - Below Botswana in domestic and international economic performance
 - Below both countries in labor conditions
 - Below Swaziland in security of operations
 - Below both countries in regime stability

Private and Public Sector Employment

Neither Lesotho's private sector nor its public sector can even come close to absorbing the country's growing labor force:

- o Lesotho has an unemployment rate of 23% and under-employment is endemic;
- o Lesotho has a population growth rate of 2.7% a year. Approximately 20,000 people are expected to enter the labor force each year;
- o The public sector (GOL) has frozen its hiring and no new jobs are available.
- o "GOL cannot afford to undertake large donor financed programs which increase the burden on its already stretched staff and financial resources. Promotion of the private sector is the most cost-effective way to promote employment and growth."(MAPS)
- o Structural adjustment dictates have resulted in approximately 1,000 GOL layoffs. These people must be retrained to enter the small business sector since limited alternative employment opportunities are available.
- o Only 10% of Lesotho's economically active population (1985) was employed in the domestic formal sector. Only 13% of that 10% were employed in manufacturing or agro-industry. Rural agriculture employs two-thirds of the country's economically active population;
- o It is estimated that formal sector employment will grow at less than 2% a year;
- o Formal sector manufacturing is dominated by foreign-owned firms which train and employ few people from Lesotho above the semi-skilled or unskilled levels. Only 5% of Basotho (people from Lesotho) are employed in the formal manufacturing sector. If employment in manufacturing were doubled over the

next five years, it would at best be able to absorb less than 3% of the available 1995 work force.

- o The private sector's share of agricultural GNP was 94% in 1988. Import substitution opportunities in the agricultural sector are potentially very profitable and there are growth opportunities. However, few men are interested in agriculture because it has been estimated that an average mine worker (1976) could earn as much working two weeks in the mines as he could in an entire farming season. There is also a consumer preference for food products imported from RSA.

Skills Training and Education in Lesotho

Lesotho's vocational training schools are not producing sufficient levels and numbers of skilled workers to attract industries to this country. Some of the constraints facing the vocational training schools are:

- o A recent study of Lesotho's population reported that only 0.4% had ever received technical/vocational education.
- o Employers criticize the technical/vocational schools for being overly theoretical which means students have to be retrained after graduation in order to learn specific production skills. However, the employers feel that the experience of technical/vocational training makes graduates easier to train.
- o The total enrollment (1986) in technical/vocational schools was 1823 students which is a small fraction of those who desire job-skills training. For example, Bishop Allard Vocational School could accept only 120 of its 780 applicants this year. Students built nearly all of the school's buildings and perform paid contracting jobs for schools, hospitals and private homes.
- o Youths who have not completed primary school constitute three-fourths of the school age population. Only 15.6% have completed the full seven years of primary education. Only 8.7 percent have attended school beyond the primary school level.
- o Twenty-three percent of the population has never attended a school of any kind.
- o Ample job opportunities in the RSA mines allowed most males to drop-out of school or never attend and still be assured of jobs.
- o Many youths who chose to complete their formal schooling wanted to obtain jobs in the GOL Civil Service. Therefore, Lesotho's high school curriculum

focuses on successful completion of the Cambridge Overseas School Certificate (COSC). Some parents oppose vocational training in their schools because this diminishes the amount of time given to academic subjects.

- o Most COSC holders achieve only marginal passing scores which are too low for admission into The National University of Lesotho.

Educational Situation of Women in Lesotho

- o Women of all ages have a higher level of literacy than men. More girls than boys are enrolled in school at most pre-university grade levels. For example:
 - The Lesotho Distance Teaching Center (LDTC) offers study programs by correspondence. LDTC has 400 students enrolled in Junior Certificate (10th grade) and 111 in their O Level programs (12th grade). 57% of the JC level are female and 44% of the O Level program.
 - The Institute of Extra-Mural Studies (IEMS) of the National University of Lesotho offers a wide range of seminars, certificate and degree/diploma courses. Their 79/80 annual report showed that 67% of the 3235 participants in the short courses and seminars were women.
 - The Farmer's Training Centers 1980 report showed that 62% of the 2369 taking their short courses for adult farmers were women.

Credit Constraints on Business in Lesotho

According to the A.I.D. funded MAPS study, smaller firms and service sector firms believe that credit is their most important constraint. The smallest firms have virtually no access to any formal sources of capital.

- o Medium and large firms are most likely to receive over 50% of their capital from commercial banks. Fifty percent of the large firms get their capital from South Africa.
- o The financial system offers only heavily collateralized credit (110 percent). Land is not accepted as collateral because of the country's communal land tenure system which is controlled by the various tribal Chiefs.
- o The Lesotho Agricultural Development Bank (LADB) appears to be the only exception to the general practice of a very high collateral requirement. It offers non-collateralized loans to rural clients and reportedly has no loan defaults.

- o The World Bank began policy dialogue initiatives with GOL in 1987 to amend the Land Act. Recommendations were submitted to the Military Council who in turn distributed them to the Chief's Council. However, it took a year and one-half to translate those recommendations into the national language. It is estimated that action on this policy dialogue initiative is still two to five years away.

Constraints on Women

There are about the same number of women as men in Lesotho. However, because of the high number of men working in the South African mines, women have the major responsibilities in domestic decision-making and workload. Male migrant laborers spend an average of 15 years of their young adult lives in South Africa. Therefore, understanding the role of women in Lesotho is essential for the success of a small business income and employment development strategy.

- o Over 60% of the households are headed by women and much of the production in the private sector is done by women while their husbands are away in RSA mines.
- o Men are normally regarded as household heads whose wife is under their care. The wife is subordinate to the husband if he is present.
- o Inheritance of status and property goes to the oldest son, not to daughters.
- o Women farmers often lack the funds to hire labor and/or tractors when they don't have access to remittances from mine workers nor cattle which can be sold. Half of the households in Lesotho do not own cattle. When adequate labor is unaffordable, farm cultivation, yields, and profits, decrease sharply.
- o Women farmers need cash to purchase essentials such as salt, sugar, soap and paraffin.
- o When the husband is absent, the wife must obtain his permission before starting a farming operation, employing laborers, contracting a sharecropper or getting a loan from the local credit union.
- o According to civil law, a husband has the right to remove his wife from her job because she can't enter a contract without his authorization. In several jobs, a married woman is required to have a letter of approval from her husband before she can be hired.

- o A woman may enter into the following types of contracts without her husband's authorization:
 - She may purchase household necessities;
 - She can have a bank account or insurance policy under her own name and control;
 - If employed, she is entitled to receive her own wages;
 - She can enter into contracts connected with public trade, provided her husband gave her initial permission to go into business.
 - Women are as active as men in retail trade. However, large cafes, shops and trucks and usually owned by men. Many businesses which are actually managed by wives are licensed in their husband's name.
 - A rural and/or unemployed woman has limited ability to obtain credit because the only things she could offer as collateral are considered to be under her husband's control.

- o The estimated life expectancy of women is 55.0 years, compared to 42.9 for men:

Skills Availability Constraints

Baffoe & Associates, a local firm based in Maseru, recently completed (September 1989) skills profile survey for the Ministry of Employment, Social Welfare and Pensions. The main objective of the survey was to establish a databank of categories of skills based on over 20,000 interviews. The results of this survey will be made available to prospective contractors who are expected to bid on the Lesotho Highlands Water Project (LHP). The survey is also intended to identify shortfalls in skill areas which "could serve as the basis" for developing LWHP training programs and GOL development projects.

The skill profile "clearly demonstrates the availability of a certain minimum pool of semi-skilled labor force from which employers can recruit to satisfy manpower requirements". In the LHWP related districts (Thaba-Tseka, Leribe, Mokhotlong and Butha-Buthe) a total of 513 (24% of the people interviewed) had skills relevant for the planned dams and tunnel construction works.

An estimated 8,560 of the 20,041 people who registered for the labor profile survey "have some skills which are available for deployment". For example:

- General Plumbing	106
- Gas and Electric Welding	64
- Sheet-metal Work	17
- Boring Machine Operators	1454
- Construction Steel Erector	7

- Electrical Repairman	7
- Woodworking Machine Operator	15
- Stone-cutter & Finisher	5
- Machine-Tool Operator	1
- Drilling Machine Operator	193
- Mining Machine Mechanic	15
- Electrical Fitter	44
- Electrician, General	63
- Plant Maintenance Mechanic	15
- Earth-Moving Equipment & Construction Machinery Operator	16
- Reinforced Concrete	9
- Reinforced Iron Worker	2
- Carpenter, General	38
- Housebuilder, General	565
- Building Maintenance	267
- Pipe Layer	316
- Pumping Station Operator	19
- Heating and Ventilation Equip.	22
- Cement Finisher	15
- Bulldozer Operator	26
- Dumper Driver	162
- Long Distance Truck Driver	208

The profile also "highlights a virtual lack of professional, technical and managerial skills."

The study recommends, among other things, that:

- o The GOL Ministry of Employment ensure that the major contracts of the dams and tunnels have clauses which oblige contractors to recruit first from this skills profile report.
- o GOL give "serious consideration" to establishing an apprenticeship program.
- o The GOL National Employment Service (NES) help "bridge the gap" between educational and training institutions and needs of the employment sector. This should be done by "constant and regular interaction" with the private sector (Employer's Association, Trade Union, community leaders and training facilities).
- o Lesotho has 269,548 people in its workforce who are engaged in salary and wage employment.

- o The unemployment rate is estimated to be 23% (142,626 people). 44% of the unemployed (62,594) have never been employed before. 56% (80,035) have had previous employment.
- o The report states that "the unemployment rate is extremely high and must give cause for great concern." Since the unemployment pattern is general in all districts, LWHP can recruit all over the country.
- o The educational level of those surveyed for the skill profile was described as "very low." Twenty-eight percent of those surveyed (5,689 people) had no schooling. Fifty-eight percent (11,546 people) had up to a junior certificate (7th grade) level. Those remaining had received some (data not specific) technical/vocational training or a COSC (Cambridge Overseas School Certificate).

DISCOVERING/DEVELOPING POSSIBLE PC/LESOTHO SED INTERVENTIONS**HOST ORGANIZATION SELECTION PROCESS**

The contractor and his host country counterpart met with the Country Director and key Peace Corps/Lesotho staff members to determine the criteria for selection of SED/PCV host organizations. Ten SED/PCVs will be arriving in country in June of 1991 and be placed in August. Ten more will be added in 1992. Twenty will be added in 1993, bringing the total to 40 SED/PCVs in 1994.

Organization Selection Criteria

The following SED/PCV host organization selection criteria were developed during those discussions:

- o Potential for providing field support:
 - Suitable housing accommodations?
 - A minimal amount of supervision?
 - Transportation when PCV tasks require it?
 - Resource contributions from small business clients where feasible and appropriate?
 - Potential to generate profitable small businesses?

- o Multiple placement capability:
 - Reasonable support for 5 to 10 SED/PCVs?
 - Requires/desires readily recruitable PCVs?

- o Rural area work site availability:
 - The majority of volunteers will be placed in the foothills or mountains. A limited number will be placed in urban areas, depending on the specialized needs of sponsoring organizations.
 - Placements outside Maseru which is more dangerous, more developed and a nonrepresentative PC experience.

- o Private sector rather than GOL:
 - Free SED/PCV from excessive report writing/meetings.
 - No bureaucratic layering between SED/PCV and clients.

- o Organization focuses on micro-small entrepreneur:
 - Enterprise has one to ten workers?
 - Enterprise operates from a fixed location?
 - Preference given to women and miner's families?

- o Utilizes locally available resources:
 - Decreases dependency on Republic of South Africa?
 - Utilizes import substitution potential?
 - Focuses on underutilized marketable resources?
- o Organizational stability:
 - The organization has credibility and outreach?
 - The organization has reliable funding sources?
 - GOL perceives the organization as non-threatening?
 - Is the organization's staff capability adequate?
 - Access to resources needed to implement the project?
- o Appropriate technology utilization:
 - Is their chosen technology affordable, repairable and cost-effectively replaceable?
 - Can the organization maintain and operate equipment?
 - Is the equipment and procedure ecologically sound?
- o Relative impact and satisfaction potential:
 - Can the PCV impact on the targeted problem/people?
 - Is it realistic to expect personal job satisfaction?
- o Fit and effectiveness with USAID SED program objectives:
 - Do PC/L and USAID/L have compatible SED objectives?
 - Potential for appropriate collaborative initiatives?
 - Fits PC/L SED/PCV extension business advisory role rather than directly providing credit or materials?

INITIAL DISCUSSIONS OF POSSIBLE PC/L SED INITIATIVES

The following potential PC/L SED initiatives formed the agenda for discussions with PC/L. The purpose of those discussions was to decide how best to formulate an initial strategy and appropriate program design. These are not meant to be fully developed project designs nor provide specific workplans or budget line items because that would have been premature. These were presented as talking points to focus initial discussion on potentially viable SED/PCV sponsoring organizations, project activity components, design configurations, SED/PCV roles and responsibilities.

Possible Project #1: An SED Institution-Building Initiative

Host Organization: Lesotho Chamber of Commerce & Industry

Rationale:

Weak business-related organization which has established district level outreach but low service delivery capability due to inadequate extension staffing and financial resources. SED/PCVs could be used to effectively strengthen client services to small businesses. This fits within PC/L's objective of assisting in the establishment and/or growth of 300 small businesses from 1991-93.

PCV Support:

Can provide housing in rural areas where they offer small business training courses to local businesses.

PCV Objective and Task:

Increase business skills of the organization's members and potential entrepreneur's in the project site area. Tasks would include the following:

- o Start-up product feasibility analysis;
- o Product/service market assessment;
- o Business and production plans;
- o Bookkeeping and inventory-control;
- o Costing, pricing and marketing T.A.;
- o Credit needs analysis and referral.

SED Training:

Provided by local private sector training company spin-off from National Curriculum Development Center using USAID funded SED training materials specifically designed for Lesotho needs/resources.

Site Selection:

Five district offices in foothills, mountains, lowlands other than Maseru.

Issues:

What kind of transportation will SED/PCVs need in rural areas (motorcycles prohibited, 4 wheel vehicle expensive). PC/L would need a list of the number and kinds of small businesses served by LCCI

Alternative business-related institution-building host organizations which could be used for this model are:

- o Lesotho Manufacturer's Association
- o Lesotho Exporter's Association
- o Lesotho Contractor's Association

Issues:

- o District outreach through decentralized offices
- o Perceived need and receptivity for PC/SED T.A.
- o Housing and support capability

Possible Project #2: Employment Opportunity Response Initiative

Host Organization: Morrison Knudsen (US contractor)

Rationale:

The Highland Water Project is the largest construction operation in the world and will produce about two thousand direct-hire and about as many private sector service jobs. Lesotho suffers from 23% unemployment and endemic under-employment. GOL has organized itself to protect and promote wage labor access, but they are not as well organized and aware of SED opportunities.

Morrison Knudsen's Construction Manager said his company is "one hundred percent supportive of Peace Corps and their work," and very receptive to PC/L's SED assisting clients in the Lodge and Operations Center.

PCV Support:

Construction firm will build two towns in the area of the dam site. SED/PCV housing can be provided in the same project which is building worker's housing. Minimal supervision and stability would not present any problem.

PCV Objective and Task:

One of the contract provisions is that the firm which wins the bid should provide training which could/should include small business development. The SED/PCV's tasks would be:(Same as above).

SED Training:

Same as above in all cases, although delivery system may change to fit different circumstances.

Site Selection:

Same as above except for construction area focus.

Issues:

Morrison Knudsen is one of several business consortia which are bidding for this contract. Competition is very high and it will be six to eight months from the April 20, 1990, submission deadline for bids before a decision is known on what firm gets the contract. M&K's chances are good because they recently added a

South African participant and are the only people with a Japanese financial package.

This is a 30-year contract, which means that local people getting jobs can make a career of the Highlands Water Project. Therefore, there is no risk of short-term employment followed by no jobs and skill labor flight.

MK are highly receptive to Peace Corps participation and have requested that a two-page PC/L SED project description be sent to their Boise, Idaho, office.

Alternative Host Organizations:

This depends on who has the winning bid on the contract.

Issues:

PC/L support of the US private sector company is an important consideration which could be lost if M&K are not the winning company. Suitability of PC/L working with another company cannot be assessed until after the contract is awarded.

Possible Project #3: Technical School Graduates' Small Business Initiative

Host Organization: Distance Learning Center

Rationale:

This organization has established district outreach and is directly concerned with providing small business management training to those poorly served by the vocational/technical training school system. Problems with that system include:

- o Training is too theoretical
- o Elitist attitude by labor certificate holders
- o Curriculum not demand-driven by employers' needs
- o Virtually no follow-up data exists on graduates
- o Graduates can't get start-up SSE capital or T.A.
- o Graduates can't get jobs or start small businesses
- o Lack of business and financial management skills
- o Reluctance to enter small business sector because mine work or civil service is more highly regarded

This project would select the very best students from vocational/technical and agriculture schools and have them form small construction businesses offering:

- o Plumbing

- o Electrical
- o Carpentry
- o Masonry Building Construction
- o Roofing
- o Window frame production and installation
- o Burglar bar production and installation
- o Other businesses centered on clothing or food processing

Jobs would then be available to top graduates of successive training courses as an a learning incentive and to assist growth of small businesses owned/operated by student entrepreneurs. These small businesses could bid on jobs individually and/or collectively.

PCV Support:

No problems are anticipated providing housing because the organization has nationwide outreach and influence.

SED Training:

Same as above. However, SED training materials would have to be integrated into the IEMS curriculum rather than "standing alone". Susan Skull has hands-on experience with PC/L integrating SED materials into school curriculums so this should not present a problem.

Site Selection:

Same as above in all cases, reflecting location of district facilities.

Issues:

LDTC would have to manage an entrepreneurial development function, rather than serve exclusively as trainers or educators. Their willingness to have their curriculum include small-business-specific training materials has to be determined.

Potential Alternative Host Organizations:

- o A Catholic bishop from Mahale Hoek wants to start a new school based on the in-house small business contracting agricultural self-sufficiency of the Bishop Allard School.

Issues:

The situation with the Catholic Bishop of Mahale Hoek is somewhat speculative. We know he has been doing research at Bishop Allard School and elsewhere, but not his exact plans nor timetable. Also, the Archbishop of Maseru has died and has not been replaced so it may be difficult to get authorization for any new activities or approaches.

- o Lesotho Association for Non-Formal Education (LANFE)
- o The Lesotho Opportunities Industrialization Center (LOIC) is reportedly going through a restructuring as a result of reduced finances and staffing levels.

Issues:

Further investigation is needed in the capability of this organization to provide PCV support services and its receptivity to this initiative.

Possible Project #4: Small Business Incubation Services

Host Organization: Lesotho Christian Council of Churches (LCCC) (Small Business/Migrant Labor/Women)

Rationale:

Lesotho has the capability of producing several items which are cash and quality competitive in the export market and can supply earnings for rural women who prefer to work at home. The country's laws are designed to attract export producers and would benefit indigenous producers equally well. Locally made products with export earnings potential include:

- o Mohair and Angora Goat Sweaters
- o High fashion leather boutique fashions
- o Up-scale designer sheepskin coats
- o Zulu basket craft
- o Batik high-fashion jackets
- o Quilted (insulated) jackets
- o Hopi-Navajo design blankets
- o Up-scale quilts (Appalachia designs)
- o Excellent locally-produced hand-bags and luggage
- o Gold and silver jewelry at competitive prices

These products lend themselves to small businesses fed by cottage industry piece work producers receiving cut material to be sewed into finished garments. etc. The Church's decentralized diocesan and/or parish outreach system is in place and can be centrally coordinated. The Leribe Crafts Center may be to provide production and marketing technical assistance.

In addition, the LCCC could be the organizational framework within which a large number of small businesses (such as plumbing, electricians, carpenters, roofers, etc). Semi-skilled labor could be supplied by the best graduates of area vocational/educational schools who currently cannot get jobs.

PCV Support:

Housing and minimal supervision should not present an obstacle for the Lesotho Council of Churches which has member denominations throughout the country.

PCV Objective and Tasks:

The objective is employment/earnings generation for isolated rural women who can't afford transport to Maseru to work or sell their handicrafts. Many are wives, widows or were abandoned by miners and have no access to credit nor alternative employment opportunities.

Individual small business can be built around the exportable products listed above which would be fed by cottage industry labor and generate export sales.

Marketing, production and small business technical assistance would be centrally available through extension outreach.

The in-kind production credit component could be supplied by Development, Peace and Education (an indigenous NGO with access to donor funds to capitalize a loan fund).

SED Training:

Same source as above. The need for production training is separate and should not be done by PC/L SED PCVs.

Site Selection:

In rural and mountain area locations with high cottage industry production in-place or potentially high yield.

Issues:

Production skills must be improved and highly qualified fashion designers and supervisors in place. When production is price and quality competitive (quality control mechanisms are essential), markets must be ready to absorb production or momentum will suffer.

Hides are plentiful and locally available for leather goods and sheep skin. An assessment should be made of appropriate technology options so that hides don't have to be sent to RSA to be tanned which results in lost value-added.

Alternative Host Organizations:

- o Basili Boitjarong
- o Women in Business
- o Lesotho Export and/or Manufacturers Associations

- o Leribe Crafts Center

Issues:

It is doubtful that the two women's organizations have the management capability required to coordinate production and export marketing. However, Peace Corps SED volunteers could supply needed T.A. support services.

Possible Project #5: Women's Resource Mobilization Initiative

Host Organization: NGO Umbrella Organization

Rationale:

The NGO Coordinating Committee has nine members who have been meeting on a regular basis for the past three years. Last November (1989) the Coordinating Committee held a workshop which was attended by 60 people (49 participants and 11 observers). The purpose was to formulate a constitution and by-laws and establish a revolving loan fund. They have attracted US \$25,000 funding from UNDP and \$15,000 from FIT/Canada. The NGO expects to be operational in June of 1990.

(NOTE: A list of NGO participants, names, addresses and phone numbers is enclosed as Appendix 'C'.)

This NGO umbrella organization is potentially very important as a coordinating agency. The Principal Secretary of the GOL Ministry of Planning, Economic and Manpower Development addressed the NGO workshop. He said that NGOs have "complemented government resources, especially in rural areas" and specifically mentioned "local employment" in those districts. "Government recognizes that because of the limited resources at its disposal, joining hands with NGOs (and the private sector in general) is the best option for sustained development."

In addition to providing an excellent channel for PC SED small business counseling, the NGO umbrella organization is a good place to develop SuSu savings mobilization programs and a female human resource talent bank to provide members for various SED initiatives.

The NGO umbrella organization could also use SED/PCVs to assist with a small business incubation project (field testing new products and services) and technology innovation/dissemination field testing component (tools made from scrap metal, etc.).

The "Get Ahead Foundation" in South Africa was recently evaluated by A.I.D. and visited by Susan Skull of the Curriculum Development Center. Both found that its screening, allocation and recovery rates were good and they have also targeted micro/small entrepreneurs.

Note: The LHPSC should talk with the Foundation about replication and the way their credit system is designed. The NGO's in Lesotho lack that expertise.

PCV Support:

This NGO Umbrella Organization has four dozen real or potential members with programs throughout the country. The Coordinating Committee has attracted funding and should have no difficulty providing housing and minimal supervision.

PCV Objective and Tasks:

We interviewed Mrs. L. McCarthy of USC Canada in Lesotho who has been active in the NGO Interim Coordinating Committee. We explained the business advisory role of SED/PCVs and there was an initial expression of interest which will require further follow-up by the LHPSC.

SED Training:

The same as the other PC/L SED initiatives. Susan Skull is known by some of the NGO organizers.

Site Selection:

The same as all other interventions. In this case NGO membership has national programmatic outreach which includes our targeted areas.

Issues:

SED/PCVs should have excellent fit and effectiveness with the NGO Coordinating Organizations and its membership. The organization expects to be operational for about one year prior to the arrival of the first SED/PCVs which will give them time to become effective and efficient. The organization has been in the planning stage for three years, but it is not yet operational.

Alternative Hosts: None with a coordinating NGO function.

Issues:

None because we have no alternative implementing organizations.

Possible Project #6: Domestic Marketing Outlet Establishment Initiative

Host Organization: Agri-Business Council

Rationale:

One of the biggest problems facing small scale food processors and small manufacturers is marketing their product locally because of a shortage of outlets, and exploitation by middlemen. USAID/Lesotho is organizing an Agri-Business Council to improve and expand production and marketing. Privatizing unsuccessful parastatals has long been a USAID priority.

Co-op Lesotho (an unsuccessful agricultural implement marketing parastatal) is divesting itself of several retail outlet stores in rural and mountainous regions. Catholic Relief Services (CRS) obtained one of these abandoned Co-op Lesotho agricultural implement outlets and trained a community organization to operate it profitably. CRS is no longer involved in the project, but their success demonstrates that it can be done.

SED PCVs could assist another community to purchase (token payments have been accepted for some, and some have been given away) one of these abandoned retail outlets and provide an outlet for the many products produced by SED clients.

PCV Support:

There would be no problem getting housing in the community which would be in PC/L's placement target area. Minimum supervision could also be provided.

PCV Objective and Tasks:

The objective is to gain community control of one or more marketing outlets to facilitate internal sales of small scale enterprise production. The tasks would be small business counseling and promotion with more attention to strengthening domestic marketing linkages. Area NGOs could also provide an additional support network.

Site Selection:

Locate an available retail outlet within the placement criteria.

Issues:

USAID is attempting to establish the Agri-Business Council which is expected to be operational when the first SED volunteers arrive in 1991. Even if this is delayed, subsequent SED PCVs could be placed in this organization. The exact nature of this organization is unclear *vis a vis* its relative autonomy from GOL.

There is significant potential for import substitution earnings in high value horticulture which is both a GOL and USAID priority.

Alternative Host Organizations:

This would require additional research by the LHPSC during the next two months.

Issues:

Depends on what other host organization are feasible and their relative PCV carrying capacity.

TWO POTENTIAL SPONSORING ORGANIZATIONS SELECTED

The majority of the potential PC/V sponsoring organizations we discussed with PC/L either would not be operational for about a year. Others had organizational structures but were deficient in actual outreach programming. Several of these organizations have the potential to serve as SED/PCV sponsors for subsequent volunteers. However, they currently lack sufficient stability.

The following two sponsoring organizations were found to offer the best SED/PCV support services and program delivery systems. They will be the objects of further study during the eight weeks of field interviews preceding agreement on a finalized design for the PC/L SED Project:

1. Lesotho Christian Council of Churches (LCCC)

The Lesotho Christian Council of Churches (LCCC) was formed in 1967 and has ten participating denominations located throughout Lesotho. There are three departments within LCC which are interested in collaborating with PC/L in establishing and enhancing small business programs: Women, Migrant Labor and Small enterprise Assistance.

The LCCC could potentially absorb a large number of SED/PCVs (10 or more) which would provide business advisory services to small businesses in targeted areas, provide credit referral services and help establish businesses for the top graduates of local vocational school programs who are now unemployed. Many of these small businesses could provide a wide range of services to the Highland Water Project which will also construct two towns and a large enclosed market near the dam site which will attract entrepreneurs in need of business advice and skills training.

2. Lesotho Agricultural Development Bank (LADB)

The Lesotho Agricultural Development Bank (LADB) is the most effective financial intermediary organization serving the credit and technical assistance needs of rural-based entrepreneurs. It has shown remarkable growth. LADB did not have any branches outside Maseru until the mid 1980s. They have since established nine rural branches in places which previously had no banks.

LADB makes loans at 12.5 to 15% interest (other banks 25%), approve loans in one to nine days, reschedule loans when bad weather causes low yields and has no defaulted loans. Loans are also made to borrowers without collateral.

LADB has a staff of 350 people, including 20 field officers who visit rural clients on motorbikes (PCVs could use mountain bikes) to do loan appraisal and follow-up technical assistance. LADB provides a six-month training program for its field officers, followed by on the job training within the bank.

LADB does not want SED/PCVs to provide a credit-referral function because they feel their people are better trained to evaluate potential small business borrowers. However, our discussions indicate the SED/PCVs could be trained by LADB and work within their very effective rural small business extension Field Officers' program.

CO-OP RESOURCES TO BE UTILIZED BY PC/L SED PROGRAM

Another conclusion reached in our discussion on potential initiatives was that PC/L's SED program development strategy could utilize the resources made available by the failure of Co-op Lesotho.

Co-op Lesotho was established in 1959 to supply agriculture inputs. A series of retail outlets were constructed between 1978 and 1980. They served as the product input and service delivery structure for a large agricultural service project which collapsed in 1984. The buildings are now unoccupied and being offered for sale on a grant/loan basis (some as 100% grants).

Catholic Relief Services (CRS) sponsored a project in which community organizations took over one retail outlet in Matlamng which proved to be highly successful. SED/PCVs could be placed in the Christian Council of Churches or another sponsoring organization and work with local community groups to replicate CRS's success thereby providing domestic market outlets for locally produced materials. SED/PCVs would also provide small business advice and T.A. to local entrepreneurs and generate additional products and services linked to the retail outlets.

RECOMMENDED PC/L SED PROJECT DESIGN: YEARS 1 & 2

The following is the consultant's proposed PC/L SED project design for years one (1991) and two (1992) which would place a total of ten in-coming SED PCVs. This design has the potential to absorb the anticipated total of 40 SED PCVs, with placements, roles and responsibilities monitored and evaluated annually by PC/L. Other options may be developed during the second phase of this consultancy, based on the field interviews now being done by the LHPSC and/or subsequent developments in-country.

1. EXPANDING AND ENHANCING LCCC's SERVICE DELIVERY

Goal:

To expand and enhance the established service delivery and outreach capability of the Lesotho Christian Council of Churches, and to provide its multi-denominational network of member Churches with needed business advisory services and technical expertise for its individual and collective SED initiatives.

Objectives:

To use the stability and established outreach of the Lesotho Christian Council of Churches (LCCC) network to promote, enhance and expand a wide range of income and employment initiatives targeted to women, migrant worker's families and disadvantaged others. Those micro/small business initiatives will include, but not be limited to, the following:

SED/PCV Roles:

- o Business advisory services and technical assistance;
- o An incubator program providing technical assistance to a wide range of fully owned construction businesses (carpentry, plumbers, electricians, roofers, masons, etc.) staffed by top graduates from local vocational schools. This will provide an incentive for subsequent students to do well so they can start their own businesses or be placed in jobs after graduation.
- o Technology innovation programs providing technical assistance to entrepreneurs developing new types of tools or equipment in response to demand from rural areas. This can involve using abundant supplies of recyclable scrap metal or developing commercially viable implements.
- o Providing technical assistance to a wide range of small scale service businesses responding to opportunities created by the 30 year duration of the Highlands Water Project.

- o Providing technical assistance to SuSu style savings mobilization solidarity group organizations which can also be the source of a women's talent pool. The pool can be for business opportunities such as the Malouti Dairy which has small milk delivery trucks which a women's group could profitably own, operate and maintain. These trucks are available at highly concessionary terms from CIDA/Canada which is withdrawing from the project.
- o Providing technical assistance to real and potential small businesses assessing the potential for developing or expanding export markets. Potential opportunities exist in designer clothes, leather goods, jewelry, sweaters, quilts and craft specialty items.
- o Providing referrals to credit facilities designed to serve the entrepreneurs in the types of small businesses described above. The Get Ahead Foundation in South Africa was recently evaluated by A.I.D. which found it was very successful in providing those services. A consultant from that organization could be used to replicate their credit operation in Lesotho.
- o Assisting local women's organizations to gain access to loan guarantees offered by Women's World Banking.
- o The NGO umbrella organization and other private sector groups have small business credit plans which would benefit from Peace Corps technical assistance.
- o SED/PCVs would also provide technical assistance and business advice to community organizations wishing to follow the example of CRS and take-over market outlets previously belonging to Co-op Lesotho. This would provide market outlets for range of products and could serve as hub for production facilities.
- o SED/PCVs would also provide technical assistance and business advice to the members of the newly formed NGO umbrella organization which should be operational in about one year.

Anticipated Impacts:

- o 300 viable new small businesses within the first five years of the PC/L SED program;
- o 300 to 500 jobs created in those small businesses;
- o Business advisory services provided to over 1,000 clients;

- o Institutional strengthening of the Lesotho Christian Council of Churches and possibly other organizations such as the Chamber of Commerce;
- o Organizational growth and capacitation of the NGO umbrella network;
- o Expanded and enhanced student entrepreneurial programs with over 100 new businesses and employment opportunities for top vocational school graduates;
- o Over 300 members of women's groups qualifying for loan guarantees from Women's World Banking and other sources;
- o Both export and domestic market outlets will be expanded and improved;
- o Reduced dependency on South Africa will be achieved by taking advantage of import substitution opportunities; and,
- o Appropriate technology innovations with commercial application will be developed and disseminated.

2. EXPANDING AND ENHANCING LADB'S SERVICE DELIVERY

Goal:

To expand and enhance the newly established rural technical assistance network of rural banks created by the Lesotho Agricultural Development Bank (LADSB) to provide on-site business advisory services to facilitate income and employment creation.

Objective:

To use the newly established (within the last six years) nine rural banks, in isolated areas previously without banking facilities, as small business promotion centers serviced by LADB Extension Officers. The LADB provides a unique opportunity for SED/PCVs to maximize the effectiveness of their business advisory skills by channeling them through this highly efficient rural service delivery system.

SED/PCV Roles:

PC/L SED PCVs would attend the LADB training program to learn the client selection and follow-up procedures now being used successfully. When training is completed, the SED/PCVs would gain on the job training by working inside LADB until they are ready for assignment as Field Officers. This is the same

procedure LADB uses for everyone wishing to become Field Officers. LADB is not interested in PCVs serving in an external credit referral capacity because they feel this would cause applicants who would not be able to pass their internal screening to have false hopes and become discouraged. SED/PCVs would perform the same business advisory and technical assistance functions as locally hired Field Officers. No other structure is currently in place which can channel these services to remote rural and mountainous areas previously lacking any bank services.

Anticipated Impacts:

LADB serves nine isolated rural areas which fulfill PC/L's site selection criteria. SED/PCVs should be able to help approximately ten entrepreneurs in each of those areas to establish viable businesses. This would result in 90 new businesses in areas without alternative employment opportunities other than subsistence farming. The number of employees which could be hired by those companies is impossible to estimate without primary data from those areas. Savings mobilization and investment opportunities are also impossible to estimate without further field interviews.

LHPSC INTERIM ACTIVITIES IN LESOTHO

LHPSC DATA-GATHERING TASKS WHICH CAN BE MONITORED

The following are the needs for additional information which were identified during our interviews with potential host organizations. They are not presented in order of relative importance. Scheduling of them over the next eight weeks should be done at PC/L on the basis of their priorities and the time constraints of the LHPSC.

1. Advise the Lesotho Contractor's Association that Dan Tetus of M&K recommended/referred us and is pro-Peace Corps. Can LCA house PCVs? Work out the specifics of what their job descriptions would be within PC/L placement criteria. What contacts does he have in the Lodge and Market Place in the two towns around the dam site?
2. What effect would Susan Skull's problems with USAID over her use of their SED training materials in her private sector training company over our plans to integrate her materials and company into PC/L initiatives?
3. Send a two page SED PC/L project description to the M&K office in Boise, Idaho and a copy to Dan Teters (M&L Lesotho) so he is kept informed. What response from M&K Idaho and locally? What repercussions for our suggested SED Project? What (if anything) needs to be done? What advice on fit with Contractor's Association?
4. Unitarian Service Committee Of Canada/Lesotho (USCC/L) also wants a two page PC/L SED Project Description. What progress have they made to becoming operational? Can their grant funding be used for SED revolving loan fund? They should get T.A. from "Get Ahead Foundation" in RSA regarding replicability, financial management, loan screening, follow-up services? What will it take to get that done?

Interview all member NGO organizations which do SED and get a needs assessment and receptivity to business advisory services from PC/L? We need specific job descriptions in the site target areas within our intended scope of operations.

5. Lesotho Council of Churches has arranged a follow-up interview with their Small Enterprise Specialist. They also want a 2 page PC/L job description. We need specific needs assessment and PCV job descriptions within our targeted areas. We also need a beneficiary profile and his estimate of intended outcomes/impacts along with an appropriate monitoring system. Their participation in our cottage

industry fed export initiative will require what kinds of skill up-grades, quality control mechanisms, supervision, and design inputs for up-scale markets? What is his estimate of how long it will take to reach what level of export quality export sweaters? How will production, generated income/earnings and inventories be monitored?

6. Development Peace and Education also wants a 2 page PC/L job description. They can have PCVs in an in-house "staff" capacity. How can they plug-into any of the initiatives we proposed.? Any conditionalities? What needs assessment and job descriptions do they have? What kinds of collaborative SED programming linkages are useful and acceptable to them?
7. We need more complete data on women's organizations, including: resource inventory, constraints and opportunities for collaborative programming (Women in Business, Women's World Banking, Basali Boitjarong, Women Lawyers, etc.), access and conditions for membership by poor women entrepreneurs, what conditions on 40% loan guarantee (interest rates, collateral, purpose of loans, etc.).

Can they get secondary leverage for loans with the Agricultural Development Bank and/or other sources?

8. Do interview with the Small Business Training Director of IEMS. Check IEMS' receptivity to integrating Susan Skulls materials into their curriculum (what constraints and coping strategy. Are they willing/able to provide central small business project management in addition to teaching? Can they provide PCV housing and minimal supervision? How receptive are they? What SED program linkages/networks do they have or feel they need/want?
9. Is the Chamber of Commerce sure they can house PCVs in their district offices in our targeted areas? What about transportation and viability of Bill's Team Leader (with transport) others without suggestion? What are the management implications for PC/L? Do they have any program activities other than their annual short-courses? What would be the specifics of PCV SED job descriptions? What relationship do they have to the District Councils (constraints, opportunities, resource inventory)?

This will require field interviews at their five district offices and interviews with local small business people to assess needs and level of demand/effort to be anticipated.

10. Use your PC/L criteria, suggested interview questions and data base materials sent earlier to assess all alternative organizational placements vis a vis their potential project interventions, outreach and service delivery.

11. Send crafts sample from Fedelia (PC/L crafts person) to PC/Washington the USPSC can check on marketability. Check shipping costs, insurance and ETA Washington on representative shipment weights.
12. There is not sufficient time for a detailed NGO SED program content and needs analysis of umbrella organization members or an assessment of potential program linkages with those 49 NGOs. However, we need a general idea of what program are operational and a preliminary assessment of their ability to house/supervise SED PCVs. This will be extremely labor-intensive, unless there are very few SED NGO membership organizations. A central meeting should be arranged through the Interim Committee for group interviews.
13. We need to follow-up on our SUSU 1st, 2nd, and 3rd cycle earnings and investment potential? What are realistic expectations for a talent bank of "serious" women? What will it take to gain access for these SuSu participants to the Women's World Banking loan guarantee fund through membership in Basili?
14. Check with Jaime Reibel, USAID Private Sector Officer, on progress being made in establishing the private sector Agro-Business Council. What will it do, how will it do it? What fit and effectiveness for SED/PCVs? Can this function as a host organization? What (if anything) can USAID provide by way of funding, resources, etc.? How soon will it be operational?
15. Find out what the Bishop in Mphahlele plans to do in his new school which is based on the Bishop Allard model with high involvement of student entrepreneurs. Is he willing to take the next step and establish follow-on small contracting and food processing businesses? Could the school provide central management services using SED/PCVs as business advisory extension officers?
16. Make contact with the "Get Ahead Foundation" to assess their willingness and ability to provide advice on replicability in Lesotho.
17. What is the potential and advisability of setting up an informal private sector Advisory Board with people like Maggie Everett of Lesotho Flour Mills who are favorably disposed toward PC/L and know what it takes to be small business operational?
18. Is the Agricultural Development Bank as good as it seems? What repercussions for our proposed project activities does their current "friction" with GOL have? How would PC/L work out the mechanics of making referrals on their terms.?

19. What job opportunities and skill requirements are available at the Highlands Water Project lodge and new markets building? When do contracts get made? What would it take to qualify as a contractor?
20. What kinds of small scale appropriate technology is available for: tanning hides, sheep skins, grinding corn, jewelry making and similar import substitution opportunities?
21. How can we gain access to free or very cheap retail outlets formerly belonging to Co-op Lesotho? What improvements need to be made? What about supplier programs? What financing/ loan packages are available for that type of purpose? Are there retail outlets in our target area (can we/they find them)?

APPENDICES

APPENDIX 'A'

CONTACTS INTERVIEWED IN LESOTHO

The following is a list of the people contacted in Lesotho during interviews done by the contractor, LHPSC and Bill Macheel of PC/L from February 5th through 16th. During the following eight weeks, Delton Allen, LHPSC will continue doing background interviews in preparation for the contractor's return at which time the PC/L SED project design will be finalized.

Peace Corps/Lesotho:

- o Kim Ward, PCD/Lesotho
- o Bill Macheel, APCD/Programming
- o Jim Freer, Associate Director/Administration

Peace Corps Volunteers:

- o Chuck Cornillie, Horticultural Advisor
- o Jean Greenway, Dairy Advisor
- o Lloyd Greenway, Dairy Advisor
- o Frank Keller, Horticultural Advisor
- o Michael Latta, Communications Advisor
- o Timothy Meisburger, Industrial Arts
- o Sharon Rowe, Dairy Advisor
- o Melvin Ruth, Dairy Advisor
- o Chris Taylor, Extension Advisor
- o George Titus, Marketing Advisor
- o Rebecca Titus, Home Economics Advisor
- o Marc Sabin, Marketing Advisor
- o Fidelia Brenna (Former Crafts PCV)

USAID/Lesotho:

- o Jesse Snyder, Director of USAID/Lesotho
- o Barbara Sandoval, Assistant Director of USAID/Lesotho
- o Adrain De Graffenreid, Project Director, USAID/Lesotho
- o Candace Buzzard, USAID WID Coordinator
- o Joe Carvallo, USAID Economist
- o Pierre Des Ormeax, USAID/HRDA Project Coordinator
- o Jaime Reibel, USAID Private Sector Development Officer
- o Curt Reintsma, USAID Agricultural Officer
- o Howard Jeter, U.S. Charge D'Affaires
- o Firouz Rooyani, USAID/LAPIS (Lesotho Agricultural Production Institutional Support)
- o Frank Bobbitt, Agricultural Education Team Leader
- o Wayne Nishek, LAPIS Irrigation Engineer

APPENDIX 'A'

- o Gerald Feaster, LAPIS Marketing Specialist
- o Benjamin Tyson, Jr., LAPIS Marketing Specialist
- o Bruce White, LAPIS Home Garden Nutrition Program
- o Susan Scull-Carvalho, BANFRES, Practical Studies Curriculum Advisor, National Curriculum Development Center

Government of Lesotho Ministry:

- o Takatso Shale, MOE Controlled Schools Supervisor

Lesotho Cooperative Credit Union League (LCCUL):

- o Murray Gardiner

Lesotho Chamber of Commerce and Industry:

- o J.M. Nthongoa, President
- o G.T. Monaheng, Chairman
- o T. Mofolo, Vice Chairman
- o R. Matji, General Secretary
- o A. Majara, Assistant Secretary
- o T.L. Makhooane, Treasurer
- o Z.B. Molette, Executive Officer

African American Labor Center (AFL-CIO):

- o Peter J. Cannon, Representative

Lesotho Opportunities Industrialization Center:

- o Mrs. M. Khotle
- o M:s. M. Kimane

Bishop Allard Vocational School:

- o Gladys N. Faky

Christian Council of Churches:

- o Pea Machai, Project Director, Migrant Labor Project
- o Ms. Ned Matete, Women's Program
- o Ms. Susan Phakisi, Women's Program

Saint Boniface High School/Maputsoe:

- o Rev. Joe O'Reilly

Vocational Teachers Training Program:

- o Joe Mc Cormack, Irish Trainer

APPENDIX 'A'

Unitarian Service Committee of Canada:

- o Ms. Lisebo Mc Carthy
- o Ms. Nosicelo Twala

Highlands Water Project:

- o Dan W. Teters. Morrison-Knudesen Company

Women's Law in Southern Africa Research Project:

- o Likhapa Mbatha

Development, Peace and Education (NGO):

- o Lyle Jaffe
- o Veronica Phafoli

Lesotho Agricultural Policy Support Program (LAPSP):

- o Mike Sarhan, Secretariat
- o Cal Boykin, Secretariat

Lesotho Highlands Development Authority:

- o Mrs. A. M. Morojele

Lesotho Agricultural Development Bank:

- o Thabo Ntsane, Financial Controller
- o Teboho Masia, Director of Savings
- o Mr. C. S. Molelle
- o Mr. Z. M. Sello.

APPENDIX 'B'

SED ORGANIZATIONAL DATA BASE

The following SED-related Lesotho organizations were selected as comprising the overall data base. The LHPSC will do field interviews during the next eight weeks, gathering in-depth data on organizations which will play an active role in PC/L's short and long-term SED project development initiative.

Women's Organizations

- o National Council of Women
- o Basili Boitjarong
- o Women in Business
- o Business and Professional Women
- o Homemaker's Association
- o Council of Workers (Women's Section)
- o Ikahang Women's Club

Business Organizations

- o Chamber of Commerce
- o Manufacturer's Association
- o Morrison & Knutson
- o Exporter's Association
- o Leribe Crafts Center
- o Lesotho Hand-spun Mohair
- o Maloti Maid Dairy

Vocational/Technical Schools

- o NUL Institute of Extramural Studies
- o Lesotho Agricultural College
- o Thaba Khupa Agricultural Training Center
- o Bishop Allard Vocational School
- o Lesotho Opportunities Industrialization Center
- o Leribe Technical School
- o St.Elizabeth's School of Home Economics
- o Thaba Treka Rural Skills Center
- o Mohale Hoek Secondary School
- o Leloaleng Trade School
- o Secondary Teacher's Training Center
(Lesotho/Ireland Technical Education Support Project)
- o Quach's Nek Farmer's Training School
- o National Curriculum Development Center
- o Lesotho Association for Non-Formal Education

APPENDIX 'B'

Church SED Projects/Programs

- o Catholic Bishops Miners Project
- o Lesotho Christian Council's Migrant Labor Project

Credit And Financial Institutions

- o Women's World Banking
- o Lesotho Bank
- o Lesotho Cooperative Credit Union Federation (LCCUL)
- o Lesotho Agriculture Development Bank
- o Barclays Bank
- o Standard Bank
- o Central Bank

Donor Organizations With SED Portfolios

- o USAID
- o CIDA
- o UNDP
- o World Bank
- o European Economic Community

NGO Organizations with SED Implementing Potential

- o Get Ahead Foundation
- o PLENTY
- o Development, Peace and Education
- o NGO Umbrella Organization (now being established)
- o CARE
- o Catholic Relief Services (CRS)

Local Organizations with SED Research Capability

- o Transformation Research Center (Women's Economic Role)
- o Baffoe & Associates (Skill Labor Profile)

Labor Organizations with SED-related Activities

- o African American Labor Center
- o The National Mineworkers' Union

APPENDIX 'C'

KEY QUESTIONS FOR COUNTERPART INTERVIEWS

During the eight week interval between the first and second phase of this consultancy, the local hire counterpart will interview these organizations. The counterpart was directly involved in developing the list of organizations and is confident that he can get this data within the two month timeframe. However, PC/L will focus these interviews on emerging priority organizations needed to implement its SED strategy rather than attempting to formulate an in-depth data base on all organizations.

The following is a list of key questions. The objective is to provide data to make informed judgments on the fit and effectiveness of these organizations with priority PC/L SED intervention scenarios. It is not intended that these questions comprise the full interview. The questions are meant to provide information on key issues which would affect the feasibility of SED program design scenario(s). This list of questions meant to augment the baseline data requirements sent prior to the consultant's arrival.

1. Is this a private sector organization?
2. Is it funded by or programmatically accountable to GOL?
 - Requires GOL licensing or permission to operate?
 - Requires material resources accessibly only via GOL?
3. Who funds the organization: how much, how long, renewable?
 - Single or multiple donors?
 - How much?
 - How long?
 - Funding was renewed? Highly probable or doubtful (why)?
 - Where do they get their supplies/materials?
 - How are transportation costs covered?
4. What is the purpose of the organization?
 - Is it being met?
 - How do you know (monitoring indicators or evaluation)?
 - Do you have cost-effectiveness data? How done? Why not?
5. What is the selection criteria for members or clients?
 - a. Relative income and education levels?
 - b. Established creditworthiness (credit history)?
 - c. Prior business experience, # of workers, assets?
 - d. Is gender a constraint? (If so) How?
 - e. Any changing patterns in membership or finances?
6. How many members or clients to you serve in which areas?
 - a. Specifically, what goods, services or credit is provided?

APPENDIX 'C'

7. Are you decentralized (regional offices) or centralized?
 - Is decision-making controlled at headquarters?
 - What kinds of accountability in regional offices?
 - Could your organization provide PCV housing/supervision?
8. What specific T.A., credit or training do you provide?
 - a. Are consultants or trainers local or external?
 - b. (If external) do they have counterparts? Want them?
 - c. Is on-going training monitored? Any follow-up data?
 - d. Is the training and/or T.A. relevant to Lesotho:
 - Fits local needs and skill levels?
 - Uses appropriate technology, pedagogy, tools?
 - Has a training of trainers component? Replicable?
9. Are loans made at commercial interest rates or subsidized?
 - a. (If subsidized) Only for start-up costs or on-going?
 - b. Are subsidies designed to be phased out? How and when?
 - c. What default (no repayment), delinquency (late) rate?
 - d. What type of credit access: collateral, husband must give permission. character-based, co-signers, etc.?
10. How much of training expenses are paid by tuition or fees?
11. Do you have follow-on information on training graduate?
 - a. Do they have work in what they were trained to do?
 - b. Wage labor jobs? Did any start small businesses?
 - c. Do graduates get start-up loans, tools, livestock, etc?
 - d. Do you have student or school owned enterprises?
 - e. What goods and services provided to what customers?
 - f. What is your profit margin? How costed and priced?
 - g. Do they have a trade certificate? COS? What level exam?
12. Do you need rural SED/PCV small businesses extension agents?
 - a. In which towns or regions?
 - b. Doing what specific functions (job description)?
 - c. Is public transport sufficient? (If not) travel how?

APPENDIX 'D'

BACKGROUND INFORMATION BIBLIOGRAPHY

The following is a list of the publications used as background reading in the preparation of the Concept Paper on PC/L small enterprise project development in Lesotho:

- Baffoe and Associates. National Employment Service Skills Profile Final Report, Ministry of Employment, Social Welfare and Pensions: Maseru, September 1989.
Careers and Training Courses in Lesotho, Lesotho-Ireland Secondary Teachers Program: Maseru 1989.
- Fyhrlund, Alf. Lesotho Labor Force Survey 1985/86.
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- Marakabei Conference 1986. Lesotho Can Develop Herself: an Analysis of Rural Development Strategies in Lesotho, Transformation Resource Centre: Maseru, February 1988.
- National Curriculum Development Center. Resources Directory for Self-Reliance and Enterprise Development.
Report of the International Conference on Strategies for Small Scale Business Survival and Growth in BLS Countries, Business Training Center, February 1989.
- Riley, Pamela Johnson. The Effect of Newly Introduced Technology on Women Agriculturalists in Lesotho, (publisher:City) June, 1989.
- Settergren, Susan K, and Louis A. Crouch. GRAND/Lesotho Country Report, October 1989.
- TIPCO. Periphery Trade and Enterprise Development Study, The Information Processing Company, Inc.: Washington, D.C.

APPENDIX 'E'

ATTENDANCE

The following participated in the NGO workshop in Lesotho from 6th to 8th November 1989.

<u>NGO</u>	<u>PHONE</u>	<u>DELEGATE</u>
<u>African Development Foundation</u>	<u>322640</u>	<u>Mr. Mokatse</u>
<u>Association of Lesotho Exporters</u> <u>P.O. Box 747, Maseru 100</u>	<u>326045</u> <u>(ALE)</u>	<u>Mr. Sidnell</u>
<u>Basali Itekeng Womens' Society</u> <u>P.O. Box 955, Maseru 100</u>	<u>(BIWS)</u>	<u>Makhethang</u> <u>Putsoane</u>
<u>Boiteko Womens' Association</u> <u>P.O. Box 840, Maseru 100</u>	<u>316427</u> <u>(BWA)</u>	<u>Amelia Majoro</u> <u>Gen. Sec.</u>
<u>Canadian Physicians for Aid & Relief, P.O. Box 68, Semongkong 120 (CPAR)</u>		<u>Lorrie Gibson</u>
<u>Care International</u> <u>P.O. Box 682, Maseru 100</u>	<u>314398</u> <u>(CARE)</u>	<u>Howard Bell</u>
<u>Christian Council of Lesotho</u> <u>P.O. Box 547, Maseru 100</u>	<u>323639</u> <u>(CCL)</u>	<u>Rev. Senkhane</u>
<u>Construction & Allied Workers' Union of Lesotho,</u> <u>P.O. Box 4055, Maseru 100</u>	<u>(CAWUL)</u>	<u>Sello Tsukulu</u>
<u>Development for Peace Education</u>		<u>P. Lerotholi</u>
<u>Food Security Assistance Project</u> <u>P.O. Box 6, Maseru 100</u>	<u>311279</u> <u>(FSAP)</u>	<u>N. Moholi</u> <u>Asst. Admin.</u>
<u>Lesotho Association of Consumer Education, P.O. Box 79, Maseru</u>	<u>326251</u> <u>(LACE)</u>	<u>M. Chaltin</u>
<u>Lesotho Association for Disabled Riders, P.O. Box 521, Maseru</u>	<u>(LADR)</u>	<u>Mrs. Edwards</u>
<u>Lesotho Association for Non Formal Education</u>	<u>322038</u> <u>(LANFE)</u>	<u>Mrs. Sebatana</u> <u>Chairperson</u>

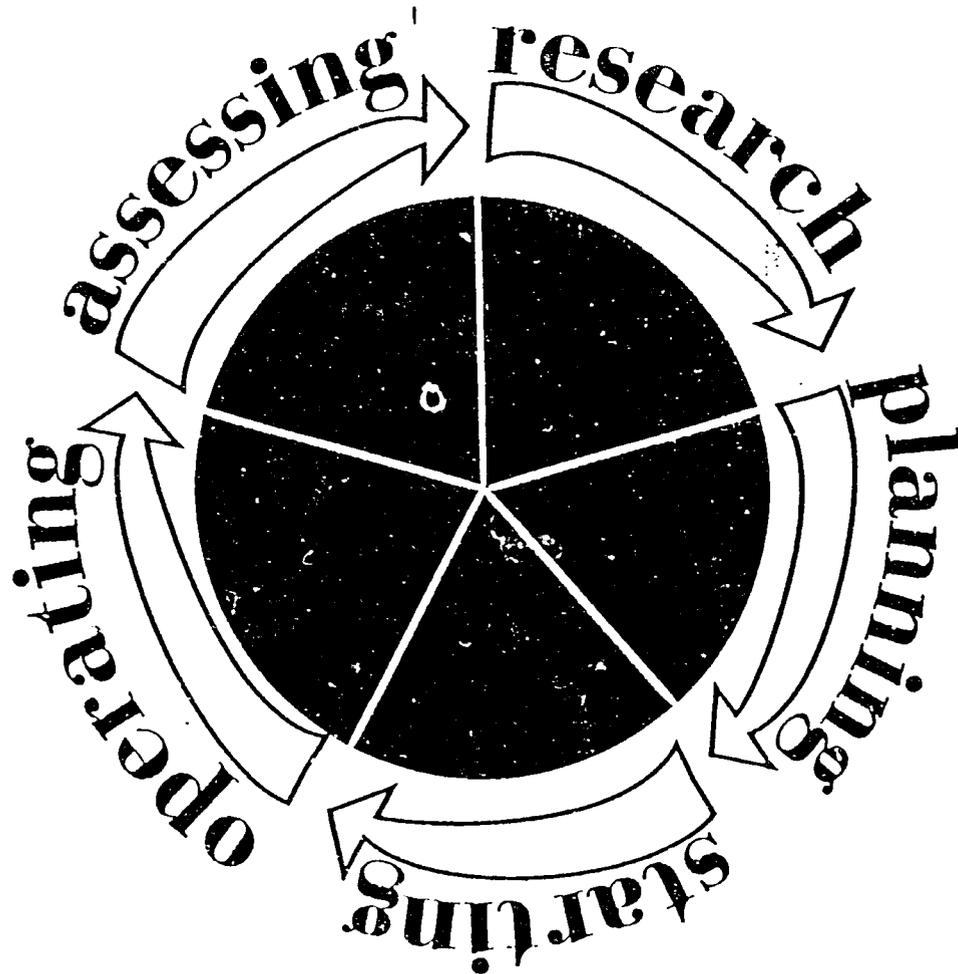
APPENDIX 'E'

<u>Lesotho Association of Teachers</u>		<u>E.M. November</u>
<u>Lesotho Chamber of Commerce & Industry, P.O. Box 79, Maseru 100</u>	<u>323482 (LCCI)</u>	<u>Mr. Majara Exec. Dir.</u>
<u>Lesotho Congress of Free Trade Unions, P.O. Box 727, Maseru 100</u>	<u>312768 (LCFTU)</u>	<u>R. Mothepu President</u>
<u>Lesotho Co-operative Credit Union League, P.O. Box 439, Maseru 100</u>	<u>312760 (LCCUL)</u>	<u>Mr. Pepenene</u>
<u>Lesotho Educational Research Association, P.O. Box 1833, Maseru</u>	<u>317275 (LERA)</u>	<u>P.J. Lefoka</u>
<u>Lesotho Federation of Trade Unions P.O. Box 266, Maseru 100</u>	<u>326251 (LFTU)</u>	<u>Agnes Limema Secretary</u>
<u>Lesotho Food Processing & Catering Union, P.O. Box Maseru</u>	<u>(LFPCU)</u>	<u>A.M. Ranthimo</u>
<u>Lesotho Girl Guides Association c/o LOIC, P.O. Box 2542, Maseru</u>	<u>323119 (LGGA)</u>	<u>M.P. Kotle</u>
<u>Lesotho Guidance and Counselling Association, P. Bag A167, Maseru</u>	<u>314068 (LGCA)</u>	<u>Dawnia Edgar Exec. Member</u>
<u>Lesotho Homemakers' Association P.O. Box 1280, Maseru 100</u>	<u>315254 (LHA)</u>	<u>M. Mokoane Gen. Pres.</u>
<u>Lesotho Library Association P.O. Box 1280, Maseru 100</u>	<u>340601 ext. 312</u>	<u>L. Motapanyane Treasurer</u>
<u>Lesotho Manufacturers' Association P.O. Box 4173, Sebaboleng</u>	<u>317106 (LMAAP)</u>	<u>T. Mqgaleni</u>
<u>Lesotho Mine Labour Workers' Union P.O. Box 441, Maseru 100</u>	<u>315713 (IMLWU)</u>	<u>Jacob Kena</u>
<u>Lesotho National Association of the Disabled, P.O. Box 7289, Maseru</u>	<u>323796</u>	<u>K. Petjie</u>
<u>Lesotho National Council of Women P.O. Box 441, Maseru 100</u>	<u>325482 (LNCW)</u>	<u>Mrs. Mosala Gen. Sec.</u>
<u>Lesotho National Federation of Associations of Disabled Persons</u>	<u>(LNFADP)</u>	<u>R. Masemena</u>
<u>Lesotho National League of the Visually Impaired Person, P.O. Box 524, Maseru 100</u>	<u>323715 (LNLVIP)</u>	<u>T. Mofombe Exec. Officer</u>

APPENDIX 'E'

Lesotho Planned Parenthood Association, P.O. Box 340, Maseru	323645 (LPPA)	
Lesotho Red Cross Society P.O. Box 366, Maseru 100	313911 (IRCS)	N.T. Mapetla Sec. Gen.
Lesotho Save the Children P.O. Box 151, Maseru 100	322543 (LSC)	M.P. Matete Administrator
Lesotho Union for the Unemployed P. Bag A272, Maseru 100		J. Moitse Sec. Gen.
Lesotho Workcamps Association P.O. Box 6, Maseru 100	314862 (LWA)	Kory Masitha Director
Matsieng Development Trust, P.O. Box 1, Matsieng	316848	Dr. P. Ozanne Exec. Trustee
Mennonite Central Committee P.O. Box 4437, Maseru		D. Newfield
Miners and Dependants' Welfare Association, P.O. Box 4055, Maseru	323246 (MADWA)	Just. Hlalele Gen. Sec.
MM Foundation for the Orphans & Handicapped, P.O. Box 1399, Maseru		E.P. Masoaki
Plenty Lesotho, P.O. Box 21, Mt. Moorosi, Outhing		M. Kamohi Co-Director
Private Health Association of Lesotho, P.O. Box 1632, Maseru	322531 (PHAL)	G. Maja
Save the Children Fund (UK) P.O. Box 1064, Sebaboleng	312279 (SCF)	Mr. B. Bryer
Transformation Resource Centre P.O. Box 1388, Maseru 100	314463 (TRC)	L. Nketu
UN Association of Lesotho c/o Lesotho Housing Corporation		Tlelima Hlalele
Unitarian Service Committee of Canada, P. Bag A139, Maseru 100	325202 (USCL)	L. Khoali McCarthyDir.
World University Service of Canada P.O. Box 1191, Maseru 100	315094 (WUSC)	K. Thomson
World University Service of Lesotho, c/o NUL, P.O. Roma 180	340601 (WUSL)	Mr. Molefe

Small Business Cycle



Small Business/School Project Planning Guidelines

Operating/Assessment Resources that Help

- Human Resources
- Material Resources

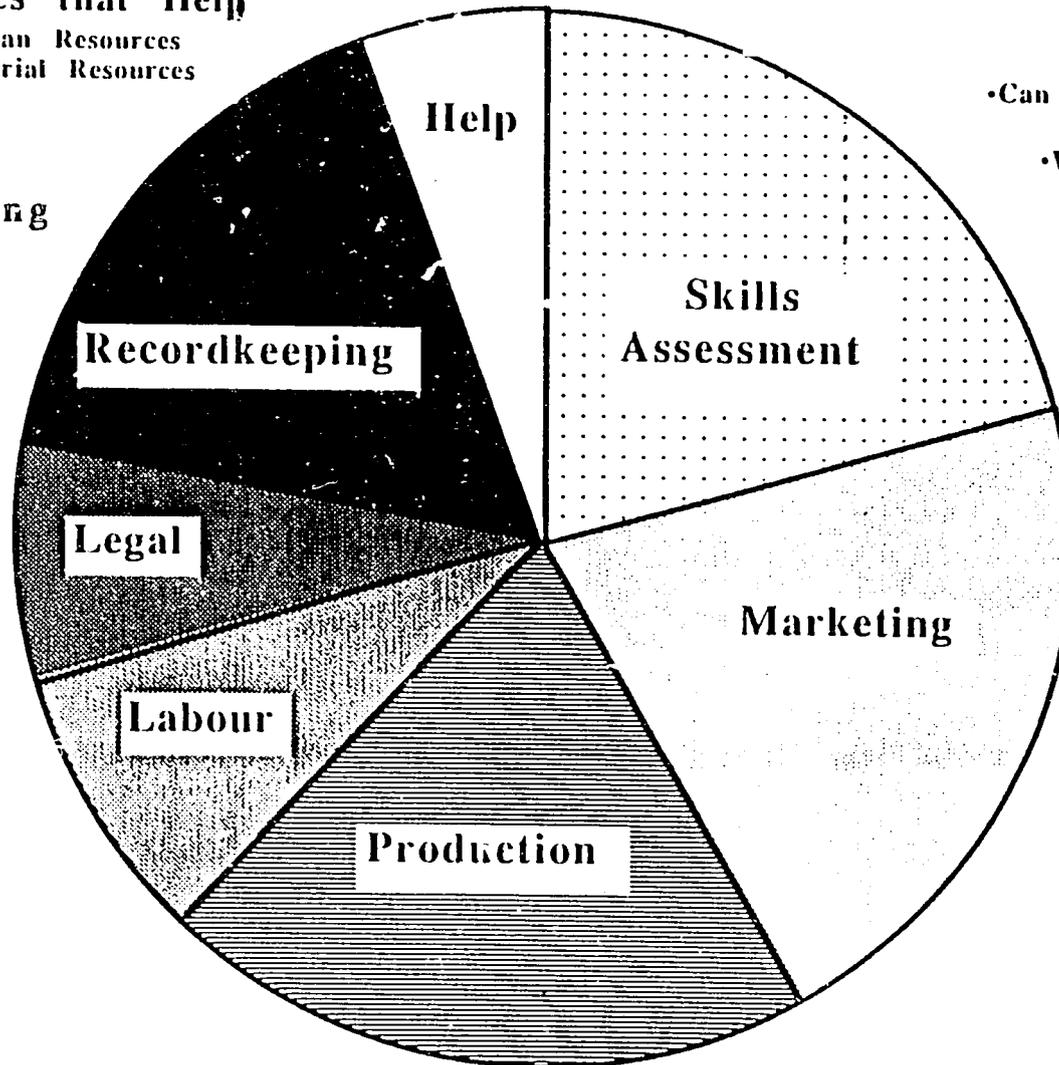
Research

Skills Assessment

- Can I make or produce this service or product?
- What new/other skills are needed?

Starting/Operating Recordkeeping

- What to record
- How to do it



Planning/Starting Legal Issues

- Permits & Licenses
- Regulations

Research/Planning Marketing

- Who
- How Many?
- When/How Often?
- Competition?
- Attracting the Market
- Selling Price

Planning/Starting Labour

- Division of Labour
- Management Needs

Production

- Equipment
- Labour
- Raw Materials
- Transport

Developed & produced by the Practical Studies Section, National Curriculum Development Centre Maseru, Lesotho 1989

**Small Business Studies Supplementary Reader
Outline for Book 3**

Unit	Concepts	Business Skills	Case Study	Cross-curricula Correlation
Unit 1 Introduction	<ul style="list-style-type: none"> *Definitions & Characteristics of 'Business' * Business and Economic Development * Introduction to the "Business Cycle" 	<ul style="list-style-type: none"> -Compare 'Income saving' and 'Income earning' Define 'business' through Interviews, guest speakers and class discussions -Define various types of businesses: sole proprietor, cooperatives, partnerships, etc. Survey roles of businesses in the community Draft and analyze map of community showing business sites -Produce chart to show how businesses link people in the community, the district and the Nation. (show forward & backward linkages) Study the 'Business Cycle' 	<ul style="list-style-type: none"> Cooperative Broller Production in the Foothills Sandal Maker in the Mountains Vegetable & Fruit Farming in the Foothills Butchery in the Lowlands 	<ul style="list-style-type: none"> English & Sesotho Social Studies Social Studies Social Studies Mathematics Social Studies
Unit 2 The Product or Service	<ul style="list-style-type: none"> *'Productive' skills Inventory *Self-Assessment: "Can I produce this product?" *Raw Materials, Appropriate Technology & Equipment *Selecting a Business 	<ul style="list-style-type: none"> -Assess & list 'productive' traits and skills of farmers, traders, builders and manufacturers Compare & contrast skills required to produce the products or services of local businesses Conduct an individual skills assessment Identify raw materials and equipment used by 4 local businesses and their sources Draft a 'business concept' suited for your skills & interests (add skills you wish to learn too) 	<ul style="list-style-type: none"> Cafe and General Retail in the Lowlands Furniture Making & Repairs in the Capital Dressmaking in a village 	<ul style="list-style-type: none"> Social Studies English & Sesotho Social Studies Sesotho & English English & Sesotho Social Studies English Social Studies Sesotho & English
Unit 3 The Market	<ul style="list-style-type: none"> *The Market Survey *Competition and Starting a Small Business *Community Growth and Product Demand *Location & the Business 	<ul style="list-style-type: none"> -Design and conduct a 'Market Survey' for choice, a cinema and for children's books -Assess and analyse the competition of two types of local businesses -Predict product demand using population growth forecasts for two products (see above) -Assess impact of location for 3 local businesses 	<ul style="list-style-type: none"> Bins & Trunks Metalsmith in Foothills Beer Hall in the Mountains Building Contractor & Brickmaking in a rural town 	<ul style="list-style-type: none"> Social Studies English & Sesotho Mathematics Mathematics English & Sesotho Mathematics Mathematics English

Unit	Concepts	Business Skills	Case Study	Cross-curricula Correlation
Unit 4 The Selling Price	<ul style="list-style-type: none"> *Production Costs *Calculating Profit *Calculating Wages *Competition and Pricing: The Substitute 	<p>For 1 product each of two, selected businesses:</p> <ul style="list-style-type: none"> Calculate the monthly production quota and the following for each product: <ul style="list-style-type: none"> *materials used & labour (time) required *percentage of 'overhead' costs to be added *percentage of monthly loan and/or equipment payments to be added *marketing & transport costs per product, & *the percentage of profit or 'mark-up' to be added to get the 'selling price' per item Based on current minimum wages, calculate the wages of employees who produce whole products and 'piece work' of 2 types of products Design & conduct a study to compare the 'selling prices' as calculated above with the same and similar items offered for sale elsewhere 	<p>Hair Saloon in a Mountain town</p> <p>Dressmaking in the Foothills</p>	<p>Mathematics</p> <p>Mathematics</p> <p>English & Sesotho Mathematics</p>
Unit 5 The Feasibility Study	<ul style="list-style-type: none"> *Product Demand *Business Start-up Costs *Operating Costs *Profitability *Accessing & Using Credit 	<ul style="list-style-type: none"> Discuss reasons for going into business with 1-2 local business owners. Conduct a Feasibility Study of the School's Garden Project or Tuck Shop by calculating: <ul style="list-style-type: none"> *Monthly product/s demand for 1 year *Start-up costs (tools, equipment, labour, etc.) & include cash start-up needs *Monthly operating costs for 1 year *Monthly profit expectations for 1 year Investigate loan requirements of a Bank, a Cooperative, a Credit Union and from hire/buy schemes. What information is required? 	<p>Private School in the Lowlands</p> <p>Pharmacy in the Capital city</p> <p>Dairy in the rural Lowlands</p>	<p>Social Studies English & Sesotho</p> <p>Mathematics</p> <p>English & Sesotho</p>
Unit 6 Planning the Small Business	<ul style="list-style-type: none"> *Permits, Regulations and Licenses *Tasks Analysis & Personnel *Banking *The Premise: Costs and Benefits *Transport & Marketing 	<ul style="list-style-type: none"> Conduct research to determine permits required for 2 types of businesses. Chart the steps to follow to become fully licensed Produce a chart showing all the roles and labour needs of these (2) businesses. Figure weekly & monthly work demands by the hour for each Investigate local banking facilities, customer services and checking & saving programmes Research costs and benefits of two businesses: one owns the premise and the other rents it Produce a chart showing the monthly schedule, purpose and costs of transportation for two businesses; be sure to include marketing trips 	<p>Transport Service in the Lowlands</p> <p>Brickmaking in the Foothills</p> <p>Upholstery & Furniture Repairs in the City</p>	<p>English Social Studies</p> <p>English Mathematics</p> <p>Social Studies English</p> <p>Mathematics English</p> <p>English Mathematics</p>

Unit	Concepts	Business Skills	Case Study	Cross-curricula Correlation
Unit 7 Starting the Small Business	<ul style="list-style-type: none"> *Sales: Cash vs Credit *Contract Sales *Product Promotion *Customer Relations *Business Reputation and Reliability 	<ul style="list-style-type: none"> -Interview 3-4 local business owners about selling practices: cash vs. credit, discount sales and contract sales -Assess methods of soliciting and securing contract sales from local business owners -Draft a promotion campaign for <u>dried fruit</u> and <u>dried vegetables</u> -Design and market test product names and labels for the dried fruit & vegetable products -Survey parents to find out <u>how they are</u> & <u>how they wish</u> to be treated when they are customers -Identify positive business reputation practices by interviewing local consumers 	<ul style="list-style-type: none"> Fruit Farm in the rural areas Tailor in the Lowlands General Cafe in the Town 	<ul style="list-style-type: none"> English Mathematics English Social Studies English & Sesotho Mathematics English English & Sesotho Mathematics Sesotho & English Mathematics
Unit 8 Operating the Small Business	<ul style="list-style-type: none"> *Record Keeping: Basic Accounting *Inventory/Stock Control *Time Management *Production Management & Quality Control *Personnel Management 	<ul style="list-style-type: none"> -Visit 2-3 local businesses to see their methods of record keeping. How do they use the records? Why keep records? Develop a list of reasons and list <u>what</u> to record. Review Units 4 and 5 -Design a method of recording inventory so the use of goods and materials can be easily traced -Define the following terms through a survey with business owners and discover 3 reasons why they are important to the businesses: <ul style="list-style-type: none"> *Time Management *Personnel Management *Production Management -Conduct a role play to demonstrate how good management can lead to improved production 	<ul style="list-style-type: none"> Dyppsmaking in the village Funeral and Undertaker Service in a town Bins & Trunks Metalsmith in the Foothill area 	<ul style="list-style-type: none"> Mathematics English & Sesotho English Mathematics Sesotho & English Mathematics Sesotho & English English
Unit 9 Assessing the Small Business	<ul style="list-style-type: none"> *Calculating Networth *Analysis of Business Sales *Interpreting Data & Decision-making 	<ul style="list-style-type: none"> -Review reasons and expectations for going into business (Unit 1 & 4) -Calculate the 'networth' of the business after 6 months and after one (1) year -Map sales trends using data collected from 2 local businesses. Suggest decisions to be taken to improve the businesses -Design an expansion or diversification plan for 2 different businesses. What do you need to know to make the right decisions? Review the 'business cycle' 	<ul style="list-style-type: none"> Shoe Repair in the capital area Carpentry in a rural town Piggery in the rural area and a Poultry Farm in a rural town 	<ul style="list-style-type: none"> Mathematics English Mathematics English English Mathematics

Scope and Sequence Chart for Small Business Studies

Topics	Book 1	Book 2	Book 3	
Unit 1	Introduction: <ul style="list-style-type: none"> * Definitions and Characteristics * Business & Economic Development * The 'Business Cycle' 	<ul style="list-style-type: none"> * Compare 'income saving' and 'income earning' activities * Survey and explain roles of businesses in the community * Study the 'Business Cycle' 	<ul style="list-style-type: none"> * Identify 2-3 'income saving' and 'income earning' activities * Research and prepare a chart of how the Basotho earn a living * Describe the importance of each phase in the 'business cycle' 	<ul style="list-style-type: none"> * Define 'Business' * Select productive' traits & skills needed for two business * Map the business community * Chart linkages among producers, input suppliers, & consumers
Unit 2	Research: What Will be Produced? <ul style="list-style-type: none"> * Skills Inventory * Raw Materials, Appropriate Technology & Equipment * Product Selection 	<ul style="list-style-type: none"> * Assess & describe 'productive' traits and skills of farmers, traders, builders, manufacturers & service providers * Conduct personal skills assessment * Discuss personal interests 	<ul style="list-style-type: none"> * Conduct self-assessment of skills and productive traits * Assess raw material & equipment needs and their sources * Draft steps & consideration of the 'business selection' process 	<ul style="list-style-type: none"> * Conduct self-assessment of skills & productive traits * Compare & contrast skills used in 4 local businesses * Identify raw materials and equipment used by 4 local businesses & their sources
Unit 3	Research: Know the Market <ul style="list-style-type: none"> * Market Survey * Community Growth & Product Demand * Location and the Business 	<ul style="list-style-type: none"> * Design and conduct a market survey for tomatoes and both ladies and girls dresses * Count the types and numbers of businesses in the community * Assess the effects of the business' location 	<ul style="list-style-type: none"> * Design and conduct a market survey for cheese and comics * Calculate the demand for these products using community growth predictions * Assess relationship of marketing costs & business location 	<ul style="list-style-type: none"> * Design & conduct a 'Market Survey' * Analyse the competition of two types of local businesses * Predict product demand using population growth forecasts * Assess importance and impact of location for 3 local businesses
Unit 4	Research: The Selling Price <ul style="list-style-type: none"> * Production Costs * Calculating Profits * Competition 	<ul style="list-style-type: none"> * List all production costs: rent, utilities, material & labour, etc. * Discuss business expectations & role of profits * Inventory 'selling price' of competitors and discuss findings 	<ul style="list-style-type: none"> * List all production costs of dress-making and egg production * Compare the 'selling prices' and profitability of the products if produced in various volumes 	<ul style="list-style-type: none"> * Calculate inputs & production costs for 3 products * Determine operating & marketing costs per month * Calculate profit mark-up & the "selling price"
Unit 5	Research: The Feasibility Study <ul style="list-style-type: none"> * Product Demand * Start-up Costs * Operating Costs * Access to Credit 	<ul style="list-style-type: none"> * Interview business owner to find out how the 'profitability' was determined * Calculate 'start-up' & monthly operating costs * Interview Banks, Co-ops, etc. 	<ul style="list-style-type: none"> * Identify 2 profitable businesses for that community * Draft a feasibility study with start-up & production costs, monthly operating costs, sales forecasts and profits 	<ul style="list-style-type: none"> * Conduct a study to determine the profitability of two local businesses * Calculate 'start-up' costs and demands for cash for these * Research loan requirements

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Unit 6

Planning the Small Business

- Permits & Licences
- Task Analysis & Roles
- Premise Needs & Costs
- Transport & Marketing

- Research Permits & Licences needed by 2 or more businesses
- Produce a chart showing all the steps needed to produce and sell a product and a service

- Chart the shoe production process showing all steps & skills needed to make & to market
- Conduct a business premise study to determine the feasibility of renting vs. building premises

- Investigate permit & licence laws for 2 businesses
- Produce production, marketing & sales chart for 2 businesses
- Draft 'terms of reference' for all employees needed

Unit 7

Starting the Small Business

- Sales: Cash vs Credit
- Contracts
- Product Promotion
- Business Reputation and Dependability

- Make chart of labels to attract children, adults, & the elderly
- Write two or three radio adverts
- Discuss with a local merchant various means of making sales
- Survey parents for what causes a business' good /bad reputation

- Interview 3 - 4 business owners about selling practices; cash vs. credit; contract sales; discounts
- Develop a promotion campaign for local cheeses & baby clothes
- Pilot-test the campaign slogans, radio messages and posters

- Draft a promotion campaign for dried fruit & wines
- Design and market-test product names and labels for these
- Identify positive reputation building practices by interviewing local consumers

Unit 8

Operating the Small Business

- Record Keeping
- Profit & Loss
- Management: Personnel, Inventory and Quality Control

- Visit a farmer, manufacturer & contractor to learn what is recorded & how
- Role play management 'styles' known by the pupils & discuss
- Describe the 'ideal' way to run a successful business

- Interview a farmer & a butcher to determine how they use records
- Visit a Bank and/or Credit Union & learn what a client is expected to record, why, and how
- Chart the 'shelf-life' of tomatoes, cabbage, meat and fresh fish

- Define and list all costs & expenditures required to calculate 'profit'
- Research what is recorded, how this is done & when for two local businesses
- Define 'management' and its impact on quality control

Unit 9

Assessing the Small Business

- Calculating Networth
- Analysis of Business
- Interpreting Data and Decision-making

- Review various reasons given for going into business and list what one needs to know to see if these reasons are being met
- Calculate the networth for a 6 month and 1 year period

- Calculate the 'networth' of the business after 6 months & 1 year
- Map sales trends & use the information to identify decisions to be taken by the business
- Suggest changes for the business

- Calculate the 'networth' of two business after 6 months & 1 year
- Map trends from sales information of two businesses and suggest decisions to be taken
- Design an expansion or diversification for 2 profitable businesses

from
WIDOW
to
WINNER

Six spades at M.12 each.
4 wheelbarrows at M.79 each.
2 hose pipes at M. 45 each.
2 block form makers at M.350
each. Will that be
all, madam?

No, I also
want 20 bags
of cement
delivered.

Right. That will be M5 per
bag plus M.1.50 each for delivery.
Will your husband be making
many cement
blocks, madam?

No, I am a widow, the blocks
are for me. I have been in
business ever since my
husband
died,
15 years
ago.

You must be a
very hardworking
woman,
madam.

The hard work has paid off.
I like being in business for
myself and I make good
money for myself and my
family. Now I am

going to make
cement blocks
at the back
of my shop.

Mrs Mathaha hired 4 young lads of 14 and 20 to work for her. They earned M.100 per month.



In the next 3 weeks she trained the lads how to make concrete blocks. Sam and Paul were clever and learnt quickly. John and Thabang were slow and made too many mistakes. Mrs Mathaha had Sam and Paul make the blocks while John and Thabang fetched sand from the river.



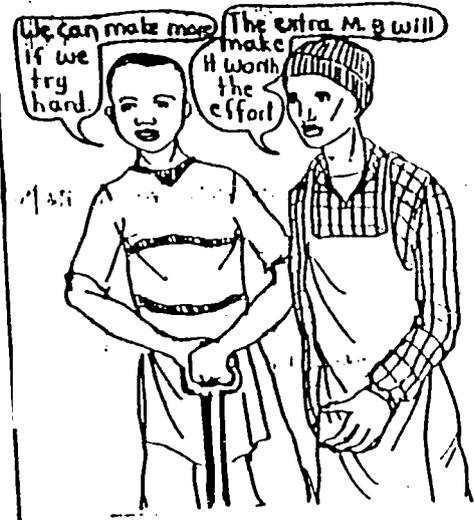
How many blocks have you made today?

I've made 120 this morning and can make another 80 this afternoon

I've already made 110 and can make 70 more this afternoon



That's very good lads, but I have a big order coming up and we need to increase production to 500 blocks a day. If you make 500 tomorrow, I will give you a M.5 bonus. Can you do it?



We can make more if we try hard.

The extra M. 5 will make it worth the effort!

Mrs Mathaha then went to talk to her daughter who was working on the accounts...

The lads say they can make 500 blocks a day, so we can deliver the 7000 blocks in two weeks time.

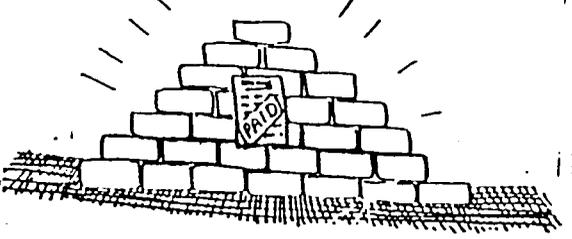
Good! Now let's look at the figures



25 kgs. of cement and 3 wheelbarrows of sand would make 14 blocks. Bags of cement cost M. 9.50 each but sand is free. Each block sells for M. 1.10. How many bags of cement will we need to make 7,000 blocks? How much will that cost? Let's see... The four lads' wages came to M. 440 per month but they will only spend two weeks on this order. However, they will receive a M. 10 bonus...



The order was ready and paid for. With the profits Mrs Mathaha bought more brick making equipment to make her business better. She also hired another lad to help keep up with the increased demand for her blocks.



We can really make a lot of blocks with this new equipment.

This way we make more bonus money too!

My workers are happy and business is booming!



Description of the Small Business Studies Supplementary Readers

I. Education and National Goals of Employment Generation:

The African continent is now faced with a potentially explosive situation: approximately 50% of the population is under the age of 21 years and will soon be entering the 'labour force'. In addition to these students and young people, many countries also carry a rising number of unemployed or underemployed persons. For many countries, the relative slow growth of the private sector and a pressing need to curb government expansion only aggravates this already serious situation. Hence, the majority of today's African youth face a world of tomorrow in which the need to become self-employed is increasingly a matter of survival.

Most African governments and donor agencies have placed **employment generation** among their national priorities. Growth and development of the private sector is recognized as a means to create employment. Growth of local manufacturing and production activities stimulates economic development. During the 1980's, vocational and technical education, together with what has been termed 'practical studies' policies and programmes emerged widely. With this, however, comes an increasingly apparent need to not only 'skills train' today's youth but to also equip them for the world of work: self-employment and small business development as their world dictates. Equipping them sufficiently for this world demands the inclusion of 'business studies'. They must learn basic elements of business planning and management if they are to survive. What good is it to learn how to knit a sweater if one does not also know how to calculate its production cost? And its selling price? The same can be said of most 'practical skills': from gardening to carpentry to cookery and to various construction and manufacturing skills.

In societies where population growth and modernization is rapidly occurring, the government, the private sector and donors are called upon to address this issue of 'business education'. In doing so, the design and production of relevant instructional materials and textbooks will be needed for both formal and non-formal learners. The Small Business Studies Supplementary Readers described here propose to fill such a need. Based on real-life adventures of small business owners - both their successes and their failures- these Small Business Studies Supplementary Readers present a complete 'entry level' business course while cross-correlating - or integrating- academic skills of existing mother tongue, English, Mathematics and Social Studies curricula. The Readers offer practical examples as well as innovative small business ideas through case studies taken from four (4) important sectors: agriculture; construction;

manufacturing; and services. The Readers have been designed to engage the learners with authentic small business problems to be solved and to create learning experiences that are plausible and relevant not only to the learners but to other people too.

II. Description of the Small Business Supplementary Readers:

Based on actual experiences of Basotho Small Business Owners and Entrepreneurs, the three (3) Small Business Studies Supplementary Readers present over 75 illustrated case studies which have been written as short stories, comic strips and dramas. The information for these stories and business histories were gathered through face-to-face interviews. The names and actual locations of the businesses have been changed to respect the owners' privacy. These case studies introduce **basic small business concepts** through their content and teach **fundamental small business skills** through the accompanying discussion guides, exercises and suggested activities. All of the exercises and suggested activities are based on existing Mathematics, English, and Social Studies curricula. All emphasize a practical approach to learning. As supplementary readers, the materials do not demand a change in the current educational time-table or class schedule.

a. Content:

Designed as an 'entry level' small business studies course, each reader contains approximately 25 case studies edited into 20 short stories, four dramas and one comic strip. The readers are written in English. Each case study is edited to present a basic small business concept and to teach specific small business skills (see section III). For example, the concept of 'income earning' versus 'income saving' would be brought out through the adventures and experiences of the character/s in the case study. Learning how to distinguish and compare an 'income earning' enterprise from 'income saving' activity would be included in the accompanying structured exercises and the suggested group or individual activities.

Vocabulary study together with essential learning skills are also included in the readers' design. Different modes of reasoning - logical deduction, analogy, induction so as to identify, decode or regroup information in order to problem solve, for example- is offered. Learning methods such as discovery, inquiry, application and transfer of skills as well as principles of self-reliance and self-confidence are emphasized.

b. Cross-correlation

The case studies encourage practical applications of skills taught in the subject areas of English, Sesotho, Mathematics and Social Studies. For example, when the skill of multiplication is being taught in Mathematics, reference to how certain business owner used multiplication calculations in his or her business can be made and cited problems solved. Referring to the case study, the pupils would use the multiplication skill to estimate production rates, production cost, raw material needs, etc.; Another example would have the English class, while learning how to write formal letters, write a letter to the Ministry of Trade and Industry to inquire about licensing procedures and regulations for the type of business presented in that specific case study. Helping pupils recognize real-life applications of basic academic skills has been proven as an effective technique to increase pupil learning.

c. Format

As a complete, basic small business studies course, the three (3) Small Business Studies Supplementary Readers contain increasingly more difficult concepts and skills. They are designed for group and/or individual study. It is a 'programmed' course which builds on a 'self-instructional material' design. The instructor uses the same material and is encouraged to enrich his or her own business knowledge through training courses offered and recommended readings. The Readers are to be purchased by individual learners. The three (3) texts are sequenced as Book 1, Book 2 and Book 3 to encourage their use in formal and non-formal education settings alike. End-of-unit tests are included to aid learning and to offer useful feedback to the instructor. The reading level of each Reader is also sequenced in terms of difficulty. Each SBSS Reader is approximately 130 pages of Narrow Crown size using cost-effective layout and graphic design elements so as to maintain an affordable unit price while not compromising readability.

III. Sample Small Business Studies Supplementary Reader:

Each Small Business Supplementary Reader is organized as a nine (9) unit course with each Reader presenting selected basic small business concepts and fundamental small business skills. Based on a carefully developed Scope and Sequence Chart for the Small Business Studies 3-part course, the concepts and skills are graduated in terms of difficulty. Some concepts and skills are repeated in differing ways for emphasis. The case studies which appear in each Reader are varied and different. The outline for Book 3 follows: