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**USAID/Morocco
Assessment of
Programming Options
for Microenterprise
Development**

**Report on Workshop
and Field Investigations**

GEMINI Technical Report No. 51b

GEMINI

GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS
7250 Woodmont Avenue, Suite 200, Bethesda, Maryland 20814

**DEVELOPMENT ALTERNATIVES, INC. • Michigan State University • ACCION International •
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USAID Morocco: Assessment of Programming Options for Microenterprise Development

Report on Workshop and Field Investigations

by

**Matthew Gamser, Team Leader
Housni El Ghazi
Sheila Reines
Steve Silcox
Katherine Stearns**

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PREFACE

The U.S. Agency for International Development in Morocco is considering options for future assistance to the microenterprise sector in Morocco. At present, USAID provides support through several projects to the small and medium enterprise sector, but there is no form of support for microenterprises.

To aid in its deliberations on opportunities for microenterprise support in Morocco, USAID commissioned the GEMINI (Growth and Equity through Microenterprise Investments and Institutions) project to assess the sector's present situation and to determine the relevance of assistance models for the Moroccan context. GEMINI provided a five-person team, which reviewed existing data, interviewed entrepreneurs and organizations working with microenterprises, and conducted a workshop October 27-28, 1992 to discuss its findings with USAID and Moroccan organizations and to brainstorm possible programming options (the team's Scope of Work appears in Annex D).

This assessment report contains a summary of the workshop proceedings, followed by the team's microenterprise data assessment, analysis of constraints to microenterprise growth, and an assessment of existing microenterprise services and of the institutions that provide them. Annex B provides more detail on the activities of artisanal cooperatives, potentially important players in any microenterprise program. Annex C makes some initial observations on the microenterprise community in Fès, a region of significant microenterprise activity that, to date, has seen little USAID activity.

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GLOSSARY

AMAPPE	Association Marocaine d'Appui à la Promotion de la Petite Entreprise
AMSED	Association Marocaine de Solidarité et Développement
BCP	Banque du Crédit Populaire
BMCE	Banque Marocaine du Commerce Extérieur
BMCI	Banque Marocaine pour le Commerce et l'Industrie
CEN	Caisse d'Epargne Nationale
CNCA	Caisse Nationale de Crédit Agricole
CNJA	Conseil National de la Jeunesse et de l'Avenir
COOPARTIM	Coopérative d'Artisanat Marocain
CPA	Centre de Perfectionnement des Artisans de Fès
CRS	Catholic Relief Services
ESPOD	Espace Point de Départ
FBCP	Fondation Banque Populaire pour la Création d'Entreprises
FES	Friedrich Ebert Stiftung
GOM	Government of Morocco
GPBM	Groupement Professionnel des Banques du Maroc
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation Agency)
IFAD	International Fund for Agricultural Development
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
MADI	Maghreb Développement Investissement
MASA	Ministry of Artisanat and Social Affairs
ME	Micro-enterprise
MSBA	Manhattan School of Business Administration
NED	New Enterprise Development
NGO	Non-Governmental Organization
ODECO	Office du Développement de la Coopération
OECD	Organization for Economic Cooperation and Development
OFPPT	Office de la Formation Professionnelle et la Promotion du Travail
OPEC	Organization of Petroleum Exporting Countries
PDPE	Project Development and Private Enterprise
PIACE	Programme d'Information et d'Assistance à la Création d'Entreprise

SCM	Société de Cautionnement Mutuelle
SME	Small and Medium Enterprises
SOCAMAF	Société de Cautionnement Mutuelle des Artisans de Fès
USAID	U.S. Agency for International Development

PART ONE

WORKSHOP SUMMARY

On October 27 and 28, the GEMINI team and the U.S. Agency for International Development hosted a workshop for A.I.D. staff and representatives from organizations interested in microenterprise development in Morocco. The purpose of the workshop was to present the initial findings of the GEMINI team during their five-week mission, share international experiences in microenterprise development, and discuss potential project designs for Morocco. In addition to USAID, more than 15 institutions participated including Ministry of Economic Affairs, Banque du Crédit Populaire (BCP), Caisse National du Crédit Agricole (CNCA), Catholic Relief Services (CRS), Conseil National de la Jeunesse et de l'Avenir (CNJA), the Association Marocaine d'Appui à la Promotion de Petite Entreprise (AMAPPE), and Maghreb Développement-Investissement (MADI).

OCTOBER 27, 1992

The major objectives of the workshop, as defined by Alexander Shapleigh, the USAID Private Enterprise Development Officer, were to determine whether A.I.D. should develop a microenterprise project for Morocco and how. The opening remarks of Abdel Aziz Bellout, the Advisor to the Prime Minister from the Ministry of Economic Affairs, stressed the high level of interest by the ministry in the potential project, and the need to coordinate efforts working with the microenterprise sector to forge isolated efforts into a global vision. Matthew Gamser, the GEMINI project Co-director and Morocco team leader, gave a brief overview of the GEMINI project, and described the purpose of the mission to Morocco.

Most of the morning of the first day was dedicated to a discussion of the composition of the microenterprise sector in Morocco and of the constraints facing that sector. Housni El Ghazi defined the sector as those enterprises with less than 10 employees, without accounting systems, and paying taxes through the *forfait* system. A recent study by the Ministry of Planning found that there are more than 245,000 such enterprises in Morocco. Of the enterprises studied, 77 percent had two employees or less, and 26 percent had used bank loans for financing. Most of the enterprises were in the Casablanca metropolitan area (33 percent), Fès/Meknes (12 percent), Rabat/Sale (10 percent), and Marakech (8 percent). The study did not include home-based economic activities carried out primarily by women or activities without a fixed locale; consequently, the number of enterprises was underestimated and the potential market for a microenterprise program in Morocco is far above the study estimate.

Steve Silcox presented the primary constraints facing the sector, the most important of which are in finance. Microentrepreneurs lack sources of financing for start-up capital, working capital, and fixed asset purchases, but working capital appears to be the most pervasive financial constraint. In general, start-up capital comes from the sale of family assets and loans from friends or relatives. Financing for working capital and fixed capital is usually from business profits, suppliers, or purchasers who pay in advance. Moneylenders do not appear to be a common source of business financing in Morocco, and institutional credit to the sector is limited by a lack of guarantees by the microenterprise sector, and a lack of bank interest in serving the financial needs of the sector. The principal nonfinancial constraints include regulatory inequities and a shortage of management and marketing skills.

Numerous institutions, both public and private, work with the microenterprise sector in Morocco, but most are limited in scope and none focuses on the needs of microenterprises. Sheila Reines described existing structures for organizing microentrepreneurs, such as cooperatives and sociétés de cautionnement mutuelles (SCMs), and institutions providing support to the sector. Two banks are involved in microenterprise lending, BCP and CNCA. Most financing is delivered by BCP through the SCMs, which are mutual guarantee associations promoted by BCP. SCM members as a group guarantee funds that enable them to borrow from BCP, though lacking individual guarantees. CNCA also has provided credit to rural microenterprises on a small scale, and is starting to lend to artisans in urban areas. No international private volunteer organizations (PVOs) or local nongovernmental organizations (NGOs) have experience in microenterprise credit, although Catholic Relief Services is starting a program that will be implemented by Moroccan NGOs. Several government institutions such as the Office de la Formation Professionnelle et la Promotion du Travail (OFPPT) provide vocational training to enable entry into trades and encourage business start-up, and one center in Fès provides skill upgrading; all focus on production skills, with little attention to management and marketing skills. Several programs provide technical assistance and financing, such as CNJA/Jeunes Promoteurs and MADI/AMAPPE, but most are focused on the creation of new businesses.

The discussion after the panel presentation focused on several issues:

1) **The definition of the microenterprise sector and of the target group for the project.** The difficulty in coming up with a precise definition of the microenterprise sector became apparent and was left unresolved to focus on the definition of the target group. After much discussion, however, the target group issue was also left unresolved. Participants acknowledged that the needs of very small businesses are not sufficiently addressed by any of the existing programs. Particular mention was made of the problem of including women who work out of their homes in assistance programs.

2) **New versus existing enterprises.** Several participants voiced the opinion that the creation of new enterprises is more important than the financing of existing enterprises, although others pointed out that there are already several institutions dedicated to the creation of new enterprises. The Jeunes Promoteurs program is specifically targeted at the creation of new businesses. Furthermore, the high risk involved in small business creation is a deterrent.

3) **Different strategies for different populations.** Throughout the discussion it became apparent that, depending on how the target group is defined, the project approach will differ dramatically. New enterprises have more and different needs than existing enterprises; enterprises with substantial machinery need a different type of financing than enterprises with low capital investment.

In the afternoon of the first day, the focus shifted to familiarize participants with the experience of microenterprise programs in other developing countries. Kathy Stearns presented the lessons learned in microenterprise finance by ACCION International in Latin America, and by USAID in its successful project in Egypt. ACCION has determined that, to have a significant impact, microenterprise credit programs need to become financially self-sufficient and reach a large number of microenterprises. Because the sector and its demand for credit are so large, and the impact of credit on each enterprise is small relative to the local economy, programs should strive to reach tens of thousands of entrepreneurs to have a significant impact. Only self-sufficient programs, with access to commercial financing, can operate at that scale over the long term. Programs need to charge interest rates high enough to cover all of their costs (rates above those charged by commercial banks), and follow the basic principles of microenterprise credit that programs around the world have applied successfully. The presentation concluded with a description of the institutional structure and accomplishments of the program in Egypt, and the ACCION program in Bolivia that recently founded a private bank, BANCOSOL.

The second afternoon presentation by Bill Grant addressed the needs of microenterprises on policy and regulatory issues. He described an approach to microenterprise development that addresses policy constraints directly. Strategies for changing policies must be developed with a thorough understanding of the power structure in a country, and an awareness of the different points of access that an NGO might be able to exploit. Furthermore, once policy has been formally changed, it may have no impact unless the new policy is widely publicized and implemented by the responsible institutions, which often have no interest in following through on policy changes. Mr. Grant then described several policy reform activities to encourage microenterprise development that have been carried out in other African countries.

Strategies for addressing the nonfinancial constraints of microenterprises were presented by Matthew Gamsler. He emphasized the costliness and inefficiency of many traditional approaches to nonfinancial assistance and proposed some basic guidelines for minimizing those weaknesses. Direct assistance to microentrepreneurs should not be provided on an individual basis because the impact of such assistance is too small relative to the cost. Instead, direct assistance should focus on constraints common to groups of enterprises and be provided in group settings. Secondly, assistance should focus on "points of leverage." For example, studies of subsectors in which there is high microenterprise activity, such as shoes or car parts, may reveal bottlenecks that constrain thousands of enterprises. If those bottlenecks are removed by working directly with large buyers or raw material suppliers, then large numbers of microenterprises could benefit. Mr. Gamsler provided examples of nonfinancial interventions in Peru and Indonesia that vastly improved opportunities for thousands of entrepreneurs in those countries.

OCTOBER 28, 1992

Although Day 1 consisted primarily of presentations by members of the GEMINI team, Day 2 provided an opportunity for participants to present their ideas on potential approaches for a microenterprise project in Morocco. Based on other international experience and preliminary findings from this mission in Morocco, the GEMINI team presented some proposed criteria for the development of the project, to serve as a guide for the participants to review and critique, and to develop their own criteria for a Moroccan project. The participants divided up into two groups, with one group analyzing the criteria for Target Group and Type of Implementing Institution, and the other group analyzing Financial and Nonfinancial Assistance.

The original criteria presented to the groups were as follows:

Target Group

- Less than 10 employees.
- Existing enterprises (not start-ups).
- Determined geographic zones of concentration.
- *Artisanat* and small commerce

Type of Implementing Institution

- Commitment to long-term self-sufficiency.
- Experience and capacity to implement a microenterprise support project.
- Commitment to the microenterprise sector.

Financial Assistance

- Provided on a self-sufficient basis.
- Interest rate should cover the costs of credit.
- Emphasis on short-term credit.
- Credit only to viable enterprises: those with the ability and motivation to repay and those with an adequate understanding of their enterprise.
- Credit analysis and delivery methodology appropriate for microenterprises — not classical bank methodologies.

Nonfinancial Assistance

- Focus on the most dynamic entrepreneurs.
- Deliver assistance to groups of enterprises.
- Focus on management and production.
- Ensure that participants pay some assistance costs.
- Take advantage of existing institutions and activities.

Using these criteria as a starting point, the groups worked for one hour to develop their own criteria, which were then presented in plenary. The original criteria were not unanimously supported in the ensuing plenary discussion, but there appeared to be a general consensus with the modified criteria.

Modified Target Group

- 10 employees or less is one indication, but must be considered with other business characteristics. A heavily capitalized business may have fewer employees but not be considered a microenterprise.
- The enterprise itself should not have to exist, but the activity must already exist. The entrepreneur may be starting a new business, but if it is an activity with which he/she is familiar, the project should be eligible for support.
- The project should focus on an economic region with a sufficient concentration of microenterprises to attain self-sufficiency.

Modified Type of Implementing Institution

- There could be more than one implementing institution.
- The implementing institution(s) should have experience with the target group and a commitment to serving that group.
- The institution(s) should be able to respond quickly to the project needs: be close to the zone of work, efficient, understand the services needed, and be capable of providing sufficient follow-up to assisted enterprises.
- If the program uses an existing institution, it should develop a pilot project (approximately two years) and then gear up to expand the project.

- If the program is implemented by new institution(s), a study should be carried out to determine the most appropriate legal and institution structure for project implementation.

Modified Financial Assistance

- Financial assistance should definitely cover its operational costs with earned income, but may not be able to cover the costs of capital until a later stage.
- Interest rates should be high enough to cover operational costs after a reasonable start-up period.
- Credit should focus on short-term loans, with the potential to include long-term loans as the project develops.
- The implementing institution should be capable of borrowing from commercial sources to finance its portfolio, and would probably need some kind of guarantee arrangement.
- A solidarity group methodology might be appropriate for borrowers without any collateral who want very small loans. A more individualized methodology could be used for borrowers having sufficient collateral.

Modified Nonfinancial Assistance

- Nonfinancial assistance should be as low cost as possible.
- It should focus on points of leverage to have the largest impact with each investment.
- Microentrepreneurs need basic accounting skills, and these should be included in training programs.
- Nonfinancial assistance needs vary depending on the size of the enterprise, and should not be the same for all participating businesses.
- Existing training and support institutions should be involved in nonfinancial assistance to take advantage of existing resources.

The time for discussion after the group presentations was limited. The most controversial issue that arose, however, was the choice of target group. Obviously, all of the criteria depend on the target group, and there was concern that the target group was not well enough defined to establish criteria. The principal concern was whether the same program could meet the needs of the smallest of existing microenterprises (that might need quick, short-term \$100-\$1000 loans and no training), the needs of larger enterprises with eight employees (that might need loans for the purchase or leasing of capital equipment), and the needs of new businesses (that might need extensive counselling and start-up financing).

The afternoon of Day 2 was dedicated to the analysis of different potential institutional structures for project implementation. The GEMINI team presented three basic models as examples of potential models. The participants divided into three groups and designed their own models, which were then presented in plenary and discussed. Participants were instructed to keep in mind the criteria established in the morning session to guide them in their model design.

Briefly, the models presented by the GEMINI team were:

- **CAMEL:** Assistance is provided by USAID to existing NGOs in Morocco that implement the project, with technical assistance to the Moroccan NGOs provided by a U.S. contractor or NGO.

- **PHOENIX:** A new nonprofit foundation is created to implement the project. The foundation receives technical assistance from a U.S. contractor (or private voluntary organization [PVO]) and borrows portfolio funds from local banks in which USAID establishes a guarantee fund.
- **JAGUAR:** A Moroccan bank implements the project with the assistance of a guarantee fund from USAID and technical assistance from a U.S. contractor or PVO.

Three groups of participants worked enthusiastically for one hour to design the model that they felt would be most appropriate for project implementation. Considerable creative energy was dedicated to this exercise. Many of the participants showed eagerness to be involved in the actual project implementation. As might be expected, the new models presented do not focus exclusively on the criteria, and were influenced by the interests of the institutions represented in each group. These models are presented below.

- **KITTEN:** This model basically follows the Jaguar model explained above. It suggests that a guarantee fund covering 50 percent of losses be deposited in the bank, and that a special advisory committee be created to monitor implementation by the bank. This committee would be composed of representatives of professional chambers, technicians from the bank, associations of microentrepreneurs, and organizations working with the microenterprise sector. Participating microentrepreneurs would be encouraged to deposit savings directly in the bank.

Questions and concerns raised about this model included:

- Would it give the bank sufficient incentive to lend aggressively to the microenterprise sector?
- What would be the composition and role of the advisory committee, and how effective could it be?
- **THE BEST CHOICE:** This model combines the CAMEL and PHOENIX models described above.¹ A new foundation called the Moroccan Credit Foundation (MCF) would be established to serve as the principal conduit for microenterprise credit delivery under the project. USAID/M would provide funds for a loan guarantee fund placed with the Moroccan bank working with MCF. In addition, a second and smaller window for microenterprise credit would be established through an international PVO or local NGO, which could enter into a cooperative agreement with USAID/M. This second window would permit funds to be either granted or loaned to local NGOs with particularly interesting credit programs, focusing in areas different from MCF's, such as rural areas. USAID/M would provide funds for initial start-up and operating costs for both the MCF and the second window. In addition, a private U.S. consulting firm or PVO would be contracted to provide technical assistance to both MCF and the PVO/NGO offering loans to local NGOs. Participating microentrepreneurs would be encouraged to deposit savings in the bank holding the guarantee fund.

¹ The title "The Best Choice" was given to the model by the group, and does not reflect the consensus of the workshop or the GEMINI team on the best model for project development.

Questions and concerns raised about this model included:

- Would it involve too many organizations, with "lots of Indians and no chiefs"?
 - Would the Moroccan Credit Foundation be a new entity or an extension of an existing organization? What would be its legal status? Its characteristics? How long would it take to become operational?
 - Would the U.S. contractor/PVO be capable of providing effective technical assistance to both the foundation and the U.S. NGO in Morocco?
- **NO NAME:** This model adds a set of NGO intermediaries to the PHOENIX model. With financial assistance from USAID and technical assistance from a U.S. contractor/NGO, a new Moroccan NGO is created. It capitalizes its portfolio by borrowing from banks with a USAID-capitalized guarantee fund. The bank also provides the new NGO with technical assistance in the operation of its loan program. The new Moroccan NGO lends to existing organizations (final intermediaries) that then lend to microentrepreneurs. These final intermediaries include NGOs as well as government organizations, financial institutions, and others that provide finance to microentrepreneurs. As these final intermediaries develop their capacity, they may be able to cut out the new Moroccan NGO, and borrow directly from the bank. Microentrepreneurs are encouraged to save through all participating financial institutions. This model is intended to encourage competition among a variety of institutions to provide financial services to microentrepreneurs.

Questions and concerns raised about this model included:

- Credit funds would flow from the bank to the Moroccan NGO to the final intermediaries to the microentrepreneurs. The many levels of intermediation would increase the cost of credit to the final borrower.
- How would the new Moroccan NGO be established, and how soon could it be operational?

The presentation and critique of the different models in the plenary generated enthusiastic participation. Unfortunately, because of time constraints, the discussion had to be limited. Although the discussion did not lead to consensus on any one model, it did identify issues and concerns that will need to be considered as the project design process continues.

CONCLUDING REMARKS

The Acting Mission Director of USAID, James Lowenthal, participated in the workshop closing by expressing USAID/Morocco's commitment to this project. This commitment has been fortified by the U.S. Congress, which has passed legislation urging A.I.D. to aggressively support microenterprise development activities. In his own concluding remarks, Alexander Shapleigh asserted that the questions he had posed at the beginning of the workshop were satisfactorily answered. The workshop proceedings indicated that USAID should definitely move forward with a microenterprise support project in Morocco. The workshop did not specifically define the type of project, but it did provide extensive input to guide the project development process. Matthew Gamser thanked the participants for their collaboration and closed the workshop.

PART TWO

MICROENTERPRISE DATA ASSESSMENT

EXECUTIVE SUMMARY

The purpose of this part of the report is to assess the existing data on the microenterprise sector in Morocco, in order to draw conclusions about its magnitude and characteristics. Using available statistics, surveys, reports, and other information, an attempt is made to distinguish microenterprises within the small and medium enterprise (SME) sector and to discuss their role in the larger economy.

Morocco has a long history of small artisanry and trade activity. The past 20 years have witnessed considerable growth of this sector in all parts of the country. The Department of Statistics of the Ministry of Planning estimates that there are over 245,000 enterprises in the non-structured sector (NSS) employing less than 10 persons in Morocco. They produce some DH31 billion of goods and services per year, and DH21 billion of value added. They employ more than 480,000 persons and comprise 87 percent of urban employment. These are impressive numbers, but the actual figures probably are much higher, as the government's study did not count businesses without separate, fixed premises. This omits travelling vendors and, more important, women entrepreneurs working out of their homes.

The major microenterprise activity is production (35 percent), followed by services (23 percent) and commerce (21.5 percent). The non-structured sector is strongly concentrated in certain subsectors, such as apparel (30 percent of manufacturers), food and tobacco (30 percent of traders) and transport (28 percent of services).

Casablanca is home to over 30 percent of the NSS, with the next greatest concentrations found in Rabat/Salé (12 percent) and Fès/Mèknes (7 percent). Fès/Mèknes enterprises contribute more value added than Rabat/Salé, because of the former's higher population of manufacturers.

The greatest labor demand is for semi-skilled workers who have received vocational training. However, most of those receiving technical degrees seek work in larger enterprises or in government.

Employment surveys do not reflect accurately the level of women's economic activities in urban areas, overestimating rural entrepreneurs and underestimating urban ones. According to the surveys, there are over 890,000 "active" and over 2,000,000 "inactive" urban women.

Most microenterprises are owner- or family-financed. Recent Government of Morocco efforts to promote savings have been successful, capturing an estimated DH17 billion in 1990-1991, with substantial amounts coming from rural microentrepreneurs.

CONCEPTUAL FRAMEWORK

HISTORICAL: GROWTH OF THE MICROENTERPRISE SECTOR

Morocco has a long history of small artisanry and trade activity, especially in the imperial cities of Rabat, Marrakech, Meknès, and Fès. However the past 20 years can be considered a time of considerable growth of the microenterprise sector in all parts of the country and in all subsectors of the economy.

The 1972-1977 period saw the launching of productive industries for import substitution in Morocco. The period coincided roughly with a rural exodus fueled by inefficient agricultural policies, which transferred underemployment from rural to urban areas. However, industrial policies did not foster growth of a modern sector adequate to absorb the surplus urban workforce.

Despite the weak pace of employment creation, unemployment was contained. The absorption of the urban labor surplus can be explained by a proliferation of informal enterprises in the early 1970s.¹ A swarm of underground production and mobile marketing activities sprung up, operating with little experience or organization. They provided job training, generated employment, increased the circulation of goods, services and cash, in the process creating parallel practices within the existing economic system.

This non-official economy helped promote a spirit of entrepreneurship throughout the country. A generally favorable official attitude toward business creation in Morocco has allowed this entrepreneurial spirit to develop, to a point where the performance of the Moroccan economy cannot be considered without taking into account the activities in the *medians* and small workshops.

MICROENTERPRISE IN A MOROCCAN CONTEXT

Artisanat and Informality

Microenterprise is a fairly new term in Morocco, used in a general way to refer to businesses in the *artisanat* or small trades (*petits métiers*).² The legislative definition of artisanat is based on level of technology: any activity that uses machinery of less than 10 horse-power. It dates from 1949 and is largely ignored, since even small-scale modern technology has rendered it obsolete.

Artisanal microenterprises are most often equated with informal enterprises. However, because most enterprises pay a basic business license tax (*patente*), the concept of informality refers less to lack of legal recognition than to the absence of documented administrative and accounting systems. In a

¹ Over 65 percent of existing informal enterprises (as defined by the Ministry of Plan, with less than nine employees and operating in a semistructured way) may have been created in this period.

² The *artisanat* includes decorative arts, small services such as plumbing and mechanics, and production businesses (*artisanat d'art, de service, and de production* respectively).

survey conducted by the Ministry of Plan, 67 percent of businesses with less than nine employees do not have a standardized accounting system; only 17 percent have a simple expenses/receipts system.

Consequently, transparency in operations and fiscal accountability are lacking. From a governmental standpoint, it is difficult to distinguish informal from formal businesses based on actual taxation (for example, the distinction is irrelevant in the rural sector, which is largely exempted from taxes). Lack of transparency and visibility also create difficulties in defining the artisanal sector in terms of production, sales, training, loans, savings, and so forth and, by extension, the real contribution to the economy.

An Attempt to Define Microenterprise

Existing studies consider microenterprises primarily as subsistence activities of the unemployed or uneducated and, as such, components of the informal sector. Yet as the preceding section indicates, many — but not all — microenterprises are engaged in informal activities.

The concept of "enterprise" implies a relatively organized activity. Yet it is difficult to quantitatively or qualitatively define the level of activity. For example, initially the Ministry of Plan defined informal businesses as having a *chiffre d'affaires* of less than DH100,000 per year; to their surprise, many of the businesses surpassed this limit, sometimes reaching DH1 million. Legitimacy of the business does not reflect the formality of the business activity, since the *patente* does not indicate the size or organization of the business. Taxation, likewise, does not provide an accurate indicator; more than 95 percent of businesses are localized and pay some form of taxes, but the estimated tax does not accurately reflect the volume of their activity.

On the other hand, the notion of "micro" clearly implies small scale, whether in terms of sales, number of employees, or both. The above-indicated complexity in defining the volume of business makes it easier to focus on number of employees. This is the most useful indicator of activity, especially combined with the absence of sophisticated technology (in other words, use of rudimentary equipment).

EXISTING SOURCES OF INFORMATION³

ERNST & YOUNG CONSTRAINTS ANALYSIS

In 1987, a study "Constraints and Opportunities in the SME Sector" was carried out by Ernst & Young for USAID/Morocco. The study used investment code definitions of SMEs, and did not differentiate small from medium enterprises in terms of size, assets, or other characteristics.

³ This section reviews studies that attempted to collect information on a countrywide basis. Salahdine and Ali Fejjal have investigated the microenterprise community in the Fès/Meknès region, and their observations have been utilized in other parts of the GEMINI assessment (see Constraints Analysis and Fès case study annex.)

Many of the constraints identified for the SME sector are similar to those that this GEMINI team identified, the same for microenterprises: difficulty in access to investment capital; low level of education; problems mastering administrative and legal procedures and complex financial-management systems; and intense fiscal pressures. Differences are primarily in scale, for example in loan size or level of training; needs of microenterprises are more modest. Access to support organizations and advocacy groups is especially limited for microenterprises.

One of the most interesting points raised by the study is the marginalization of small-scale entrepreneurs in the business-creation process (especially in the early stages), primarily because of cumbersome administrative procedures and scarcity of start-up capital. For example, the Ernst & Young study noted a dropout rate of 4.5 : 1 between businesses that register their names and ones that actually apply for business licenses.⁴ At later stages, for administrative, legal, and Social Security (CNSS) registration, the dropout rate is 2.6 : 1.

By and large, small operators seek SME status for investment code advantages and capital financing, which require incorporation and fairly sophisticated management systems. Legal requirements and other obstacles lead many entrepreneurs to stay in the informal sector, or to reduce their projects to a smaller scale and build up to a point where they are eligible for investment-code advantages. Or some may form a cooperative with colleagues in the same trade.

GEMINI STUDY OF THE INFORMAL SECTOR

The GEMINI study, "Maroc: Conception d'une Enquête pour une Etude du Secteur Informel" (November 1990), presents an evaluation of existing methodologies to study and document the informal sector. The report underlines the pitfalls in defining the informal sector in Morocco, because most economic activities are known to local authorities (and attempts, however rough, have been made to estimate and incorporate their contribution to the national economy).

The report attempts to identify gaps and weaknesses in existing studies. Transversal studies, such as the Ministry of Plan's annual urban household-employment surveys, underestimate activity, especially of women. Subsector studies done by the Ministry of Plan shed some light on the role of the informal sector, but their number has been limited (transport, informal housing, restaurants). Anthropological monographs have focused on individual small-scale businesses; they are mainly anecdotal and useful for understanding traditional systems of organization and behavior. However, their contribution to knowledge of the microenterprise sector is limited by the lack of quantifiable data.

These works, and studies such as the Ernst & Young constraints analysis, help explain informal-sector expansion and dynamics. However, gaps in the knowledge base led the team to recommend collection of additional data on women's economic activities and further study in selected subsectors to understand the role of the informal sector, simulations of enterprise creation to identify obstacles in the passage to the formal sector, and studies of informal finance systems and accounting methods of informal enterprises (both would help increase knowledge of how microenterprises operate).

⁴ A 1992 update of the study indicated a rate of 5 to 1.

DEPARTMENT OF STATISTICS STUDY OF THE INFORMAL SECTOR

A recent study by the Department of Statistics (DS) of the Ministry of Plan represents a first attempt to quantify the importance of the informal sector in Morocco. It is intended as a complement to the Ministry of Commerce and Industry's annual survey of industrial enterprises with more than 10 employees and with a sales volume over DH100,000 per year. However, the study is primarily an estimate of informal activity in a single year (1988) and does not reflect the sector's outstanding growth since then.

The study focused on urban enterprises with less than nine employees, operating in fixed premises and characterized by the absence of a standardized accounting system.⁵ Public sector enterprises were excluded, as were public works and construction, wholesale merchants, itinerant entrepreneurs, clandestine businesses, and home-based activities. Consequently, data from the study are used as the basis for quantitative description of the non-structured sector in the following sections, with the understanding that the full scope of microenterprise activity is actually much greater when groups excluded by the study — especially home-based women — are factored in.

CHARACTERISTICS OF THE NON-STRUCTURED SECTOR

CONTRIBUTIONS OF THE SECTOR TO THE ECONOMY

The DS study identified more than 245,000 businesses in the non-structured sector that met their criteria.⁶ In 1988, these enterprises contributed an estimated DH31 billion in production and DH21 billion in value added, representing 11.5 percent of GDP in that year.⁷ Investments in these businesses amounted to DH503 million. The sector employed more than 480,000 people full time, half of them self-employed.

⁵ In other words, taxed on a *forfait* or estimated basis (payment of the *patente* was not a critical factor, since this tax is paid by almost all localized businesses). Enterprises paying taxes based on net profits — the *Bénéfice Net Réel* (BNR) system — and incorporated businesses were excluded from the study, because they require standardized accounting systems.

⁶ Their criteria are fixed place of work, fewer than 10 employees, and sales volume over DH100,000 per year. As mentioned previously, this is only part of the microenterprise sector assessed by the GEMINI team. The DS study provides the best data source on microenterprises, but it is not a comprehensive source of information on this sector. For this reason the term "non-structured sector" is used in place of "microenterprise" in the following discussion of the DS data.

⁷ If all branches of the unofficial economy recognized by DS are included, contribution to GDP could be as high as 26 percent.

Income Generation

Comparison of the urban non-structured sector with the agricultural sector provides an idea of the income generated by the NSS. Based on analysis of DS data, gross value added per worker in the agricultural sector is estimated at DH12,874 a year. In most cases, this is considerably lower than the average contribution to value added of a worker in the urban NSS, which varies from city to city depending on the concentration of activity in the economic region: DH82,000 for Casablanca, DH31,741 for Rabat/Salé, DH18,516 for Fès, and DH13,225 for Marrakech.

However, the averages mask substantial variations in real income among owners, employees, and helpers.⁸ In reality, the monthly income earned by a partner-owner (*associé*) is about 27 times the earnings of an apprentice; that of a skilled worker (*exploitant*) is as much as 9 times as high. For example, the approximate monthly income in the urban NSS is DH5,052 for an *associé*, DH1,693 for an *exploitant*, DH801 for an unskilled worker (*ouvrier*), and DH184 for an apprentice.

Employment Generation

The NSS plays a critical role in absorbing the active population in Moroccan cities. In the early 1970s, the NSS accounted for 69 percent of urban employment, increasing to 76 percent in 1982 and 87 percent in 1988. If growth rates of urban employment in the non-structured sector continue to outstrip the structured sector at a similar pace (see Table 1), the NSS becomes even more critical to the Moroccan economy in the future.

TABLE 1
GROWTH RATE OF URBAN EMPLOYMENT,
STRUCTURED AND NON-STRUCTURED SECTORS

Annual Growth Rate	Structured Sector	Non-Structured Sector	Total Active Urban Population
1971-1982	3.30%	6.90%	5.90%
1982-1988	2.59%	7.15%	6/15%

Source: Ministry of Plan, Direction de Statistique.

However, 90 percent of the non-structured enterprises generate relatively low employment levels per enterprise, with a density of 1-3 persons including the owner (see Table 2). Thus, the impact of the sector on aggregate employment is based on creation of individual enterprises rather than jobs.

⁸ The averages represent aggregate added value divided by total NSS labor force.

TABLE 2

DISTRIBUTION OF MICROENTERPRISES BY NUMBER OF PERSONS EMPLOYED

# Persons Employed	% of Enterprises Surveyed by DS
1 person (owner/operator)	44%
2 persons	33%
3 persons	13%
4-9 persons	7%

Source: Ministry of Plan, Direction de Statistique.

SECTORAL AND REGIONAL DISTRIBUTION

Most activity in the informal sector is concentrated in production, followed by services and commerce. Of 1,431,250 recorded employees in the informal sector in 1982, 35 percent were in industry/*artisanat*, 23 percent were in services, and 21.5 percent were in commerce (see Table 2).

TABLE 3

SECTORAL DISTRIBUTION, ACTIVE POPULATION EMPLOYED IN THE NSS

Sectors	Farming Cattle	Mines/ Electricity	Industry/ Artisanat	Construc- tion(BTP)	Transport Communi-	Commerce	Services
# Employed	73,117	22,260	503,292	116,017	74,128	308,867	333,569
% Active Labor in Sub-Sector	75	75	73	58	70	88	89
% Urban NSS Employed	5.11	1.55	35.16	8.11	5.18	21.58	23.31

Source: Ministry of Plan, Direction de Statistique.

According to the survey, the NSS is strongly concentrated in certain subsectors. For example, 30 percent of NSS enterprises engaged in industry are concentrated in apparel (excluding shoes). In retail commerce, 30 percent are in food and tobacco. In the service sector, the greatest concentration is in transport of goods (28 percent), followed by housing/hotellerie (23 percent) and repair and services (19 percent).

Geographic distribution of activity generally parallels population density. Activities are concentrated in Casablanca, which accounts for over 30 percent of NSS enterprises in the industry, commerce, and services sectors. If the secondary cities are grouped into economic regions, the second-

largest concentration is in Rabat/Salé, closely followed by Fès/Meknès, and then Tetouan/Tanger and Marrakech. The weak concentration in the Marrakech region is caused by several factors — for example, isolation compared to other secondary cities that serve as transportation hubs. Also, the economy of the region depends heavily on tourism; authorities are trying to encourage industrial development to diversify the economic base.

Similar patterns are noted in geographic distribution in terms of contribution to the economy (see Table 4). A lower contribution to added value by Rabat/Salé (8 percent) compared with Fès (10 percent) can be explained by the importance of services and commerce. Rabat/Salé also accounts for a slightly lower level of sales volume than Fès.

TABLE 4
CONTRIBUTION TO THE ECONOMY (PERCENTAGE OF TOTAL NSS CONTRIBUTION)

	Number	Added Value	Employment	Sales
Casablanca	31	34	33	36
Rabat/Salé	12	8	12	10
Fès	7	10	11	10
Marrakech	5	6	5	4
Other	45	42	39	40
Total	100	100	100	100

Source: Ministry of Plan, Direction de Statistique.

Manufacturing industries are concentrated in Casablanca (see Table 5). This is not surprising, given Casablanca's population and its role as the country's center of industrial development. These factors combine to offer a considerable local market for goods and a source of possible subcontracts with big businesses.

TABLE 5
GEOGRAPHIC DISTRIBUTION OF NSS MANUFACTURING INDUSTRIES

Region	# of Businesses	% of Total
Greater Casablanca	14,413	32.79
Fès	5,426	12.35
Rabat/Salé	4,433	10.09
Marrakech	3,632	8.20
Tanger/Tetouan	(2,661)	(6.11)
Other	13,388	30.46
Total	43,953	100.00

Source: Ministry of Plan, Direction de Statistique.

The second-place position of Fès is not surprising, given the history of artisanal manufacturing activities, which have adapted in the face of modernization and survived. In the other secondary cities, especially Marrakech, activity arises primarily from new businesses involved in subcontracting arrangements with larger-scale industries in the modern sector.

Similar distribution patterns hold for services and commerce, except that in both areas, greater concentrations of activity are found in Rabat/Salé than in Fès (see Table 6). This variation can be attributed to a population density and the concentration of key consumer groups: civil servants and university students.

TABLE 6
GEOGRAPHIC DISTRIBUTION OF NSS SERVICE AND COMMERCE BUSINESSES

City	Services (%)	Commerce (%)
Greater Casablanca	31.40	31.00
Rabat/Salé	12.65	12.10
Marrakech	5.78	6.3
Fès	5.56	6.5
Meknès	5.00	6.4
Tetouan	4.84	5.8
Tanger	3.48	4.8
Other	31.29	27.0
Total	100.00	99.9

Source: Ministry of Plan, Direction de Statistique.

It is interesting to note virtually the same levels of activity among the three imperial cities, excluding Rabat, all of which focus on services and commerce related to tourism. Activity in the North (Tetouan and Tanger combined) is high compared to industry;⁹ most of the non-structured activities are concentrated in food, hotels, and tourism and in the considerable trade of smuggled products.

QUALIFICATIONS AND TRAINING

Analysis of labor needs in the Moroccan economy indicates that the greatest demand is for semiskilled workers who have received vocational training (*formation professionnelle*). Needs for such

⁹ This is somewhat surprising for Tanger, given the number of textile businesses in the free zone. The separation between the organized and non-structured sectors can be attributed to the high level of integration of the textile industry in the region, which is focused on export.

workers in all sectors average about 30 percent, but are highest in the *artisanat* (53 percent) and — not surprisingly — lowest in banking (5 percent).¹⁰

The higher the level of formal education, the less likely graduates are to look for work in the microenterprise sector. A *technician*, with a *baccalauréat* and two years of training from an institute of the Office de la Formation Professionnelle (OFPPT), is most likely to seek a job in government or industry to benefit from higher salaries, better working conditions, and access to technological innovations.

On-the-Job Training

The non-structured sector employs workers that in most cases have received little or no formal vocational training. Most training is provided on the job by the employer, primarily through apprenticeship arrangements. The average duration of apprenticeship varies according to the trade, for example, 4.6 years for textiles and 3-3.5 years for leather, construction, wood and metal.¹¹

Apprenticeship commonly is thought to be the province of the informal sector. However, the GEMINI team's investigations reveal a fairly structured system governed by laws regarding child labor, found in enterprises, cooperatives and training centers. According to the Ministry of Plan, trainees are considered as salaried workers in two categories: apprentices and family assistants (*aides familiaux*). Apprenticeship is considered an entry into the trade, and possibly the individual business for both relatives and non-relatives.¹²

Over the past decade, the number of apprentices has been falling (e.g., from 217,262 in 1982 to 185,681 in 1988, decreasing the share of employment in the NSS from 12.79 percent to 10.03 percent). This is largely due to educational reforms which have increased enrollment and decreased drop-out rates. The impact of these reforms is visible in the field, especially in small classes in Ministry of Artisanat and Social Affairs (MASA) training centers.

Institutional Training

In many cases, owners in the microenterprise sector have received entry-level training through OFPPT or other public institutions, usually at the lower levels (specialized or qualified workers, which require a primary or middle school education).¹³ In the past, vocational training was seen as a safety net for primary-school drop-outs; given current demands of the labor market, it is a realistic alternative to a university-preparatory track, and has been re-structured to offer effective preparation for

¹⁰ Conversely, the demand for *baccalauréat*-level graduates is about 46 percent in the banking sector and 5 percent for the *artisanat* (compared to 8.6 percent for industry).

¹¹ See Part Four, Institutional Analysis, for a description of the traditional apprenticeship system.

¹² The nonrelative may be treated like a member of the family, but there is a considerable difference in the average allowance paid to the family assistant (DH 380/month) and to the apprentice (DH 180/month).

¹³ See Part Four, Institutional Analysis, for a description of OFPPT.

employment. Training has been redesigned to meet market demands, and OFPPT has developed services to help graduates start businesses.

In the past four years, an average of about 44,000 trainees were graduated per year, about 70 percent from public-sector institutions.¹⁴ There has been a marked increase in the number of new professional and vocational training institutions registered with OFPPT, resulting in an additional 13,000 places for trainees. A total of 70,130 students are registered for the 1992-93 school year in the whole Formation Professionnelle network, mostly at the *technicien* level.

THE ROLE OF WOMEN

According to the household-employment survey of the Ministry of Plan, women are represented in most economic branches. In urban areas, about half of the active female population (47 percent) work in industry, especially textiles (35 percent). The second-highest concentration is in services (23 percent), mostly personnel and domestics (17.8 percent). Only 5 percent are represented in commerce. However, these figures do not reflect the scale of the enterprises in which women work.

An estimated 2,020,210 urban women are not employed in income-earning activities (DS, 1988), representing 20.4 percent of the total urban female population. But employment surveys conducted by the Ministry of Plan do not reflect accurately the level of women's economic activities in urban areas. This is because of a weakness in methodology: urban, home-based income-earning activities are considered hobbies, not occupations; however, the same activities are treated as occupations in rural areas. Thus, the surveys show a much higher activity rate among rural women. For example, in 1989, in the 25-44 age group, 57.8 percent of women in rural areas are considered economically active, versus 30.1 percent in urban areas;¹⁵ in the 45-59 age group, the gap is even higher (60 versus 16 percent).

To rectify this imbalance, ministry surveyors have attempted to estimate the larger active urban female population, by gathering information on all women's activities that contribute to household income on a regular basis. An estimated 890,350 women fall into this active urban category; an additional 92,184 women are considered part of a "marginal active population," which accounts for 4.5 percent of non-active urban females.

The difficulties encountered in measuring women's participation reflect a lack of research on women's economic activity (especially in the informal, microenterprise and SME sectors) in Morocco to date. Estimates for women's involvement in the NSS or microenterprise sectors depend on proxies (for example, trying to estimate the level of activity — especially home-based — based on numbers of women

¹⁴ Reform of the OFPPT system in the mid-1980s opened up development of private schools, whose share of the student population is increasing (for example, 36 percent of new registrations for 1992-93). Development of private schools has been slowed by the licensing process and constrained by the uneven quality of programs.

¹⁵ In the 1989 study, the greatest concentration of economically active urban women is in the 25-29 age group (37.3 percent). This might be surprising, given that the average age of marriage is 23.8 years (DS, 1989), and there is a documented tendency to leave school or jobs after marriage. The figures reflect changing economic needs, which necessitate women's continuing contribution to family income.

artisans registered with the MASA regional delegations, or the number of women banking through the BCP or CNCA).¹⁶

FINANCE

Investment and Credit

An estimated DH503 million has been invested in the enterprises identified in the DS survey. Over 60 percent is self-financed (see Table 7), which is logical, given that 90 percent of businesses in the NSS are sole proprietorships. Most self-financed investment, especially for start-up capital, is mobilized from savings or other personal resources (sale of land, gold, and so on).¹⁷ Bank financing (26.2 percent) is sought mainly for working capital, unless the borrower can collateralize the loan with hard guarantees (land, building, cattle) or the salary of an employed (usually civil servant) cosigner.¹⁸

TABLE 7
TYPES AND SOURCES OF FINANCING FOR ENTERPRISES IN THE NSS

Source of Funds	Amount (DH)	Percentage of Total
Self-Financing	52,093,000	62.51%
Bank Loans	21,868,000	26.2%
Third-Party Loans	8,799,000	10.6%
Other	588,000	0.7%
Total	83,348,000	100.0%

Source: Ministry of Plan, Direction de Statistique.

Capital invested in the artisanal sector in 1991 amounted to about DH46.6 million (an increase of 39 percent over 1990), contributing to creation of about 1,600 new jobs. Carpentry accounted for 17 percent of the total investment. Most loans to enterprises in the NSS are in the *artisanat*; the primary source is BCP, through its *Crédit Artisanal*. One-third of all loans nationally have been delivered through

¹⁶ Information on women's small-scale activities was collected as part of the USAID-funded baseline study for the CNCA women's credit program, through a survey of potential borrowers identified through savings and borrowing activities at CNCA branches (Davis, 1986). ESPOD is conducting a study of women-run enterprises that could generate valuable new information on this topic. Also, Diane Fallon's case studies of women entrepreneurs for the Chamber of Commerce, though covering a higher economic level of business than most microenterprises examined here, raise gender-specific issues relevant to the sector as a whole (this report's findings are referred to in the Constraints Analysis part).

¹⁷ An accurate breakdown of loans for start-up versus working capital is not available. However, the GEMINI team's field study indicates that banks generally favor loans for expansion over formation.

¹⁸ See Part Three, Constraints Analysis, for discussion of financial needs and strategies for mobilizing capital.

BCP-organized solidarity groups, SCMs.¹⁹ SCMs, however, cover a relatively small part of the artisanal population.²⁰

Most third party loans come from immediate family, other relatives, and close friends. Other sources of financing include supplier credit and prepayment.²¹ Informal moneylenders provide some credit, but the extent has not been determined. Charging over 50 percent per year (by conservative estimates), they provide credit to operators lacking guarantees or information about other sources of financing, and are a last resort in desperate situations.

Savings

In recent years, the government has tried to promote transfer of savings into the formal banking system, especially through BCP, CNCA, and Caisse d'Epargne Nationale (CEN). The process, referred to as *bancarisation*, is aimed at transferring wealth held in durable goods (gold and jewelry, carpets and wool, cattle, and land) into cash deposits in financial institutions.²² In order to compete with these traditional forms of savings, the institutions must offer advantages to home-based savings (for example, security and interest, although the latter is contrary to religious principles).

In response, BCP and CNCA have made efforts to expand their network of rural branches and decentralize operations.²³ Results of the *bancarisation* initiative have changed savings habits in rural areas tremendously, especially among traditional sectors of the population most active in the non-structured or microenterprise sectors. An estimated DH17 billion was captured by the three institutions in 1990-1991. To continue the process, the Groupement Professionnel des Banques Marocaines (GPBM) cites the need to open branches in more than 50 target zones.

CONCLUSION

Statistical studies and individual cases do not reflect the dynamics of the microenterprise sector, especially in adapting to changing conditions. Microenterprises face competition from the modern sector not only in markets but also in production methods and the technical and financial capacity of owners to respond to changes in market demand. The extent to which microenterprises can benefit from the synergy of collective efforts through formation of cooperatives or trade associations will help determine

¹⁹ See Part Four, Institutional Analysis, for discussion of SCMs and BCP.

²⁰ In Fès, for example, which has received about 30.5 percent of total BCP artisanal loans, the total population of artisans is estimated at 30,000; about 80 percent of the 1,000 loans have gone to SCM members (which currently number about 1,500).

²¹ See Part Three discussion on other forms of financing and on informal moneylenders.

²² The *bancarisation* process is intended to help inject "sleeping money" into the economy in order to finance the purchase of treasury bonds.

²³ The BCP, CNCA, and CEN networks are described in Part Four.

their success in maintaining their market share and survival. All these variables must be taken into consideration in designing development interventions to assist the microenterprise sector.

PART THREE

CONSTRAINTS TO MICROENTERPRISE GROWTH IN MOROCCO

EXECUTIVE SUMMARY

The principal constraint to microenterprise development in Morocco is a shortage of credit for working capital finance. The lack of sufficient collateral for this type of credit means that any program established to address this constraint should be based on noncollateralized lending practices. A second financial constraint is the limited sources of finance for the purchase of equipment that would increase productivity or improve product quality. Finance is currently available for new business ventures under the Jeunes Promoteurs program, but only a few programs exist to finance the short-term credit needs of existing microenterprises.

Other nonfinancial constraints to microenterprise development include a lack of knowledge of basic business skills such as accounting, marketing, and general management. Although a considerable number of programs exist to impart basic production skills and (to a lesser extent) to upgrade those skills, there is a lack of institutions providing training in basic business skills to existing microenterprises. In addition, the absence of effective advocacy groups to promote microenterprise development in policy and regulatory forums leads to inequities of treatment in these areas, particularly in tax treatment.

Constraints specific to women entrepreneurs, such as traditional attitudes toward women, legal limitations on creating a business without a husband's permission, and widespread illiteracy and limited educational opportunities for women, were mentioned in a previous USAID study of women-run enterprises. This was corroborated by key individuals providing services to enterprise development interviewed by the GEMINI team.

FINANCIAL CONSTRAINTS

The key financial constraint for microenterprises is the same as that for SMEs in Morocco — shortage of credit for working capital. Contrary to SMEs, however, microenterprises generally have few working assets or inventories that could be used as substitutes for collateral. Therefore, the Working Asset Liquidity Facility being developed by the NED project will not be of value to most microenterprises.

Like most microenterprises worldwide, Moroccan microenterprises require noncollateralized lending for the most part (except in the case of medium-term loans when machinery or other assets can serve as collateral). The experience of the Société de Cautionnement Mutuel des Artisans de Fès (SOCAMAF), a mutual guarantee society composed of 1,500 artisans, reveals that more than 75 percent of the loans for which it has provided guarantees are for less than DH20,000 and are for working capital with terms of one year or less. The experience of the SCM of artisans in Marrakech has been similar.

It is clear from previous studies performed for USAID and from interviews the GEMINI team conducted with artisanal and financial institutions that demand for microenterprise credit far outstrips supply. Although some innovative schemes have recently been developed, what is needed is a delivery system that can address effectively the credit needs of microenterprises in Morocco on a large scale. Discussions with Moroccan financial institutions revealed that their main reticence to provide credit to microenterprises was caused by the high transaction costs for these relatively small loans and the consequent low profitability to the banks. Various microenterprise credit programs funded by A.I.D. and other donors in other parts of the world have shown that properly designed credit programs can meet the needs of microenterprises and lower these transaction costs so that loans to this sector can be profitable to banks. Morocco has many positive elements in its banking and microenterprise support services that could lend support to a similar program here.

NONFINANCIAL CONSTRAINTS

MANAGERIAL AND BOOKKEEPING SKILLS

Visits to microenterprises and with persons who know the artisan sector well revealed a lack of managerial and bookkeeping skills among microenterprises. Most microentrepreneurs only do enough financial accounting (this is frequently done in their heads and not written down) to assure themselves that they are making a profit on their activities. Their ability to recognize and monitor variable and hidden costs is extremely limited. In fact, the government employs a tax system (the *forfait* and BNR — see previous section) that recognizes that small and microenterprises rarely keep good financial books. The implementation of that law can penalize microenterprises since the *forfait* system often does not recognize that cash flows for microenterprises can vary. Consequently, a microentrepreneur will sometimes have to pay a *forfait* tax based on last year's profits when current profits are down.

Managerial skills that permit a microenterprise to recognize and overcome constraints in their own businesses is limited. Most training for artisans has concentrated on production skills rather than general business skills. This has led to a situation where the products being fabricated or services being delivered are of good quality; but the ability of the microenterprise to plan for the future and to manage its inputs (raw materials, labor, and finance) is limited.

This is clearly an area for any project that assists microenterprise development to explore. A system of providing training and technical assistance to improve the general business skills of microentrepreneurs should be included in any project designed to assist in their development. Programs can be found in other parts of the world that are making good strides toward minimizing the subsidies required for this type of assistance. Any program to deliver this type of assistance should analyze those approaches for their adaptability to the Moroccan context.

MARKETING SKILLS AND DISTRIBUTION SYSTEM

Several persons familiar with the microenterprise sector identified both marketing skills and problems with the distribution system as potential areas for attention in a microenterprise development project.

The marketing-skills issue is easier to address than the distribution system. Although many of the artisans interviewed had a good market — in other words, had sufficient customers to keep them in business — they did not always have the wherewithal to recognize changes in the marketplace and to adapt to those changes. This ties in with the business skills training in the previous section and is typical of microenterprises in many parts of the world. Artisans tend to produce what they have always produced and are often slow to adapt to new demands.

On the issue of distribution systems, various stories were related to the team regarding perceived failures in marketing of the products of microenterprises and the artisanal sector. What was not clear, however, was how these failures could be effectively overcome. For example, some persons lamented the low price paid to artisans for their products vis-a-vis the middlemen who sell to export markets and retailers. Their suggestions for short-circuiting the established systems (through the formation of cooperatives or other marketing groups) did not always recognize the need for a thorough knowledge of the market and established linkages with the buyers, particularly for export markets. Although there may be some ways of improving the distribution and marketing systems for artisanal products, more research needs to be done on a subsector basis to determine which interventions have a good chance of succeeding and which interventions might cause more harm than good. In the same breath, it is important to note that the team saw some good examples of how artisans banding together into cooperatives have actually improved their ability to compete with larger established business within the domestic Moroccan market.

POLICY AND REGULATORY ENVIRONMENT

The policy environment for microenterprises in Morocco is generally favorable. The Government of Morocco has promoted a strong private sector for many years and recent government policies and initiatives to encourage small enterprise development should be of assistance to microenterprises as well.

The regulatory and tax environment is not as favorable and has produced some inconsistencies in the application of tax laws that can limit the profitability of microenterprises. For example, the system of estimating taxes on small businesses with limited financial accounting systems is prone to uneven assessments of business activity and to rent-seeking behavior on the part of individuals who perform these assessments. On the other hand, it is relatively easy to become registered as a business through the acquisition of a *numero de patente*. Consequently, there are relatively few unregistered microenterprises in Morocco.

The avenues for providing input on policy and, more importantly, regulatory reform are limited for microenterprises. Most trade associations are dominated by large enterprises. Even the Chamber of Artisans is viewed by many as being captive to larger artisanal enterprises. A number of Jeune Promoteur associations have been formed in the past two years and these could be potential forums for regulatory reform. The bias of these associations toward entrepreneurs with university or trade school education could limit this vehicle's potential for addressing the needs of existing microenterprises, however.

CONSTRAINTS TO WOMEN-RUN MICROENTERPRISES

This study relied substantially on the previous study by Dianne Fallon for USAID in 1990 regarding constraints for women-run businesses. That study found that women entrepreneurs did not cite any particular problems peculiar to women; rather, most women entrepreneurs interviewed cited the same problems as their male counterparts.

However, the same study revealed that the principal constraints to the growth of women-run enterprises were related to the societal attitudes toward the roles of women. Although these constraints affect all women, they tend to weigh more heavily on low-income, less-educated women. It was clear to the GEMINI team that training programs offered for females at low income levels and for those of limited education were typically in traditional activities for women such as sewing and clothesmaking. Furthermore, because women must usually continue to perform their duties at home, they find that their ability to spend sufficient time with their business is frequently limited. This is an important constraint on the growth of women-run enterprises.

On the other hand, a recently formed organization, Espace Point de Départ (ESPOD), was established to assist in the development of women-run enterprises. Its membership tends to come from the higher levels of society, however. Nevertheless, its formation and activities could help to promote the case for removing some of the constraints for women-run enterprises.

Two legal constraints cited in the Fallon report were the necessity for women to obtain their husband's permission to start a business and the effect of inheritance law in limiting the percentage of the family estate going to women.

PRINCIPAL FINANCE NEEDS OF MICROENTERPRISES

The financial needs of microenterprises include many of the same needs as those for larger enterprises. They require funds for start-up costs, for purchases of raw materials, to pay for labor, to cover overhead costs, and to pay licensing fees and taxes. However, microenterprises differ from larger enterprises in the smaller size of their finance needs and their limited access to formal sources of finance. Indeed, the limited size of their financial needs is often cited by financial institutions as a factor that limits the viability of credit to microenterprises, due to the comparative high transaction costs to process a small loan.

Some of the principal finance needs of microenterprises in Morocco are discussed below. They include start-up costs, short-term costs, and medium-term costs.

START-UP COSTS

The start-up costs of microenterprises vary according to the type of enterprise. One cost that is required of new businesses that require a location in urban areas close to markets are *fonds de commerce*, or a lump-sum payment of a substantial sum of money that represents the market demand for the business

location and serves, in effect, as a prepayment for the use of the space over a period of years. Rental payments are also charged, but they tend to be relatively modest compared to the *fonds de commerce*. One could equate the *fonds de commerce* to key money required by landlords when the return on their apartments is limited by local rent control measures. They also have the de facto effect similar to a long-term lease of ensuring the long-term occupancy of the business location. The amount of *fonds de commerce* can vary considerably according to the location of the business space with a direct relationship between the proximity to markets and the size of the payment.

The Jeunes Promoteurs program has provided finance to cover the *fonds de commerce*, but the size of the payment has required substantial amounts of credit for start-up businesses, which already have a high element of risk. The maximum size of loans for Jeunes Promoteurs has been increased from DH500,000 to DH1,000,000 to permit loan recipients to cover the costs of these payments.

On the other hand, microenterprises that do not require business space close to urban markets or that do not require a fixed place of business do not suffer from this constraint. One means of dealing with this problem by some localities has been the provision of space in local industrial parks for start-ups of businesses established by graduates of OFPPT institutes. They are not required to pay *fonds de commerce* for this space. This approach has limits, however, since all new businesses do not have equal access to these government-provided spaces.

Other start-up costs can include machinery and raw materials. Many microenterprises require only rudimentary tools and equipment. Much of the machinery used by microenterprises is made locally of very simple materials. Other microenterprises will often use innovative methods to convert a second-hand machine into another type of machine they can use for their business. For example, the GEMINI team inspected a machine used by a carpenter as a lathe that was fabricated using parts from a common sewing machine.

SHORT-TERM COSTS

The type of finance that is most commonly needed by microenterprises is *fonds de roulement* (operations costs or working capital). Most microenterprises have limited cash flow and must find a way to purchase raw materials or labor to produce their product or to provide a service (for example, wood to make a bed or table, a manufactured part to replace in an automobile, or funds to pay a temporary laborer). The need for finance for working capital is typical of most microenterprises worldwide. Discussions with microentrepreneurs in Morocco revealed that they were limited in expanding their operations because of a shortage of this type of finance. Other surveys and team interviews with financial institutions corroborated this finding.

The ways that these short-term costs are financed are varied and are discussed below. The key point to keep in mind, however, is that the limits on financing either raw materials or additional labor can limit the ability of microenterprises to grow and expand. For example, a carpenter who normally does only piece work on a small scale might receive an order to produce a large number of tables for a hotel. If he cannot find the funds to purchase the lumber or pay for the labor, he might lose the order to a larger business that can either self-finance the raw materials or has access to credit from formal financial institutions. Likewise, members of the plumbing cooperative in Marrakech cited their need to finance up-front labor and equipment costs for larger construction projects. Unless they can obtain finance for those costs, they will not be able to graduate into the more lucrative construction projects that they have the skills to perform.

MEDIUM-TERM COSTS

The principal medium-term costs of microenterprises involve machinery to increase the productivity of their employees or to improve the product produced. The comparative high cost of purchasing the higher technology required for this transition and the limited funds available from operations require that financing for this machinery be repaid over a longer period of time than raw materials and labor.

Whereas microenterprises are frequently successful in finding financing for short-term costs outside formal financial institutions, their ability to finance machinery over the medium term is limited. This tends to limit the ability of microenterprises to increase their productivity or product quality.

MICROENTERPRISE FINANCING METHODS

Moroccan microenterprises use a variety of methods to finance their various needs. This section reviews these methods and assesses their relative importance in terms of the current environment in Morocco.

SELF-FINANCE FROM OPERATIONS

This method is the key source of finance for existing businesses to replenish their raw materials. It serves as a major constraint on the expansion and growth of the business because it only allows the business to expand to the limit of the amount of raw material purchases that can be financed from sales receipts. If the business is operating at capacity, this constraint is less important. However, if demand is greater than current production levels and the business could increase its capacity, self-finance restricts the enterprise's ability to grow to meet that demand.

A recent study by the Department of Statistics revealed that self-financing represents about 63 percent in volume of all sources of finance of enterprises of nine persons or less.

SALE OF LAND OR PERSONAL PROPERTY

This is the most common method for financing the start-up costs of a small enterprise or microenterprise. In countries where banks are not always trusted as a safe repository for savings, personal property or land is the most common form of savings. In Morocco, as in other arab countries, a poor person will often purchase jewelry with savings that are readily converted to cash when a need arises. A previous study for USAID on the Regional Chambers of Commerce in Morocco provided case studies on a number of small enterprises and microenterprises, including 14 women-run enterprises. That study found this source of start-up financing to be prevalent.

LOANS FROM FAMILY MEMBERS OR FRIENDS

This is the second most common source of funds for financing enterprise start-up costs. This financing source is found in both industrialized countries and developing countries. The Department of Statistics study of enterprises of nine employees or less found that almost 11 percent of finance volume came from third parties.

SUPPLIER CREDIT

The study performed by Cary Raditz of Nathan Associates on a Working Asset Liquidity Facility as a preparatory study to the New Enterprise Development Project cited supplier credit as a source of working capital finance. That study stated: "Supplier credit frequently is buried in the cost of goods, but informants say that an implied rate of 5 percent per month is not unusual (60 percent per annum)." This was contrasted to an annualized rate of 36 percent per year in the United States. When microenterprises cannot afford to finance their working capital requirements from their own operations, they often resort to this form of credit. Further study is needed to determine the extent of the use of this form of finance by microenterprises.

CUSTOMER PREPAYMENT

This form of finance is another important source of working capital finance for microenterprises in Morocco. This is a cheap form of credit for microenterprises, but is generally tied to individual purchases of specific items. Its applicability tends to be found in certain types of enterprises where the producer is offering made-to-order or one-of-a-kind items or is working on the premises of the customer (such as construction or remodeling of housing). It tends to be impractical for large orders or for large construction contracts; in those cases, the common practice is to rely on the contractor or producer to finance his/her own working capital costs. This was one of the principal forms of finance for many of the microentrepreneurs interviewed by the GEMINI team.

INFORMAL MONEYLENDERS

The prevalence of this type of financing was difficult to ascertain within the time constraints of this consultancy. However, an article by M. Abdaimi in *L'Emploi Invisible au Maghreb* on informal finance in Morocco cited the case of an illicit moneylender in Imnatanout who was tried in the courts and had charged interest rates between 80 and 140 percent per year. None of the microentrepreneurs interviewed mentioned this form of finance. Although further study would be required to assess the extent of this form of finance, the impression received was that this source was not of great importance to microenterprises in Morocco.

FORMAL FINANCIAL INSTITUTIONS

Credit from banks accounts for 26 percent of finance for microenterprises (in total volume), according to the Department of Statistics study. The two banks that provide the bulk of financing to microenterprises are BCP and CNCA. BCP provided credit of approximately DH180 million to artisans in 1991, of which about one-third was lent using the SCMs to guarantee the loans. Of the DH180 million, only DH14 million were for long-term investment credits. Most of the credit provided by CNCA is for agricultural purposes. In recent years it has also provided some limited loans to artisans in rural areas; however, statistics on these loans were not available. In 1991, CNCA was reorganized and now has the authority to make loans to artisans in urban areas as well. CNCA initiated a pilot program in the Khemisset area to provide credit to women.

NONCONSTRAINTS

FINANCIAL

Start-up costs do not appear to be as important a constraint to microenterprise development as they are to SME development. This is due to the generally lower level of investment in plant and equipment by microenterprises. Microentrepreneurs are frequently inventive in converting space to use for their business activities. Consequently, the need for large sums to pay *fonds de commerce* is not as pressing for microenterprises.

OTHER

Inputs - Raw Materials and Labor

There do not appear to be any particular constraints on the availability of raw materials or labor (although a few industry-specific problems might exist). There are established distribution systems for accessing raw materials and the apprenticeship system seems to satisfy the demand for both skilled and unskilled labor.

Production Skills - Technical Expertise and Access to Technology

The level of technical expertise among artisans of all sectors is good. The constant flow of Moroccan workers between Morocco and Europe has helped to keep Moroccan technology up-to-date. However, specific microenterprises visited demonstrated a need to upgrade machinery to either improve worker productivity or to improve the quality of a product. These machines are readily accessible in Morocco and their acquisition is more a question of the availability of finance than one of lack of technical expertise. Considerable public and private institutions already exist to supplement the apprenticeship system. These provide vocational training to young people and training to upgrade skills of existing microentrepreneurs. The team visited a number of training centers tied to either OFPPT or MAAS, which appear to be providing relatively sound training.

CONCLUSION

The key constraint for microenterprises in Morocco is the shortage of short-term credit for working capital expenses. This limits the ability of microenterprises to grow and expand. Some programs and institutions exist to fill this need, but their penetration is limited and there is considerably more demand than supply.

The other key constraints are the low level of business and marketing skills of many microentrepreneurs. These skills need to be addressed to develop the internal capacity of microenterprises to better manage their resources. There may also be some potential for developing better and more beneficial marketing arrangements in specific subsectors, but more study is required on this issue.

Finally, some efforts are needed to improve the regulatory climate for microenterprises in Morocco. The types of organizations that could serve as advocacy groups for microenterprises are extremely limited. Considerable research would be required to address this issue and support for institutions that could perform this function would be needed.

PART FOUR:
INSTITUTIONAL ANALYSIS:
AN ASSESSMENT OF ORGANIZATIONS AND INITIATIVES TO
PROMOTE MICROENTERPRISE DEVELOPMENT IN MOROCCO

SUMMARY

This report describes the organization of the microenterprise sector, identifies and assesses organizations assisting the sector, and analyzes gaps in support for microenterprise development. It focuses on the artisanal sector, in which most microenterprises operate.

In the past, the artisanal sector was organized through a guild and an apprenticeship system. Apprenticeship has survived, providing good entry-level training and cheap labor. The guilds have disappeared, depriving small artisans of a means to defend their interests or increase efficiency. In recent years, new structures have been introduced to reorganize the sector, including small service cooperatives. SCMs, which enable members without assets to secure loans, have been formed with assistance from BCP.

Only two banks, BCP and CNCA, are active in microenterprise lending. In 1991, BCP provided DH180 million in credit to artisans, one-third through SCMs. On a limited basis, CNCA has expanded from lending to farmers to providing credit to artisans in rural and urban areas. Some of its programs have specialized in credit for rural women. Credit for business start-up is provided by several banks through the Jeune Promoteur program, which tends to favor SMEs. Financial assistance provided through donors, international PVOs, and NGOs traditionally has been through grants.

Numerous programs provide entry-level vocational training, including MASA and OFPPT. The Centre de Perfectionnement des Artisans provides one of the only programs for upgrading skills. A few programs provide technical assistance, almost all geared toward Jeunes Promoteurs. There is no strategy for microenterprise promotion and there are no advocacy groups to represent the interests of the sector to policy makers.

A wide range of activities supports microenterprises, but they meet the needs of a limited number of entrepreneurs. Most financial services reach small enterprises rather than microenterprises, except for BCP and CNCA. Both subsidize interest rates, which constrains expansion of lending. Most training is focused on production skills, and excludes business-skills training and upgrading for existing entrepreneurs. Management assistance focuses on new businesses, leaving gaps in help for ongoing management, technology, and marketing.

The Chambers of Commerce and Artisanat tend to represent larger businesses, but have potential to support microenterprises. PVOs and NGOs have the best capacity to reach marginalized groups, but have little experience with microenterprise assistance and no experience with microcredit in Morocco. All agencies are constrained by staff shortages for labor-intensive organizing activities. None of the programs are financially self-sustaining in their present form, which is based on grants, subsidized loans, or free services.

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INTRODUCTION

The purpose of this part of the report is to identify and assess assistance currently being provided to microentrepreneurs. We first describe the organization of the microenterprise sector. The next section covers institutions providing services to the sector, and the final section analyzes gaps in support for microenterprise development.

Reflecting the orientation of the GEMINI team's field work, the report focuses on the artisanal sector, in which most microenterprises operate. As defined by MASA, the sector includes *artisanat d'art* (traditional crafts and decorative arts), *artisanat de production* (for example, bakeries, shoemaking), and *artisanat de services* (such as auto repair, plumbing, and taxis). Small scale and low level of technology distinguish artisanal from industrial activities.

ORGANIZATION OF THE MICROENTERPRISE SECTOR

TRADITIONAL INSTITUTIONS

Historically, behavior in artisanal trades was highly organized. Supervision of economic activity was in the hands of an officially appointed provost (*mohasseb*), who set professional standards for the trades ranging from weights and measures to quality control. In modern times, the position has lost its power; the *mohasseb* is now a local government official responsible mainly for price monitoring.

Individual trades were organized through a guild system that provided mechanisms for regulation, mediation, and advocacy. Each guild was headed by an *amine*, elected by the membership and approved by the *mohasseb*. The *amine* mediated disputes among members, as well as between artisans and clients. He served as an intermediary between the guild and authorities, to protect members and procure work on public projects.

Guild membership, based on the approval of the *amine*, conferred the sole legitimate right to exercise a trade. The system was highly selective and stifled competition. The guild system began to break down during the French Protectorate, which opened the trades and reduced the power of the *amines*, who now serve as honorary representatives and judges in disputes between artisans and clients.

Initial entry into the trades was regulated by an apprenticeship system. Study under a master craftsman (*maallem*) lasts from six months to 10 years, depending on the complexity of the craft. Children begin by observing and are paid a small allowance; they gradually learn the craft until they become qualified, salaried workers (*sanaa*). The *maallem* sometimes funds the *sanaa*'s start-up of a shop, in return for producing until the debt has been repaid (the practice is disappearing).

Unlike the guilds, apprenticeship has survived, continuing to provide good training and cheap labor. Universal education has shrunk the candidate pool; *maallem* have increased payments, making apprenticeship more attractive to the poor. Proponents of the system credit it with teaching professional behavior as well as production skills. Critics consider the system exploitative in cases where the *maallem* prolongs the relationship to retain labor.

MODERN ORGANIZATIONS

Lasting changes in the trades were effected by mechanization, need for new skills, loss of markets because of preference for industrial goods, and competition from *commerçants* investing in production. These contributed to the disappearance of the guild system, which deprived small artisans of a collective means to defend interests or increase efficiency. In the past decades, new structures have been introduced to help reorganize the artisanal sector.

Cooperatives

Cooperatives, which require a minimum of 12 members, can help create economies of scale in purchasing, production, and marketing. They benefit from tax advantages, protect members from fluctuations in the labor market, and provide access to larger jobs. The 88-member Coopérative des Zeligeurs de Fès (mosaic coop) was started in 1958 and now works nationwide; it trains 150 apprentices per year and subcontracts with up to 5,000 artisans. Some new groups, such as the Marrakech plumbers cooperative, are having trouble getting large jobs, lacking references and up-front capital.

Groups can serve as springboards for new activities; they tend to be sector specific but diversify activities, usually from buying to production. For example, mechanics in Fès began the Coopérative de l'Ere Nouvelle by buying spare parts together, but plan to open a garage. Cooperatives also can serve as catalysts in forming new entities, as members leave to form small production units on their own — the case with tanners' cooperatives in Fès and Marrakech, or large cooperatives subdivide (for example, the Fès mosaic cooperative is considering breaking into smaller groups by neighborhood).

Through the 1970s, most cooperatives were organized by government and heavily subsidized; large groups were encouraged (tanners' cooperatives, with over 500 members, have become semi-industrial). The top-down, large-scale approach led to high failure rates. A new generation of small, member-initiated entities is emerging, notably service cooperatives in new sectors (mechanics, plumbers). The most promising have a core of committed members; dynamic officers or advisors who know the business; and careful growth strategies, including reinvestment of profits and determination of increases in membership based on current management capacity.

Assistance to cooperatives is coordinated by the Office de Développement de la Coopération (ODECO). The office provides advice and training focused on legal and organizational procedures, but its resources are limited.¹ Most assistance is the responsibility of the sponsoring ministry. For artisanal cooperatives, this is MASA, which has a *service de cooperative* in each regional delegation. The *service* provides technical advice, accounting, and management assistance through visits or staff placements (in Fès, 60 MASA officers are seconded to cooperatives). Most staff are technical experts and do not have skills in group organizing, business, or marketing.

¹ For many years, the German NGO Friedrich Ebert Stiftung actively supported cooperative development, but program priorities have been reoriented recently to SME promotion and women in development.

Associations

Associations in Morocco are mostly social, cultural, or charity organizations; the few based on economic affiliation have little involvement with microenterprises. Professional and trade associations exist, but their membership tends to represent large enterprises. Networking and resource-sharing groups are being formed by recipients of Jeune Promoteur loans, such as the 300-member Moroccan Association of Young Promoters, but these groups serve new, mostly small and medium enterprises. Newly formed regional development associations such as the Société des Etudes et Développement de Fès (SED-Fès)² and Association Taounate-Ouardzagh are oriented toward larger-scale activities.

At the artisanal level, some organizations of trades have been formed with Chambre d'Artisanat and MASA assistance.³ Artisanal associations are intended to provide meeting points, disseminate information, and act as intermediaries with authorities. Five have been started in Fès focusing on the trades with most members, including shoemaking and silversmithing; there are three or four in Marrakech including an Association d'Assistance d'Artisans. According to MASA personnel, like most Moroccan associations these groups fill mainly social roles at present, providing a forum for discussion; they are young and not very active at this stage.⁴

Sociétés de Cautionnement Mutuelles

SCMs provide a way for microenterprises without assets to secure loans. In 1983, the Banque Populaire began to encourage artisans to organize SCMs, to provide mutual guarantees for members seeking a BCP artisanal loan. The guarantee fund is capitalized by membership shares and enforced savings representing 1.5 percent of the loan amount. Membership is decided by the SCM board of directors, based on the soundness of candidate's character and business; thus the SCMs serve as a screening mechanism for the banks.

Eighteen SCMs have been established over the past seven years: 5 in the transport sector (taxis and trucking), 3 for commercial fishing, and 10 in the *artisanat*. Collectively, they include more than 10,000 members and have guaranteed more than DH200 million in loans since inception (nearly DH62 million in 1991).

The artisanal SCMs include multisectoral and trade-specific groups (for example, hairdressers, taxi drivers). The multisectoral groups tend to be large; for example, SOCAMAF has more than 1,500 members. As the numbers become larger, organizers are thinking about subdividing along sectoral lines (leather, wood, textile, and construction trades).

² Actually a *société anonyme* created by local investors to conduct market studies, create an industrial zone, and finance new businesses.

³ International PVOs such as Catholic Relief Services are supporting development of associations in the larger context of local NGO promotion, but not specifically small professional groupings.

⁴ Lack of a spirit of voluntarism and reluctance to share information have been cited as factors that constrain effectiveness and sustainability of associations in Morocco (Fallon, 1990).

BCP provides organization and financial assistance, with technical support from MASA and the Chambre d'Artisanat. BCP staff resources include a four-person bureau at the Banque Centrale and three people in each branch where there are SCMs. The regional teams do the accounting and administration, rather than training members to carry out these functions.

Unités de Production

Production units are more suited to entrepreneurs interested in smaller, less interdependent structures than cooperatives. Cooperatives seem to be an incubator for production units; in Fès and Marrakech, about 40-50 units have been formed by members of tanners' cooperatives over several decades.

Production units can benefit from investment code advantages if they are incorporated, but the complicated legal form usually does not make sense for very small operations.⁵ By virtue of their organization, production units tend to be on the threshold of the SME sector. MASA does not actively promote formation of *unités de production*, which are supported by a host of other actors including the Ministry of Commerce and Industry, Chambre de Commerce et Industrie, and *collectivités locales*. Their needs are more likely to be met by the New Enterprise Development Project than a microenterprise assistance effort.

INSTITUTIONS SUPPORTING MICROENTERPRISE DEVELOPMENT

A varied group of organizations is assisting microenterprises in overcoming obstacles through provision of credit, training, and technical assistance. Almost all assistance is provided by government agencies or parastatals; NGO support is just beginning. The following sections describe programs noted by the GEMINI team.

FINANCIAL ASSISTANCE

Banks

Representatives of commercial banks in Morocco, as in most countries, showed little interest in small-scale lending, perceiving such loans as management intensive and risky. If financial services reach

⁵ Artisans usually designate family members as shareholders. Expansion of activities is limited by articles of incorporation (Ernst & Young, 1989; 14).

the lowest end of the spectrum, they tend to favor small enterprise, not microenterprises.⁶ At present only two banks provide credit to microenterprises at significant levels, BCP and CNCA.

BCP is composed of local credit union-type branches managed and coordinated by a central, government-supported infrastructure. BCP has a national network of 245 branches, and 21 regional bureaus that represent the main bank in Casablanca. Other Moroccan affiliates provide trade finance, real estate finance, training, and other nonfinancial services.

The bank's private funds come mostly from local deposits and deposits by Moroccans living overseas. BCP is affiliated with a number of banks overseas, mainly in Europe and Africa, to serve as repositories for remittances from Moroccans working abroad. At the end of 1991, BCP had nearly DH32 billion in deposits, two-thirds from overseas remittances.

BCP has a headquarters division dedicated to financing SMEs and artisans; historically, its activities were oriented toward SMEs, but in the past seven to eight years there has been more of an effort to focus on the artisanal sector, especially through creation of SCMs. In 1991, the BCP provided DH180 million in credit to artisans; a third was delivered through SCMs. The percentage outside of Casablanca/Rabat is much higher; representatives of the Marrakech and Fès BCP branches estimated that about 80 percent of their artisanal credit was given with SCM guarantees. Interest rates on artisanal loans are heavily subsidized: 5 percent for short term, 7 percent for medium term, and 11 percent for long term. Although this policy will lead to decapitalization of the artisan loan fund, BCP is likely to continue providing resources for the program, which helps fulfill its socioeconomic development mandate.

CNCA is a development bank focused on rural areas. At the end of 1991, CNCA's liabilities included DH8.3 billion in loans from donors including the World Bank, KfW, IFAD, and ADB. By the same time, CNCA had disbursed DH4.9 million in loans (over half short term), and had taken in DH2.71 billion in deposits. Recently, the bank has been reorganized to extend its scope of operations and activities. Its network consists of a Rabat headquarters and 119 local branches, 50 regional branches, 73 deposit branches, and 156 seasonal outlets with mobile units.

CNCA has an estimated 600,000 small borrowers, mostly for agricultural activities. It has provided a limited number of loans to rural artisans in the past, and is starting to expand to urban areas on a limited basis (for example, four projects over six months in Marrakech). Interest rates on artisanal credit vary from 8-12 percent, depending on duration, which is the same for all CNCA loans.

Since 1987, the CNCA has been providing credit to rural women through a pilot project in the Khemisset region. An estimated 90 percent of the clients are illiterate; the program is designed to meet the needs of a nontraditional clientele. Young women are trained as field agents to assist with loan applications; 90 percent of project costs (versus the usual 70 percent) are funded and guarantees are accepted through solidarity groups. By the end of 1991, 1,719 loans had been made totalling DH5,585,000; most have been for rug production, agriculture, and housing. Savings is an important

⁶ Even in SME lending programs, credit tends to go to larger enterprises. Until recently, credit for SMEs (especially medium- and long-term) was virtually monopolized by the Banque Nationale pour le Développement Economique (BNDE), which managed World Bank SME lines of credit and headed a coordinating committee for SME lending. In the 1980s, activity showed a decrease in the number of loans and an increase in individual loan amounts (Ernst & Young, 1989; 31), leading BNDE in effect to withdraw from SME lending.

aspect of the project; by the end of 1991, DH2,119,836 in deposits had been collected. The project is supported by a two-woman unit in Rabat. There are plans to expand the project to other regions in 1993.

Although not involved in lending, the Caisse d'Epargne Nationale (CEN) captures small-scale savings through the postal system. As of 1991, the system had 616,060 accounts representing DH1.9 billion. Over 60 percent of depositors are employed workers, civil servants, and students; farmers and *commerçants* account for less than 10 percent. Women account for about 25 percent of depositors. Discussions with CEN headquarters staff indicated lack of interest in lending.

Credit has been available through several banks, since 1989, to university and vocational-school graduates under the age of 40 starting their own businesses. Under the *Crédit Jeune Promoteur* program, government provides 65 percent of the loan amount, banks 25 percent, and the applicant 10 percent. Maximum loan amounts have just been raised from DH500,000 to DH1,000,000. The program was designed to assist vocational school graduates through tax benefits and other incentives (law 16/87); to date only 38 percent of the 3,180 loans have gone to this group. Thus the program has been oriented toward start-ups in professional services and the SME sector.

Donors, International PVOs, and Local NGOs

There is little donor support for microenterprise financial assistance. Donors, like PVOs, traditionally have provided grants for income-generating activities (with the exception of development banks).⁷ For example, the Canada Fund for Local Initiatives supports women's groups, cooperatives, and active associations, funding 12-15 projects per year (average grant size of \$10,000).

In Morocco, as in other countries, NGOs succeed in reaching women, youth, rural populations, and other marginalized groups. However, there is relatively little international PVO and local NGO activity in Morocco. Catholic Relief Services is perhaps most active in economic development activities. It supports projects to apply nontraditional vocational training, and provides grants and business-skills training to associations involved in income-generating activities, for example an oil-milling cooperative and a women's catering group.

No organizations have credit programs at present, but lending does not seem to be prohibited to local NGOs. Statutes allow nonprofit associations to manage funds and charge fees for services as long as profits go to the association, not to members.⁸ With official encouragement of NGOs, it is likely that local groups will increase in number and focus more on economic development and credit.

CRS is the only international PVO with plans to start a microcredit program, targeted to begin in 1993. It is aimed at developing the capacity of Moroccan NGOs by granting funds for them to lend; loans of \$50-500 will be provided to very small operators. A newly formed NGO, l'Association Marocaine de Solidarité et Développement (AMSED), will help existing NGOs implement their lending programs. This is an experimental activity for CRS/Morocco, which, like the rest of the local PVO/NGO community, lacks experience in microcredit programs.

⁷ Donors supporting development banks, such as the World Bank and KfW, may not provide grants but their funding makes subsidies to borrowers possible.

⁸ See "Les Possibilités d'Autofinancement des Associations au Maroc" (p. 19) by Ahmed Ghazali, prepared for AMAPPE by the Friedrich Ebert Foundation (May, 1992).

Maghreb Développement-Investissement was created with the help of the Paris-based Société d'Investissement pour le Développement International, as a venture-capital corporation to assist small enterprises. It is subscribed by BCP, three French organizations, and private sources. MADI is a minority shareholder in about 15 projects in diverse sectors (for example, tourism, agribusiness, carpentry). It guarantees loans and provides assistance in planning and management. Investments have ranged from DH3,000 to DH200,000; about 75 percent are new business start-ups. MADI tries to minimize risks by maximizing numbers of businesses assisted, but its level of activity is limited by staff size.

NONFINANCIAL SUPPORT

Training and Technical Assistance

A number of informal and formal education programs provide vocational training at all levels. The apprenticeship system and cooperatives train illiterate and minimally educated entrants to the trades. Ministries including the Ministry of Youth and Sports and MASA run semistructured education programs.

MASA provides entry-level vocational training through Centres de Formation Professionnelle (CPF), often attached to the regional artisanal complexes. In Fès, training is based on the traditional apprenticeship system; master artisans receive free work space in return for taking on students. Duration of training varies depending on the craft; numbers of students are small (50-60 per year in all trades). In Marrakech, training has been formalized into a two-year intensive course leading to certification; larger numbers are trained. In all cases, graduates are eligible for a Jeune Promoteur loan.

In addition to providing training, MASA assists new and established entrepreneurs through cooperative development, loan preparation, and marketing; it also gives free space to a limited number of master artisans, which provides a shelter for dying crafts. MASA works closely with BCP on artisanal credit programs through BCP branches established in the artisanal complexes.

OFPPT coordinates vocational training and delivers training in service and industrial trades. All OFPPT programs are two years and lead to certification as a technician (requires a *baccalauréat*), qualified worker (requires middle-school certificate), or specialized worker (requires primary-school education). Most graduates go into paid employment, but some start businesses after several years (in Marrakech, 12 percent of graduates have done this since 1988). OFPPT provides a maximum contribution of DH5,000 toward the start-up of graduates' businesses. Specialized workers, who have the most concrete skills, seem to start businesses soonest after graduation.

To prepare graduates for self-employment, OFPPT recently began to integrate business training and technical assistance into vocational training. A 72-hour SME module has been included in all curricula, which covers management, accounting, and how to start a business or cooperative. Each institute has a *cellule de la promotion de l'emploi*, which helps graduates prepare studies and loan applications, provides on-site follow-up, and assists in marketing (for example, facilitating subcontracts with large factories).

There are few options for established entrepreneurs to upgrade skills. One is the Centre de Perfectionnement des Artisans de Fès (CPA) run by the Chambre d'Artisanat. The CPA was created in 1987 with German financial and technical support. It offers three-week night courses and one-week courses for trainees from outside of Fès in soldering, woodworking, and auto mechanics. It charges

token fees and covers expenses for out-of-town trainees. CPA has trained about 850 artisans to date; many take several courses. Training is practical, based on locally available equipment. Staff try to build on links developed through training (for example, to help create cooperatives), and devote considerable time to on-site follow-up. Courses do not include management, reflecting a general lack of basic business-skills training for entrepreneurs.

The Chambres d'Artisanat in theory serve as catalysts for organizing the trades and providing support services through divisions for training, assistance in enterprise creation, cooperative development, and marketing. Programs in each region depend on the dynamism of officers. In Fès, the Chamber has undertaken an ambitious program with the assistance of GTZ and the Frankfurt Chamber of Commerce, including creation of the CPA and a census of artisans preparatory to moving polluting trades (such as tanning outside the medina). However, both the Chambres d'Artisanat and the Chambers of Commerce tend to be representational more than operational; most artisans interviewed cited MASA rather than the Chambre d'Artisanat as their source of assistance.

Technical assistance independent of training institutions is almost all geared toward business creation, and focused on young promoters and other clients who are likely to start SMEs. The programs described below are interesting inasmuch as they represent different models or structures for service delivery.

The Fondation Banque Populaire pour la Création d'Entreprises (FBCP) represents an attempt by a bank to provide technical assistance in business planning and start-up. It was created in July 1992, mainly to assist Jeunes Promoteurs and Moroccan workers returning from abroad (whose activities are more likely to be small scale rather than microenterprises). FBCP is based in Casablanca and funded by regional BCP branches; fees are not charged for services. It has an eight-person staff of commercial, legal, and financial experts who have handled about 15 dossiers to date (and plan to work with about 40 per year).

In response to a growing workload, MADI created a separate entity to provide preliminary technical assistance and training to its clients. The Association Marocaine d'Appui à la Promotion de la Petite Entreprise (AMAPPE) is an NGO founded in 1991 to contact new clients, help with market and feasibility studies, and provide training; services are gratis. This year, AMAPPE began to offer weekend seminars in accounting and bank credit for new and established entrepreneurs (most have less than 10 employees). About 20 courses are planned over two years, each for 10-15 participants. They are funded by Friedrich Ebert Stiftung, which provides institutional development assistance to AMAPPE. Like MADI, AMAPPE has a small staff and limited outreach capacity.

Private business represents a virtually untapped resource for assistance. The GEMINI team encountered one example of how large businesses might help microenterprises: C3M, a Casablanca machine-tool company, began by giving technical and management advice to customers as part of after-sales service; since 1988, referrals from the Jeune Promoteur program have increased to a point where the company has created a three-person assistance cell. C3M has helped over 500 Jeunes Promoteurs with the hope — but not a guarantee — of future sales. Services are free, financed from the company's profits. Staff assists in identifying and planning business activities, preparing bank applications, and helping move paperwork through banking and administrative channels.

There are almost no technical assistance services available to established entrepreneurs at the smallest level. The Ministry of Commerce and Industry has an advisory project in El Kelâa Srahna, about 80 kilometers from Marrakech. It is funded by the United Nations Development Programme, but serves agriculturally oriented SMEs in a small rural area.

Marketing Assistance

Little marketing assistance is provided to microentrepreneurs, although some organizations have tried to build on mechanisms that help overcome marketing constraints. Wholesaling can enable individual producers to gain access to large national and international markets (which especially affects women involved in carpet production). Constraints in the system have been cited, including unfair price-fixing; however, when systems break down, small producers can be hurt the most (disrupted circuits of carpet export to Germany, resulting in reduced outlets for women's production, was given as an example by MASA staff). Subcontracting enables small producers in traditional and modern trades to sell production and services through large firms, especially in the garment and shoe industries.

The Chambre d'Artisanat and MASA have tried to give producers more control over wholesaling through creation of Cooperatives d'Artisanat Marocain (COOPARTIM) — marketing cooperatives that are given free space by local government or MASA and run with the help of MASA staff. COOPARTIM, like state-run marketing cooperatives elsewhere, have not met with great success. They are an outlet of last resort for poorer artisans who cannot afford to sell on consignment. However, COOPARTIMs are seen to serve another function, as a place where artisans can meet and see new styles or models. MASA also has given a few artisans access to the tourist market through provision of space in the artisanal complexes. But most efforts have been concentrated on facilitating linkages with exporters, especially for carpets, which represent 70 percent of COOPARTIM exports. Some efforts have been made in non-traditional areas, for example through creation of an association of architects to access contracts in the Middle East. The Chambre d'Artisanat develops contacts through national and international fairs, but these vehicles are more appropriate to larger enterprises.

Access to Technology

Moroccan entrepreneurs show innovative ability to adapt machinery to meet their needs. However, in cases where mechanization of simple tasks could help improve productivity, microentrepreneurs may not be aware of simple, low-cost equipment; materials; or technologies.⁹

There do not seem to be any organized channels for disseminating information on simple technologies, although isolated examples of direct assistance were encountered. For example, the MASA Regional Delegate in Marrakech cited the case of working with the Ministry of Agriculture on planting trials to provide a local alternative to supplies of Brazilian wood. In the private sector, C3M provides advice on machinery. To help small operators overcome problems caused by defective used machinery, the company has begun reconditioning used machinery and providing service after sales.

⁹ In Fès, the team encountered examples of met and unmet needs. A carpentry shop was using a low-cost lathe adapted from a sewing machine by a Casablanca firm. Weavers cited needs for mechanized spinners to replace the adapted bicycle wheel currently used, but did not know about alternatives to large machines.

POLICY AND REGULATORY REFORM

There is no articulated strategy for microenterprise promotion and the sector has no voice — especially in the private sector — to represent its interests to decision makers in addressing policy and regulatory constraints. Actions are taken on an ad hoc basis; for example, the *collectivité locale* in Marrakech set aside plots in a new industrial zone for OFPPT graduates, to provide access to space that did not require key money. On the other hand, planning of the move of artisans in Fès seems to be proceeding with little input from small-scale representatives of the involved subsectors. The Chambres d'Artisanat and Commerce are supposed to play a consultative role, but political interests orient the organizations toward bigger businesses.

One entity plays a policy reform and coordination role, but is focused on youth. The Conseil National de la Jeunesse et de l'Avenir is a national commission formed to address problems of unemployment among young graduates. It supports research and development of a policy agenda and action plan to integrate youth into the economy. CNJA brings together government, trade associations, private enterprise, youth groups, and educational institutions to focus on issues such as rural employment.

CNJA's work has led to measures to help young entrepreneurs start businesses, such as increasing the ceiling of the Jeune Promoteur loans and development of a Programme d'Information et d'Assistance à la Création d'Entreprise (PIACE). PIACE is designed to help promoters identify projects, prepare dossiers for funding, and get them through the banking system. It is a recent creation, intended to reach Jeunes Promoteurs through CNJA staff moved from Rabat into the regions. CNJA illustrates a process of resource mobilization for one national priority that could be applied to other issues.

GAPS IN MICROENTERPRISE SUPPORT

Compared with indications at the outset of its mission, the GEMINI team discovered a wider range of activities in support of microenterprise development than expected. Fieldwork uncovered diverse actions being carried out by ministries, NGOs, banks, and even private enterprises, especially to organize artisans and assist them in overcoming operational problems.

However, the efforts made meet the needs of a very limited number of entrepreneurs. Most programs are small and implemented in isolation, limiting impact in terms of numbers of entrepreneurs served. The structure of programs also constrains the potential for impact over time, because programs are not sustainable on the basis of fees for service, and assistance to groups is not based on capacity building. The following sections highlight strengths and weaknesses of existing services and key institutional issues.

STRENGTHS AND WEAKNESSES IN EXISTING SUPPORT

Financial Services

Relatively few institutional financial services serve the lowest end of the business spectrum; they tend to reach small enterprises rather than microenterprises, with two exceptions. BCP and CNCA have

mandates to serve the "smallest of the small," and extensive networks that enable them to do so. Both have made efforts to adapt procedures to meet the needs of nontraditional borrowers, reflected in BCP's artisanal credit program and CNCA's rural women's credit program.

However, both banks have a sociopolitical mission that translates into subsidized interest rates. This policy has two negative effects. First, it constrains the expansion of the banks' own microenterprise lending initiatives. Second, it reinforces the negative image of microcredit in the eyes of the commercial banks, which are not interested in small loans with high transaction costs (not to mention income drains).

Like the commercial banks, BCP and CNCA are guided by a prevailing mind-set that equates microcredit with charity (or subsidized interest). A first step in changing this mind-set may have been taken during the GEMINI workshop, by presenting experience in other parts of the world where programs charging above-market rates achieved high repayment rates and self-sufficiency within a few years. This news seemed especially interesting to BCP, which lost its tax-free status several years ago and may start scrutinizing the viability of its socially oriented programs more rigorously.

Training

Most nonfinancial assistance is focused on meeting training needs, primarily in production skills. There is an excellent network of vocational training institutions in Morocco. However, as in most countries, business skills tend to be excluded from curricula, effectively preparing graduates for paid employment rather than self-employment. Aside from short seminars connected to advisory programs such as AMAPPE, there do not seem to be any training programs dedicated to basic, practical training in how to run a business.¹⁰

Efforts have been concentrated on entry-level training; there are few opportunities for established entrepreneurs to upgrade either production or business skills. Needs are being met on a limited basis by the Centres de Perfectionnement des Artisans, which focus on production skills. However, the CPA in Fès cannot effectively serve a whole country, even with the addition of another center in Casablanca. And since it charges symbolic fees, it is not clear how programs will be maintained after donor support ends.

Creation of new institutions is not necessarily the solution. Given Morocco's network of technical training centers, courses could be developed and run in existing facilities (for example the OFFPT institutes) during evenings and vacations.

Technical Assistance

Most technical assistance has been directed toward organization of enterprise groups: cooperatives and SCMs and to a lesser extent associations and production units. The little management assistance provided to microenterprises is heavily focused on new business creation. Most services are targeted at Jeunes Promoteurs, a group more likely to start in or graduate into the SME sector. The

¹⁰ In marked contrast to the recent proliferation of private business administration schools.

services offered to new entrepreneurs focus on business planning, leaving gaps in assistance with ongoing management, access to technology, and marketing.¹¹

Little assistance is available for marketing in general, but less help is provided for selling services than for products. Aside from ad hoc efforts by OFPPT and MASA, there are no programs in place to facilitate linkages between large and smaller businesses (although it is not clear that the answers to microenterprises marketing problems lie in institutional solutions). For example, the UNDP-funded Bourse Nationale de Sous-Traitance designed to develop subcontracting arrangements does not deal with microenterprises in its limited operations.

Policy and Regulatory Reform

The absence of a formal public sector advocate may be a mixed blessing: although there is no central entity to promote and protect the interests of microenterprises, there also is no strong controlling force. The lack of an intermediary to serve as a voice for microenterprises in policy dialogue may be more detrimental, depriving the sector of a mechanism for coordinating — as well as leveraging — assistance efforts. An effective intermediary might be provided through groups of donors, ministries, and NGOs, or a consultative committee.

The biggest gap is at the community level; no associations of entrepreneurs can effectively assume an advocacy role. Cooperatives, artisan associations, or SCMs represent embryonic advocacy groups, but they need help in organizational development if they are to function effectively in this capacity.

KEY INSTITUTIONAL ISSUES

Government Versus Nongovernment Agencies

MASA is the public agency most involved in microenterprise support. Although the ministry does not have a national microenterprise assistance strategy, regional delegations try to take a strategic approach to assistance by encouraging groupings that might best help artisans overcome problems. And, MASA has used its regional delegations strategically as centers for service delivery, for example, housing BCP branches in the artisanal complexes.

The political will to support private sector and SME development is strong, but public sector institutions are not the most effective providers of assistance. Civil servants assisting businesses usually do not have business backgrounds and skills; this is reflected in the lack of entrepreneurship training in MASA and, to a lesser degree, OFPPT programs, and in the inability to provide effective marketing assistance. For example, the COOPARTIMs run by the Chambre d'Artisanat and MASA have a lackluster record. But, at present, how effective are Moroccan nongovernmental agencies in assisting microenterprises?

The Chamber of Artisanat and the Chamber of Commerce are quasi-governmental agencies that are highly political and tend to represent the interests of larger enterprises (especially the Chambers of

¹¹ Diane Fallon cited information on foreign markets, the local economy, and modern technologies as the nonfinancial needs most often identified by entrepreneurs she interviewed.

Commerce). Decentralization of both systems has been cited as a means for energizing the Chambers.¹² In the meantime, the Chambers of Artisanat exhibit potential to move from representational to operational roles as microenterprise support agencies. For example, the Chamber of Artisanat is the primary source of training for established entrepreneurs, through sponsorship of the Centres de Perfectionnement in Fès and Casablanca.

PVOs and NGOs have the best potential outreach capacity and organizing approaches; they work with the most marginalized groups in both rural and urban areas. International PVOs like CRS and AMIDEAST have a long history in Morocco, and are strong in their knowledge of the country. However, their experience has been with traditional grant programs. In Morocco, international PVOs and local NGOs alike have little experience with small enterprise assistance and no experience with microcredit.

Local associations — especially based on economic development — are a relatively new phenomenon in Morocco. They will need technical assistance in organizational development, microenterprise development, and microcredit before they can provide services to entrepreneurs effectively. The NGO community also could be strengthened by a coordinating mechanism to mobilize technical assistance, training, and financial resources.

Staffing Constraints: A Shared Problem

A preponderance of assistance focuses on organization, which is highly labor intensive. In most cases, the scope of activity is restrained, a function of the lack of staff resources of the assisting agency. For example, innovative programs like MADI and AMAPPE — which eventually could increase their attention to smaller enterprises and expansions — are severely constrained by staff shortages that limit prospects for extensive impact.

Both of the banks involved in microenterprise lending suffer staff shortages for programs to organize and assist nontraditional borrowers. Although SCMs have enabled BCP to reach clients without traditional guarantees, they cover only a small percentage of microenterprises. SCM development has been limited by the high cost of organizing the groups, partly due to the lack of personnel with organizing skills.¹³ More — and appropriately-trained — staff is needed; as one bank official pointed out, the people working on SCM development are bankers, not cooperative agents or community organizers. Ministries face the same problems; ODECO and MASA agents helping develop cooperatives and associations are technicians, not organizers or trainers.

Prospects for Sustainability

None of the programs reviewed by the team is financially self-sustaining in its present form. Financial assistance is provided through grants and heavily subsidized loans; technical assistance and

¹² Creation of regional Chambers has proceeded more rapidly with the Commerce network; recently there has been an increase in the pace of establishing regional Artisanal Chambers.

¹³ However, given BCP's lack of organizing experience and the long time frame needed for effective group-building, the pace of development has been respectable, and in fact far outstrips the BCP's original target to create one SCM every four years.

training programs charge token payments or no fees at all. Sustainability thus depends on political will rather than fees for services, which could dissolve if criteria of viability are introduced in times of economic hardship.

Also, many programs directly assisting microenterprise groups do not provide the skills transfer needed to ensure organizational sustainability.¹⁴ For example, BCP officers working with SCMs, and MASA agents seconded to cooperatives, manage rather than provide management training. This approach is an inefficient use of staff resources and does not contribute to capacity building. If agents trained SCM or cooperative officers in bookkeeping, rather than keeping the books, each might be able to work with more groups. More importantly, they would help create the capability of groups to manage their affairs, leading to eventual self-sufficiency.

¹⁴ This tends to be more true of programs sponsored by government and parastatal agencies than of PVOs and NGOs, illustrated by the efforts of CRS to provide business skills training to associations.

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ANNEX A
WORK PROGRAM AND CONTACTS

ANNEX A

WORK PROGRAM AND CONTACTS

SUMMARY OF ACTIVITIES
GEMINI TEAM
September 28 - October 30, 1992

Monday, September 28

Team meeting:

Alexander Shapleigh, USAID Private Enterprise Officer, PDPE

Jamal Dadi, USAID Project Specialist, PDPE

Team briefings:

Jim Lowenthal, USAID Acting Mission Director

Abdelaziz Bellout, Chargé de Mission auprès le Premier Ministre
Ministère des Affaires Economiques

Attend ESPOD conference opening
Discuss work plan, review available documentation

Tuesday, September 29

Catholic Relief Services:

Michael R. Wiest, Country Representative
Sandra Wark, Promotor of Private Initiatives Program
Driss Moumane, Water and Health Program
Mohamed Salahdine, Development Support Fund Program

Discussion with representatives of Moroccan NGOs attending CRS training program.

Wednesday, September 30

Groupement Professionel des Banques du Maroc (GPBM):

Mohamed Azzedine Berrada, Délégué Général
Badia Bakkali, Director
Khoudry Driss, Chargé de Mission

Banque Centrale Populaire:

Asma Bellamine, Director of Enterprise Development

Chambre d'Artisanat de Casablanca:

Hadj Brahim El Houb, President and adjoints

Manhattan School of Business Administration (MSBA):

Maammar El-Mansari, Director

Thursday, October 1

Amideast: Sue Buret, Director

Peace Corps: Darcy Neill, Director

MADI/AMAPPE: Ait Haddout, President (MADI)
Laurent Chevrel, Chargé de Mission (MADI)
Mohamed Belquas, Chargé de Mission (AMAPPE)
Anne Chevrel, Chargé de Mission (AMAPPE)

Team Meeting (work plan)

Friday, October 2

First Weekly De-Briefing with USAID:

Richard Burns, Chief, PDPE
Alexander Shapleigh
Jamal Dadi
Criss Juilliard, Private Sector Advisor
Susan Riley, Project Development Officer
Kamal Sebti, Development Program Specialist

Team Meeting (work plan, workshop planning)

Saturday, October 3

Review documents

Monday, October 5

Caisse Nationale de Crédit Agricole (CNCA):

Noha Oubahamou, Directeur de la Délégation des Engagements
Nadia Boukhrissi, Responsable de la Cellule des Jeunes Promoteurs et Lauréats

Ministère de l'Artisanat:

Mohamed Amine Ben Abdullah, Directeur de l'Artisanat
Mohamed Jaa, Responsable de la Division Sociale et Economique

USAID Financial Sector Reform/Loan Guarantee Fund Project:

Alain De Maynadier, Inter American Management Consulting Corp.
Michel Margueron, First Washington Associates

Direction de la Planification de la Formation Professionnelle:

Mohamed Salhi, Chief of Organization and Development Division
Mounia Achour, Organization and Development

Ministry of Foreign Affairs and International Cooperation:

Souraya Othmani, Director of Women in Development/NGO cell

Tuesday, October 6

BMCI:

Mohamed Nour-Eddine Mrini, Ingénieur-Conseil, Chef du Département des Etudes Industrielles

BMCE:

Brahim El Amiri, Directeur, Direction des Relations Extérieures
Mamoun Belghiti, Directeur Central, Direction de l'Investissement et du Crédit
Mustapha El Jai, Direction de l'Investissement et du Crédit

UNDP: Atif Gawaher, Assistant Resident Representative

Wednesday, October 7

BNDE: Bouzid Azzouzi, Chef du Département PMI

Hoseini Abdel Ghani, Délégué Régional Adjoint du Ministère de l'Artisanat et des Affaires Sociales/Fès

Tour of Artisanal complex and COOPARTIM, Fès

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Thursday, October 8

Ali Fejjal, Professor of Geography, Université de Fès

Belhaj Ahmed Filali, Délégué Régional du Ministère de l'Artisanat et des Affaires Sociales

Jawad Mikou, Directeur Général, M2N SARL

Centre de Perfectionnement des Artisans:

**Lahcen Elasfari, Director
chefs d'atelier, welding, auto mechanics and carpentry**

Visits to artisanal micro-enterprises (carpenters, woodsellers, metalworkers, tanners) in the medina of Fès with Professor Fejjal

Friday, October 9

Institut National du Cuir et du Textile:

**Mokhliss Selim, Chef de Section Chaussures
Ben Dada Abdel Kader, Chef de Section d'Ennoblement
Zaedel Hamed, Director**

Coopérative des Zéliguers de Fès (mosaics)

Chambre d'Artisanat Fes:

**Abdelkrim Oudghiri, President
Mohamed Abdellaoui, Director**

Société de Cautionnement Mutuel des Artisans de Fès

Responsable des Cautionnements Mutuelles, Fès BCP Regional Office

Visit to garages and welding/soldering shops with CPA staff

Saturday, October 10

Coopérative Artisanale des Mécaniciens Automobile:

Abdellah Laouej, President

Visits to tanners' cooperative and tanners' unité de production with Mohammed Marzak, Ministère de l'Artisanat

Visits to carpenters with CPA staff

Monday, October 12

Friedrich Ebert Stiftung:

Gerd Emil Lieser, Resident Representative
Najat Yamour Saher, Assistant Director

Fondation BCP: Abdelatif Aqallal, Director

visits to enterprises assisted by AMAPPE/MADI with Anne Cheverel:

Tizi Rando travel agency, Kenitra
SCOOP El Amal carpentry, Salé
Hayane Industrie metal casting, Salé

Tuesday, October 13

Second De-Briefing with USAID:

Richard Burns
Alexander Shapleigh
Jamal Dadi
Criss Juilliard
Richard Dreiman; NED Project Chief of Party
Christine Trigg, Administrative Officer, Chemonics

Conseil National de la Jeunesse et de l'Avenir:

Mohamed Larbi Benothmane, Secretary General
Professeur El Bacha, Consultant

Plan for workshop

Wednesday, October 14

travel to Marrakech

M. Zitouni, Délégué Régional du Ministère de l'Artisanat et des Affaires Sociales, Marrakech

Thursday, October 15

Ministère de l'Artisanat:

**Abdallah Kechtam, Chief, Service des Investissements
Hossein El Nehin, Adjoint Technique, Service de Crédit
Abdelaziz Ait Abdelali, Service de Coopérative**

visit the Centre de Formation Professionnelle and cooperatives (leatherwork, mosaic, sewing/embroidery, musical instrument production, woodworking, metalworking, COOPARTIM)

Banque Populaire: My Abdelouahed Alaoui, Chef d'Agence Artisanat

Crédit Agricole: Mohammed Chbouki, Caisse Régional Director

ODECO: Daoudi Moulay Omar, Délégué Régional Oufliyene Mohammed, Agent

Friday, October 15

Banque Populaire: Abdellah Waazize, Sous-Directeur Chargé du développement

OFPPT:

**Mohammed El Moutaoukil, Délégué Régional de Tensift
Abderrahman Belghiti, Cadre à la Délégation
Hassan Boughazi, Chef du Bureau de la Formation de l'emploi des Lauréats**

Plumbers' Cooperative:

**El Idrissi Mohammed, President
Ayiel Bisara Abdelfattah, Treasurer
Ouchna Haddou, Technical Advisor**

Dibani Abdel Debar, owner of machine-tool business (Jeune Promoteur loan recipient)

Tailleur Chez Jamal (Jeune Promoteur loan recipient):

**Jamal Eddine Amine, President
Youssef Amine, brother/commercial representative**

Saturday, October 17

team planning meeting (draft report outlines, Marrakech review)

travel to Casablanca/Rabat

Monday, October 19

team meeting with Abdelaziz Bellout

working session with Alexander Shapleigh and Jamal Dadi

Tuesday, October 20

CNCA: Ahmed Lafqui, Directeur du Département de la Banque et des Opérations avec l'Étranger

Tahar Daoudi, Conseiller Auprès du Directeur Général Directeur de l'International

Caisse d'Épargne Nationale: Ougmensor Aomar, Directeur des Services Financiers

CNCA: Ittou Zedgyi, Directrice du Cellule de la Promotion du Financement de la Femme Rurale

Afaf Jazzouli, Directrice Adjoint

Wednesday, October 21

Noufissa Sbai: Canada Fund for Local Initiatives

BCP: Hassan Ben Bachir,
Directeur Central des Activités Bancaires

Said Lefouili,
Directeur des Comptes Spéciaux

Lbachir Benhmade,
Délégation Générale à l'International

Asma Bellamine, Director of Enterprise Development

Abdelhamid Rouini,
Chef de Service de Cautionnement Mutuelle

C3M: Lamrani Zahir, Director General

Thursday, October 22

CRS: Michael Wiest, Country Representative

write reports; prepare preliminary models

Friday - Saturday, October 23-24

team meeting with Alexander Shapleigh and Jamal Dadi to discuss preliminary models and review workshop plans

Monday, October 26

Ministry of Finance: Abdelaziz Khaoua, Responsable du Service Investissements et Restructurations

Tuesday - Wednesday, October 27 - 28

"Microenterprise Programming Options" workshop; see list of participants

Thursday, October 29

complete draft reports; prepare de-briefing

Final de-briefing with USAID:

Jim Lowenthal, Mission Director a.i.
Richard Burns
Alexander Shapleigh
Susan Riley
Jamal Dadi
Butch Amundson, Program Officer
Wafa Moussa, Program Assistant (WID Officer)
Mary Reynolds, Regional Contract Officer

Friday, October 30

submit draft report; team departure

Micro-Enterprise Programming Options

List of Participants

Tuesday, October 27

Name	Organization/Title	Address	Telephone
Alexander Shapleigh	USAID/Private Enterprise Officer	Rabat	76.22.65
Kamal Sebti	USAID/Program Specialist	"	" " "
Jamal Dadi	USAID/Project Development Spec.	"	" " "
Criss Juilliard	USAID/Private Sector Advisor	"	" " "
Butch Amundsen	USAID/Program Officer	"	75.37.38
Wafa Moussa	USAID/Program Assistant	"	76.22.65
Abdelaziz Bellout	Ministère des Affaires Economiques	"	77.25.06
Darcy Neill	Peace Corps/Director	1, rue Benzerte Rabat	70.60.20
Ellen Paquette	Peace Corps/Training Director	"	" " "
Michael Wiest	CRS/Country Director	Rabat	75.77.11
Malak Ben Chekroun	CRS/Project Assistant	"	75.32.16
Hassan Chouikh	MEAAS/Chef de Service Métiers et Svce.	6, rue al Marsa Rabat	70.75.17
Errajraji Abdeljalil	MEAAS/Chef de Service Répertoire des Artisans	"	" " "
Anne Chevrel	AMAPPE/Chargé de Mission	12, rue Tindouf	72.23.41
Fouad Abdelmoumni	MADI/Director	" "	" " "
Souraya Otmani	Ministry of Foreign Affairs and Coop- eration/NGO and Women's Cell	Rabat	76.42.22
Noufissa Sbai	ACDI/Canada Fund for Local Initiatives	14, rue du 16 Nov. Agdal	67.10.75

Atif Gawaher	UNDP/Assistant Resident Representative		70.35.55
Lisa Buret	AMIDEAST	25bis, rue Patrice Lumumba	72.40.00
Abdelhamid Rouini	BCP/Chef Service Cautionnement Mutuelle	101, Bd. Zerktouni Casablanca	20.25.33 ext.2563
Asma Bellamine	BCP/Chef Dépt Développement Enterprise	" " "	ext.2557
Haoudi Abdelhak	CNJA/PIACE	Immeuble Essada	70.39.74
Said Chbaattou	CNJA/PROMAR	" " "	" " "
Najat Yamouri	Friedrich Ebert/Assistant Director	2, rue de Tiznit	76.28.58
Emil Lieser	Friedrich Ebert/Country Representative	" " "	
Zahir Lamrani	C3M/Director	357, Bd. Mohammed V Casablanca	24.59.99
Alain de Maynadier	IMCC/USAID Financial Sector Restructuring Project	Romandie 11 Tour Algeria #42 Casablanca	39.64.36
Itto Zeidguy	CNCA/Cellule de la Promotion du du Financement de la Femme Rurale/ Director	rue d'Alger	72.74.96
Afaf Jazouli	CNCA/Cellule Assistant Director	" " "	" " "
Yasmina Tazi	Design Magreb/Director	16, rue Ouargha	77.82.81

Wednesday, October 28

Name	Organization/Title	Address	Telephone
Alexander Shapleigh	USAID	not repeated for participants listed on previous day	
Jamal Dadi	USAID		
Criss Juilliard	USAID		
Kamal Sebti	USAID		

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Wafa Moussa	USAID		
Driss Amor Tijani	USAID/Financial Analyst		76.22.65
Abdelaziz Bellout	Ministère des Affaires Economiques		
Ellen Paquette	Peace Corps		
Lisa Buret	AMIDEAST		
Fouad Abdelmoumni	MADI		
Anne Chevrel	AMAPPE		
Haoudi Abdelhak	CNJA		
Karim Jouahri	CNJA		
Hassan Chouikh	MEAAS		
Abdeljalil Errajraji	MEAAS		
Abdelhamid Rouini	BCP		
Asma Bellamine	BCP		
Michael Wiest	CRS		
Malak Ben Chekroun	CRS		
Mustapha El Jai	BMCE	Casablanca	20.04.20
Itto Zeidguy	CNCA		
Afaf Jazouli	CNCA		
Azzeddine Laanaya	CNJA/Administration de la Formation Professionnelle et de la Formation des Cadres/Chef de Service	Rabat	75.02.96
Elmostafa Sarhani	CNJA/MARA Statistics and Documentation	B.P. 89 CYM Rabat	69.01.60
Abdellah Brrou	CNJA/MARA	Rabat	76.11.95
Mustapha Bidous	CNJA/BCP	Casablanca	20.25.33

Nadia Boukhrissa	CNJA/CNCA	Rabat	73.13.84
Said Chbaattou	CNJA	Rabat	70.39.74
Mohamed Aakif	CNJA/MII, DAR	Rabat	73.45.99
Mostapha Kamel Mansouri	CNJA/MI, DCGL	Rabat	76.91.88
Closing:	Jim Lowenthal, USAID Mission Director a.i.		

ANNEX B
LES COOPERATIVES ARTISANALES

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ANNEX B

LES COOPERATIVES ARTISANALES

L'activité coopérative dans le secteur de l'artisanat a confirmé en 1991 une tendance vers l'expansion caractérisée par de nouvelles données, que ce soit au niveau quantitatif ou qualitatif. Ainsi le nombre total de coopératives est passé de 474 en 1990 à 503 en 1991. La création de ces nouvelles coopératives artisanales a été notamment enregistrée dans les délégations régionales de Casablanca, Tanger et Marrakech.

STRUCTURE DU SECTEUR COOPERATIVE

En effet le développement du mouvement coopérative dans le secteur de l'artisanat a connu depuis l'indépendance deux étapes essentielles qui se distinguent par le degré de l'intervention de l'Etat, ce qui fait de la coopérative artisanale soit un simple instrument jouant le rôle social, soit un organisme autonome capable de jouer un rôle efficace dans le développement économique. Ainsi pour encourager la création des coopératives, un certain nombre de facilités ont été prises pour faire des coopératives le lieu privilégié pour bénéficier de l'aide de l'Etat. C'est le cas tout d'abord des subventions qui ne sont accordées aux artisans que dans le cadre des coopératives. De plus, ces derniers bénéficient en priorité des crédits à l'artisanat et des avantages du code des investissements artisanaux.

Parallèlement à cette aide matérielle multiforme, la direction de l'artisanat fournit aussi un encadrement technique et humain aux coopératives. De même, un effort est entrepris en vue d'assurer la formation des coopératives par la tenue notamment de stages d'initiation à l'échelon national. Grâce à ces différentes mesures le nombre des adhérents a atteint aujourd'hui 21.506 alors qu'il était en 1985 de l'ordre de 16.000 adhérents.

Il faut souligner, par ailleurs, qu'un grand nombre de coopératives existent difficilement ou ont tout simplement une existence fictive. Ceci est dû à un certain nombre d'insuffisances qui se manifestent notamment à travers l'endettement de la coopérative et le manque de cadres qualifiés en matière de gestion administrative et comptable. Le désengagement de l'Etat avait pour corollaire la réduction sinon l'élimination des subventions a eu pour effet d'augmenter la fragilité de la plupart de la plupart des coopératives d'autant plus que les artisans qui les composent appartiennent aux catégories les plus démunies de la population. Cependant, les responsables de la direction de l'artisanat estiment que les moyens dont dispose l'Etat peuvent être utilisés par ces coopératives dans l'intérêt de ces couches sociales sans pour autant faire appel à de nouvelles dépenses.

FACILITER L'OBTENTION DU CREDIT

Les centres de formation professionnelle peuvent ainsi être utilisés par les adhérents des coopératives afin d'exploiter les équipements et de mettre en contact les jeunes apprentis et les artisans qui maîtrisent le métier. Ces responsables estiment, par ailleurs, que le problème de financement qui constitue l'obstacle majeure au développement des coopératives ne peut être résolu que si les responsables

publics interviennent auprès du secteur bancaire pour faciliter l'obtention des crédits afin de les aider à s'équiper et à produire dans les meilleures conditions.

Ceci dit, le secteur de l'artisanat connaît actuellement de sérieux problèmes: la crise du tapis marocain à l'export témoigne des difficultés de l'artisanat marocain étant donné qu'environ 70% des recettes totales proviennent de l'exportation du tapis. La création et le développement des coopératives artisanales sont conçus désormais comme l'unique moyen pour faire face à ce genre de situation dans un climat caractérisé par le retrait de l'Etat et l'encouragement du secteur privé et ce pour plusieurs raisons. D'abord le rassemblement des artisans en coopératives va permettre d'augmenter la capacité de financement de ses membres contribuant ainsi à élever le niveau de la qualité en investissant notamment dans les équipements et dans la formation. C'est donc un moyen qui permettra de mettre fin à l'anarchie du secteur et à la baisse continue de la qualité de certains articles de l'artisanat.

Par ailleurs, les coopératives ont pour finalité de renforcer la capacité de négociations des producteurs exposés à la concurrence internationale dans laquelle les groupes et les firmes concentrées jouent un rôle de premier ordre.

Le problème issu du groupe allemand, premier groupe importateur du tapis marocain, réside à ce niveau. En effet ce groupe cherche à établir des relations solides non pas avec chaque producteur pris individuellement mais avec des partenaires crédibles présentant des garanties solides et qui ne peuvent se manifester pour le cas de l'artisanat que dans le cadre des coopératives.

Chart.14. Distribution régionale et importance des Cooperatives Artisanales

Délégations Régionales	Nombre D'adhérents	Nombre Coopératives
Marrakech	5050	86
Casablanca	2428	79
Rabat	1917	75
Tanger	4032	66
Agadir	2562	62
Fès	2850	50
Meknès	941	31
Oujda	1072	30
Laayoune	649	24
Total	21.506	503

IMPORTANCE DE LA SOLIDARITE DANS LE MOUVEMENT COOPERATIVE

La crise de la plupart des structures coopératives est le fait d'un mauvais héritage. Avant il y avait une pression de la part des autorités pour former des coopératives. L'objectif était de grouper les gens en coopérative pour procéder à une subvention. Le fait de forcer la création de coopératives allait à l'encontre de l'esprit de solidarité. En effet, l'esprit coopérative devait émaner d'un besoin ressenti par un groupe d'individu de la même profession, mus par une volonté de mettre en commun leur ressources et savoir faire dans la confiance totale et solidarité pour le meilleur et pour le pire. L'absence de cette mutualité et spontanéité était un vice de fond pour la marche et la survie de la coopérative. LA crise actuelle trouvent une partie de ces problèmes dans l'absence de cohésion entre ces membres, d'après les

responsables de l'ODECO 30% des coopératives souffrent de mauvaise gestion; d'autres étant créés pour des raisons ponctuelles ont trouvés leur source de financement taries avec le retrait de l'Etat, et enfin le reste souffre de difficultés conjoncturelles (climatologiques, crises de certains secteurs...).

La meilleur pépinière pour développer les coopératives est de cibler les jeunes promoteurs (UTA): électriciens , plombiers, menuisiers, soudeurs,..., dans la mesure où l'éprit de solidarité est formé à la base dans l'école, où ils ont le temps de se fréquenter et se connaître. Cette catégorie de population jouit d'un statut prévilégié pour entreprendre, et leur union est ultime quant à l'accès au crédit et aux marchés.

NB: L'année 1991 a connu la création de nouvelles formes coopératives artisanales. Il s'agit des coopératives "multi-métiers" issues des sections de l'association El Youssoufia des handicapés dans toutes les régions du Royaume.

ANNEX C

**STRATEGIC DEVELOPMENT OF THE MICROENTERPRISE
SECTOR: CASE OF THE ARTISANAT IN FES-FIELD STUDY
AND RESEARCH**

ANNEX C

**STRATEGIC DEVELOPMENT OF THE MICROENTERPRISE SECTOR:
CASE OF THE ARTISANAT IN FES- FIELD STUDY AND RESEARCH**

La politique de l'industrie artisanale s'est caractérisée par des changements de choix au niveau de la politique gouvernementale, en fonction des circonstances et contraintes en vigueur. De ce fait ce secteur a été affilié au Ministère du Commerce et de L'Industrie dans le but de créer les conditions de changer l'industrie artisanale en industrie moderne; au Ministère du Commerce où l'activité artisanale devait compenser les manques relatifs à la vente dans le marché interne en recourant aux marchés extérieurs, et enfin à la Coopération et promotion de l'emploi lorsque le souci était de réduire le chômage.

Pour sortir le secteur de la crise, le Gouvernement a promulgué une loi pour la mise en place d'un code d'investissement artisanal par le biais duquel l'artisanat de production bénéficierait d'une exemption de taxes et impôts; et pour libérer le petit artisan du joug du capital Commerçant. La Banque Populaire a été désignée pour financer cette activité à des taux preferentiels et à des conditions de faveur.

Toutefois, la faiblesse de leur capacité financière et le manque de garanties réelles a privé la majorité d'entre eux de bénéficier de ces avantages offerts par l'Etat. Seuls ceux qui se prévalaient d'une surface financière propre confortable ont pu moderniser leurs entreprises.

6.1 MODE D'ADAPTATION: Comportement des métiers face à la crise

Pour contrecarrer les effets d'une concurrence féroce, le secteur s'est mû à travers des modes d'adaptation différents.

La crise du secteur de l'artisanat est non seulement liée à la concurrence du secteur moderne, mais aussi au changement culturel ayant frappé le monde urbain et rural, essentiellement dû à une généralisation des médias moderne- telle la télévision. Ce phénomène a facilité la transmutation sociale d'un mode de vie traditionaliste à un mode de vie plus moderne. Plusieurs métiers alors, ont résisté à ce flot de mutation en prenant le temps de reconvertir leur activité à des segments plus porteurs. Cette réalité est clairement traduite dans ce tableau récapitulatif des stratégies d'adaptation:

Chart.13. Typologie de strategies d'adaptation

Métiers	Extinction	Témoin	Mutation	Dérivée
Cuir & Chaussures	3	2	6	7
Tissage & Textile	3	5	7	5
Minerais	2	3	8	5
Poterie & BTP	4	1	5	2
Agro-Alimentaire	4	2	6	1
Bois & Meuble	4	9	3	3
Autres métiers	2	1	0	0
Total	22	23	35	23
Pourcentage %	22	22	34	22

Source: "D'après recherche d'Ali Fejjal" Cf Université de Fès.

6.2. Stratégie d'adaptation

Par stratégie d'adaptation, on désigne l'ensemble des manoeuvres entrepris par l'artisan au niveau des techniques de production de commercialisation et d'emploi dans le but d'améliorer sa productivité, et de garantir un meilleur revenu lui permettant de poursuivre son activité. La stratégie dans le secteur artisanal change d'un métier à un autre, et au sein d'un même métier en fonction des moyens financiers disponibles à l'artisan. On recense 3 typologie de stratégie:

a. Stratégie stagnante

Cette désignation est applicable pour une grande proportion d'entreprise ayant en commun soit la petite taille, l'absence ou le manque des moyens techniques de production ou de gestion. Ces entreprises opèrent selon trois niveaux:

- au niveau des techniques de production: utilisation de matières premières à qualité et prix bas- tannerie artisanale, et produits dérivées tels la babouche.
- au niveau de l'emploi : utilisation des avantages comparatives de l'offre excédentaire dans le marché d'emploi à des prix en deça des planchers statué par la réglementation de l'emploi.
- au niveau de la commercialisation: se positionner dans la catégorie de produits à bas prix avec petite marge, ciblant une catégorie de population à faible revenu.

Ces trois stratégies sont souvent combinées pour gagner sur toute la ligne. L'expansion d'un certain nombre de métiers a été motivé par la perpétuité et le retour en vogue de certaines habitudes de consommation traditionnelles tels l'habit traditionnel et ses accessoires et les modes de constructions qui ont même trouvé des débouchés à l'export. De l'autre côté, les artisans les plus dynamiques ont introduit des éléments à caractère moderne pour s'agripper à leur clientèle. C'est le cas du textile, de l'ameublement et fourniture de maison.

b. Stratégie évolutive

La maîtrise des moyens de production a été à l'origine de la problématique de mutation de l'artisanat industrielle à un niveau plus qualitative où elle devait se confronter à l'industrie moderne. Ce choix a nécessité la mobilisation de capitaux importants et l'attrait de profils entrepreneurs à vision plutôt de long terme par opposition à l'artisan classique qui a une vision beaucoup plus courte du profit.

A cet égard nous pressentons ci-joint, les résultats d'une enquête sur le terrain effectuée dans la Médina de Fès et réalisée par L'université de Fès sous la supervision de M. Fejjal:

Chart.14. Distribution des entreprises artisanales par nombre d'ouvriers et nombre de machines 1988

	NOMBRE D'OUVRIERS					Total	%
	Moines 3	(3-5)	(6-8)	(9-12)	Plus 13		
Machines							
(1)	35	63	10	0	0	108	33.2
(2)	17	50	48	9	0	124	38.2
(3)	1	10	26	15	0	52	1
(4-10)	0	3	11	13	9	36	11.1
Plus 10)	0	0	0	1	4	5	1.5

Les métiers mécanisés représentent une infime part des entreprises. Ils se démarquent de point de vue leur structure, leur contribution et leur comportement économique. Deux types d'entreprises distinguent cette population:

- Les entreprises intégrées dont les propriétaires ont pu modernisé la totalité ou la majorité des étapes de production ne représentant dans la Médina de Fès que 12.6% de l'ensemble des industries artisanales mécanisées. Leur nombre étant limité, ils constituent le corps principal et s'adapte grâce à un volume de production élevé et une productivité supérieure par rapport à celle des petites unités à forte propension travailliste. Pour la plus part des cas c'est le capital "commercial" qui est derrière leur développement.
- Les entreprises semi-mécanisées représentant la majorité des entreprises artisanales à stratégie évolutive avec une proportion de 87% et sont constituées par des petites unités n'ayant pas souvent les ressources suffisantes pour mécaniser l'ensemble des opérations. Cette condition les oblige à recourir aux entreprises de plus grande dimension et mieux équipées pour faire des opérations de sous-traitance. Ce faible niveau de mécanisation est un des principaux liens à l'origine de l'interdépendance étroite des entreprises à l'intérieur du même secteur.

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6.3. Financement du processus de modernisation

Le positionnement qui a facilité la consolidation du processus de modernisation s'est fait dans des segments de marchés où les entreprises artisanales mécanisées avaient un avantage compétitif par rapport au secteur moderne où il était plus facile de se constituer une rente.

a. Autofinancement

La stratégie qui a permis aux artisans de contrecarrer la compétition du secteur moderne était de grouper leur ressources, leur savoir faire pour constituer des coopératives soit au niveau de l'approvisionnement, soit au niveau de la fabrication, ou enfin au niveau de la commercialisation. Cette utilisation de synergie a été un moyen bénéfique pour permettre la mutation d'une phase proprement artisanale à un stade plus "technicisé" où la productivité s'est améliorée, la compétitivité tant au niveau de la quantité que la qualité s'est affinée. C'est le cas des tanneries et produits dérivés. où arrivée à un stade élevé de sophistication de leur coopérative ont vu leurs membres se scinder sous une forme sociétaire familiale dites unité de production plus individualistes par rapport à l'esprit solidaire et coopératif.

b. Introduction du capital "Commercial"

Dans les activités à forte marge commerciale et qui souffrent le moins de la compétition du secteur moderne, le capital commercial a pris les formes d'adaptation suivantes:

— Partenariat avec un artisan pour les métiers qui demandent un niveau de technicité dans l'organisation du travail et de la production comme c'est le cas pour la teinture du cuir, et la chaussure; où généralement il existe une division de tâches entre l'artisan qui s'occupe de la production et le commerçant qui prend en charge la distribution et la commercialisation.

Ce type de partenariat dégénère généralement en une situation de force où le commerçant exploite l'artisan en l'aliénant du fait de la détention du savoir relatif à la réalisation du revenu et la connaissance du marché; créant souvent une situation de compétition et de chantage entre les petits artisans qui manquent de ressources pour financer leur fonds de roulement voire leur conditions de subsistance.

— Intégration de la phase de production de certains articles qui ne demande pas beaucoup de savoir faire ou de technicité pour augmenter la valeur ajoutée dans le but d'augmenter les marges en conséquence. C'est le cas des articles en métal. Cette stratégie s'est développée très tôt dans les années quarantes pour se débarrasser du joug des commerçant européens qui monopolisaient le commerce des métaux mais cette situation a subsisté même après l'indépendance de la part de ceux qui avaient hérité de ces mêmes activités.

6.4. Problématique de transition à l'industrie moderne

Le passage d'une structure à une autre exige des conditions de marché favorable et surtout l'appui sur des ressources autres que personnelles pour combler le gap qui ne cesse de s'élargir entre le secteur moderne et le secteur traditionnel. Les raisons qui expliquent cette dispersion de différents ordres:

- **Le développement et la diversité du tissu industriel rend la concurrence de plus en plus aiguë.**
- **le faible niveau des marges commerciales réalisées, ne permet point d'accumuler le capital de base pour faciliter la transition d'un mode de production à un autre.**
- **le manque de stabilité du marché a déréglé le dynamisme des activités qui y sont liées les enfonçant dans des crises cycliques où seules les entreprises à large surface financière pour y faire face.**
- **le manque de qualification et de maîtrise des techniques nouvelles de production et de management pour une démarcation plus qualitative dans leur marché spécifique.**
- **l'existence d'une concurrence féroce pour un marché relativement stagnant dans sa globalité, les poussent à se confiner à des situations précaires sur le marché se contentant de marges très réduites pour survivre.**
- **l'existence d'une pression fiscale décourage toute mobilité de ce type d'artisanat dans la mesure où il bénéficie d'un avantage fiscal dans l'ancienne Médina, et ceci est valable pour toute entreprise étant installée dans une ancienne zone. La crainte d'une sur-imposition et de l'application des règles concernant le droit du travail pousse les entrepreneurs à se cantonner dans leur cercle refusant toute idée d'extension ou de mobilité -condition sinéquanon pour la transition à une structure moderne vue la saturation des Médinas et quartiers avoisinants.**

ANNEX D
TERMS OF REFERENCE

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ANNEX D

TERMS OF REFERENCE

The Contractor shall carry out the following tasks over a period of seven (7) weeks:

Task 1. Familiarization: Through a review of documents and discussions with USAID staff, become familiar with the USAID program and strategy for Morocco, particularly the projects and activities in place to assist SMEs.

Task 2. Microenterprise Data Assessment: Review statistics, reports, and other information available on the magnitude and characteristics of the microenterprise sector in Morocco. The dimensions of the sector will be defined as accurately as possible (with explanations of information sources and data limitations) by firm size, gender and personal characteristics of owner/manager, location, areas of economic activity, and contribution to the economy in terms of income, employment and other variables.

Task 3. Constraints Analysis. Identify and articulate the principal constraints faced by owners/managers of microenterprises in Morocco, disaggregated by gender, in three primary categories: business skills; financing; and policy. Based on similar constraints faced by microenterprises in other countries, discuss how different types of technical assistance, credit or policy reform initiatives may be viable undertakings in the Moroccan context to help remove these constraints.

Task 4. Assessment of Existing Microenterprise Services: Identify as many as possible of the organizations in Morocco which have programs aimed at assisting or providing services to microenterprises. These will include private for-profit or non-profit organizations, banks or other specialized financial institutions, and government entities. The programs of each organization will be presented, distinguishing technical assistance from financial services, and indicating to what degree services currently provided are either subsidized or self-sustaining through fees or interest rates. In the case of financing, particular attention should be given to organizations providing savings as well as credit services. Formal savings programs offered to very small savers (microentrepreneurs) should be identified, along with formal credit programs offering preliminary assessments of which programs and institutions are currently active in the sector, their degree of success, and their capacity for expanded activity.

Task 5. Programming Options Analysis: Based on findings in the first four tasks, develop different options for microenterprise programs which could be designed and supported by USAID/Morocco. For each option proposed, the objectives will be defined in terms of principal interventions, principal organizations providing services and their interrelationships if more than one organization is involved, numbers of microenterprises assisted, timeframes, and potential economic impacts. As with Task 3, proposed options will be presented in part based on successful experience in other countries. In particular, the relevance and potential adoption in Morocco of microenterprise programs developed in Egypt and Latin America will be presented:

- a. Egypt: the programs of both the Cairo Foundation and the Alexandria Businessmen's Association, including the interrelationships in these organizations and Egyptian financial institutions.

- b. **Latin America:** selected programs operated in different countries by ACCION International, including an analysis of how ACCION programs have evolved over time, their interrelationships with financial institutions, and other sources of finance.

Task 6. Workshop: Provide the leadership in designing and conducting a workshop, hosted by USAID/Morocco, in which the findings and results of Tasks 1 through 5 will be presented and discussed with a cross-section of interested parties. The list of invitees will be determined during the course of the consultancy, with the workshop taking place over a two-day period (longer if determined needed) in the final week. The workshop should have as an objective the generating of additional information and ideas and the reaching of consensus on priorities for action.

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