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A Review of Donor-Funded Projects in Support of Micro- and Small-Scale Enterprises in West Africa

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GEMINI

GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS
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A Review of Donor-Funded Projects in Support of Micro- and Small-Scale Enterprises in West Africa

by

William Grant

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All interpretations of facts, opinions, and errors are the responsibility of the author.

William Grant

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ACRONYMS

ACCOSCA	African Confederation of Cooperative Savings and Credit Associations
ACEP	Agence de Crédit pour l'Entreprise Privée
ACP	Africa-Caribbean-Pacific (EDF acronym)
AfDB	African Development Bank
AFELEN	Agence et Fonds d'Emploi pour l'Entreprise au Niger
AIPB	Assistance aux Initiatives Productives de Base
AGETIP	Agence d'Exécution Travaux d'Intérêt Public
ATI	Appropriate Technology International
ATOBMS	Assistance Technique et Operationnelle pour les Banques Mutualistes au Sénégal
BIAO	Banque Internationale pour l'Afrique de l'Ouest
BoAM	Bank of Africa Mali
BNDA	Banque Nationale de Développement Agricole
CAMCCUL	Cameroonian Cooperative Credit Union League
CAPEN	Centre d'Assistance et de Promotion de l'Entreprise (Côte d'Ivoire)
CCCE	Caisse Centrale pour la Coopération Economique
CCFD	Consortium Catholique contre la Faim et le Développement
CECCM	Caissès d'Epargne et Crédit Communautaire au Mali
CFA	Communauté Financière Africaine
CICM	Centre International du Crédit Mutuel
CIDA	Canadian International Development Agency (also ACDI)
CID	Council for International Development
CIDR	Centre International de Développement et Recherche
CILSS	Comité Inter-Etat de la Lutte Contre la Sécheresse au Sahel
CIRAD	Centre for International Research and Agricultural Development
CLUSA	Cooperative League of the U.S.A.
CNCA	Caisse Nationale de Crédit Agricole
CNEA	Centre National d'Equipement Agricole (Burkina)
CRS	Catholic Relief Services
CVECA	Caisse Villageoise d'Epargne et de Crédit Agricole
DA	Direction de l'Artisanat
DHV	Développement de l'Haute Vallée (Mali)
EDF	European Development Fund (FED)
EPRP	Economic Policy Reform Program (also AEPRP)
FAC	Fonds d'Aide et de Coopération
FFH	Freedom from Hunger
FEID	Fonds d'Epargne Investissement Développement
FENU	Fonds de l'Emploi des Nations Unies
FUCEC	Fédération des Unions de Caisses d'Epargne et de Crédit
FY	Fiscal Year
GEMINI	Growth and Equity through Microenterprise Investments and Institutions
GIE	Economic Interest Group
GON	Government of Niger
GOS	Government of Senegal
GRET	Groupe de Recherches et d'Echanges Technologiques
GRM	Government of the Republic of Mali
GTZ	German technical assistance
IBRD	International Bank for Reconstruction and Development (World Bank)

IFAD	International Fund for Agriculture and Development
IDM	Investissement Développement en Mauritanie
ILO	International Labour Organization (BIT)
IRAM	Institut de Recherche et Application des Méthodologies de Développement
IRED	Innovation Réseau d'Echanges et de Développement
KfW	Kreditanstalt fur Wiederaufban
MSE	Micro- and Small-scale Enterprise
NIGETIP	Nigerien Agence d'Exécution des Travaux à l'Intérêt Publique
NGO	Nongovernmental Organization
ODA	Overseas Development Assistance
OPEM	Office pour la Promotion de l'Entreprise Malien
OPEN	Office pour la Promotion de l'Entreprise Nigerien
OPEV	Office pour la Promotion de l'Entreprise Voltaique
OPIT	Office pour la Promotion de l'Industrie Tchadien
PAPME	Projet d'Appui à la Petite et Moyenne Entreprise
PCAR	Projet de Crédit Agricole et Rural
PEP	Private Enterprise Project (USAID/Chad)
PRIDE	Projet Rural Intégré pour le Développement de l'Entreprise (Guinea)
PVO	Private Voluntary Organization
RAFAD	Recherches et Applications de Financements Alternatifs au Développement
SCM	Société de Cautionnement Mutuelle
SDA	Social Dimensions of Adjustment
SDID	Société de Développement Internationale Desjardins
SIDI	Société d'Investissement et de Développement Internationale
SME	Small and Medium Enterprise
UMAC	Union Monétaire de l'Afrique Centrale
UMOA	Union Monétaire Ouest Africaine
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNIFEM	United Nations Development Fund for Women
USAID	United States Agency for International Development
VITA	Volunteers in Technical Assistance
WOCCU	World Council of Credit Unions

EXECUTIVE SUMMARY

Increasing emphasis has been placed on micro- and small-scale enterprise (MSE) development in West Africa over the past 10 years.[1] In 1989, the Club du Sahel carried out a review of some of the issues confronting donor programs to assist MSEs in a few countries of the Sahel. Three years later, the Club du Sahel and the USAID's Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project began collaboration on a broader and more intensive study of the MSE project landscape in all of West Africa, in order to draw some conclusions on the future of assistance to this sector and its role in private sector development in the region.

This report reviews the donor-funded projects in support of MSE development in 15 countries of West Africa.[2] The background research and compilation of projects were carried out from Paris, with a literature search involving correspondence with most of the donor agencies involved in supporting this sector, followed up by interviews with representatives of the most important donor agencies (IBRD, EDF, ILO, CCCE/FAC, A.I.D.), implementing organizations, and nongovernmental organizations (NGOs).[3] Following the background review, four GEMINI consultants carried out fieldwork in seven countries for firsthand review of the more innovative projects, as selected from the database of more than 100 projects. The consultants' findings were incorporated into this study; two additional reports, also to be published by GEMINI, contain case studies that the consultants prepared on 17 of the projects: 9 on financial assistance and 8 on nonfinancial assistance.

CONCLUSIONS

The report finds that there has been much evolution in the management and shape of these projects, with approaches and philosophies now focusing on long-term sustainability, cost-effectiveness, and institutionalization.

1. The principal conclusion is that the techniques and tools are in place so that institutionalization and sustainability are achievable goals for MSE support projects, particularly those using a financial systems approach.

Many of the more successful credit projects are backing into a financial systems approach that focuses on capturing excess local resources, lending them to creditworthy users, and operating efficiently. The first two points are the essence of financial intermediation; the last point is necessary for financial

[1] In this report, an MSE is considered to be any firm with 0-49 employees and with more than 50 percent of its production destined for sale. This necessarily includes a great number of enterprises of different sizes and with varying needs — facts that this report has tried to take into consideration.

[2] The countries covered in the review are Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo. Cameroun and Chad were also included in the study, even though they are nominally in Central Africa.

[3] These acronyms represent the World Bank (IBRD), European Development Fund (EDF), International Labour Organization (ILO), Caisse Central Pour le Coopération Economique of the Fonds d'Aide et de Coopération (CCCE/FAC), and the U.S. Agency for International Development.

viability. We say "backing into" because most were not designed to become financial institutions, even though they are moving in that direction. The most successful projects are learning how to service their markets and manage their costs and income. All of the enterprise credit projects lacked resource mobilization means, which many are now adding; the savings and credit programs are still trying to determine how to lend to MSEs instead of solely to their members.

Many nonfinancial MSE assistance projects are becoming more commercially oriented and adopting more of a systems approach to development.

Institutionalizing the successful projects is not easy. As more projects integrate institutionalization into their goals, five important elements need to be considered that often present constraints: legal status and managing rapport with the state, determining the right funding structure, ensuring a sound financial status, installing sound administrative and financial management systems, and installing a good local management team.

Although many projects are positioning themselves for long-term viability, a multitude of implementation problems exists in most projects. These problems which include poor definition of project goals and lack of planning for institutionalization (cost structures, financial management systems, and market definition), must not be ignored.

2. A second important conclusion is that the donor agencies are helping to redefine the role of the state: rather than using government agencies to implement MSE support programs, donors are encouraging states to develop enabling regulatory and policy environments and to serve as market-makers.

3. As the role of the donors increases, we note that transfer of information among donors and projects on the different achievements in other countries and on the evolution of the state of the art is limited.

4. Along with the liberalization of the political process in much of West Africa, local NGOs are increasingly important and reliable partners for enterprise development in West Africa. The number of NGOs is increasing, and their level of economic sophistication is also increasing, making them more effective partners. At the same time, many of these NGOs are created to target donor funds, which constitute one of the largest markets in the region. They therefore function as enterprises, trying to be cost-effective and deliver a valuable product.

RECOMMENDATIONS

Ten principal recommendations for donor agencies to strengthen their programs for promoting sound MSEs and develop sustainable institutions flow from these conclusions.

Project Design and Implementation

1. **Take a systems approach to project design and implementation.** Rather than focusing on short-term benefits — which are counted in terms of numbers of enterprises financed or helped, in isolation from the rest of the environment — concentrate on developing new technologies and tools, whether financial, managerial, engineering, or training, and on building viable systems that will be integrated into the economy after the project is completed.

2. **Respect market incentives when working in market arenas to facilitate institutionalization of systems and sustainability.** Donor projects should not distort economic incentives that dominate decision making in the private sector and lead to sustainability. Therefore, they should:

- Develop income sources based on commercial rates: interest rates for loans and fees for advisory services;
- Create linkages between the formal sector and MSE finance; don't work in isolation;
- Institute a market orientation in technical assistance projects from the beginning; and
- Beware of undermining existing private sector services with subsidized donor services.

3. **Increase the standards of what is expected from the projects to reflect levels of achievement in other projects and other countries and to facilitate sustainability.** The level of project implementation is improving across West Africa, and project managers should be informed of and held to the new standards. Respecting these new standards will improve MSE project assistance across the region and continue to force the development of new tools and methodologies for reaching the MSEs with viable support systems.

4. **Continue to foster the links between credit unions and credit projects.** There is often a fundamental difference in philosophy between savings-based credit unions and credit projects. But the two are nearing one another in the process of implementing credit programs, and the donors should increase the interaction between them. Possible synergies need to be explored.

5. **Provide increased institutional support to local NGOs for MSE support.** Local NGOs are increasingly active in MSE support, and the donors can help them do it better, increasing their leverage. This requires correctly diagnosing the needs and limitations of NGOs, investing in them, and then demanding results on a par with public sector development projects.

6. **Support more interactive project design and flexible implementation that allow for creativity, and plan on sufficiently long periods of time for project development.** Much project design is still carried out with little interaction with the project target group. In addition, nearly all the more successful projects have evolved during their (often short) lifetime and bear little resemblance to the original project design.

7. **Monitor projects closely but continue a relatively hands-off approach to management.** Donors and host governments should not second-guess project managers at every step along the way, if projects are to succeed. At the same time, the donors need to carry out regular financial audits to ensure that the projects are meeting their targets and are managing resources appropriately.

Donor Coordination and Relations with the State

8. **Promote better coordination among the donors and come to an agreement on broad guidelines for project support.** Although the different donors will never agree on all aspects of MSE programming within a country, increased and more systematized collaboration and coordination in the field will be helpful. Broad guidelines about important issues such as interest rates, viability, project overlap, and integrating activities into the local economy should be discussed, agreed upon, and

respected. This can only be executed by the representatives in each country and usually requires the active interest of the heads of the Missions to make it work effectively.

9. **Foster information sharing on results and techniques that have proved to be effective and maintain transparency in project implementation.** Accurate information about what is going on in the field is difficult to come by. However, just as in the private sector, good information leads to greater transparency and breeds more efficient markets, or in this case better-implemented donor projects. The donor agencies should sponsor more national and regional activities that regroup the project implementers to allow them to share their experience and the new, effective techniques they have developed. There should be good cross-fertilization of ideas among donors, because many donors continue to implement one kind of project without examining the results from other projects.

10. **Continue to promote the shift in government emphasis toward improving the enabling regulatory and policy environment and serving as a market-maker rather than an implementer.** The unstated donor policy to limit the direct management role of local governments in project implementation has resulted in more creative and better-managed projects with a good chance for long-run viability. This trend of getting the government out of managing private sector support programs should be promoted.

The complementary trend of increasing the attention of the host governments to the policy and regulatory environment is a good one and should be continued. To make this process more efficient and effective, donors should create more links between the projects to produce more informed support for MSEs and the policy programs. Related to this, donors should promote increased participation of the private sector in the elaboration of the policy agenda. Judging the effectiveness of regulatory reforms is difficult for donors and for government, since they are not in direct contact with the projects on a daily basis and do not have the same understanding of the constraints encountered in the private sector. Involving the private sector will provide better feedback and pressure mechanisms if the new policies need modification or improved implementation.

INTRODUCTION

TO THE PRESENT STUDY

The Club du Sahel began examining the problems confronting the private sector in West Africa in 1987, recognizing that this sector is an important component in agricultural growth, food security, and managing natural resources. Realizing that the private sector in West Africa is made up primarily of micro- and small-scale enterprises (MSEs), the Club has paid special attention to the problems of those enterprises and the support available to them in its studies. Several Club activities have brought us forward in the analysis and understanding of the needs of this group of enterprises.

In late 1989, the Club produced a report on the promotion of small enterprises in the Sahel, looking primarily at donor-financed credit programs in support of small enterprises, with recommendations for improving donor management and implementation of these programs. In the past few years since that report was written, many new donor and nongovernmental organization (NGO) programs have started, while others that had just begun in 1989 are reaching maturity and providing some important lessons.

In 1991, the Club du Sahel organized a meeting of private sector operators in Dakar. Among the many recommendations that came out of the meeting was an expressed interest on the part of the West African businesspeople to know what projects exist in support of enterprise development in the region. Although there is some limited knowledge of some of these programs, it is not widespread. It was noted that there have been several very successful programs, such as the Agence de Crédit pour l'Entreprise Privé (ACEP) project in Senegal, but they have not been replicated in the other countries of the region. The seminar recommended that the Club gather more information about these programs and pursue their replication.

During assignments and meetings in the field, there is a constant flow of questions about what is happening around West Africa in micro-, small-, and medium-scale enterprise support. These questions come from Club members (U.S. Agency for International Development, Canadian International Development Agency (CIDA), and the French aid agency (Fonds d'Aide et de Coopération or FAC), among others); other donors such as the European Development Fund (EDF); host country institutions charged with designing and implementing projects (chambers of commerce and ministry divisions); and personnel managing the projects in the field and their counterparts. This flow of questions demonstrates an acute shortage of information about what is happening, what is working, and what new innovations have been developed.

In response to this demand for information, the Club du Sahel, with support from the A.I.D. Growth and Equity through Microenterprise Investments and Institutions (GEMINI) Project, has undertaken a review of donor-funded projects in West Africa.[1] The target audience for this study is primarily the donors themselves, but also the project implementers in the field and West African businessmen or NGOs that seek to gain access to these programs or to replicate them directly in their own

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[1] The countries in the study included 13 countries of West Africa (Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo) plus Chad, which is a member of the Comité Inter-Etatique Pour la Lutte Contre la Sécheresse au Sahel (CILSS), and Cameroun, for the variety of interesting projects there.

countries. In the interest of facilitating the exchange of information among field technicians, the Club hopes this document will serve as the basis for a regional meeting, supported by all the donors, to present experience and discuss lessons learned.

Many other important questions are the source of much debate within and between agencies. These focus on where assistance should be targeted: on formal or informal enterprises, on enterprise creation or enterprise expansion, or on targeting the poor or working with those who have shown entrepreneurial tendencies. This report will not focus on these questions, but will provide evidence of what is happening in support of both sides of those questions. This report does not look at the numerous policy reform programs that seek to improve the environment surrounding the private sector.

Given the varied nature of the programs that support enterprises as part of a larger objective or the simple difficulty of identifying the projects, the list of projects reviewed is not complete. We believe, however, that it represents most of the ongoing projects being sponsored from outside of West Africa. The report does not review the host country institutions or private initiatives that exist to support enterprise development in the countries, except when it is an exceptional program with a proven track record.

The chapters of this report review the types of programs being sponsored, trends in donor sponsorship, and issues of donor collaboration. The report also looks closely at the phenomenon of increasing the use of NGOs in West Africa as sources of entrepreneurship.

Annexes B and C at the back contain a list and brief descriptions of most of the programs that came up under the review, and descriptions of international NGOs that are managing projects in the field.

TO THE METHODOLOGY USED

The preparation of this report was carried out in two phases: a background document and implementing agency review was followed by field visits to a selected number of the higher profile projects in seven countries.

During the background review, the principal author contacted all the major financing agencies by fax and telephone and interviewed most of the organizations implementing projects to support MSE in West Africa. A list of the agencies contacted as well as the relevant manager is attached in Annex A. Most of the agencies were helpful and responded to the requests for information. Of particular value were two days spent with the International Labour Organization (ILO) in Geneva, one day with the EDF project managers in Brussels, a conference organized by the Frères des Hommes in Luxembourg on NGO participation in MSE credit projects, and meetings with the French Caisse Centrale de la Coopération Economique (CCCE) and FAC. The background information collected by the Committee of Donor Agencies for Small Enterprise Development was very helpful as a reference for most of the contacts and early research on the subject.

The background material was synthesized into a first draft of this report, which was used as an operational guide to the field visits. Four specialists in MSE development, operating in two teams of two each, visited seven countries in West Africa to verify, clarify, and update the results of the document review. The seven countries visited (Cameroun, Ghana, Guinea, Mali, Niger, Senegal, and Togo) have heavy concentrations of MSE projects, including most of those that have achieved a high profile. Visits in the countries included an additional review of the literature followed by interviews with the managers from the implementing agency, local collaborators, and the primary funding source (donor agency); site visits to see the project in the field; meetings with beneficiaries (clients) when possible; and analysis and drafting of case studies. The new information was then added into the review as planned. This had the desired effect of clarifying many confusing aspects and getting the firsthand information needed for accurate analysis.

The researchers also prepared case studies on 17 of the most interesting projects (9 focusing on credit and 8 on nonfinancial assistance), which are being published with a brief overview in two accompanying documents by the GEMINI project in Washington.

PART ONE

EVIDENCE FROM THE FIELD

CHAPTER ONE

OBJECTIVES OF DONOR PROJECTS TO SUPPORT MSEs

DEFINING MSEs AND THE PROJECTS THAT SUPPORT THEM

There has been a running debate on the definition of micro-, small-, and medium-scale enterprises for a long time, without conclusive results. The definition is important because it limits or broadens the target market for research and for programs, and thus has an important effect on results achieved. To address such critical questions as the state of the art or extent of institutionalization of MSE programs or donor trends in this area, this report will use the broad definition applied by Michigan State University: an MSE has 0-50 employees and more than 50 percent of its production is destined for sale. This broad definition groups many different kinds of enterprises as well as types of structure, but captures the spirit of what we are all after: promoting economic growth and employment through enterprises that are currently out of the mainstream of economic activity.

The projects covered in this review are primarily those that deliver direct assistance to MSEs, either through finance or other services. The importance of the policy environment (legal, economic, regulatory) to the successful growth of MSEs has become more evident, but is addressed only rarely in conjunction with the private sector. Policy dialogue on what is best for the private sector is usually reserved for donors and the host country governments, and rarely includes the most interested parties: the small enterprises that are affected. The few projects clearly targeting this realm will be discussed along with other nonfinancial services.

To provide a basis for comparison among projects and structures, this report differentiates among the various kinds of technical assistance and donor-funded programs by developing a limited number of categories. As always, given the wide range of activities necessary under nearly all enterprise development projects, such categories are overly rigid and must be considered only as the dominant elements of the programs. The two categories are financial sector and nonfinancial assistance programs. The use of this distinction based on finance devolves from the heavy emphasis that most MSE programs place on credit as the central element of the program.

Within financial services we find three principal kinds of programs: those concentrating on delivering credit to MSEs; a few new projects that take equity positions in companies — in other words, venture capital — or develop new ways to tap into the formal financial markets; and savings and credit programs. These three kinds of programs will be described and discussed more fully below. For nonfinancial services programs, we differentiate among programs concentrating on training (group training carried out primarily in a classroom setting); on technical assistance (direct to the enterprise); on development of local institutions that assist enterprise development; on developing new technologies for widespread use in communities or subsectors; and on new approaches to organize artisan support groups that allow for cost-effective assistance, described as the informal sector approach by the ILO.

The table in Annex E provides a list of more than 100 donor-funded programs in support of enterprise development in West Africa. This list is not comprehensive, but it does provide a good overview of what is happening and covers most programs that involve technical assistance.

SUCCESSFUL PROJECTS

There are many innovative and successful programs for micro- and small-scale enterprise development in West Africa — far more than donor representatives in the countries concerned suspect. It is important at this early stage to define "a successful project" for assisting enterprises:

- First, it means having the desired impact on the target population, as outlined in the project design; and

- In the bigger picture, it means putting in place and leaving behind sustainable and improved systems or institutions that can provide the services desired in a cost-effective way.

Many projects probably do have an impact on the target population, as outlined in the goals of project documents. However, this impact is often difficult to measure: the projects tend to be defined by quantities of service delivered and beneficiaries reached, rather than by true impact on the beneficiaries of the project's services (increased value added or economic expansion), tested with a control group.

Given the capital intensive nature and significant investment of donor projects, one of the important questions is whether the results justify the cost of the program? Will the number of enterprises created or assisted generate the tangible economic growth needed by the country? Can they create a class of entrepreneurs who will dynamize the private sector in their countries? In an age when financial resources for developing countries are becoming scarcer, the issue of what is left after the project ends, technical assistance withdraws, and donor funding dries up is an important one. Do the projects establish and leave behind sustainable and improved systems or institutions?

Sustainable is the operative word. For a government institution, it means having the recurrent funds to operate the organization and provide the service. For a private or nongovernmental institution, it means making it financially viable. In its simplest form, financial viability is a situation in which income generated is greater than the cost of operation and of delivering services. For nonfinancial projects that offer relatively little chance of sustainability, the cost-effectiveness of the program needs to be measured a little differently: how many clients are reached (directly and indirectly) by the project with lasting effects such as new skills, technology, or empowerment, or what are the lasting impacts on the business environment. Adding cost-effectiveness as a principal success criteria should be an important part of any program.

For projects for which sustainability is a desired outcome, sources of income for institutions to support private enterprise are most frequently interest earned, both on money loaned out and surplus resources that are deposited in the formal financial markets; fees charged for services rendered; or income from product sold. When these sources are insufficient to cover costs, operating grants to the institution from some other agency that usually seeks the services offered can be sought to supplement existing resources.

Costs faced by institutions to support private enterprise vary. For financial sector projects, they include administrative costs (comprising the cost of lending and collection, depreciation, research and development of new financial tools and systems, and information collection); cost of capital; and costs associated with nonpayment. For nonfinancial services, it includes salaries, cost of materials used, administrative costs, and depreciation of assets.

Initial costs in all projects far exceed the income, as with most start-ups. But as the project develops it should be able to reach a stage of equilibrium where income is greater than or equal to costs, or where the systems or technology developed with the project subsidy can be turned over to another institution to manage cost-effectively. If the institution is not able to make a profit from its formal activity, it will be dependent on obtaining grants from other agencies or donors to make up the difference. The discussion of the different types of support activities, below, will highlight the ways that projects in West Africa have managed to address this question of financial viability by seeking to increase their income and decrease their costs.

CHAPTER TWO

FINANCIAL ASSISTANCE TO ENTERPRISES

The projects focusing on improving access to financial resources fall into three categories within the financial systems group: sustainable credit programs, savings and credit programs, and venture capital programs. Table 1 presents a preliminary list of these projects. These projects adopt many different approaches, but most have developed mechanisms that are responsive to their local environments and target groups. These mechanisms reflect the bases for a financial systems approach to microenterprise: (1) capturing local resources, (2) allocating those resources to creditworthy uses, and (3) operating efficiently.[1] Points (1) and (2) are the fundamentals of financial intermediation; point (3) is critical for sustainability. An important part of all these projects is that they treat their borrowers and savers as clients rather than beneficiaries, making it a business relationship.

THE PROJECTS

Sustainable Credit Programs

Over the past decade, the thinking about the nature of credit programs to support MSE development has steadily evolved. Thinking has shifted from the belief that credit programs for MSE development need to be subsidized to provide cheap capital to the realization that activities at this scale can be highly profitable and clients are capable of paying interest rates significantly higher than formal market rates. In addition, the proof from the field shows that since small enterprises rarely have access to formal sector credit under any circumstances, they are forced to pay significantly higher than market rates to money lenders. Therefore, capital that costs just above the market rate of interest is extremely attractive to the majority of small enterprises. Recognizing this, many donor projects are now applying above-market rates.

Being able to charge realistic rates of interest has opened up a new possibility: creating an institution or developing a system that can be sustainable without the continued donor subsidy. Everyone recognizes that lending to MSEs is more expensive, dollar for dollar, than lending to larger enterprises. The higher interest rates offer some hope of covering those higher costs of doing business with smaller enterprises. As a result, sustainability has become a viable objective. Institutionalization and sustainability were never objectives of earlier projects, or even objectives at the inception of most of the current projects, but, as higher interest rates have become accepted, sustainability has become a realistic and accepted target for most programs.

The projects in this category were all founded with the intention of delivering credit to enterprises or for productive activities (criteria no. 2: allocating resources to creditworthy uses), either to existing enterprises or new entrepreneurs. In spite of different target groups (poor women, medium-sized entrepreneurs, rural operators, or urban artisans) and different size criteria, because of the different target

[1] See Elizabeth Rhyne and Maria Otero, "Developing Financial Intermediation Systems for Microenterprises," GEMINI Working Paper no. 18, 1991.

Table 1

LIST OF DONOR-FUNDED MSE PROJECTS IN WEST AFRICA
Financial Sector

no.	Main Donor	Country	Project Name	Nature of Project	Implementer	Budget
1	France (FAC)	Mali	Reinsertion	Credit enteprises	Min. Migration	
2	Canada (CIDA)	Mali	PAPME	Credit enterprise creatio		$5 mn + $5mn
3	EDF	Mali	Appui a la Creation	Credit enterprise creatio		35 mn ECU
4	USAID	Mali	PVO Cofinancing	Credit enterprises	A.C., WE, FFH	
5	USAID	Togo	TRIPS	Credit rural enteprises	CARE	
6	France (CCCE)	Burkina	Bank Banh	Credit Rural enterprise	Sahel Action/CI	
7	France (CCCE)	Guinea	F.C.A.R.	Credit Rural enterprise	IRAM	
8	govt of Ghana	Ghana	Credit with Educatio	Credit rural enterprises	FFH	
9	IBRD/govt Ghana	Ghana	Rural Ba[illegible]ks	Credit rural enterprises		
10	USAID	Niger	Maradi Enteprise Dev	Credit rural enterprises	CARE	$6 mn
11	USAID	Senegal	Village Banking	Credit Rural Enterprises	CRS	
12	USAID	Guinea	Rural Enterprise Dev	Credit rural enterprises	CID	$6 MN
13	USAID	Gambia	Village Banks	Credit rural enterprises	CRS	
14	USAID	Mali	Dogo Region Women Cr	Credit rural enterprises	AMIPJ/FFH	
15	France (CCCE)	Senegal	Medina Project	Credit urban enteprises	AGETIP/ACEP	22 mn FF
16	Canada (CIDA)	Mali	Informal Sector	Credit urban enterprises	AMIPJ	$50K + $35K
17	EDF	Niger	AFALEN	Credit urban enterprises		12 mn ECU
18	EDF	Senegal	Projet Podor	Credit urban enterprises	GRET	5 mn ECU
19	France (CCCE)	Burkina Fas	AIPB	Credit Urban Enterprises	CCCE	
20	France (CCCE)	Senegal	AIPB	Credit Urban Enterprises	CCCE	
21	Germany (GTZ)	Burkina	PRODIA	Credit urban enterprises	PRODIA	
22	IBRD	Ghana	S[illegible] Enterprise Lin	Credit urban enterprises		
23	IBRD, WWB, PUE	Ghana	Wo[illegible]'s Banking	Credit Urban Enterprises	Ghana Women's B	
24	Peace Corps	Guinea	Assist Small Enterp.	Credit Urban Enterprises		
25	UNDP	Burkina	Women's Bank	Credit urban enterprises		
26	UNDP	Guinea	UNIDO Ent. Developme	Credit urban enterprises	Mor. Indust. De	
27	USAID	Senegal	ACEP	Credit urban enterprises	New Transcentur	
28	USAID	Mali	DHV Enterprise Dev.	Guarantee	Bk of Afr/DAI	
29	USAID	Niger	Cooperative Finance	Guarantee	CLUSA	
30	USAID	Mali	Vol. Early Depart	Guarantee	Bk of Afr	
31		Burkina	ADRK	Mutual Savings and Credit	ADRK	
32	Canada (CIDA)	Senegal	ATOMBs	Mutual Savings and Credit	SDID	
33	Canada (CIDA)	Burkina	Union Regional Caiss	Mutual Savings and Credit	SDID	
34	Catholic Church	Burkina	Union Caisses E.C.	Mutual Savings and Credit		
35	CCCE/IBRD	Benin	Caisses Rurales	Mutual Savings and Credit	IRAM	
36	France	Mali	Kafo Jignew	Mutual Savings and Credit	CECM	
37	France (CCCE)	Cote Ivoire	Caisses Ep. Credit	Mutual Savings and Credit	SDID, CICM	
38	France (CCCE)	Senegal	Credit Mutuel	Mutual Savings and Credit	CICM	
39	France (CCCE)	Guinea	Credit Mutuel	Mutual Savings and Credit	CICM	
40	Germany (KFW)	Mali	Caisses Villages	Mutual Savings and Credit	CIDR	
41	Germany (KFW)	Burkina	Village Banks	Mutual Savings and Credit	CIDR	
42	Germany (KFW)	Senegal	Caisses Vill. AutoGe	Mutual Savings and Credit		
43	Germany (KFW)	Gambia	Caisses Villageoises	Mutual Savings and Credit	CIDR	
44	USAID	Niger	Savings and Credit U	Mutual Savings and Credit	WOCCU	$8 MN
45	USAID	Cameroun	CAMCULL	Mutual Savings and Credit	WOCCU	$3.2
46	USAID	Togo	FUCEC	Mutual Savings and Credit	WOCCU	
47	EDF	Mauritania	Invest. Devel. Maur.	Venture Capital	SIDI/FEID	750K ECU
48	EDF/SIDI	Cote Ivoire	Urban Enterprises	Venture Capital	SIDI	
49	France (FAC)	Senegal	Senegalais Invest. D	Venture Capital	SIDI/FEID	

groups, these projects have spent much time and effort developing the systems necessary to make them viable (criteria no. 3: operating efficiently).

As the interest in creating sustainable institutions has increased, earlier approaches that distinguished projects tend to blur (the community development approach, the marginalist/minimalist approach, and the business creation approach).[2] Though their underlying objectives and strategies remain, these projects are devoting most of their time and effort to developing sound financial systems, with longevity the ultimate sign of success. Most of the projects are seeking to integrate more fully into the financial sector, which means establishing forward links (savings generation, with the funds deposited in the formal sector) or backward links (banks as sources of loan funds) into formal financial systems.

The financial systems approach focuses on creating a more responsive financial sector better able to support enterprise development. One of the fundamental problems facing enterprises in West Africa is that the formal financial system was imported from Europe and was designed on a European model to respond to the needs of European companies in Africa, not local African enterprises.[3] Formal sector finance rarely goes for long-term investment and rarely below 10 million CFA (about $4 million), except for working capital and overdraft facilities.[4] As such, before MSE programs there were no financial services adapted to the needs of the vast majority of West African enterprises and no one in the formal sector had an interest in developing them.

Results

Currently some 12 projects focus primarily on credit delivery to MSEs. Table 2 provides vital statistics on 10 programs. All of the projects were developed to help provide access to credit for enterprises and individuals, not to improve the efficiency of the financial sector. But to achieve their goals, the projects have been forced to overcome many of the flaws in the system, allowing services to reach deeper into the economy and finance progressively smaller enterprises.

Laying the Groundwork for Sustainability — High Repayment and Profitability. Table 2 shows that a number of projects are delivering significant amounts of credit, achieving high repayment rates, and are well on their way to becoming self-sustaining financial institutions. Even though repayment rates are not a good measure of financial viability nor the quality of the portfolio, they are one of the few statistics being reported by most projects. As such they can serve as an indicator for comparative purposes. In 1985, the USAID *Manual to Evaluate Small-Scale Enterprise Development Projects* considered that a program with 85 percent repayment or higher to be excellent and 75-85 percent to be

[2] See John McKenzie, *Small Business Promotion in the Sahel: A Survey with Guidelines to Donor Agencies for Future Initiatives*. Club du Sahel/OECD, March 1990.

[3] Club du Sahel, "The Private Operators' Perspective on an Agenda for Action," Dakar, November 22-25, 1991, pp. 16-18.

[4] See John McKenzie, "The Role of Financial Institutions in the Promotion of Micro and Small Enterprises in Burkina Faso: Evaluation and Analysis of Funds Flow." GEMINI Technical Report no. 29, February 1992.

Table 2

STATISTICS ON CREDIT DELIVERY PROGRAMS

Project | Project Life | Operating Budget/yr ('000) (no TA) | Credit Fund Amount | Cost of Funds | Total loaned/yr | Number of loans | Loan Portfolio | Repayment rate | Interest rates/fees | Prospects for profitability

Project	Project Life	Operating Budget/yr ('000) (no TA)	Credit Fund Amount	Cost of Funds	Total loaned/yr	Number of loans	Loan Portfolio	Repayment rate	Interest rates/fees	Prospects for profitability
ACEP/Senegal result: FY 91 (Oct. 1, 91)	1985 - 1992	$370	$2,500	0.00%	$3,950	1373	$2,570	95% on time 97% in 30 d. 98% recovered	28% APR 1% reg fee	GOOD earned $52,000 in FY 1991
FED/Mali result: March 1991	1988 - 1994	$1,582 422 mn CF	4.8 bn CFA by 12/31/94	0.00%	1.3 bn FCFA in 91/92	630 over life: of projec (4/30/92)	2.4 bn CFA on 4/30/92	60% within 90 days, claim 90% recovery overall	8-10% nomina 6% effective with fees	poor
Caisses Rurales Guinea Result: Dec 31, 1991	1988 - 1998		$2,244 718,000 617,000 101,000	 0.00% 13.50%	$79,500	7221	$1,459 467,000	on time:96.6% in 120d:98.9%	3%/mon.	GOOD, if each agent can manage 56 mn FG/yr.
CARE/Maradi June 1992	1988- 1996	50 mn CFA	$2.9 mn	0.00%	312 mn CFA in 10 months 6/91-3/92	4548 loan made in 10 months 6/91-3/92 5368 in LOP	estimate at 500 mn CFA in 6/92	92-95% including prepayments 1% of portfolio past 60 days late	18% APR, no other fees	good in the long run.
PRODIA Oct 30, 1991	started in: 1988	$29 8 mn CFA	80 mn CFA	0.00%	80 mn cfa	290	$291 80,000	90.00%	int.: 12% fees up to 12000 CFA per dossier	Interest rates too low for long term viability

Project	Project Life	Operating Budget/yr ('000) (no TA)	Credit Fund Amount	Cost of Funds	Total loaned/yr	Number of loans	Loan Portfolio	Repayment rate	Interest rates/fees	Prospects for profitability
FED/Senegal data: 8/91 Podor and St. Louis	1989 - 1993	about 120 mn CF	2 bn cfa Total	0.00% 0.00%	1.5 bn in last 12 months	550 as of 6/92	2bn CFA	95 %	11% interest fees: 7% effect rate: 11-13% pa	Reasonably good if costs are correct
VITA Chad Dec. 31, 1991	1984- in third phase	about $400K but only consider 30% as credit related	$589 mn remaining after $289 mn decap in first 7 yrs	0.00%	$861 mn loaned in 1991	47 SME & 173 micro loans in last 6 months 598 loans over LOP	$477 mn out-12/91 $2.5 mn disbursed since start of project	79% repaid in 4th Qtr '91 73% considered recoverable, 37% of portfolio is 90 days past due.	12% pa plus fees	Project only considers 30% of operating costs to be credit related. If true, then prospects good, but this is doubtful.
RED Guinea (PRIDE) July 1992	1991- 1995	$US 250K	$US 5 MILLIO	0% for Grant 12% for savings	in first year loaned 24.4 mn FG in first two months	in first year 200 loans in first two months	24.425 mn	100 percent over first two months	36% APR nominal, plus fees & savings Effect.Rate: 27.6%-33.3%	good over the long run
PAPME/Mali	1990- 1994	68.6 mn FCFA	2.2 bn FCFA (C$10 mn)	0.00%	259 mn CFA	39 total as of 3/31/92	total value of loans is 454 mn CFA	92.00%	SME: 12.75% Micro: 14% Effect. Rate: SME 9% Micro: 10%	Poor
Sahel Action Burkina	1989- present	60 mn CFA	40 mn CFA line of credit from CNCA	9.00%	22 mn CFA	about 2,000		100% in 17 zones; 70% in 3 zones; ave. 95%	21% APR	fair

very good.[5] Today those numbers are obsolete. The evidence from the field now dictates that over 95 percent is excellent, 90-95 percent is good, and 80-90 percent is marginal.[6] Below 80 percent is really not sustainable. The high number of projects with repayment rates in the 95+ percent range implies that this should now be the minimum standard and the target for all projects.

TABLE 3

SUMMARY OF QUOTED REPAYMENT RATES BY SEVERAL PROJECTS

Project	Repayment Rate over last 12 mo.	Time Limit
ACEP/Senegal:	97%	in 30 days
EDF/Mali:	60%	within 90 days
Credit Rural/Guinea:	96.6%	on time
CARE/Maradi:	95%	
PRODIA:	90%	
EDF/Senegal	95%	
VITA/Chad	79%	
PAPME/Mali	92%	in 30 days
PRIDE/Guinea	100%[7]	on time
Sahel Action	94%	

Repayment rates are of limited use as measures of success because they provide no information about the overall portfolio: its quality, size, and the profitability of the operations. However, achieving high repayment rates is usually a necessity for eventually reaching sustainability. Many projects are now keeping information on their ability to cover local operating costs, which provides more relevant information on sustainability.

At present, the most successful project in terms of credit delivered, repayment, number of enterprises affected, and potential for long term institutionalization is the USAID/Senegal ACEP project. In its seventh year of operation, the project earned $176,000 in the first six months of its FY 1992 after all operating expenses were calculated, except the expatriate's salary.[8] Its average loan size of $2,800 is in the middle range of the programs reviewed, but on the small end of the range of projects not doing

[5] Susan Goldmark and Jay Rosengard, *A Manual to Evaluate Small-Scale Enterprise Development Projects*, Development Alternatives, Inc., 1985, p.109.

[6] Many financial system purists argue that 99 percent is excellent, 95-99 percent is marginal, and anything lower is unacceptable for sustainability.

[7] The project has been lending for only two months, so this represents five repayment periods.

[8] These costs included 3 percent for cost of capital, which corresponds to the inflation rate in Senegal, to protect the integrity of the funds.

high-volume microlending. The ACEP project is still small by formal bank standards for enterprise loans.[9]

The EDF/Senegal project claims to have a 95 percent repayment rate on a 2 billion CFA ($8 million) portfolio. It claims to be covering 66 percent of its local operating costs. If this information is correct, then the project has achieved the volume and returns that will probably provide it with sufficient income to become financially sustainable.[10]

At the smaller loan end of the spectrum, the CARE Rural Bank Project in Niger and the Institut de Recherche et Application des Méthodologies de Développement (IRAM) Projet de Crédit Agricole et Rural (PCAR) in Guinea both appear to have a reasonable chance of covering all their operating costs in the long run. Both have managed to achieve high repayment rates (averaging 95 percent and 98 percent, respectively), while developing sizeable portfolios that are made up of large numbers of small loans. Both project will be making in the neighborhood of 7,000 loans in 1992, with IRAM's totalling 400 million CFA and CARE's 500 million CFA.

The Sahel Action Program has rates of 98-100 percent repayment in 26 out of 30 villages and 70 percent rates in four other villages. Its total loans of 30.5 million CFA over three years is small compared to IRAM and CARE, which average 250 million CFA/year. Sahel Action claims that it will cover local agent costs within two years, but makes no pretense of covering all costs associated with the program.

The EDF/Mali project is facing the most serious problem. With only a 60 percent repayment rate (though they claim an eventual 95 percent recovery rate), the project estimates that its anticipated outstanding portfolio of 3.5 billion CFA will cover only 80 percent of its operating costs, including provisions for bad debt. This will lead to a steadily decapitalized loan fund.

Some Direct Benefits. It is extremely difficult for credit programs to claim that they have had an impact on enterprise and employment creation, but many projects do make these claims. Without any data on how long the enterprises exist after creation, how steady the jobs are, or whether these enterprises might have been created without the project, projects targeting enterprise creation still claim "success" in enterprise or employment creation. Different projects have different targets for enterprise creation and employment generation. Four credit projects target formal enterprise creation while trying to develop formal financial institutions:[11]

- The EDF/Mali project claims to have created 630 enterprises after four years, averaging four people per enterprise (2,500 jobs), with a total investment of 5.3 million CFA per enterprise;

- USAID/Chad's Volunteers in Technical Assistance (VITA) Private Enterprise Promotion (PEP) Project has financed 282 small enterprises in 7.5 years, and 316 microenterprises in

[9] Since 17 percent of loans made in 1991 were under 100,000 CFA, an increase from 9 percent in 1989, the trend in loan size is actually downward.

[10] The project has just hired an accountant and has not compiled any concrete data in the last 12 months.

[11] The recently approved Agence et Fonds d'Emploi pour l'Entreprise au Niger (AFELEN) Project in Niger will also target formal enterprises, but is not yet operational.

the 18 months leading up to December 1991. It claims responsibility for creating 1,413 jobs over the life of the project;

- The Projet d'Appui à la Petite et Moyenne Entreprise (PAPME) project in Mali has financed 39 new enterprises in three years (as of June 1992, 20 of these had actually started up) with an average investment of 11.6 million CFA ($46,500); and

- The EDF project in Senegal (actually two projects merged into one) had made a total of 550 loans as of June 1992, averaging 4 million CFA per loan.

Many of the other projects are most interested in delivering credit to large numbers of beneficiaries, and have achieved extensive coverage of their target markets:

- The CARE/Maradi project also targets enterprise creation, but at the purely informal level. In the first 10 months of its second phase, July 1991-March 1992, it provided 4,548 loans worth over 300 million CFA ($1.2 million).[12] With an average loan size of 68,600 CFA ($274), the majority of the activities were commercially oriented (buy goods in Nigeria and sell them in Niger), generating a substantial flow of funds and making the markets more dynamic;

- Without targeting enterprise creation, in fact explicitly avoiding it, ACEP/Senegal has made 2,142 loans over five years. CCCE reports that this has created 1,400 jobs and allowed 4,500 others to be maintained, with half of these coming in 1991;

- PCAR in Guinea serviced 7,221 clients in 1991 with nearly $1 million in loans, most involved in commercial activities in the rural areas, like the CARE project in Maradi; and

- Between July 1988 and September 1991, the Sahel Action Program made 2,200 loans totalling 30.5 million CFA ($122,000), all to women for income generating activities.

Savings and Credit Programs

Though they have not received much attention when it comes to enterprise finance, the savings and credit programs (alternatively referred to as credit unions) are probably the largest potential source of sustainable small enterprise finance in West Africa. By starting with savings rather than credit, they address one of the critical factors for long-term institutionalization: local capital mobilization.[13] When they then lend it out, they create grass roots systems for financial intermediation.

The World Council of Credit Unions or WOCCU represents the largest number of credit unions in the world, but many independent ones are being created with their own methodologies and philosophies. The African Confederation of Cooperative Savings and Credit Associations (ACCOSCA) is the African Affiliate of WOCCU and has 11 members in West Africa with 3 million members (2.7 million are in Nigeria), $400 million in savings, and $75 million in loans (see Annex C.1 for further details).

[12] The project maintains no records on numbers of repeat loans versus new loans.

[13] See Rhyne and Otero, 1991, p. 2.

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Table 4, below, presents some of the vital statistics of different operating credit unions that have been operating with donor assistance over the past 20 years.

Concrete Results

Even though only a small percentage of total credit union loans go to MSE activities[14] — an estimated 15-25 percent of total loans[15] — the sheer number of credit unions means that they are the largest providers of credit to MSEs. Magill estimates that in all of Africa, between 234,000 and 468,000 credit union members are getting loans for MSE activities, totalling between $42.2 million and $84.5 million per year, with an outstanding portfolio of between $38.4 million and $76.8 million. Since West Africa has 200,000 members in the WOCCU system, if we do not include Nigeria, this can be extrapolated to loans for 30-60,000 members worth between $6 and $10 million. When all the other programs are taken into consideration, particularly in Nigeria, this amount increases significantly.

From Table 4 it is clear that much is happening in this arena, though there are tremendous differences between the Anglophone and the Francophone countries. Anglophone programs are led by Ghana and Cameroun (the credit union program is largely in the old West Cameroun, which was anglophone). Nigeria has by far the largest membership and financial importance, but little information is available.

Among the Francophone countries, we highlight the following characteristics:

- The largest single program is Togo; the Fédération des Unions de Caisses d'Epargne et de Crédit (FUCEC) has 2.2 billion CFA in savings and 1.8 billion in credit;
- Burkina Faso has five significant programs, totalling 1.5 billion CFA in savings and 1 billion in loans;
- Benin has the largest resource base, with 3 billion CFA in savings, but is only providing about 300 million CFA in financing seasonal agricultural credit and no individual loans; and
- Senegal, with the most active NGO base, has the largest number of operations as reviewed by their mutualist banking program. However, most are still small compared to the programs in Burkina, Togo, Benin, and Guinea.

As is evident, the credit unions in the Anglophone countries dwarf the Francophone ones:

- Ghana has 55,000 members, $20 million in savings, and $16 million in loans; and

[14] The majority of credit union loans, in all countries, go for family expenses, household purchase and improvements, education, and health. John H. Magill, "Credit Unions: A Formal Sector Alternative for Financing Microenterprise Development," GEMINI Working Paper No. 22, Development Alternatives, Inc., September 1991, pp. 5-6.

[15] Magill, 1991, p. 13.

Table 4

STATISTICS ON 20-YEAR-OLD CREDIT UNIONS' USE OF DONOR FUNDS

Credit Union (COUNTRY)	RESOURCES: Amount	From	Cost of Funds	USES OF FUNDS: Amount loaned	Activities funded	Organization	Loan Term	Clients	Guarantee	Interest Rate	unpaid	Other Comments
SDID Burkina Faso data: Nov. 199 started: 1972	891.5 mn CFA member savings	SDID - Members	6 %	325 mn CFA	anything	3 unions 28 caisses	1 yr	30,000 member (25% women)	moral gu. other member collateral	15-16 %	10%	inherited existing but expanding rapi
UCECB Burkina Faso data: Nov. 199 started about 1970	400 mn CFA member savings	UCECB/ members	0% - 6%	207 mn CFA	individual groups	5 unions 67 COOPEC 33 clubs 31 CECPS 450 G-V	1-3 yrs	11,000 (25% women)		9 to 12 %	none but some late	
ADRK Kaya Burkina Faso data: Nov. 199 Started: ?	93 mn CFA member savings	Members SUBSIDY OF 48 MN FROM INTL PVOS	5 %	30 mn CFA	ag equip commerce artisan cereal ban	one agency 6 offices	7 yr 1 yr 1 yr	100 village g 7500 members	group guar	9-18 % APR	10 %	
CVECA OUDALAN Burkina Faso start 1985 data: 1/92	2.5 mn CFA equity 4.3 mn CFA savings (11 mn total savings over	members CIDR/ OCECA	20.00% savings 0% refina op cost: 5-7 mn CF	4 mn CFA outstanding 409 loans for 8.25 mn	productive	1 associatio 17 villages	avg. 3 mo	1,658 members	village solidrity	40.00%	5% past 15 days 0% long term	All expat TA now o ACECO, local NGO has taken over management. Cost 6-8 mn FF to start network.
CICM Senegal data: 1/92 started: 1988	95 mn CFA Member savings	CICM/ members	4.5%	45 mn CFA ** line with CNCA lends 90 mn CFA		1 union 30 caisses	1 yr	7,700 members	blocked acct	24%	??	

Credit Union (COUNTRY)	RESOURCES Amount	From	Cost of Funds	USES OF FUNDS Amount loaned	Activities funded	Organization	Loan Term	Clients	Guarantee	Interest Rate	unpaid	Other Comments
Kafo Jiginew Mali data: 9/91 started 1987	capital: 48 savings: 125 mn CFA Tot: 173 mn + 30 mn gtee fund	CECM/ Members	4.50%	92 mn CFA ou for 4150 loa total year: 5100 loans f 110 mn CFA	cotton cam (4102 l[illegible] small loan: (1004 for 20 mn CFA)	1 union 31 caisses	varies up to one yr	9,700 members	savings	11.00%	0.50%	Now covering 50% of operating costs Resources increase 77% and small loan quadrupled, while campaign loan up 9
CICM Guinea-Conakry data: 1/92 started 1988	20 mn FGu share cap savings: 895 mn FGU Total: 915 mn FGu	Members CICM give logistics	11.00% to 21.00%	344 mn FGu	anything	one union 47 caisses	up to 1 y	21000 members	savings	30.00%	??	most loans for soc and housing
CVECA Gambia data: 1/92 started: 1988	share: .854 mn CFA savings: 3.2 mn CFA total year: 7.4 mn CFa	members	savings: 20.00% cent bank 12.00%	3.5 m[illegible] CFA year: 621 lo for 7.2 mn C	productive	one assn six villages	avg 5.6 m	1304 members	village solidarity	40.00%	7% at 15 days 0% on tot	
CVECA Mali data: 1/92 started 1986	share: 3.8 mn CFA savings: 8.5 mn CFA 22 mn CFA over year	members	save:20% BNDA11%	10 mn CFA ou 2,763 loans for 27.5 mn for year	anything productive	one assoc 25 villages 2 new assns starting w/1	avg: 4.3	4,630 members	village solidarity	40.00%	1 % at 15 days 0% on lif	
Caisses Rurale Benin	3 billion sa	members IBRD/CCCE FED/KfW	5-10.5% year	310 mn CFA 8,500 loans	ag campaig	one union 6 regional caisses 43 local caisses	1 year	75,000 member	3 times savi	2%/month 24%/year	99%	

- Cameroun has the largest program with 72,000 members, $36.6 million in savings, and $23.5 million in loans.

Sierra Leone and Liberia had very active programs but they have virtually disappeared with the recent war.

With volumes this important, the savings and credit unions must be considered as important participants in the potential market for providing finance to MSEs, even though the unions may not target this activity as such. The credit unions represent locally adapted and usually viable institutions that can provide important lessons for techniques to organize other locally adapted institutions.

Venture Capital Investment Companies and Links to Formal Systems

- **Venture Capital**

One of the major needs of new small enterprises is term credit that will allow them to make long-term investments in plant and equipment. The sources of term credit are limited, though a few of the projects listed in category 1 do provide it (PAPME/Mali, EDF/Mali, EDF/Senegal, and VITA/PEP). Several innovative activities are trying to establish venture capital programs for small businesses. The Société d'Investissement et de Développement International (SIDI) has established venture capital firms in Mauritania (IDM), Senegal (SID), and the Côte d'Ivoire and expects to establish them in Guinea and Benin (see Annex C.4 for a description). These companies are capitalized by funds from SIDI, local NGOs, and local financial institutions.

Another program that is African based and managed is La Financière, a form of investment club for young entrepreneurs. Though it is a regional association, the members in Côte d'Ivoire, Senegal, Niger, Cameroun, and Benin are the only ones that focus on investing in local enterprises.

The goal of both these programs is to make money by investing in and assisting small companies. Since these are "for profit" activities, the institutionalization question should take care of itself from the beginning, but several questions still arise. In the Côte d'Ivoire, the EDF will be using the local SIDI affiliate to handle its small enterprise creation fund, but has not yet determined how it will transfer the funds after the life of the project, since it is a bilateral agreement (the money still belongs to the Ivoirien government).

Results. In Mauritania, IDM has project support from EDF and had approved nine investments by early 1992 and had four more under review. The project is proving to the local financiers that it can be effective. This will be important for convincing local sources of finance to invest in them. But it has not yet faced the question of getting its money out of the companies since there is no secondary market. Very important questions on the buy-back arrangements, such as timing and price calculation, have not yet been worked out properly.

In Senegal, SID management is completely local and has only made two investments, moving much slower than expected. The local board of directors is contemplating a shake-up.

La Financière is achieving varied results. La Financière in the Côte d'Ivoire is the most dynamic with five enterprises financed with joint venture partners. La Financière Niger is suffering from the formal financial crisis, which has trapped its members' accumulated 500 million CFA in a BCCI account. Other countries have not made many investments.

Loan Guarantee Funds — Links to the Formal Sector

Historically, loan guarantee funds have had the least success. The concept behind the guarantee fund is to reduce the risk of the financial institution, enticing it to learn about new clients and develop financial tools and systems appropriate for reaching new MSE clientele. In so doing, the institution will be able to take on a permanent role providing services to MSEs. Current examples are the Mali Economic Policy Reform Project, the Development de la Haute Vallée in Mali, Cooperative league of the USA (CLUSA) in Niger, and the IBRD program in Mali.

The results of these programs have been poor. Although many banks have made loans under the guarantee programs, the acid test of success is whether the institution will continue to lend to those clients after the program ends. The answer in most cases is no. The CLUSA project in Niger presents a clear example: the collaborating bank, the Banque Internationale pour l'Afrique de l'Ouest (BIAO), requires a 112 percent guarantee, covering all the principal and interest. In return it serves as a money manager. But with no risk, it has done nothing to learn about its clients and shows no interest in servicing them without the project.

In Mali, much money has been put at the disposal of the banks in guarantee funds ($8 million under the USAID Economic Policy Reform Program [AEPRP] alone) with only a handful of loans actually being made. The banks are more than happy to have the money on deposit and at their disposal, while not having to guarantee any projects.

Women's World Banking claims that guarantee funds are one of their most successful tools for integrating MSE loans into the formal financial systems, but they have not had much success in West Africa. Their loan guarantee fund in Ghana has just been discontinued after guaranteeing only 25 loans over a three-year period with Barclay's Bank.

The Développement de l'Haute Vallée (DHV) project in Mali has had mixed results with its two major loan guarantee programs. It has negotiated a steadily decreasing guarantee for rural village loans that is extremely successful. Based on this experience, it negotiated a good rate (50 percent guarantee) with the Bank of Africa Mali (BoAM) for its early retirement program. All 20 of the loans on this latter program are now in default and BoAM has ceased to make new ones.

Co-lending — Another Link to the Formal Sector

Numerous programs have tried to entice banks to lend their own funds directly to MSEs. Most have met with no interest on the part of banks, but some have forged small links that are still extremely fragile:

- The PAPME Mali project has negotiated 50-50 financing with BIAO, based on the project's analysis of the proposed loans. After participating in most of the initial loans, BIAO is now gradually pulling back;

- The CIDA Incubator Project in Cameroun was also to generate co-lending; it got banks to make 15 large loans (one-third of total made), but the banks have stopped participating, forcing the project to cover all of the new small ones directly;

- The UNDP ILO project in Mali is probably making the most inroads, with its link to the IBRD line of credit. The BoAM is now lending some of its own capital to MSEs, based on the continued loan appraisal and follow-up of the project; and

- The new CCCE Medina Project has linked up with BIAO for a similar arrangement.

The finding is that banks require sound consulting assistance to vet projected enterprises because they still do not have that capacity. They then need assistance with continued follow-up of the entrepreneurs after they get the loan. Without those elements, the banks are still wary.

SUCCESS FACTORS FOR FINANCIAL SECTOR PROJECTS

Characteristics of the projects that successfully deliver credit and savings services to MSEs are that their service fits the market (for both savings and credit), they use special techniques to slash administrative costs (for both savings and credit), and they use special techniques to motivate repayment (for credit). In addition, many of these programs are now adding savings mobilization components to round out the shift to the full financial systems approach. These characteristics are shared by all three major kinds of projects.

It is worth noting at this point that the capacity of the project management team in the field is critical to shaping the characteristics detailed below. It has been the single most important factor in each of these successful projects. Projects without excellent management teams have slipped out of sight along the way. The management needs to be entrepreneurial and creative. At the same time, the managers need to defend their embryonic programs by fending off interference from both the sponsoring donor and the local government. Nearly all of these project managers have had previous experience on other less successful projects. Like so many small enterprises that fail the first time around, the managers have learned from experience and designed and managed better projects.

Servicing the Market

Defining Markets

All of these projects have clearly defined or redefined the market they are to serve. Some project managers were able to define the clientele at start-up (à la ACEP and CARE/Maradi). Others responded to the objectives of the project only to find that the target market was inappropriate for achieving concrete results. In the EDF/Mali and Senegal projects, the project managers have steadily changed their target market away from refugees and young graduates toward other needy clients who are more responsible and reliable.

Many of the projects only work in one kind of market: Sahel Action and Freedom from Hunger (FFH) work with poor women in rural areas; PCAR works with rural village-based clients (no urban loans); ACEP lends only to existing enterprises. This allows them to develop highly specialized services and tools to respond to their market.

The Société de Développement Internationale Desjardins (SDID) project in Burkina targeted only rural areas during its first 15 years and experienced some problems when they moved into creating Caisses in Ouagadougou where they faced a very different culture. The Centre International du Crédit Mutuel (CICM) in Guinea works largely in the peri-urban areas and the Caisses d'Epargne et Crédit Communautaire au Mali (CECCM) works only in the cotton zone. One of the strengths of credit unions comes from their having a predefined organizational structure around which to develop.

Identifying Responsive and Efficient Services

Each project did a fairly good job over the early years of activity to redefine its modus operandi to meet characteristics of the target market. Services provided by the programs depend largely on the size and targets of the loan program.

Fast Turnaround Time. Many of these projects manage to provide a response to the borrower in under two-four weeks. Since the majority of the needs for the smaller loans is for working capital, this meets their need directly and immediately. The Sahel Action and FFH projects have people in the villages on a weekly basis, relying on the solidarity groups for review.

For larger borrowers (ACEP, EDF/Mali and Senegal), where solidarity lending does not apply, potential borrowers get immediate feedback on their ideas when they present them at the branch offices. Since branch managers benefit from higher turnover, they have an incentive to give immediate and reliable feedback. Depending on the potential for the project, borrowers are either encouraged or immediately discouraged. When the loan application is finally complete, credit committees usually respond within an average of two weeks.

Advisory Services. For the credit programs, advisory services are usually tied into the cost of the loan contingent on receiving it. They come in a range of forms:

- The EDF-style programs provide preliminary and follow-up service, as does the ACDI program in Mali and VITA/PEP in Chad;

- The ACEP project provides advisory services during the loan review process because the branch manager helps the applicant put together the cash flow and income statement and looks at the market with him. One positive result is that the borrower is acutely aware of how much he has to pay back, when, and how it is broken down (interest versus principal); and

- In PCAR in Guinea, the loan agents carefully review each of the proposed loans with the solidarity group as a whole, asking pointed questions to help the borrowers analyze it themselves.

The loan preparation and evaluation process is often interactive and has the same effect as an advisory service, whether explicitly claimed as such and charged accordingly. These advisory services result in loan applications that are very strong, and EDF, in its review of its MSE activities worldwide, ranks this as the single most important determinant of the success of the loan.[16]

Easy Repayment and Simple Calculations. All of these projects make repaying simple with easy formulas for calculating interest and ready facilities to accept repayment. In many cases it takes place in the villages, saving the people a trip to town. CARE/Maradi uses the postal banking system for its collections, which is easy for the borrowers and provides a good paper trail and security for the project.

Many of these projects invest time in the beginning making very clear what the payments are (principal and interest), how they are calculated, and the breakdown of each payment. This "training" — teaching the borrowers their obligations — is a fundamental part of the successful, wide-reaching microloan projects like PCAR and PRIDE in Guinea. ACEP/Senegal also spends significant time with the borrower reviewing his or her repayment schedule.

Managing Costs

The major costs for financial institutions are the operating costs, the costs of capital, and the losses from bad debt. Cutting administrative and operating costs is a critical factor and relates directly to the question of the target market. Encouraging repayment also relates to the market, but relies on developing cost-effective techniques.

Cutting Administrative Costs

Cutting administrative costs relates directly to the amount of time the personnel spend evaluating and managing the loan. The less time spent on one loan, the more loans that can be handled and therefore the lower the cost per loan. Services that meet the interests of the clients such as fast turnaround times also meet the interest of the lender — the services allow the lender to handle more loans and reduce idle funds.

Developing systems to evaluate the loans quickly and efficiently is also important and the tools the projects use help with that: single-sheet applications, knowing the kind of loan they are making, and being able to judge references quickly.

It is also important to pay out and collect quickly and accurately. Most projects rely on their staff to be in regular contact with the clients to pay out and pick up loans. The CARE Maradi project developed an efficient system through the Caisse Nationale de l'Epargne, which operated through the postal system until it went bankrupt in May 1992. ACEP has prepared a mechanism for registering collateral cheaply and quickly.[17]

[16] Robert Dhonte, *Review of European Development Fund Projects in the ACP States*, 1991.

[17] Its collateral registration process cuts a few corners to save the borrower at least $100 per loan, but it is not legally binding.

To simplify its records, Sahel Action, Guinea/PRIDE, and Guinea/PCAR have standardized loan packages:

- Sahel Action makes all loans for the same period, 56 weeks, requiring reimbursement of 2 percent of the loan amount each week. They do not have the systems in place to accept early repayments;

- Guinea/PRIDE has a fixed system with choices of four loan sizes for exactly six months; and

- Guinea/PCAR offers a wider menu of loan packages depending on the region and the nature of the loan, but all loans must fit in one of the packages.

Motivating Repayment

Many techniques are used to encourage repayment. ACEP is the most effective in the classic methods of requiring collateral or third party guarantees. ACEP is extremely careful about its clients (as noted above), and absolutely ruthless in collecting its loans. It does not reschedule any loans and considers any loan more than 30 days in arrears to be nonperforming. ACEP does not hesitate to collect the collateral to get its borrowers to pay up.

The Mali Freedom from Hunger project and Sahel Action provide proximate service, with collectors in the village on a weekly basis to facilitate payment.

Many projects rely on social peer recognition and pressure to encourage repayment. PCAR and PRIDE projects in Guinea, Sahel Action in Burkina Faso, and FFH in Mali and Ghana rely on small solidarity groups that are sanctioned by villager leaders or groups of wise men.

The Centre International de Développement et Recherche (CIDR) relies on village solidarity and claims they have had no defaults on total recovery and have excellent on-time repayment rates (all programs are between 93 and 99 percent within 15 days). In many of the credit union programs, all lending is cut off within a group if the repayment rate drops below 95 percent, while names of the late payers are posted and advertized. (See Annex C.2.)

Moral criteria are used by larger projects such as ACEP and EDF/Mali. ACEP refuses clients with high moral risk: no politicians or religious leaders or members of their families may receive loans. In addition, the project is less likely to lend to someone with a high school degree (75 percent of loans go to illiterate businesspeople) since they are reportedly more apt to try to find ways around repaying.

Several programs have offered lucrative incentives to the project staff to encourage high repayment. ACEP, CARE/Maradi, and EDF/Senegal offer good performance bonuses (the leading branch managers in ACEP double their salaries). As a result, they do their jobs that much more vigorously and rigorously, following up on all loans.

Group guarantee funds exist in many programs, some taken up front, some paid in along the way. The guarantee funds collected by the PRIDE and PCAR projects in Guinea straight from the loan amount seem to provide an incentive to repay, as well as contribute to group solidarity.

One mechanism that has not worked up to expectations has been the two EDF projects' Société de Caution Mutuelle (SCM). In principle, under this approach each borrower would create his own solidarity group, which would contribute into a blocked account on a regular basis to serve as a mutual guarantee. As the loan is paid off, other members of the group would be able to benefit. In practice, the operations have proved impossible to control or enforce. The SCMs in Senegal reached only 2 percent of committed amounts paid in, while Mali did slightly better. Touted as one of the core tenets of the program, it has proven to be irrelevant to project operations.

Some projects, to improve their statistics, have done significant loan rescheduling. Although this will make repayment rates on a portfolio with many bad loans appear better, it is important to ask whether it is really a way of temporarily covering up problems or whether it is a real solution to troubled borrowers. ACEP maintains that frequent loan rescheduling leads to less rigorous loan evaluation by branch managers, and does not accommodate it.

Costs of Capital to the Projects

Few donor credit projects have any direct cost for their initial capital, because the funds are given to them. Hence, they do not automatically take account of the costs associated with the funds. The projects should at least take into consideration the local inflation rate in order to preserve the real value of the donated money (which ranges from 2-3 percent in most of the CFA countries to 20+ percent in Guinea). In addition, the projects should be thinking into the future, when their success will outstrip the available grant funds and, as new financial institutions, they will need to pay competitive prices for funds. Already many of these programs are paying some interest on forced savings or guarantee funds. The savings and credit unions are more acutely aware of the cost of capital, because they are already paying interest on the savings that serve as their loan capital.

For their long-run sustainability, both the pure credit projects and the credit unions must manage their capital efficiently to offset its cost. These costs of capital can far outstrip the costs associated with bad debt if care is not taken:

- In Guinea, the two largest projects note that they are able to use only about 80 percent of total funds, because the rest is always in transit: between the borrower and the agents (late payments), between the agents and the branch, between the branch and headquarters, and then between the headquarters back to the branch; and

- The CARE project in Maradi uses the local postal system to handle repayments; this is efficient for the personnel and accounting, but leads to lost use of the funds for 1-2 months while they are being transferred from one post office to the next (an automatic 16 percent decrease in efficiency).

If the projects are paying costs on 100 percent of their capital, but are only able to use 80 percent, this generates a significant cost off the top. Following an analysis to determine future financial feasibility, the PRIDE Guinea project managers concluded that "the ability of PRIDE to self-finance depends in large measure on what its capital costs are and how efficiently it manages the capital that is available."[18]

This means finding ways to eliminate idle funds, an issue that has received very little attention from most projects to date.

[18] Letter from Paul Rippey to William Grant, July 12, 1992.

Managing Income

The other side of the equation of lowering costs is increasing income, which comes mainly through interest and fees collected.

Interest Rates

Though interest rates have long been a subject of extreme policy importance at the government level, they are largely irrelevant at the small borrower level where the most important point is getting the loan, and getting it quickly. In this case, access to credit is what counts most, not the cost. At the smallest levels, borrowers can easily make a 15-20 percent return per day, so paying a rate of 2-3 percent per month will not be a determining factor in loan repayment.

There is some very strong evidence for this:

- CIDR lets the villagers select their own interest rates, and the villagers always use the money lender rates as their point of reference. As a result, their interest rates are very high — about 40 percent in Mali, Burkina Faso, and Gambia;

- CICM in Senegal charges 24 percent on its loans, but the fact that savings are only paid a deposit rate of 4.5 percent effectively means that to get the extra 50 percent of funds under the new blocked account system, borrowers are paying 63 percent to access that additional money;

- The *banquiers ambulant* (travelling bankers) in Ghana charge 40 percent every three months or 160 percent per annum;

- ACEP, one of the leaders in this field, charged 24 percent annual percentage rate (APR) on its loans in 1986, and now is charging the equivalent of over 28 percent APR interest; and

- In Guinea, all MSE projects are charging well above market rates, and their biggest constraint is capital availability.

MSE borrowers put up with high interest rates because they can make good profits. The important point is to select an interest rate (and fee structure) for a project that is competitive.

Other Fees

In addition to the interest, most projects charge additional fees. The EDF/Mali and Senegal projects actually make most of their money off other fees. While charging very low interest rates (10-11 percent APR), they will add on another 6-11 percent (of total loan amount) for loan initiation, consulting/follow-up, and guarantee. In Senegal, this raises the effective cost to the borrower to 11 percent. Using other fees allows the projects to raise revenue while escaping the direct scrutiny attached to higher nominal interest rates.

Sahel Action charges additional fees for membership and loan initiation, and ACEP charges a 1 percent loan initiation fee, and adds on another 3 percent factoring charge if the borrower uses inventory as his collateral. These other fees can add significant amounts to the income of the project and are charged on a regular basis.

Comparing the Cost to the Borrower

When trying to compare project interest rates, it is important to note that nearly every project calculates its interest in a different way. This makes it impossible to make direct comparisons based on nominal (quoted) rates, unless one standardizes on the effective cost of the capital to the borrower, which takes into consideration forced savings, membership fees, dossier fees, and other charges, as well as interest.

The different fees associated with the size and the length of the loan have a significant impact on the effective cost to the borrower. Although the standard banking method is the annual percentage rate, calculated on a declining balance, many projects use their own systems. The following table presents the effective cost to borrowers (total amount paid up by the borrower divided by the amount borrowed) for loans from different projects.

TABLE 5
EFFECTIVE COST OF CAPITAL TO BORROWERS
FROM A SAMPLE OF PROJECTS

Project/Country	Nominal Interest	Fees	Effective Annualized Cost of Capital to borrower (loan)
ACEP/Senegal	16%	1%	17.2 % (1 yr, 1 mn CFA)
EDF/Mali	8-10%	6%	6 % (3 yr, 4 mn CFA)
PAPME/Mali	12.75%	2% (tax)	9 % (2 yr, 6 mn CFA)
CARE/Maradi	18%	0	9.5%
PRIDE Guinea	36%	2%	29.1% (6 mo, 100K FG)
PCAR/Guinea	36%	2%	23% (1 yr, 120K FG)
CICM/Guinea	30%	saving	19%
CICM/Senegal	24%	saving	31.5% (1 yr, 100K CFA)
EDF/Senegal	11%	11%	13% (2yr, 5mn CFA, equip)
FFH/Mali	24%	n.a.	24%
CIDR/Mali	40%	0	40%
VITA/CAR	36%	n.a.	19%
VITA/Chad	12%	n.a.	6.5% (avg loan 2.6 mn CFA)

This shows the wide range in loan interest rates quoted, with the resulting cost to the borrower. Some of the elements this points out are:

- The extremes run from 6 percent cost of capital to a client borrowing from the EDF project in Mali for a three-year loan to 40 percent for a villager borrowing from the Village Caisse supported by CIDR in Mali, Burkina Faso, and Gambia;

- ACEP officially charges only 16 percent, which is the formal banking system ceiling within the Central Bank (BCEAO), but they charge it on the total amount, based on the length of the loan, which comes out to 28+ percent APR, as they readily acknowledge;

- The EDF/Senegal project charges 11 percent APR, but loads on other fees to bring the effective cost to the borrower up to 13 percent; and

- The projects making larger and longer-term loans (4+ million) tend to charge much lower interest rates than those that make small, short-term loans.

We do not have any firm evidence of the comparison between project rates of interest and the formal banking sector. Although the official rates in BCEAO have a ceiling of 16 percent APR, with lower ceilings for loans to MSEs, they have numerous other fees that raise the cost to the borrower significantly. ACEP in Senegal maintains that their 28 percent APR interest rate and 17 percent effective cost to the borrower is still lower than the cost of capital to borrowers from the formal banks. If this is the case, then projects such as EDF/Mali are significantly cheaper than formal financial markets, which could upset the long-term viability of the enterprises they finance.

The extreme variance in the interest rates charged in the region, as well as in individual countries, and the subsidized nature of many of them, raises an important issue for donor coordination. Should donors be sponsoring projects that are competing with each other, with one project offering cheaper-than-market rates for capital while the other offers market rates? This issue arose most recently in Senegal where CCCE decided to begin a project in a zone where ACEP was already working, but with far cheaper credit. This appeared to be resolved when CCCE agreed to work through ACEP for its smaller loans; however, the final agreement has not been concluded primarily because CCCE considers ACEP's rates too high. CARE/Maradi also faces losing market share if the subsidized IFAD rural credit program starts in the same area as projected.

There is a relationship between higher interest rates and quoted rates of repayment, both of which favor institutional viability. Referring back to Table 3, we see that ACEP has the highest repayment rate, one of the highest effective interest rates (the highest real rate of interest when inflation is taken into consideration), and is the most profitable. One conclusion that may be drawn is that projects that have instituted more realistic interest rates, reflecting the real value of their service to their clients, also have higher repayment rates. These projects have taken a more pragmatic approach to managing their operations, with an eye to long-run viability.

Financial System Development

Savings and credit associations add to financial system development by their very nature, since they accumulate savings (generate resources) for the financial system or through their own loans as well as deposits in the formal system, but are more conservative with their lending, as noted above. The credit-focused programs are more creative with credit delivery (allocating resources to productive uses), but have not linked effectively into local resources.

Adding Savings to Credit

Although not in the original conception, recent attention has been paid to the importance of local resource mobilization as an element of long-term viability. Mechanisms used include:

- Forced savings that come with the repayment (Sahel Action requires 4 percent of each loan to be paid into a group fund);

- Forced savings that are tied to the amount of credit available: the IFAD model requires 10 percent savings before the loan is made; the EDF/Mali and Senegal projects require borrowers to create Economic Interest Groups (GIE) of four people to support each borrower; and the solidarity group programs in Guinea (PCAR and PRIDE) put 2-3 percent into forced savings deducted up front from the loan, and PCAR then requires additional savings;

- Share capital purchase for programs wishing to develop a wider ownership base, such as the credit unions and the microcredit projects; and

- Optional savings, untied to loans, as in the PCAR model in Guinea.

All of these mechanisms have worked. The optional savings program of PCAR in Guinea accumulated 100 million FG or Guinea francs in untied savings in one year, showing the demand for the service. Meanwhile, the Sahel Action model in Burkina has worked well to generate savings for very poor women. ACEP's institutionalization plans include making the project into a credit union, and it will ask each borrower to buy shares in the organization and add savings as one of the services.

Creating New Linkages to the Formal Financial Sector

The early enterprise development projects showed the weakness of the formal banking sector in dealing with MSEs. The heavy default rates reflected the lack of knowledge the banks had about the environment they were lending to, as well as the unadapted financial tools they were using. The failures of early bank lending to small enterprises made the banks wary of any participation in such programs. In Niger, BIAO requires a guarantee for the entire amount of the loan and the interest owed (112 percent) in the CLUSA project, and required the same of CARE/Maradi, before CARE decided that BIAO would never develop the right approaches necessary to lend at the targeted level. In Mali, loan guarantee programs by USAID (DHV and AEPRP programs) and by CCCE with several banks have resulted in very few actual loans to local enterprises. BIAO was supposed to provide the financial services for the EDF/Mali project, then refused.

However, many of the successful projects described in this report are breaking down these preconceptions. Many of these projects are serving a new role of providing an informal link into the formal financial system or helping the formal system to improve its financial tools and systems to respond to market opportunities.

At the micro level, several NGO programs get their loan capital from local financial sources and profitably relend them to their clients. Key examples include Sahel Action, which borrows from Caisse Nationale de Crédit Agricole (CNCA) at 9 percent and relends to its clients at 21 percent APR, and the FFH program, which borrows from Banque Nationale de Développement Agricole (BNDA) in Mali at 8.5 percent and relends at 24 percent. The margins earned are expected to eventually cover the operating costs of these programs. PRODIA in Burkina Faso also got a subsidized loan from Assistance aux Initiatives Productives de Base (AIPB), which it has repaid. Unfortunately, the low interest rate charged by PRODIA (12 percent APR) is insufficient to make links into the formal sector profitable.

Two sets of savings-based programs tie into the formal banking sector: CIDR programs and Centre International du Crédit Mutuelle (CICM) in Senegal. CIDR's village-based savings and credit programs link directly into the formal banking sector after the first few years to leverage the resources collected at the village level several fold and to mobilize more resources for the villagers to use.

New, appropriate services are often necessary to stimulate the process of resource mobilization. Making the link between savings and credit explicit helps to stimulate the process. In Senegal, CICM jumped its savings from 13 million CFA to 95 million CFA in one year, principally by offering a new tool tying the savings directly to a loan that savers could get immediately, relying on a line from CNCA. The members could immediately borrow 50 percent more than they deposited in a blocked account in the credit union. Two-thirds of CICM deposits are now in blocked accounts. Wary of creating too liberal use of credit, CICM has since cut back this new financial tool.

NGOs are able to make profitable use of bank money because they have developed schemes that generate extremely good repayment rates, as noted above. They are able to make these loans more effectively than the banks, because they are implanted in the communities, know their markets better, and have adapted their administrative systems and services to reflect the needs of the markets. These programs that tie into the formal sector often target rural areas, and reverse some of the traditional flow of capital from the rural to the urban areas.

On a larger scale, projects have tried to involve the formal banking sector but with only limited success. Though it was written into many project designs (ACEP's phase one, EDF/Mali, EDF/Senegal, CARE/Maradi), all were unable to finalize an effective relationship.[19] Only the PAPME project in Bamako and FUSMED in Ghana have succeeded in actually getting a bank to be a firm partner, and it took them more than a year to work out their operating procedures. The structure of the PAPME project is good: the bank actually has one of its personnel working in the office of the project, examining loan requests and focusing solely on the problems of lending to smaller-scale enterprises. BIAO also lends its own money (not a donor line of credit) to make its 50 percent contribution to each loan the project makes. This suggests a model for other programs and banks to follow and will result in new financial tools more adapted and responsive to the local environment.

One important factor in establishing links to the formal financial sector is the strength of that sector and its interest in establishing new markets. The formal financial sector is weak across West Africa, as a result of decades of poor management. Those institutions that are strong and liquid often face greater demand for their resources in the form of loans than they have resources available or are allowed to lend.[20] When faced with such a credit rationing system, only the most profitable, least cost, and least risk loans are made. These criteria rarely relate to MSE and rural loans. But some financial institutions are interested in expanding their market, and this has led to flexibility in trying new approaches (by, for example, BIAO, BNDA, Bank of Africa in Mali, and CNCA in Burkina Faso). In

[19] Only the CARE/Maradi project actually got BIAO to participate, but stopped its relations with them when it proved too cumbersome for the project to achieve its goals.

[20] Credit ceilings placed on private banks in several countries to restrain the flow of credit lead to a rationing system.

contrast, the formal financial sector in Senegal, Togo, the Côte d'Ivoire, and Niger has repeatedly demonstrated its lack of interest in these markets.[21]

CIDR's methodology requires a favorable formal sector. In all three of its West African countries, it has managed to tie directly into the formal financial systems by discounting loans at CNCA in Burkina and BNDA in Mali. Gambia, without an interested partner, proved more difficult, but the Central Bank provided CIDR with discount facilities.

A sound, formal financial system is necessary for successful projects. Savings and credit unions and other programs need a safe and profitable location to place their excess resources or channels through which to transfer and manage funds around a country. The collapse of the formal financial sector in much of West Africa has hurt many innovative programs: the Camerounian Cooperative Credit Union League (CamCCUL) in Cameroun has lost a lot of resources as formal banks went out of business; La Financière in Niger has 500 million CFA tied up in the former BCCI; CARE/Maradi had a narrow escape — it pulled its funds out of the Caisse Nationale d'Epargne (CNE) just before it collapsed.

Other Challenges for Savings and Credit Unions

Important questions exist on the potential relationship between credit unions and lending for enterprise development. Since credit unions in Africa have many of the necessary characteristics for appropriate financial system development and are often already self-sustaining, can they generate new, special linkages to MSE programs:

- Can they receive clients from MSE programs?
- Can they become direct partners with MSE programs? and
- Can they benefit from apex financing organizations targeting MSEs (which don't exist in West Africa yet)?

Though there are many credit unions, it is clear that not all of them are financially viable yet and many have technical and managerial problems. With direct reference to MSE lending, credit unions have several handicaps: most have ceilings on the amounts of loans they can provide either at the union or federation level and they only allow for a multiplier of savings held to be borrowed. These techniques are used for managing risk, but also limit the ability of the credit unions to provide the needed level of finance. Some experiments are under way, however:

- The SDID project in Burkina Faso is experimenting with a new small enterprise support activity, where it will lend larger amounts at a higher rate, designed to cover the costs of technical advisors who work with the borrowers;
- In its programs, CIDR also links the savings explicitly to credit. Their policy is to allow participants to borrow within a 15-day delay of having started saving; and

[21] BIAO/Senegal is one of the participating financial institutions in the new CCCE Medina project, along with ACEP, but it will be interesting to see how much they actually participate.

- The PRIDE credit project in Guinea has a low ceiling on its loan size, but hopes to be able to develop a link into the CICM Caisses Mutuelles in the same areas that target larger loans.

There is a lot of room for creativity and experimentation within and between different projects that donors should continue to pursue. Since West Africa is still searching for its own equilibrium in financial systems that service the financial needs of the populations, nothing should be counted out.

OTHER INSTITUTIONALIZATION PITFALLS AND IMPORTANT QUESTIONS FOR THE FUTURE

Donor-funded pilot projects are repeatedly running into a common problem: what about the future. The primary issues are funds and legal statutes. In most cases, the project's funds belong to the host country governments, even though the management structures are independent. In addition, projects benefit from special status, so they rarely respond to the normal regulatory bodies or conform to legal definitions of institutions. Therefore, once the project ends, the assets of the project must legally be turned over to the government and the statutes governing the new institution become much more difficult. If the assets and institution become government bodies, then the government should also take over the management, effectively killing the programs.

The obvious solution is to pass the management on to a bank and sell it the portfolio. But even if the project achieves a break-even or moderately profitable status, the formal financial institutions have no incentive to add the projects' portfolios to their own. Even if they did, they would simply milk the portfolio and not develop it further because they don't have the tools. Even if it was interesting, they would run into several legal barriers to incorporating it profitably into their portfolios. So other solutions are being elaborated that will make the MSE credit programs freestanding institutions.

Four major sets of issues need to be resolved for any project to become a sustainable freestanding institution, once it has proven its capacity to be financially sustainable. It must have:

- Clear legal statutes and a well-defined relationship to the state;
- A reliable funding structure;
- Sound financial management; and
- Sound administrative management procedures.

Institutionalization — Legal Rapport with the State

A limited number of legal choices exist for institutions involved in financial activities: become a bank, a credit union, an investment fund, or possibly even a leasing company. In the current legal framework of Union Monétaire Ouest Africain (UMOA) and Union Monétaire de l'Afrique Central (UMAC) countries, BCEAO governs all financial institutions. It does not have any statutes and regulations appropriate for mutualist banking structures or for projects to adopt.

At present, the starting criteria for a bank is to have paid-in capital of 200 million CFA in Senegal and the Côte d'Ivoire, or 100 million CFA in the other countries. This sum by itself is the major impediment to any of these projects becoming legal financial institutions. Several projects are just becoming big enough to attract the interest and attention of the bank regulators (SDID in Burkina, FUCEC in Togo, for example). If BCEAO tries to apply regular banking laws to credit unions, it will make it impossible for them to function effectively. This deficiency is recognized, and in many countries the projects are working with the local authorities to try to elaborate an appropriate framework (ATOMBs in Senegal and WOCCU in Niger). BCEAO is currently studying a draft set of statutes that would govern credit unions and other forms of mutualist banks, although not placing them in the realm of full banks.

Among the credit projects, several solutions are being considered. ACEP has the most concrete plans, while the EDF projects in Mali and Senegal and CARE/Maradi are exploring different institutional options for their future. ACEP plans to turn into a credit union in late 1992, before the end of the project. It will then return the portfolio to the Government of Senegal. But the value of 1 billion CFA in receivables is far lower than 1 billion CFA in cash, particularly if the government has no means to collect the loans. So the credit union will then buy the portfolio back from the government at a highly discounted rate (the current agreement is that the government will simply give them the money) with a loan provided by the government. The new credit union will then continue to function just like before, assuming that the new statutes governing credit unions are in place.

Another possibility is the approach being used in the SIDI model and modified in the EDF project in Mali and EDF's proposed project in Burkina Faso: to separate the financial management and the enterprise support functions. SIDI (see Annex C.4) itself is primarily a fund that has been created by contributions from many individuals and organizations. The Fonds d'Epargne Investissement Développement (FEID) is the actual management service for the fund and provides assistance to SIDI, which is the investment fund.

EDF/Senegal is exploring two avenues: a leasing company or an investment company combined with a financial insurance company. Since it is making so many of its loans for equipment, it could establish a leasing company to handle all the equipment loans. Another possibility is to create an investment company, owned by the government, but with the management retroceded back to EDF and the guarantee fund turned into a loan insurance company owned by the borrowers.

EDF/Mali has already drawn up plans to turn into a financial institution in December 1994 when the project terminates. It will be a Société Anonyme à Economie Mixte, which means that the government will own part of it with the remainder of the 100 million in capital coming from banks, individuals, donors, the employees, and other parastatals.

Although CARE/Maradi has agreed to spin the project off from CARE to become an independent institution, it is still negotiating its future status with the Government of Niger. The government concurs with the idea, but does not yet have a structure.

Managing relations with the state and the donor will be critical for the future success of credit projects. The Canadian PAPME project in Mali is coming under increasing pressure from both the Government of Mali and CIDA to lend more quickly than it is doing already. Though PAPME is not anticipating becoming a private institution after the project ends, its success is based on the formal bank's willingness to take credit responsibility for the loans. This has been the case to date. However, as the pressure to make more loans increases, BIAO is pulling back and financing fewer of the loans, counteracting the underlying logic of the program. Therefore, the pressure to meet short-term political agendas is damaging the long-term feasibility of the program and diminishing the value of the investment by CIDA.

Increasing Resources — The Right Funding Structure

Some of the more successful programs are now reaching an important, but satisfying problem: as the program has become successful, demand for its services and its capacity to meet them have grown faster than funds allow. This has been the case in CARE/Maradi, ACEP, and Guinea/PCAR: they have 100 percent utilization of their funds and need to get additional resources, both to meet demand, but also to meet the volumes necessary to attain profitability. Note that all three are pure credit projects, so have not yet adopted financial intermediation as a goal (though PCAR has started taking savings quite successfully as noted above). The FFH and CIDR programs also have this problem, but they have been able to tap into the formal financial markets for their fairly inconsequential (but innovative) needs. Alternative structures are discussed below.

Continue Getting Funds from the Donors or Government

This is the easy way out, and can be continued until donated funds too are used up. This is a short-term solution that does little to strengthen the financial systems as a whole in the countries. ACEP has always relied on this source as its answer to the problem, and continues to do so. The recent decision by CCCE and the Government of Senegal to put funds at their disposal increases ACEP's capacity greatly, and ACEP still has requests from the German aid agency and IBRD to accept their funds. One of the major benefits of this interfunding link is increased donor coordination and application of sound lending policies and programs.[22]

This solution may not be the best for the local financial systems. An interesting case is Guinea, where several local banks are overly liquid and yet are not making any loans. At the same time, the donors are pumping in millions of dollars of new capital rather than trying to tap into the available local resources. This is a case where a guarantee fund might be the most appropriate tool rather than infusing additional new capital into a country with high inflation (over 20 percent). Such a fund would guarantee a bank's loans to on-lenders who know their markets and have excellent repayment rates, but are constrained by a lack of funds.

Mobilize Resources from Local Savings

This is the approach obviously taken by the credit unions, and one which ACEP and PCAR will adopt, but it can be slow and the question is how long it will take to become a viable source of funds. Most new credit unions take many years to get enough funds to lend: the WOCCU project in Niger has accumulated just 6 million CFA in 18 months; SDID took 15 years to reach 500 million CFA.

Once the systems are set up, savings can be accumulated rapidly: Kafo Jiginew and CICM/Senegal each added 90 million CFA in the last fiscal year to their resources. SDID, when it opened in Ouagadougou and Yatenga, added 400 million CFA in three years to total resources. FUCEC has been adding lots of resources due to the failure of CNCA in Togo. So the resources are out there,

[22] CCCE had intended to start a subsidized credit program in an area where ACEP was already working with market rates. CCCE was convinced that it should work with and through ACEP, on ACEP's conditions.

they just need to be identified, targeted, and pulled in. But even this process might take a while to accomplish.

Find Institutional Investors or Sources

There have been some good examples of small NGO projects going to the banks for refinancing (Sahel Action, Prodia, CIDR, FFH), but thus far none of the banks has taken an interest in a large-scale activity. This is understandable, as a small loan has less risk attached to it than a big loan, particularly for such borrowers. As the director of Citibank in Dakar put it several years ago: "Lending to MSEs is the equivalent of venture capital since the risks are so great that the bank cannot assess them."

However, there is some interest in the subject. FEID and SIDI have used the formal financial sector in France to raise funds for venture capital investment in MSEs in Africa by going to the money markets and setting up special funds. In Mali, the commercial and development banks have expressed interest in investing in a fund that will lend to small enterprises, as long as the management is assured by an outside group, which could be subcontracted by the fund. Whether this would be in the form of an investment or a line of credit still needs to be explored.

Sound Financial Management

As noted above, sound accounting systems that allow the project to manage the portfolio and its funds are among the most critical elements for success. Yet the single greatest weakness in most of the credit projects and credit unions in West Africa is knowing what resources they have and where those resources are. Only a few of the dozens of projects in West Africa are able to report on the exact status of their loans, repayments, and the quality of the portfolio. Few of them have had a true financial audit performed to determine if what they report is correct. EDF/Senegal typifies the problem: having increased its portfolio to 2 billion CFA (it claims), it has not compiled a record of those loans in nearly a year. It has just hired its first real accountant and hopes to be able to start generating regular reports.

The projects with the best financial systems are ACEP and VITA/Chad. These projects produce detailed income statements every semester and evaluations of the quality of their portfolio, based on the aging of their loans.

EDF/Mali maintains mountains of records, but they do not support the project management's claims of success. The current project manager reports that when he succeeded his predecessor and installed some reliable accounting systems, repayment rates dropped by 20 percent.

CARE/Maradi, although producing many numbers, is unable to provide hard numbers to substantiate its most recent claims of profitability. Even though the project is four years old and dealing with millions of dollars, it has never had a financial audit that highlights the strengths and weaknesses of the system and the accuracy of the claims.

The donors are responsible for ensuring that sound financial management systems are put in place in their projects. Having sound financial systems forces the managers to be honest and allows the donor to track their progress. For projects expecting to become private, self-sustaining entities, these systems should reflect the private sector financial systems, not traditional project accounting systems.

Financial and Administrative Systems and Management

As noted at the beginning of this section, the capacity of the management team is critical to the long-run success of the programs. Most of the successful teams have been extremely entrepreneurial and have been testing wide varieties of systems. This is easy with a small project with very few loans, where each case can be handled individually and informally, with top management able to follow every loan. However, as the program expands, increases the number of loans, and becomes more complex, new systems are needed and perhaps a new style of leadership to introduce new financial and administrative systems more adapted to the new levels of project activity. The administrative systems must be clearly in place, while remaining sufficiently flexible to provide the quick reaction time and responsiveness to their clients.

The ACEP project underwent such a change. Having successfully started its lending program and laid the foundations for longer-term sustainability, it changed managers to provide the skills necessary to supervise the expansion of the program.

The CARE/Maradi project recognizes that its systems are still very informal and is developing new rules in order to protect against graft and provide full information on the project's activities.

Another very important issue remains to be settled. To date, all of the donor projects have had expatriate managers. One of the questions that dominates the institutionalization issue is whether host country managers will be able to take over the reins and do an effective job. There is no reason to believe this won't be the case, but it has not yet happened on any project, and many of the current managers and their staff cite this as a concern.

Summary

It is clear that there has been a positive evolution in the numbers and nature of the financial sector-focused MSE development programs. With more and more emphasis being placed on sustainability and institutionalization of the systems being tested in the projects, they are reaching increasing numbers of enterprises and entrepreneurs while strengthening the financial systems from the bottom up. This is the most effective service the projects can play in the long run.

It is important to state that most of the credit projects are gradually backing into the financial systems approach but are not there yet. The projects were not conceived with institutional sustainability and financial system development in mind, and it is only with time and experience that they are adding the elements necessary to complete the financial systems approach. The projects have started with the easiest element first, lending to the most creditworthy enterprises, as reflected by their high interest rates and high repayment rates. They are also operating more efficiently and managing to decrease their operating costs. However, most have just begun to explore ways of capturing local resources, and are still largely dependent on those made available by the donor agencies.

The savings and credit unions have a more complete approach to financial system development: they capture available local resources (members savings), operate relatively efficiently, but are limited in how they can use the funds available. Since they can only lend to members and are usually limited in their statutes by a fixed ratio of loan amount to savings, they are rarely able to respond effectively to make sound loans to the most creditworthy enterprises in the amounts required. Therefore, some mix of the two major kinds of programs is best for providing steady finance to MSEs in West Africa. As stated above, ways need to be developed to increase the linkages between these two kinds of programs and to continue to share the lessons learned between them.

A critical factor confronting both kinds of financial sector projects is the policy environment, which limits the ability of credit programs to take deposits and fixes the levels of capitalization required to make the projects into formal financial institutions. A great number of legal and management issues remain to be resolved before these projects can be institutionalized or easily replicated, but their management teams are actively exploring opportunities that were unheard of a decade ago. This promises well for the future.

CHAPTER THREE

NONFINANCIAL SERVICES

Nonfinancial service programs provide the elements necessary to complement the financial services and to make small businesses more productive and richer, rather than simply busier. Businesses need better skills (technical, managerial, and marketing), adapted technologies, and a conducive economic and regulatory environment in order to make optimal use of the improved financial services being developed. In some cases, access to capital is the major constraint, but in many others the major constraints are markets, technology, management, or policy environment.

Though a heavy emphasis on long-term financial viability is now the basis for many of the programs concentrating on financial services delivery, the situation is not as clear cut on the projects focusing on nonfinancial services. Few, if any projects have discovered how to deliver the technical, managerial, and marketing services profitably or cost-effectively at the MSE level. This may be because the programs have not yet figured out the appropriate services to supply; because there is limited demand for the new services (entrepreneurs are content with what is available, especially since it is subsidized); or because the services cost more than most of the target entrepreneurs can pay. Whatever the reasons, the services will have a lasting effect only if they can be integrated into the continuing environment and not disappear at the end of the project.

The real challenge is to deliver the appropriate service, determined by the demand for that service, to the clients at a reasonable cost, hence making it cost-effective and potentially viable in the long term.[1] This is just the same as with financial services. Unfortunately, MSEs have diverse needs; they often require specialized programs that are relatively expensive to prepare and execute, especially considering the client's capacity to pay. Although broader-based generic assistance can be efficiently delivered, it will probably not be as responsive to the needs of the individual firm.

The A.I.D. GEMINI project suggests three basic strategies to get the desired results cost-effectively in nonfinancial service projects:

(1) **Leverage** — Seek opportunities for intervention that create benefits from many firms at a single stroke;

(2) **Market-led assistance** — Seek opportunities for intervention that create almost certain benefits by assisting firms to exploit real business opportunities; and

(3) **Commercial assistance** — Seek opportunities for interventions in which beneficiaries (customers) are prepared to pay a significant portion of the full cost of service, as in low-cost general skills training and in cases where the entrepreneur sees real opportunities and has confidence in the service provider's ability to help him capture it.[2]

[1] Depending on the nature of the program and the means available, some continuing subsidy may be justified, as long as it is recognized as a subsidy.

[2] M. Gamser et al., "A Business Development Approach to Small and Microenterprise Growth," *GEMINI Newsletter*, Development Alternatives, Inc., Bethesda, Md., January 1992.

Following one or all of these three strategic lines in any nonfinancial assistance project will lead to better program performance, improve its cost-effectiveness, and enhance its possibilities of surviving once the project phase ends.

Since the real long-term value comes from integrating these programs into the economy, institutionalization is being increasingly examined. Three possible scenarios for institutionalization of these programs exist: placing the service being delivered in a private, for-profit firm; creating an NGO or association that provides the service and recovers all or most of the cost, but may require some subsidy from the outside, which is justified by the impact of the program; or placing it within a government agency, with its recurrent costs covered by the state. The first scenario follows the commercial assistance strategy, explicitly, while implicitly using market potential to direct its activities. The second and third scenarios rely on finding leverage in areas where the market is expanding to justify involvement.

THE PROJECTS

Among nonfinancial service programs, we can differentiate programs concentrating on training (group training carried out primarily in a classroom setting); business advisory and technical assistance (direct to the enterprise); programs to develop local institutions that assist enterprise development; programs focused on developing new technologies for widespread use in communities or subsectors; and new approaches to organize artisan support groups that allow for cost-effective assistance, described as the informal sector approach by ILO. Table 6 presents a list of nonfinancial programs.

Training

Pure training has long been the most common source of nonfinancial support to MSEs. It now comes under many different forms with training in business skills (Action Consulting Association or ACA/Senegal, Peace Corps/Mali, and USAID/Burkina Faso with their respective chambers of commerce, UNDP/ILO Cote d'Ivoire, and CIDA/Senegal at CESAG); and vocational training (Swiss in Benin and Mali, the Dutch Improve Your Construction Business (IYCB) in Ghana, and GRATIS in Ghana) as the two leading forms. In addition, skill enhancement for artisans (Swiss in Burkina Faso with the artisan training program, USAID/ILO Blacksmith Project in Niger, USAID/DHV assistance to blacksmiths in Mali, and CFDT assistance to blacksmiths in Burkina and Mali) works at perfecting the skills of individual artisans in the field, bringing them closer to modern enterprises.

The results of the early programs in this field were generally poor, but the later versions have started to provide more focused programs and charge more for services. Demand for the training is perhaps the best measure of their success, particularly if consumers have to pay a fee. Focused services are most heavily demanded by existing enterprises (it is hoped that they will have more immediate impact).

One of the more interesting cases is ACA in Senegal, which develops specialized financial training packages for microentrepreneurs that are tailored to meet the specific needs of the entrepreneurs. Chambers of Commerce in Mali and Burkina Faso, among others, provide training for existing entrepreneurs and are charging for their services. The Peace Corps/Mali training program through the Chamber of Commerce has put together several levels of courses that target skills needed by existing enterprises, rather than entrepreneurship training for people without an enterprise. This technique is more

Table 6

LIST OF DONOR-FUNDED MSE PROJECTS IN WEST AFRICA - NONFINANCIAL SECTOR

no.	Main Donor	:Country	:Project Name	:Nature of Project	:Implementer	:Budget
1	:Germany (GTZ)	:Cameroun	:Artisan Self Help	:Artisan Support	:	:
2	:UNDP	:Benin	:PAPPU	:Artisan Support	:ILO	:$1.8 mn
3	:IBRD	:Senegal	:AGETIP	:Employment, subsector imp:		:
4	:IBRD	:Niger	:NIGETIP	:Employment, subsector imp:		:
5	:IBRD	:Burkina Fas	:Faso Baara	:Employment, subsector imp:		:
6	:IBRD	:Mali	:AGETIPE	:Employment, subsector imp:		:
7	:UNDP	:Mali	:Jeunes Diplomes	:Enterprise and Credit	:ILO/SED	:
8	:Netherlands	:Guinea Biss	:Enterprise Buba	:Enterprise Privatisation	:SNV	:427K DFL
9	:Canada (CIDA)	:Cameroun	:Douala SME assistanc	:Enterprise Support	:	:
10	:Canada (CIDA)	:Cameroun	:Support to Women MSE	:Enterprise Support	:	:
11	:Canada (CIDA)	:Cameroun	:Incubator in Yaounde	:Enterprise Support	:	:
12	:France FAC/EEC	:Guinea	:APEK	:Enterprise Support	:	:
13	:UNDP	:Gambia	:Women's Project	:Enterprise Support	:ILO/SED	:
14	:UNDP	:Benin	:Assist SME	:Enterprise Support	:	:
15	:UNDP	:Cote Ivoire	:CAPEN (Centre Promot	:Enterprise Support	:ILO/SED	:
16	:UNDP	:Ghana	:Emp. Umbrella Projec	:Enterprise Support	:ILO/MSE	:$2.1 MN, 3 yr
17	:UNDP	:Mauritania	:Appui a la Creation	:Enterprise Support	:ILO	:
18	:UNDP	:Cameroun	:Assist to Create Ent	:Enterprise Support	:ILO/SED	:
19	:UNDP	:Ghana	:Cottage Industries	:Enterprise Support	:ILO/MSE	:$1.18 mn, 4 y
20	:UNDP	:Mauritania	:Promotion de l'Initi	:Enterprise Support	:UNIDO	:
21	:UNDP	:Burkina	:Women's Project	:Enterprise Support	:ILO/SED	:
22	:France (FAC)	:Senegal	:Asst. Artisan	:Enterprise support, artis:		:
23	:Canada (CIDA)	:Burkina	:CAPEO	:Enterprise support center	:SDID	:
24	:France (FAC)	:Burkina	:Bobo Chamber of Comm	:Enterprise support center	:VSN	:
25	:France (ONG)	:Guinea	:Enterprise Support	:Enterprise support center	:CIDR	:
26	:UNDP	:Cameroun	:Afr. Ent. Dev.Initia	:Environment Support	:ILO/SED	:
27	:UNDP	:Niger	:Dir. Artisanat	:Institutional Dev	:ILO/MSE	:
28	:Germany (GTZ)	:Burkina	:Dir. Artisanat	:Institutional Dev.	:GTZ	:
29	:Germany (GTZ)	:Togo	:Artisan support	:Organize informal sector	:GTZ	:
30	:Germany (GTZ)	:Mali	:Self Help Groups	:Organize informal sector	:GTZ	:
31	:Swiss	:Mali	:Informal Sector	:Organize informal sector	:ILO/ISU	:
32	:UNDP	:Cape Verde	:Informal Sector	:Organize informal sector	:ILO/ISU	:
33	:USAID	:Niger	:Blacksmith	:Organize informal sector	:ILO/MSE	:
34	:USAID	:Togo	:Organize Informal Se	:Organize informal sector	:CRS	:
35	:UNDP	:Benin	:PEESI	:Studies and org'n of info	:ILO	:
36	:France (FAC)	:Senegal	:Cellule d'Appui aux	:Studies and policy	:	:
37	:USAID	:Niger	:ARMA	:Technology, development	:ILO/MSE	:
38	:Netherlands	:Burkina Fas	:Karite prod'n by Wom	:Technology development	:SNV	:DFL 2 mn
39	:Swiss	:Burkina	:Tech. Support Unit	:Technology development	:ILO/MSE	:
40	:IBRD	:Ghana	:Oil Palm Press	:Technology Transfer	:Technoserve	:
41	:USAID	:Mali	:Pumps	:Technology transfer	:ATI	:
42	:Canada (CIDA)	:Benin	:Train Early Retirees	:Training		:
43	:Netherlands	:Senegal	:RADI/Prog Rurale Int	:Training	:	:
44	:Swiss	:Burkina	:CNPAR	:Training	:	:
45	:Swiss	:Benin	:Vocational training	:Training	:	:
46	:USAID	:Mali	:Chamber of COmmerce	:Training, business	:Peace Corps	:
47	:Canada (CIDA)	:Senegal	:Formation Entreprene	:Training, Entrepreneurs	:Univ. Laval	:$659K
48	:USAID	:Senegal	:ACA	:Training, finance	:ACA	:
49	:Netherlands	:Ghana	:Improve your Const'n	:Training, management	:ILO	:DFL 1.715 mn
50	:Netherlands	:Ghana	:Fish Handling and Pr	:Training, skills	:	:DFL 1.94 mn
51	:EDF/CIDA/GTZ	:Ghana	:GRATIS	:Training, technology	:	:
52	:Swiss	:Mali	:Pere Michel	:Training, vocational	:	:
53	:UNDP	:Cote Ivoire	:Fonds National de Re	:Training, Women in busine	:ILO/SED	:
54	:UNIFEM	:Senegal	:Appui Tech. aux gpmt	:Training and credit	:ILO	:83.6 mn CFA
55	:USAID	:Burkina	:Chamber of Commerce	:Training Support	:	:

likely to have an effective impact, particularly when it is followed up with consulting in the enterprise, as ACA and the Peace Corps program in Mali do.

There is strong evidence that there is a ready market for training in some of these skills. In Mali and Burkina Faso there are now a fair number of private sewing, dying, computer, and business skills schools that target the demand for those skills.[3] All donor projects should determine what the market is for their products and then work to develop a cost-effective structure to deliver them.

Despite these positive trends, many training projects still suffer from classic problems. The GEMINI MSE Strategy Report in Burkina Faso noted that most vocational training programs offered by the government, with donor support, were not adapted to the market. Perhaps a good example is the women's vocational school that trains women in thick pile carpet weaving and delicate embroidery, a program left over from one started by the nuns. The markets for these products are very tight and almost none of the graduates continue in the trades.

Looking for expanding markets where skills are lacking, and then targeting the training to that void will guarantee demand for the services, as well as a good return on the investment. Private entrepreneurs have already done this, in many cases, setting up commercial schools. By working with and through them, points of leverage are developed and the likelihood of institutionalization is increased.

Business Advisory Services and Technical Assistance to Enterprises

Business advisory projects tend to target two distinct markets: those wishing to create an enterprise and those wishing to strengthen an ongoing enterprise.

Support to Create Enterprises

Those projects that work with the first group cover all facets of business creation, from helping to identify a business opportunity, evaluate the feasibility, prepare the business plan, help find financing, and assist with start-up. They usually target the creation of a small enterprise, rather than a microenterprise, because these respond to the more traditional definition (in the government or donor's eyes).

These programs to assist enterprise creation normally target special, disadvantaged groups who are considered politically important to help, such as young graduates (UNDP/ILO in Mali); women (UNDP/ILO Burkina, the Gambia, and Mali; and CIDA in Cameroun); returning migrants (UNDP/ILO in Mauritania, FAC in Senegal, Mali); or early-retiring civil servants to help them start businesses.

[3] William Grant, Kim Aldridge, James Bell, Ann Duval, Maria Keita, and Steve Haggblade, "Mali Microenterprise Sector Assessment and Strategy," GEMINI Technical Report No. 20. Volume One, Main Report; Volume Two, Annexes; and William Grant, Matthew Gamser, Jim Herne, Karen McKay, Abdoulaye Sow, and Sibry Jean-Marie Tapsoba, "Burkina Faso Microenterprise Sector Assessment and Strategy," GEMINI Technical Report No. 18, August 1991. Volume One, Main Report; Volume Two, Annexes.

Finance is a critical element for the creation of commercial or productive enterprises meeting these expectations, and it is built into many of the projects in the form of direct lines of credit (as in the projects discussed in the previous chapter). For the projects without their own lines of credit, they must develop linkages into the formal financial system, which is often dependent on their proven efficiency in presenting sound dossiers. The projects need to develop the confidence of their partner institutions.

The UNDP/ILO project in Mali has done just this, tying into a line of credit made available by the IBRD to BoAM. Normally very gun-shy about lending to small enterprises, BoAM has financed 90 percent of the requests submitted by enterprises assisted by the UNDP project, and maintains a 90+ percent repayment rate. BoAM is sufficiently impressed that it is now financing some loans out of its own capital, not just from the IBRD line. The condition is that the UNDP continue to provide the follow-up, since BoAM cannot afford to.

The question of cost efficiency and sustainability is the major one here. As noted by BoAM, it requires the continued participation of the project. The UNDP/ILO project, despite its success in getting new projects funded, has yet to really analyze its costs of generating loans. In a back-of-the-envelope exercise, the project manager discovered that it cost his project about 3 million CFA in advice and assistance for an average loan of 4 million CFA. Meanwhile, they do not charge their beneficiaries anything for the service, though they anticipate doing so.

The technical advisory services for the credit programs, discussed in Chapter Two, may well end up being split off from the financial services to apportion costs better, so they are discussed here, too. Obviously their services are tied directly to the credit function, so the entrepreneurs consider it part of a package they pay for when they get the credit. But it is not certain whether the programs will be able to afford to continue these services. In some cases they are already trying to subcontract them, as in the cases of CARE/Maradi and EDF/Senegal, or are contemplating setting up separate firms that will get management fees from the credit fund, such as EDF/Mali, which is using the model set up by FEID and SIDI.

An important developmental issue these projects necessarily raise is the long-run integration of these services into the market. The donor projects are providing many of the services for free or at highly subsidized rates that reflect a fraction of the real cost, and the projects often ignore the other private firms trying to make a living providing the same service. The dilemma is that these existing private firms do not produce a product of sufficient quality for the financial institutions, nor can they do it at a cost that is affordable to the entrepreneur.

IBRD is introducing a new project in Mali, based on its success with public works projects (see below), that seeks to redress this conflict. It will partially subsidize local private consulting firms to assist entrepreneurs to conceive and develop business plans to be submitted to the banks for financing under an IBRD line of credit. If the business plan is financed, then the entrepreneur reimburses the project a portion of the cost (rolled into the loan). If not, then the consulting firm does not get full payment. An important part of this project is the quality control that is carried out by the project management unit, which is comprised of highly qualified technicians. The project management unit reviews the business plans and points out the deficiencies and can insist that they be rectified before the consulting firm gets paid. Because this is carried out on a competitive basis, the firms are required to provide competitive but realistic prices. By managing the process, the management unit will identify the weaknesses in the consulting firms and develop training programs to address those specific analytic and organizational limitations.

One important change to note is that some of the programs are getting away from targeting. Projects in Mauritania and Senegal, targeting the returned migrants from the other country, have seen the poorer quality of the target group's projects, and have rightly shifted their focus to improving the overall environment for enterprise development by anyone, which will lead to greater employment opportunities for the target group in other firms. The FED credit project in St. Louis, Senegal, has found that most of the more creative entrepreneurs had no problems starting businesses or finding jobs after leaving Mauritania.[4]

Business Advice to Existing Enterprises

The second main kind of program targets existing businesses and tries to provide them with the necessary business and technical assistance to strengthen their ongoing activities (UNDP/ILO Ghana, CIDA/Cameroun and Burkina Faso, FAC/Senegal). Although some of these accept any firms, the recent trend in the CIDA projects is to work with formal firms on the larger end of the scale. The larger firm size can somewhat justify the greater amount of labor required by this form of assistance, as well as increase the likelihood of the firm eventually paying a substantial portion of the costs. In particular, these projects work with local consulting firms to develop their capacity to carry on the work after the technical assistance team leaves. Targeting middle-sized, formal firms (in Cameroun these would be 40-50 employee firms, but in Burkina Faso these are 10-20 employee firms) in countries where there are few such firms helps to create the basis for a fabric of enterprises.

In Cameroun, the CIDA project in Douala now provides these financial management advisory services free of charge to the selected enterprises, using a local consultant. The question that arises is: What is the difference between firms to justify one firm getting assistance and another not getting it? The consultant in Douala notes that there is no real difference between project-assisted firms and those that come to him directly.

The business advisory projects, whether for enterprise creation or for ongoing enterprises, need to pay attention to three issues: they must understand the private suppliers of their service to avoid undercutting private competition with subsidized services; they should include the local private consulting firms in their implementation framework to strengthen the local firms' capacity; and they should continually search for ways to reduce the cost of their services to become commercially viable.

Technology Development and Transfer

Though considered to be one of the critical elements to creating competitive enterprises and increasing value added in most developing countries, relatively few programs focus on developing new technologies. These programs are usually at the micro level concentrating on appropriate-scale technologies (USAID/ILO Niger; ATI in Senegal, Cameroun, and Mali; IBRD/Technoserve in Ghana, Swiss/ILO in Burkina Faso), though a few of them look at more cost-effective construction materials (Dutch/ILO regional) to lower component costs and stimulate economic demand. More often, technology is found as one element of a larger program (UNIDO assistance to the EDF/Mali Enterprise Support, CIDA's PAPME) helping the entrepreneurs to select and introduce the right technology, rather than to create it.

[4] Bril et al., "Rapport Intermédiare, FED/Senegal Podor and St. Louis Projects," GRET, June 1991.

Technology development projects are evolving. The early ones were largely ineffective because they worked in isolation from the rest of the economy. Even though they targeted technologies in areas where there was a large potential for demand (solar energy, woodfuel stoves, and building materials) they did not pay attention to commercial aspects or to actual demand. The Institut Burkinabe d'Energie in Burkina Faso, solar energy projects in the Sahel, the ILO technician in ONPE in Burkina Faso, oil press manufacturers, animal traction equipment, and pump producers are examples of institutions or technologies often developed without constant feedback from the users. New kinds of building materials were developed without any contact with the institutions that finance the buildings (banks) or the people who actually build the buildings (contractors). As a result, the products were unable to penetrate the market. This failure to penetrate the market limited the effectiveness of the investments in technology development. It also made it increasingly difficult to sustain such efforts. One regional building materials NGO, ADAUA, just went out of business in Burkina Faso because it refused to respond to market demands.

This is now changing with many projects. The ILO construction materials project has worked on promoting new kinds of roofing tiles and it is working through commercial producers who have the responsibility to sell the product. It is interesting to note that the commercial producers have adopted very different marketing strategies than those proposed by the project. This same project is also addressing the institutional and regulatory restrictions that limit the introduction of new building materials into the building codes. In Mali, the animal traction equipment producers now have interactive sessions with the farmers to determine what fits their needs best, and the oil presses in Ghana are being developed around the needs of the enterprises at the community level.

Local Organization Development and the Enabling Environment

Artisan Organizations

As the emphasis on the enabling environment and improving relations between the private sector and the state has been taking hold, new projects have been developed to respond to the environment facing private businesspeople and informal sector operators. These relatively new programs concentrate either on organizing the private operators to improve their ability to access training, equipment, materials, and capital; to capture new markets; and to defend themselves against negative government policies and actions. In addition, the projects usually provide some resources to study the policy environment that may be blocking the development of certain elements of the private sector.

Based on experience in Togo and Mali as well as other countries in Africa, the ILO (with funding from the Swiss, Dutch, and UNDP) has developed its current programs in Mali, Benin, and Cape Verde to focus on the creation of artisan associations that provide the artisans with better access to markets (see Annex D.1 for a description of the ILO's Informal Sector Program). GTZ is also working with artisans to establish Chambres de Métiers in Togo, Mali, and Niger, while the French ACTEM has worked on others in the Côte d'Ivoire and Senegal. Five years ago, these would have been placed in the training or technology development categories since a large part of the program does work on improved quality and skill. However, these programs are really focused on improving the capacity of existing enterprises to improve their performance through group solidarity.

This new approach is geared toward empowering the artisans to enable them to fight for access to larger markets (such as public sector contracts) or to improve the regulatory and policy environment around them. Incentives to participate come from access to machinery, which they are taught to manage.

A recent addition to this approach has been to develop group mutual funds to lend out to one another, making the artisan groups financially more independent. Progress to date has been good in Mali and Benin, where artisan groups have been able to capture some new markets. In addition, in Benin, 49 mutual savings programs have been started, while in Mali six associations have functioning savings and credit programs.

One problem that has confronted the association development projects has been seizure of power within the associations by a minority of the members with the complicity of the state.[5] It is a perfectly understandable and natural phenomenon against which the projects have had to protect. This has hampered their institutionalization, but the ILO has continued to work on the problem and is developing solutions.

A question asked of the ILO's informal sector projects is: While they improve the organizational aspect, how much impact do they have on improving the quality of the products manufactured (through training)? If there is no improvement in the quality, there is little overall competitive gain by the artisans with relation to other suppliers.

To address these two very important problems, ILO has taken these issues to the participants for their feedback. The artisans have insisted on greater participation in the design phase and in implementation. They would like to select their locally identified monitors, and to use fellow artisans as trainers. This strengthens the participatory element of the projects.

Policy Projects

The policy projects are new, and very important. Policy has been a long-neglected element affecting MSE development, and these programs are analyzing the current situation and proposing solutions to the states after significant interaction with the private operators. In Senegal, the Assistance Technique et Opérationnel pour la Banque Mutualiste au Sénégal (ATOBMS) project in the Ministry of Finance, CIDA funded and managed by SDID, has met with all of the institutions involved in informal credit or savings and proposed a set of laws that BCEAO can put in place. Since there are no specific regulations currently governing credit unions, elaborating them is a priority for the sound development and regulation of such groups, which are just now becoming significant in West Africa (see section on savings and credit above). BCEAO is now investigating regulations based on this proposal to implement on a regional basis.

The FAC Cellule d'Appui aux Entreprises, also in Senegal, is the first project designed to study policies governing the private sector specifically. The project has been taken over by the Prime Minister's office because of the importance of the issues it handles. As a result, it no longer works as an independent force but as an independent policy studies arm for the government. This cooptation by the state has reduced its value to private enterprises.

ILO, in its ongoing work to improve its knowledge of the informal MSEs, is carrying out comprehensive studies in Benin under the Program of Studies and Surveys on the Informal Sector (PEESI). These include in-depth studies on the nature of the policy environment confronting the MSEs. In Benin, a study on the cost for informal firms of entering the formal sector concluded that the informal

[5] Le Brun et al., "Mission d'Evaluation en Profondeur du Projet d'Appui aux Petits Producteurs Urbains," January 1991, p. 1.

sector generates much benefit for the state (savings on training), households (source of revenue), and the economy (able to produce competitively priced goods), and that informal sector enterprises could not provide these benefits if they were forced to pay the costs of becoming mainstream.

In addition, OECD has carried out surveys of the effects of the policy environment on enterprise expansion in Niger. Surprisingly the study in Niger concluded that more problems came from the small market than from government regulation, in spite of what is perceived as a rigid policy environment. One hypothesis for this finding is that in spite of its restrictive regulatory policies, the state has so little capacity to enforce them (part of the reason they made them strict in the first place) that firms have slipped out of the formal sector and are able to bypass them completely.

Bringing the policy issues to the fore and directing the findings into fora in which they can be discussed and acted on by governments and donors are the challenges faced in the future. These projects are beginning to address these challenges.

Institution Building and Subsector Efficiency

Many different institutions are involved in MSE development, mostly governmental (the Direction de l'Artisanat in Burkina Faso identified 23 different government agencies making policy decisions or providing support to MSEs), but also many NGOs. As noted in the introduction to this section, one of the goals of most projects should be to make arrangements for their sustainability.

As noted above, most of the early programs in support of MSE development addressed creating and supporting government institutions to support enterprise development. These projects have decreased significantly in the past few years, with the exception of support to the ministries directly associated with managing the process, particularly the Ministry of Industry, with special attention to strengthening the coordinating function of the Direction de l'Artisanat (DA). A correlative policy is to keep government ministries at arm's length from actual implementation.

This was the case in the UNDP/ILO project to support the DA in Niger, and is the focus of the GTZ's projects in Mali and Burkina Faso. Despite the accent placed on policy and coordination, this new orientation has not been fully adopted by the ministry's staff, as can be seen by the recent roundtable on the Government of Niger's MSE strategy, which, while claiming to be hands-off, is still very *dirigiste*.

In other cases, donors are financing the creation of new institutions to manage the process. Perhaps the most innovative and effective to date have been World Bank agencies developed to channel investment into high-labor-intensive public works programs: AGETIP, NIGETIP, and FASO BAAR, for example.[6] These projects work under the assumption that the government public works agencies are not able to manage the planning, contracting, supervision, and payment of projects efficiently. As a result, private (nonprofit) agencies have been set up to manage and streamline the entire process, removing distortions and creating greater economic efficiency.

Many questions are raised about the long-term effectiveness of these programs since they are based on funds pumped in by the World Bank, which will cease, but there have been many results from streamlining the process. In three years, the AGETIP project in Senegal has:

[6] AGETIP is Agence d'Exécution Travaux d'Intérêt Public; NIGETIP — the Nigerien organization of the same name.

- Generated more than 400,000 man-days of labor (1,538 person-years, which compares to the formal sector which created only 1,000 jobs in the same period);

- Registered new enterprises to respond to the work (AGETIP has enrolled 680 firms in its lists — 590 of which are newly registered with the government — each one certified and classified based on its capacity);

- Decreased costs of standard infrastructure operations by 15 to 40 percent by adding transparency, generating competition, and encouraging new labor intensive technologies that lead to direct savings to the municipalities and the Government of Senegal; and

- Strengthened the operations of private businesses (architectural and engineering firms, construction businesses) by paying them promptly (within 10 days of receipt of bills) and offering training based on observed weaknesses in proposal submission, on-site management, and financial monitoring.[7]

This model, having proved its efficiency for public works operations, is now being experimented with in other areas of enterprise development. AGETIP will be used by CCCE to provide the technical supervision of its recent loan fund for artisans in the medina in Dakar. EDF has adopted a similar formula in its new enterprise development program in Niger; the program will create the Agence et Fonds d'Emploi pour l'Entreprise au Niger (AFELEN), which has a similar process management function to the AGETIP-style projects. IBRD is copying itself in its new private sector development project in Mali, where a similar management unit will facilitate the involvement of private agencies in all aspects of support to enterprise development.

These new agencies apply all of the strategic lines listed above: they are demand and market driven, stimulate competition between small firms by making them bid for the contracts, add transparency in the process with strict evaluation criteria, and work in a large subsector; they are commercially oriented, because the agency funds itself through commissions on the actual work contracted, so must be responsive; and they produce leverage because one agency facilitates the process for hundreds of businesses and eliminates or bypasses distortions in the system.

One of the strengths of the AGETIP-style institutions, yet to be seen in AFELEN, is that they take a subsector approach to managing the process.[8] They start from an analysis of the constraints in the entire subsector and seek solutions to them: constraints in supply, government contracting procedures, bid procedures, speed of contracting, speed of payment, and weaknesses in supervision and management, for example. By addressing the most important ones first, using a demand driven approach throughout, the program has removed many blockages strengthening performance throughout the subsector.

[7] One of the single biggest problems faced by enterprises dependent on government contracts is the slow pace of payment, which weakens the overall operation of the company.

[8] See James J. Boomgard, Stephen P. Davies, Steven J. Haggblade, and Donald C. Mead, "A Subsector Approach to Small Enterprise Promotion and Research," GEMINI Working Paper No. 10, January 1991.

One final, but extremely important aspect of these programs is that they use only host country personnel, no expatriates. They identify highly qualified staff working in all manner of organizations and hire them at wage levels that are highly competitive with the world market for similar positions of responsibility in developed countries. This forestalls many complaints.

One of the difficulties lies in getting the host governments to let their funds (since these loan or grant funds belong to the governments) be managed by outside agencies without passing through any government hands. Although a clear lesson from the successful projects is that the government can serve as the market-maker, it should leave implementation to the private sector. Niger, Burkina, Mali, and Senegal have all agreed to do so, probably because they were given no choice by the donors concerned. This confirms a donor trend of disengaging the state from a role in providing direct assistance to the private sector.

COST-EFFECTIVENESS AND INSTITUTIONALIZATION

As noted in the introduction to this chapter, most nonfinancial assistance projects find it difficult to become financially viable. These service-oriented projects exist in countries where there has been a lack of such organizations. Three scenarios for institutionalization were identified:

- Placing the service being delivered in a private for-profit firm;
- Creating an NGO or association that provides the service and recovers all or most of the cost, but may require some subsidy from the outside that is justified by the impact of the program; or
- Placing it within a government agency, with its recurrent costs covered by the state.

The experience of these three organizational models in service delivery is considered below, and the likelihood that they can serve as models for future development of MSE programs is discussed. Since most are still in the project stage, they have not yet faced the question of institutionalization.

Private For-Profit Programs

These are found in several of the categories of nonfinancial assistance. The best examples are the introduction of new building materials programs and technologies that have succeeded in tying in directly with private companies and are continuing to sell their products. This is functioning in Ghana with microconcrete roofing tiles; a number of firms have adopted the technology and are competing effectively with other local products. The long-term benefits of the microconcrete roofing tiles lie in maximizing the use of locally available raw materials to produce labor intensive goods that can compete with imports. With five firms now producing them, they will most likely continue to spread as the project phases out.

Integrating consulting firms into the technical assistance program to enterprises has been an important theme for many of the projects (CIDA, IBRD, EDF) and it is working in some cases; the CIDA PAPME project in Mali has financed a training enterprise to which it will send all loan applicants; IBRD in Mali will rely exclusively on private consulting firms to assist its Private Sector Development Project; and EDF/Senegal has incorporated local consulting firms into its management structure.

NGOs or Associations

Several different programs have yielded interesting results for NGOs and associations.

Nongovernmental Organizations

NGOs survive largely on their ability to tap into the donor market and work as agents for them. The NGO benefits from a positive image in many donor's eyes because of its not-for-profit nature. For an unknown reason, this inspires the confidence of the donors and, sometimes, the host country government. Perhaps it is also because many of them are created from donor projects.

One of the most interesting ventures has been the work of IBRD's high-labor-intensity family of projects (AGETIP, among others). Although their structure is officially nonprofit, they operate just like a private firm and deal primarily through private firms, which has a stimulating effect on competition and transfer of skills. Their income is limited by the donors, as they take only a limited percentage of the funds they manage -- amounts necessary to cover their operating costs.[9] Having proved its efficiency in managing funds and getting the appointed task done, AGETIP is now taking on contracts from other donor agencies like CCCE, which will allow it to expand and continue its work of privatizing much service delivery.

Another good example is ACA, which has developed a good product but whose real client is the donor agencies, not the artisans. ACA has sold the usefulness of its product to the donors, and these latter are willing to subsidize ACA's costs by hiring ACA to service the project clients. Considering that the ACA program has proved the effectiveness of its methodology, as well as its ability to deliver the service for less than most projects, this is a positive short-term approach to institutionalization. As ACA develops more training modules, its investment requirements should decrease significantly and it should sell its training directly to the artisans and microentrepreneurs it has targeted.[10]

Associations

The associations being created by ILO are showing some potential for institutionalization. They are built around the theory of self-help, but they also receive resources from ILO that keep them together in a physical sense. In Bamako, many of the associations now have centers and equipment they are renting out to artisans to cover operating and new investment costs. The management of the few project-developed centers appears to be adequate to ensure sustainability.

[9] AGETIP, the only project with a sufficient track record, requires only 5 percent of the funds spent to manage the process.

[10] ACA has not, however, developed a sound pricing policy that allows it to benefit and leverage previous investments to cover current costs. It charges only for the actual cost of the services rendered, nothing for the value associated with the development of the products.

Government Services

The numbers of projects continuing as government services is decreasing. Recurrent costs are deemed to be too high for the governments to be able to manage after the projects end. But because many subsidized training programs do have a positive developmental impact, subsidies may be justified to maintain the programs' operations. As many of the donors have switched away from working through the host country governments, particularly in the Francophone countries, one of the few examples that stands out is the GRATIS project, which is being funded for another five years and then will be the responsibility of the state.

The Chambers of Commerce in Francophone West Africa are government-controlled bodies, but they have limited resources. The training being organized by various donors for the Chambers will probably get some continuing subsidy from Chamber budgets, while providing a service to their clientele.

SUMMARY

As with the projects focused on credit delivery, there has been a significant evolution in the projects concentrating on nonfinancial development. The projects are becoming more pragmatic, with some thought about what will remain after the project is over as well as how to reduce their costs of reaching the clients. We are learning from these projects that there are cost-effective ways to affect systems as a whole and reach large numbers of clients within the MSE community. An important starting point is to think of their targets as clients rather than beneficiaries and determine how to respond with market and commercially oriented solutions.

One of the most successful of the new generation of projects is the AGETIP-style program, which uses the government as a market-maker — using its funds to stimulate investment and competition in the private sector. This is now being extended to the credit side in an effort to increase systemic efficiency and make a sufficiently large market to attract investors. Once that industry is developed and quality of service increases while the costs of using it drop, the industry will become more accessible to the private sector.

Developing a market for products is also the focus of some of the UNDP projects; they provide feasibility services for MSEs, which are required if they are to gain access to bank loans. This develops the market for the product inside the banks, which are always looking for good loans to make but don't know how to evaluate them at the small scale. The twist some programs are trying is to pass those costs on to the bank, instead of charging them directly to the client.

The training programs are evolving into private training organizations that depend on identifying a market and selling a good training package to their clients. Many donor-funded projects have now developed sufficient products for the projects to be able to sell their services/products on the open market. The demand is there; the programs have just not packaged the products properly in the past.

The technology development and transfer projects, as well as the local organization of the artisan sector are both increasingly orienting their activities around market-oriented and commercially driven activities.

All projects in this sector must be careful to work within the market framework and not upset existing, nascent market structures. The projects must be aware of the private services that already exist, to avoid undercutting private competition with subsidized services in the interest of making the project work; include local private firms in the implementation of their activities; and search for ways to reduce the cost of their services while remaining commercially viable. More and more projects are placing their services within a market context, and it is paying off.

PART TWO

DONOR TRENDS AND IMPLICATIONS FOR FUTURE PROGRAMS

CHAPTER FOUR

EVOLUTION OF DONOR STRATEGIES

INCREASING DONOR INTEREST IN SMALL ENTERPRISE

As is evident from the large list of projects supported by the donor agencies, there is increasing interest in small enterprise development in West Africa. This interest of many of the large donors (EDF, CIDA, and the French) is recent, within the last five years. A.I.D., the donor agency with arguably the greatest amount of experience worldwide in MSE development, has been active for 20 years. There is no consensus on the best approach to use or the best way to implement the programs once in place. The debate ranges from whether programs should emphasize financial or nonfinancial services, address the formal or informal sectors, focus on individual skill training or develop broader organizational capacity, target savings-led or credit-led interventions, or adopt a subsector approach or stay focused on one distinct set of actors. The pilot projects discussed in this paper are yielding interesting results that are having an effect on new program development.

The first generation of enterprise support projects that provided credit and enterprise support services through government agencies and development banks were largely failures, and led to the search for new approaches. Many bilateral donors in West Africa have adopted fairly consistent programs to support enterprise development across countries. Some of the principal thrusts are:

- The German GTZ has focused primarily on artisans, working to establish self-help groups or Chambres de Métiers (Togo, Cameroun, Senegal, Niger) or to improve institutional structures (Burkina Faso, Mali);

- The German KfW has been experimenting on new forms of MSE finance in rural areas using mutualist methodologies, largely through CIDR;

- The Swiss are primarily supporting technical training to artisans and to the informal sector through local NGOs and ILO;

- The Dutch are working largely through NGOs and ILO to provide training to rural artisans and entrepreneurs (Guinea-Bissau, Burkina Faso, Ghana) with a focus on women's income generation (Senegal and Burkina Faso); and

- EDF has adopted a capital intensive approach toward creating formal small enterprises, based on the Mali and Senegal experiences.

Other donors have much more diverse and longer standing portfolios, the largest among them being A.I.D., French assistance through FAC and CCCE, CIDA, and UNDP.

U.S. Agency For International Development

A.I.D. has placed an emphasis on the problems of MSE development since the early 1970s, much earlier than many other donors. It has combined research and evaluation with project implementation. In particular, it has concentrated on developing the skills for supporting enterprise development within the targeted countries.

A.I.D. is financing few large MSE development projects directly; it is doing most of its MSE program support through U.S. PVOs or supporting elements of larger projects.[1] A.I.D. has a wide range of tools through which to support MSE development: centrally funded worldwide research projects, individual country projects, programs to assist PVO development, and programs to provide PVOs with access to funds for onlending. In addition, the U.S. Congress has mandated that A.I.D. must spend at least $80 million on MSE projects, worldwide.

Projects to study the issues surrounding MSE development worldwide — PISC Enterprise Support - PISCES; Assisting Resource Institutions for Enterprise Support - ARIES; and Growth and Equity through Micro Enterprise Investment and Institutions - GEMINI — have produced much valuable information on the state of the art. These projects have also worked directly with implementing institutions (NGOs and government agencies) to transfer new information and technologies, to increase the impact of assistance programs.

Relatively few mission-funded projects concentrate just on MSE development. The Guinea Rural Enterprise Development Project, VITA's Enterprise Program in Chad, and the ACEP project in Senegal are the three most important ones. Of these, only the Guinea project started in the last three years.

Increasingly A.I.D. is working with U.S. and local PVOs. Programs to assist NGOs or PVOs directly often take the form of umbrella projects, where one U.S. PVO manages a series of grants to numerous U.S. PVOs or local NGOs. These provide loan funds to the PVOs or work on their internal management. The PVO Initiatives Project is a centrally funded program in Washington working directly with local NGOs to improve their management. The Human Resource Development Fund for Africa is concentrating its training on private sector-relevant issues.

French Assistance: FAC and CCCE

An important trend within French assistance has been to move away from assisting the larger-scale formal enterprise and creating joint ventures toward assisting the smaller, more informal enterprise. Like A.I.D., the French cooperation agencies have a large variety of different tools to use — financing NGOs through the Department of Decentralization, enterprise finance of all kinds through CCCE, and technical assistance support to enterprises through the Department of Enterprise Development in FAC. However, the tying of different functions to each agency often creates severe limitations in the programs (for example, only CCCE can provide lines of credit).

After years of concentrating on the formal sector in West Africa and the creation of new formal enterprises, largely through partnership and joint ventures, FAC assistance now focuses on the environment of the enterprise and of MSE development. The realization that joint venture creation is

[1] A private voluntary organization (PVO) is an A.I.D. classification applied to NGOs meeting specified criteria.

slow, essentially takes care of itself, and needs less direct support led to this shift. The assistance now being provided by FAC is looking at artisans and MSEs (Senegal and Burkina Faso) while the problem of the unadapted environment surrounding MSEs and all private sector activities is the thrust of its project in Senegal and an upcoming project in the Côte d'Ivoire.

CCCE is also shifting its approach. While PROPARCO continues to handle its large enterprise financing and joint ventures, CCCE is experimenting for the first time with informal sector finance in Senegal. As described by the project officer, the purpose of the activity is to teach CCCE about this level of enterprise (a level that EDF and A.I.D. have been working with for five years). CCCE has always taken a formal approach to lines of credit, passing through government development banks. But now, with the collapse of many rural banks in West Africa, they are looking to develop new systems that can go around the formal ones: savings and credit unions in Senegal, the Côte d'Ivoire, Mali, and Guinea through CICM and SDID; new rural credit for MSE development in Guinea and Burkina Faso (IRAM and the Centre for International Research and Agricultural Development [CIRAD] with Sahel Action, respectively). The Assistance aux Initiatives Productives de Base (AIPB) has also been reshaped to be more responsive in this arena, leading to an increase in its loan activities (see Annex D.3).

European Economic Development Fund

EDF assistance is clearly divided between assistance to microactivities, which are more community development focused, and small enterprise development, which focuses on profitable activities on a slightly larger scale. EDF has had two large pilot credit projects in this domain over the past few years in Mali and Senegal. It is now replicating them in Niger, with projects designed for Burkina Faso and Togo. EDF is also experimenting with the venture capital approach in Mauritania and soon in the Côte d'Ivoire.

Canadian International Development Agency

CIDA has done lots of work on mutualist banking systems, which have a broad effect on MSEs. CIDA's support of SDID, among others, has successfully spread many of the mutualist techniques developed in Canada to rural Africa.

At the small-scale level, however, CIDA's projects tend to be capital intensive while affecting just a limited number of enterprises. From the PAPME project in Mali to the Renforcement des Entreprises and the Enterprise Incubator projects in Cameroun, only a relatively small number of enterprises are reached for quite significant investment.

DISENGAGING THE STATE FROM ENTERPRISE SUPPORT

Trends among the New Projects

This new generation of projects has changed many of the earlier hypotheses surrounding enterprise development. As noted in the beginning of Part One, there has been an increasing accent on long-term sustainability of the projects, a shift away from working directly through government agencies, and changing the focus of the government agency involvement away from implementation to appropriate regulation.

Changing the Channels of Assistance: Withdrawing Support for Government Agencies

One explicit trend among most donors is to separate enterprise development programs from direct state management. After the early disastrous experiences when the majority of enterprise assistance and finance was passed through state-run agencies staffed with civil servants, such as the Enterprise Promotion Centers[2] and the development banks, most donors have learned the lesson that the West African state is not equipped to promote private enterprises directly.

The state of donor opinion about the capacity of national governments to implement enterprise support projects was evident at the 1992 Nigerien roundtable on MSE development, where the Government of Niger presented its strategy to the donors and requested their financial support. The response from the donors was polite but firm: they did not see an appropriate role for the government to play in providing direct assistance to MSEs. Rather, the donors preferred to continue their own independent projects through independent structures that were more flexible and efficient.

But the donor agencies didn't know how to assist local enterprises either, because their largely civil servant staff has limited experience with private sector issues. So they faced the dilemma of developing new channels to reach the target audience of local enterprises or entrepreneurs. Without government agencies, there were usually no reliable existing structures to work with:

- Private banks weren't interested in lending to MSE, particularly if they had to bear any of the risk;
- Although private businesses may have had the greatest direct knowledge of what needs to be done, donors have difficulty providing direct assistance to private, for-profit enterprises since it might show favoritism; and
- NGOs had little credibility as advisors to the private sector.

This dilemma was faced in all the West African countries. It led to many experiments, running pilot activities through many different projects and private research institutions, spurring the development of new and innovative approaches to bypass bureaucratic inefficiencies of state agencies. The result is the creation of many new, and sometimes competing, structures for enterprise support, such as the new financial institutions discussed in Chapter Two.

It is important to note that this shift is often supported and approved by the highest levels of local government, which had already come to the same conclusions. Senegal is a good example; the President of the country issued instructions to minimize the role of the state in implementing private sector programs, while facilitating the transfer of many other functions to the private sector. Such shifts, even if supported by the heads of state, often run counter to the interests of line managers in the civil service, so run into many obstacles along the way. In Senegal, AGETIP has benefited from the gradual transfer of implementation authority from the state, and ACEP is now the beneficiary of additional government funds borrowed from the African Development Bank and granted to ACEP as the implementing agency.

[2] Office pour la Promotion de l'Entreprise Nigerienne (OPEN), Office pour la Promotion de l'Industrie Tchadien (OPIT), Office pour la Promotion de l'Entreprise Voltaïque (OPEV), CAPEN in the Côte d'Ivoire, and OPEM in Mali.

Bilateral Projects. This shift away from government intervention can be found in nearly all of the active donor agencies with hands-on management responsibility. The bilateral donors have more leeway in constructing their programs and agreements with the states, and often pass their assistance directly through grants to NGOs (either from their own country or the recipient country) to bypass government structures. In addition, many of the project managers do their best to keep their donor or sponsor as far away from management issues as possible, though the donors have a necessary right of supervision.

Nearly every project with aspirations of sustainability has severed direct management ties with the state. The projects still fall within a supervisory ministry and have some dealings with the state for broad guidance and regulation, but they have kept all the management functions inside the project. This has often been very diplomatically negotiated and carefully orchestrated by the project managers. Some examples are:

- ACEP in Senegal is completely independent in its day-to-day management, though it has an interministerial project supervisory committee that reviews its major activities, but rarely interferes;
- EDF/Mali has maintained a completely autonomous posture within the country, though it depended on the Ministry of Planning as its sponsoring ministry;
- CARE/Maradi, as an NGO, has no direct involvement from the state in project management, but does negotiate its working conditions and regulatory environment (interest rates, legal structure) with the Government of Niger;
- CICM in Guinea has refused to have a government steering committee with the authority to give directions, but has agreed to a supervisory committee.

Projects that have faced increased government meddling in their management to meet political goals, such as PAPME in Mali, are facing difficult problems achieving their project goals. Donors often give way to such pressures, too.

Multilateral Projects. The multilateral agencies, such as the United Nations, EDF, IBRD, and others, often find it more difficult to fend off state management, because their only point of contact is through the host country government. Even so, the World Bank programs such as the AGETIP family of projects and the EDF's AFELEN in Niger have forced this reality on the governments, which they have accepted to get the resources into their countries.

AGETIP in Senegal was created specifically to bypass inefficient government agencies, but its statutes were carefully negotiated with the Government of Senegal to give it the clear autonomy it needed to be effective. Its strength comes largely from the procedures manual which was developed jointly by the state and IBRD and serves as the basis for its autonomous status. The government's comfort with the procedures manual as a set of operating guidelines allows the project to protect itself from government intervention by calling into effect the different clauses in the manual.

The success of this initial program has greatly facilitated the replication of the project across West Africa, always using the same basic format. This format has worked well enough for IBRD to explore its use in other kinds of programs, such as a new private sector support project in Mali where a similar unit will manage and coordinate the participation of private institutions (consulting firms, banks) to support investment in private enterprises. EDF/AFELEN in Niger is designed around this same concept.

ILO, as an implementing agency tied tightly to the desires of the actual financiers (UNDP, UNIFEM, bilateral donors), has gradually developed a new approach that focuses on passing its enterprise development programs through nongovernmental bodies. Though there are three separate groups functioning within the Entrepreneur and Management Branch at ILO, which has the lead in these projects, there has been a shift in all of their operations over the last few years, away from direct intervention through government agencies.

The best examples are in the MSE and Informal Sector Section of ILO. The MSE technology-based activities now seek to work through commercial operations, which provide them with an institutional structure to pass over to at the end of project. Meanwhile, the Informal Sector Unit has been actively practicing the precept of direct assistance to artisan groups to strengthen them and make them more autonomous. The Small Enterprise Development Section, which had supported the Enterprise Promotion Centers, is now down to one program, while their new initiative is focusing on the overall environment (African Enterprise Development Initiative), providing assistance to link private organizations and improve their negotiating position with the state.

Placing More Emphasis on the Regulatory and Policy Environment

The realization that the state's role is not to provide direct assistance to enterprises has led donors to the conclusion that the role of the state is to provide a conducive environment for private sector growth. As a result, many donor projects have placed more emphasis on developing a conducive environment and redefining the role of the state. The best examples are the sectoral adjustment programs of IBRD and the Economic Policy Reform Programs of A.I.D., in which the donors financed theoretical studies on implementing policy reforms, which could lead in turn to a more conducive environment for private sector development.

Unfortunately many of these programs were negotiated between the donors and the governments with minimal involvement by the target audience: the private sector. The net result has been ineffective implementation because there has been no direct constituent involvement in the supervision of implementation.

The new challenge is to include the private sector in the debate. In West Africa, the relations between the state and the private sector have often been conflictual,[3] heavy on regulation for the government's sake, and damaging to efficient operation of the private sector. There is increasing consensus on the need for concerted action between the state and the private sector to establish the agenda.[4] At the Niger Roundtable on MSE, this point was made in the opening speeches, which noted that this appeared to be another discussion of the affairs of the private sector without representation from that sector.

Some projects are trying to address this particular issue. The new USAID EPRP program in Mali has included a position for one advisor to serve as facilitator between the private operators and the state regulatory agency, the Affaires Economique. The goal is to identify areas of mutual interest and to develop better lines of communication

[3] Club du Sahel, "Private Operator's Perspective on an Agenda for Action," November 1991.

[4] Club du Sahel, 1991, p. 8.

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Constraints to Institutional Transfer

Although the experiments are bearing fruit, the difficulty of institutionalizing these experiments or of transferring them to local groups is becoming apparent. Removing constraints to institutionalization involves developing the right strategic mix of activities to make the program a cost-effective (or sustainable) coherent activity, finding the right legal structure, and transferring the assets of the program.

The formal institutions (primarily financial intermediaries or government training institutes) are either not interested in picking up the technical programs or not capable of doing so. The nature of MSE-focused activities is normally too different from an existing institution's main activities to justify their incorporating them into their portfolio of activities. Adding new divisions that do not create synergies for the institution is not strategically smart.

With no apparent available home, this forces the creation of new institutions. Identifying or designing the right legal structure, which provides the institution with sufficient autonomy while still maintaining the government's level of confidence, becomes a challenge. CCCE in Senegal has tried to circumvent the legal problem by placing their new enterprise development unit under the protective umbrella of AGETIP, even though the nature of the work is foreign to AGETIP.

If there is a client for the technical aspect of the project, then the transfer of the funds to the new institutions created by the projects becomes an issue. It is one thing if there is a technical assistance team helping to promote a new structure which will assist the private sector. It is another thing if this new institution now keeps the government's funds as its operating capital. This dilemma is currently being studied in most of the credit programs. Only ACEP in Senegal appears to have resolved the problem, by formulating a process to become a nonprofit credit union, as described in Chapter Two.

Even the SIDI program in the Côte d'Ivoire will have problems disengaging the capital loaned to it by EDF through the government of the Côte d'Ivoire. The project will end before the equity shares will be sold to replenish the investment fund. This means that the government will inherit a portfolio of equity investments in private enterprises that it cannot manage effectively.

CHAPTER FIVE

THE LOCAL NONGOVERNMENTAL ORGANIZATION AS ENTERPRISE

Local NGOs deserve special attention in looking at future assistance to MSE in West Africa for several reasons: they are active partners in development and working increasingly with MSEs, and they increasingly resemble enterprises in their outlook and approach while generating employment for target populations.

Although international NGOs have been particularly active in the Sahel and West Africa since the mid-1980s, local NGOs are taking a more active role in local development. Significant trends include:

- A notable expansion in the number of NGOs operating in West Africa over the past few years; and
- An increase in the financial support being received by NGOs from the large donors in a concerted effort by the donor community to channel resources to project beneficiaries more effectively and efficiently.

TRENDS AND CHARACTERISTICS

In Mali and Burkina Faso, West African countries with the longest traditions of international NGO support, currently more than 300 local NGOs provide a variety of services and development assistance, primarily to rural populations. This number is up dramatically from about 50 per country in 1988. In Niger, local NGOs were only legalized in early 1990, but, since that time, 100 NGOs have registered in two years, while in Senegal, there are hundreds of registered NGOs. NGO registration is still tightly controlled by most governments, which have historically been wary of empowerment of the local population, but the process is finally opening up.

Several general characteristics of the local NGOs are worth noting:

- Many of the staff of these organizations are former civil servants who have left the government service because of the recent structural and sectoral adjustment and austerity programs targeting reduction of civil services. Other staff members are the educated young who are the recipients of assistance from the bilateral donor projects to increase employment opportunities for this relatively organized and vocal group;
- Directors and project officers of local NGOs are entrepreneurs who have, in true entrepreneurial spirit, recognized that this is a growth sector and responded by registering themselves or their enterprises as NGOs specifically to target donor money;
- Many NGO staff are technicians — foresters, agronomists, nurses, and horticulturalists — who have travelled outside of their country for long- or short-term training and offer basic skills in their specialties;

- Few NGO staff have received training in business management and marketing skills equivalent to their counterpart technicians in the traditional technical specialties (such as natural resource management or health and child survival); presumably this is because microenterprise assistance is a relatively new area of development activity;

- NGOs can provide a cost-effective organizational mechanism to initiate and manage donor-financed projects; are well placed to communicate and work with local populations; can often serve as an effective lobbying effort against bureaucratic intransigence; and offer employment in both the urban (to the educated young) and rural areas, which eases national economic and political pressures; and

- Training, research, and new technological development and transfer can be disseminated more cheaply through these organizations because of their lower operating and overhead costs.

THE NGO AS PARTNER IN DEVELOPING ECONOMIC ACTIVITIES

Many NGOs have gradually shifted their focus toward concentrating on economic activities, developing financial systems, and assisting enterprises. Several international NGOs have realized that as local NGOs develop, they evolve toward a more balanced series of activities, away from the purely social agenda to sponsoring economic activities and developing mechanisms to respond to the economic needs of the community.[1] One result of this evolution toward economic activities is to provide increased autonomy to the groups as well as develop better managerial skills within the villages and localities. This has an empowering impact on the village organizations and individuals. Experience of NGOs shows that they and the groups they work with believe in using market rates of interest as the starting point for credit (many go way beyond, as is the case of villagers working with CIDR) and removing subsidies to the economic actors.

Increasingly, local NGOs are working in direct collaboration with donor agencies as their executing branches in the field. The USAID PVO Cofinancing Project in Mali and the USAID/Senegal PVO Umbrella Project both target the NGO, working in conjunction with an international NGO or U.S. PVO to deliver services to the rural areas.

The NGO as Enterprise

The characteristics cited above are often both the cause and the effect of the expansion of NGOs. Though the concept of NGO originally included an element of voluntarism and a special mission or technique, this appears to be changing dramatically in parts of West Africa. During interviews with NGOs in Mali, over half of the managers stated that the purpose of their NGO was to find employment for the staff.

[1] This was one of the major commentaries during the recent panel on savings and credit programs for rural areas, held in Luxembourg in May 1992.

This evolution is understandable. In constrained economies of West Africa where markets are very tight and opportunities for investment are relatively limited and difficult to finance, the growth sector is the market of donor agencies. As early as 1988, a study on the private sector in Mali concluded that many of the best investment opportunities were in providing services to the donors, either directly by servicing their equipment and internal operating needs or to provide "delivery service" to help the donors get their resources into the field cost-effectively.[2] As the early services sought were in local organization and in health and natural resource management, we find most of them functioning in those fields. As the donor trend has shifted (because of a change in market) to include MSEs, increasing numbers of local NGOs are now targeting that market.

Although local NGOs have developed a reputation for delivering services to the local population efficiently, experience has shown that their technical capacity to support MSE programs is still lacking, just as technical support is lacking with many international NGOs beginning to practice MSE development (see below).

The realization that NGOs are becoming more important and taking the shape of enterprises is becoming an issue with several of the national governments. In Senegal, which has perhaps the largest number of NGOs, there is an ongoing debate in the press over the role and statutes of the NGO. Are they to help the poor or make money for their employees? The government estimates that it loses import duties of over 2.5 billion CFA ($10 million) due to the tax exempt status of the NGO. For cash-poor governments, this is an important sum.

NGOs working in the financial sector are actually leading the way in the evolution of formal institutions toward new markets. By developing the tools and systems needed to service those markets cost-effectively, formal institutions will gradually see that there is limited risk and potential profits to working in that sector. As shown below, many new markets for financial services are being opened by NGOs across West Africa, which will hopefully stimulate activity by the formal financial institutions over time.

Suggested Measures for Support of NGOs

The local NGO provides an important base for supporting MSE development cost-effectively. NGOs will likely become the operational/institutional form of many of the donor programs under way right now, particularly the nonfinancial service projects. Given their expanding numbers, the donor interest in and need to find local partners to work with, and the fact that they are going to be players at the local level with or without donor funding, there are several things that donors can do to support the development of NGOs working in the MSE arena.

Provide a Realistic Appraisal of the Skill Base

An important first step is to assess realistically the capabilities of the NGO to provide sound support to MSE interventions. Relatively few of the local NGOs moving into this field have any practical experience and are working by the trial and error method, with the local businesses serving as guinea

[2] William Grant and Petr Hanel, "The Business Climate in Mali," Development Alternati es, Inc., August 1988, ·. 98.

pigs. This is not good. The donors should be objective in their assessment of the management an business skills of the NGOs.

Invest in Them

Donors can provide local NGOs with the tools and training to become more efficiei intermediaries in favor of MSE development. Following an objective appraisal of the NGO experienc base and capacity, training and information should be made available to them in the necessary skills an the techniques already being developed in other countries. As already noted in this document, there ar many innovative and successful programs going on in West Africa as well as new tools being develope on a regular basis. This information is, at present, not readily available at the local levels. A report o MSE Strategy in Mali concluded that, even though NGOs in Mali were among the most active an dynamic in West Africa, the leading NGOs in this field were relatively unaware of how to do MSI development properly.[3]

Properly preparing the NGOs requires an investment in information, training, and physica capacity. Information on the state of the art needs to be made available at the local level, which require not just written information but skilled technicians who are in the mainstream of the subject and awar of what is going on in the region. It also requires good diagnosis of the specific needs of the NGOs, a noted above, and preparing the appropriate means for transferring the technology (most likely training) Finally, the financial cost of starting up a new branch of activity must be recognized, and the donor ready to pay for that initial investment (in the long run it is far cheaper than most long-term projects)

Demand Results

To complete the circuit, the donors need to demand results from their investments when they work with NGOs. Now that we are aware of what is possible, the local NGOs should be required tc deliver that level of performance. No more slipping back to the days of passing off nonrepayment oi loans as acceptable or of permanently subsidizing the costs to the borrowers.

THE INTERNATIONAL NGO AS A SOURCE OF INNOVATION AND TECHNOLOGY TRANSFER

As donors are shifting away from working with and through the state, they have largely ended up working with not-for-profit research institutions and NGOs. NGOs have become quite successful in West Africa doing private sector-oriented work, when properly followed by the donors. The previously nonfinance-oriented NGOs are becoming management and efficiency conscious. Where only a few years ago the finance-specialized NGOs, such as Women's World Banking and ACCION, were claiming that only professionals should be allowed to implement finance programs, a host of nonfinance-specific international NGOs are now succeeding in developing new mechanisms or modifying successful experiments from other countries and continents to the local environment.

[3] William Grant, Kim Aldridge, James Bell, Ann Duval, Maria Keita, and Steve Haggblade. "Mali Microenterprise Sector Assessment and Strategy." GEMINI Technical Report No. 20. October 1991. Volume One, Main Report; Volume Two, Annexes.

- CCCE has financed IRAM and CIRAD to work with the Grameen Bank model to develop local mechanisms for solidarity lending. They have achieved high repayment rates and are now developing the systems to target self-sufficiency and profitability.

- CIDR has used its experience and findings to determine that sustainable means of accessing financial resources are necessary for long-term development. It has applied its research, with help from the Kreditanstalt fur Wiederaufban (KfW), to develop the Caisse Villageoise d'Epargne et de Crédit Agricole (CVECA), a self-sustaining financial structure that reinvests locally mobilized resources and ties villages into the formal financial sector for refinancing. This helps to reverse the trend in flow of funds from rural to urban areas. Meanwhile Recherches et Applications de Financements Alternatifs au Développement (RAFAD) is applying modern scientific tools and loan guarantees to empower local NGOs.

- CARE's work in Niger has yielded some impressive repayment rates while stimulating employment. In a country in which the formal financial system has failed, this new institution will provide the mechanism to support enterprises as well as other technical assistance programs.

- Technology-focused NGOs like GRET and VITA have set up operational financial programs in Senegal, Chad, and the Central African Republic with extremely good track records. Others are developing new technologies and introducing them into the economy through market-oriented enterprises; this is the case with Technoserve in Ghana and Appropriate Technology International with its pumps in Mali and oil presses in Cameroun.

- Famine relief agencies, such as FFH and CRS, are developing and adapting proven systems from the formal financial system or adapting tools developed on other continents to link the poor and undernourished into the formal financial system (the FINCA village banking scheme from Latin America in the FFH case). They are also developing their own mutual funds (the CRS model) to address issues defined historically as social with market-oriented solutions.

- Perhaps the area with the greatest single amount of investment by international NGOs has been the installation of savings and credit unions. Not-for-profits such as CICM, SDID, WOCCU/ACCOSCA, and CECCM, organizations tied closely into the formal financial system in developed countries, have invested time and money (provided largely by USAID, ACDI, and the French CCCE) to develop systems to establish and strengthen credit unions in West Africa.

- Finally, the international NGOs themselves have often created new NGOs to experiment with ways to tie the formal financial sectors and modern financial tools directly into the developing countries. The Consortium Catholique contre la Faim et le Développement (CCFD) created SIDI to experiment with venture capital provided directly by French individuals as an investment opportunity. Meanwhile, the Innovation Réseau d'Echanges et Développement (IRED) provided the lead for the creation of RAFAD, to provide a system of guarantees for local NGOs, to facilitate their access to local resources and to enhance their capacity to interact with the formal financial sector.

International NGOs, with financing from donors, have been active forces in this field. They may not have had the solution at the start, but they have been willing to pursue an activity for the time necessary to adapt their operating procedures to the rigors of pure business operations. This process of getting the international NGOs moving into sound enterprise development has been a gradual process involving a number of elements:

- Pressure and support from their donor financiers to develop and apply sound, sustainable systems;
- Realization that providing financial resources and economic assets to the poor is the best way to empower them;
- Professional commitment by the NGOs to finding long-term solutions for the problems of development; and
- Respect for research and experience that have been carried out elsewhere where the emphasis has been placed on sustainability.

International NGOs have proved over the last 5-10 years that they are good resources for developing and adapting new techniques that support enterprise development at levels appropriate for African economies.

CHAPTER SIX

DONOR COLLABORATION IN THE FIELD AND INFORMATION TRANSFER

In theory, host country governments should manage the development process in their countries, including the efforts to assist enterprise development and the private sector. However, in West Africa, the role of national governments has been minimized in the final decision of what actually gets implemented by the donor agencies. A number of factors are at the root of this loss of jurisdiction, both internal and external:

- Internally, host country governments have rarely implemented the development projects well, because of weak skills of government personnel, the government's desire to both manage the process and also maintain control of implementation, or the limited amount of local resources available to devote to the process;

- Internal management problems, often caused by problems of patronage, mismanagement of resources, or the use of resources for political rather than economic development objectives, have given many donors serious misgivings about turning the entire process over to the national governments;

- Externally, the donors exert more influence over the process. They have far more extensive resources to address the problems, and tie those resources to special conditions. Development assistance plays the double-edged sword of promoting chauvinistic interests — requiring ideas, technology, personnel, or equipment from the donor country — while assisting the recipient country. Donors require the final say in how they are to be used or if the funds are to be donated; and

- The success record of the projects that elude the direct intervention of government agencies versus those managed by government is evidence that fuels the donor's decision to limit government involvement.

The result is that the donors often do precisely what they want, winning their objective because most governments in West Africa are desperate for the external resources being offered under strict conditions. Even if they lose control of the process, the government benefits if it is a splashy project that helps some people and brings some resources to the government agencies. Therefore the donors get their way.

This autonomy puts greater pressure on the donors to design and implement sound and responsible projects. For the donors have also had very spotty track records, with the debris of many projects littering the landscape in all of these countries. As noted in the first part of this report, there are many different approaches to developing MSEs, and no perfect solution has yet been identified. But some basic guidelines have been developed, which are described in this report. The donors have the responsibility to ensure that their programs fit within an overall framework and do not conflict with one another. It is also important for the donors to perform as a more unified body, not allowing the host country governments to negotiate politically attractive projects, with little developmental impact, that one donor after another has refused for technical reasons.

To achieve this ideal of sound development programming, the donors must share more information and must also have in place a means for knowing what is already being done, by whom, how, and why so that they don't needlessly replicate programs or duplicate expenses. By and large, the donors have failed in this respect across West Africa, financing projects that sometimes duplicate each other and sometimes actively compete with each other; once in a while a poorly-thought-through and unsustainable donor initiative undoes the work of other donor projects and initiatives. Achieving sound programming may be an ideal, but it is one that all the donors should ascribe to.

FORMALIZED LOCAL COLLABORATION BY DONORS

The problems facing coordination among the donors are tremendous: personal ambition among the managers of some donor agencies, the requirement to move money for others, national policies and guidelines they must observe, hidden agendas for the aid process, and territoriality. In only a few countries has the process been formalized, like Senegal and Mali. In the others it is ad hoc, at best, like in Niger. But, in all cases, local collaboration can only improve donor programming. Several countries have little effective consultation on the subject and it shows up in the range of conflicting projects being implemented, as in Burkina Faso.

Mali, a Case Study in Effective Collaboration

The donor community in Mali has perhaps the best-organized dialogue on the issues surrounding MSE development of all the countries in West Africa. Nearly four years ago, the heads of many of the donor agencies, in particular USAID, CIDA, IBRD, and UNDP, decided that employment was a significant problem in Mali and should be addressed in a concerted way. They created the employment roundtable, which has met once a month ever since. This process of consultation is formalized and is designed to maximize the flow of information among the donors on issues related to employment, as well as highlight critical points of interest.

To make the meetings consistently productive and effective, UNDP has financed a general secretary to manage the process. This expert in employment issues from the U.N. Office of Project Support plays several roles. First, he facilitates the meetings. He prepares the agendas, arranges for speakers, invites outside attenders relevant to the topics for the meeting, writes and distributes the minutes, and follows up on any requests. Second, he is the central point of information; he collects all relevant documentation on enterprise development projects (quarterly reports, consulting reports, strategy documents, project papers, and so forth), synthesizes the information, and provides some objective analysis.

The process has evolved steadily since its inception. Originally conceived to focus on employment, it has become more focused and now concentrates on enterprise development projects as a solution to employment problems. The roundtable also provides an opportunity for local groups to reach all of the donors at the same time. Groups such as the Professional Banking Association use this forum to present and discuss their requests.

In addition to the donor forum, and probably more important, the heads of all the donor projects supporting enterprise development now meet once a month, also facilitated by the U.N. expert. This allows the field practitioners to discuss issues among themselves, share techniques and approaches, and provide more active collaboration among the projects.

The donors have, in the words of one of the regular participants, "agreed to disagree." Each country or agency has its own policies and agendas that it must follow and the roundtable cannot force them to change. But the increased dialogue and sharing of ideas through the roundtable has been important. Donors are sharing information so that everyone can make the most informed decisions. The increased information flow brings an added transparency to the process, and keeps the different donors more intellectually honest. The roundtable has also been able, on occasion, to pressure donors into modifying the structure of a proposed project that would be contradictory to existing projects.

Burkina Faso, a Case Study of the Effects of Noncollaboration

Burkina Faso presents a good example of the contradictory effects emanating from a lack of coordination, not just among donors but also among government agencies. Some examples of contradictory programming are in artisan training, developing credit programs, and technology assistance.

The government has a long-standing program to train artisans in how to manufacture animal traction equipment, which has been implemented by the Swiss. This program has trained hundreds of artisans and has set up a decentralized production and distribution system that is strengthening local capacity to provide the needed goods. In spite of this productive capacity, the Government of Burkina Faso issued a contract for assembling 30,000 imported plows to the Centre National d'Equipement Agricole, CNEA, to be distributed to the Caisse Nationale de Crédit Agricole. This will substantially eliminate the market for many of the local artisans.

In a second area, NGO and donor programs in the financial sector are regularly competing with each other. Competition is healthy under most circumstances, as long as the playing ground is level. Several savings and lending programs have been established and are moving to self-sustainability, using positive real interest rates above those of the market. However, some new donor programs threaten to undercut these initiatives by providing significant amounts of enterprise credit at rates of interest well below the market rates.

The Conseil Révolutionnaire Economique et Sociale (CRES) and the Chamber of Commerce have tried to pull together the information on the range of donor projects being implemented in Burkina Faso, with only partial results. The Direction de l'Artisanat is also trying to coordinate the 23 government agencies involved in managing different aspects of artisan (MSE) activities in Burkina, with limited success.

SUCCESSFUL MULTIDONOR PROJECTS

Although programming collaboration is difficult, there have been a number of cases of successful collaboration by several donors on the same project. Normally, this collaboration was not intended from the outset, but rather developed over time as a project proved itself sufficiently capable of carrying out the required functions. This is a positive outcome, since it reflects the recognition of donors of the importance of concentrating on one institution that works and leveraging its success, rather than replicating many institutions that are too small to be cost-effective and that take too long to become effectively operational. Some examples of such projects are listed below:

- AGETIP was originally started by IBRD, and has gradually increased its list of subscribers as it has proved its efficiency. The first phase included $42 million from nine partners, including AfDB, CCCE, and The Fonds de l'Emploi des Nations Unis. The second phase of the program has already subscribed $80 million.

- The GRATIS program in Ghana was started by ODA with the Government of Ghana and, as it has proved successful, has expanded to include funding from EDF, CIDA, and GTZ.

- The VITA/Chad project began with USAID funding and successfully established an effective institution to lend to small enterprises with sound credit management systems. As a result, IBRD included additional capital for its loan fund in order to increase the scope of the project under the IBRD's Social Dimensions of Structural Adjustment (SDA) Program. CARE is also using the project to manage its credit fund.

- The CICM Caisses Mutuelles in Guinea have managed to get different donors (IBRD, IFAD, CCCE, FAC) to subscribe to its program, each donor covering the costs associated with developing individual regions.

- EDF/MALI has benefited from assistance from UNIDO technicians, aided by the United Nations after the project made a good first impression.

FACTORS OF SUCCESSFUL COORDINATION

Successful coordination depends on a number of factors, perhaps the most important of which is maintaining realistic expectations. As the case in Mali shows, it is unlikely that all of the donors will agree on all of the issues. But it is possible, through regular communication, to identify the critical issues and to develop broad guidelines that can be respected, without impinging on the decision-making authority of the different actors. Before beginning a process of collaboration, everyone must recognize the limits to the effort.

Coordination needs to be managed; it rarely happens spontaneously. Establishing a formalized process takes time and resources. Representatives of donor agencies rarely have the time or information necessary to prepare regular meetings and keep the quality of the exchange of information to a sufficiently high level to keep their interest. Meetings need to have good agendas, follow-up, and good information.

Transparency forces intellectual honesty, and the sharing of information among the donors creates that transparency. Information also needs to be managed so that the key points are shared among all the donors, sifting away the less important issues. But this means that all the donors must share equally, even if it means providing some means of guaranteeing confidentiality.

Creating a regular point of dialogue builds the habit of sharing information and facilitates the ease of contact to discuss important issues. It also provides other groups with an important point of access to the donors, to present their issues and make their recommendations and requests.

Coordination needs to be dictated from the top. The senior representatives of each donor mission must have agreed to the process, or their subordinates will not participate with the same frankness and openness as other representatives. Since much of the information being shared is sensitive, understanding and respecting this can only be sanctioned from the top.

Including the field practitioners in the dialogue is necessary to increase their awareness of problems and solutions encountered in other projects. This furthers the education and information exchange process among the implementers, who are still seeking solutions.

PART THREE

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

This review of donor-funded programs supporting enterprise development in West Africa has examined programs in 15 countries to determine whether they are improving the prospects of the private sector in these countries. Private sector growth in West Africa cannot be judged in terms of individual companies started, because there is no guarantee of longevity if the firms exist in isolation. Long-term growth can be achieved only by introducing new innovations that increasingly systematize the support services to the private sector, whether financial, technical, training, or managerial.

Four conclusions surface from the analysis of these MSE projects:

- **Institutionalization and sustainability are achievable goals for MSE support projects, particularly those using systems approaches;**

- **Donor agencies are redefining the role of the state in assisting private enterprises, away from implementation and toward development of an enabling regulatory and policy environment;**

- **Communication and coordination among donors and projects are insufficient**; and

- **Local NGOs are increasingly important and reliable partners for enterprise development in West Africa.**

Institutionalization and Sustainability Are Achievable Goals

An increasing number of projects are positioning themselves to have a positive long-term effect on private sector growth by ensuring that they will have a lasting presence. Donor projects are increasingly focusing on developing systems to provide continuous services by building lasting private institutions or by generating linkages with existing institutions to enable them to take over responsibility. These projects can be divided into two sets of activities: those projects whose primary role is to deliver financial services and those that deliver the other services and assistance required by MSEs. The success factors for these two categories of projects are necessarily different.

Characteristics of Successful Donor Projects

The most successful credit projects are backing into a financial systems approach. Contrary to the experience of the first two decades of MSE programs in West Africa, sustainability is possible for MSE credit programs. Numerous projects have laid a sound basis for profitability while lending to MSEs, with a few already claiming profitability. These projects fall into several categories: credit focused, venture capital focused, and savings and credit.

The projects that are reaching sustainable levels of operation are now following sound and thoughtful strategies, using innovative approaches. Most of these were developed after the project began, through experimentation and trial and error. As the projects have focused more on sustainability, they have added the components that make up the financial systems approach. The have focused on:

- Operating efficiently, which includes servicing their market, and managing their costs and their income; and (increasingly)

- Financial system development, such as capturing local resources and creating new linkages to the formal financial sector.

The projects have essentially backed into these factors; none had all of them in their original project design.

Servicing the market starts necessarily with carefully defining the target market for the credit, whether rural or urban, small or micro, productive or commercial. Each of these characteristics plays an important role in the later structure of the project and its systems. The project must then identify responsive and efficient services, which include fast turnaround time for the loans, unbureaucratic loan application procedures, appropriate advisory services, and easy repayment that involves simple calculations.

Managing costs is critical for sustainable credit programs and requires cutting administrative costs (which are often high in a donor-financed project); encouraging repayment by the borrowers instead of having to go out and collect it; and managing the costs of capital for the project, which means turning the money over efficiently. The standard for acceptable repayment rates on MSE credit projects has now reached 95 percent, up significantly from a decade ago.

Managing income is becoming more of an issue to allow the project to cover its costs and become profitable. This starts with a sound interest rate for lending, based on market rates of interest that provide sufficient spread between new capital and the loan fund. In addition, most projects have developed a fee structure to complement their interest rates.

Financial system development — making the MSE programs more consistent with financial theory — is increasing. More credit projects are adding savings components to capture the resources necessary to lend (hence developing their roles as financial intermediaries). The savings and credit unions are increasing their loans for productive business activities. In addition several new projects are finally getting the formal financial institutions to experiment with loans to MSEs.

Many nonfinancial MSE assistance projects are becoming more commercially oriented and adopting more of a systems approach to development. The nonfinancial service projects can be divided into six main areas: training, business advisory services, development and transfer of new technologies, organization of artisans and the informal sector, development of local organization and the enabling environment, and institution-building and developing subsector efficiency.

Business services, as implied by the title, are not one-shot affairs, but are services upon which enterprises build a dependence. For any of these projects to have a long-term impact, the services must be continuously available, not present one day and gone the next. This is difficult In the current environment in West Africa given the cost of such services, the low level of skills available, and the limited demand for them.

These nonfinancial projects are increasingly modifying their activities and the services they provide in line with three strategies that have led to successful institutionalization of projects:

- **Leverage** — Seeking opportunities for intervention that create benefits for many firms at a single stroke;

- **Market-led assistance** — Seeking opportunities for intervention that create almost certain benefits by assisting firms to exploit real business opportunities; and

- **Commercial assistance** — Seeking opportunities for interventions in which beneficiaries (customers) are prepared to pay a significant portion of the full cost of service, as in low-cost general skills training or when the entrepreneur sees real opportunities and has confidence in the service provider's ability to help him capture it.

Several nonfinancial MSE assistance projects have had particular success in developing well-adapted training programs or in providing highly relevant and adapted systems for businesses to adopt. These programs include the financial management training of Action Consulting Association in Senegal and IBRD's public works-focused projects that take a hard look at enterprises within one subsector to determine the similarities or constraints affecting those firms. By recognizing the commonalities among firms working in the same subsector, projects are able to produce better and more adapted systems than programs that include all MSEs, regardless of the nature of their work. Concentrating on one subsector at a time allows the project to identify the inefficiencies within that subsector and work to eliminate them, adding market transparency, increasing competition, and strengthening the situation for enterprises within the subsector.

Continuing Problems

Institutionalization is not easy. As more projects integrate institutionalization into their goals, five important elements need to be considered that often present constraints: legal status and managing rapport with the state, determining the right funding structure, sound financial status, installing sound administrative and financial management systems, and installing a good local management team.

In most of West Africa, the legal statutes necessary for turning the projects into financial or for-profit institutions do not exist. The most important constraint is for financial institutions; BCEAO has been moving slowly to recognize the differences between MSE and mutualist-focused institutions and the formal banking sector.

The last point is probably the most important: the management team. The successful projects have been led by creative and entrepreneurial managers who have succeeded in fending off their donor and government supervisors. These teams have been mostly expatriate and now need to be replaced by locally recruited and trained managers.

Many deficiencies remain in most donor projects. Although the findings and conclusions presented above show that there is a positive trend toward institutional viability, this is not universally true and characterizes less than half of the projects. Some of the major problems encountered in the review of the projects include:

- Project objectives are defined in terms of numbers of firms created and people employed when these cannot be directly attributed to the projects nor guaranteed to last after the project ends;

- Only the most successful projects explicitly plan for institutionalizing the systems and services after the project completion, but even then it is carried out in the implementation phase, never planned for in the design;

- Most projects have poorly adapted financial planning (fee and income structure) in the early phases of the project, which prevents the project from becoming financially profitable and self-sustaining after the donor subsidy ends;

- Significantly different interest rate policies and costs to the borrower occur among projects working in the same geographic area, causing competition between projects and potentially undercutting those projects trying to achieve financial viability;

- The financial management systems are rarely designed to cover the scale of operations that will be necessary to reach sustainable or profitable levels;

- Many projects respond to political and donor pressure to make loans to inappropriate borrowers, weakening their chance of becoming viable and damaging possible links to formal sector institutions;

- There is still some confusion in market definition, with projects trying to service too many distinct markets and incorporate too many activities within a single program; and

- Insufficient consideration is given to upstream and downstream factors that will have an impact on project viability (little consideration of the entire system).

Thus there is still much room for improvement and new innovations in all of these areas, even though tremendous strides have been made since the mid-1980s.

Donor Agencies Are Redefining the Role of the State

The pilot projects received for this report show that there are successful techniques for small enterprise development in West Africa, and, because of them, there has been an evolution in the way donors approach enterprise development. There has been a significant change in the nature of the relationship between donor-funded programs to support enterprise development and the state. Donors are increasingly bypassing the state as an implementation agency while placing more emphasis on the state's role as the manager of the process through the regulatory and policy environment.

The projects offering the best prospects of long-run financial viability are being managed with no direct government involvement in day-to-day activities even though this can run counter to government wishes. Naturally, national governments retain supervisory authority, usually through the guidance of steering committees.

Simultaneously, the donor agencies are placing more emphasis on the role of the state to properly manage the regulatory and policy environment, and to improve its ability to make better informed decisions while easing up on the regulations restricting the private sector. Many policy reforms have been implemented to the letter of the law, but there has been much reluctance on the part of lower government officials to cede any of their authority over the private sector.

One of the major constraints to sound development of local institutions supporting MSEs is the absence of legal statutes to authorize them. Donor projects are addressing this problem in several countries, though more attention is required.

Communication and Coordination Among Donors and Among Projects Are Insufficient

During the interviews with donors and project managers in the field, it became apparent that few project managers know what is happening in other countries or even in other projects within their own country. This stems partially from weak donor collaboration and proprietary attitudes toward information about their projects, as well as the lack of any regular means for acquiring the information since this takes tremendous amounts of time and resources. The mechanisms for such exchange are not institutionalized in most countries, and certainly don't exist on a regional level.

As donors increasingly take the role of project management and design into their own hands, they weaken the role of the government to manage the coordination process. This increases responsibility for sound planning that requires better exchange of information and defining broad guidelines. A good example of the resources and time required for sound coordination and exchange of information is the donor employment roundtable in Mali, which has structured meetings once a month.

Even without overall coordination, successful projects can serve as points of leverage for project implementation. The project that has designed efficiently functioning systems is often used by several donors simultaneously to implement their projects. This allows more resources to reach the target group and avoids duplicating structures.

Though there is some competition between projects, there is relatively little project overlap. Despite the appearance of large numbers of projects in West Africa with often conflicting project goals and objectives, there is still significant room for new project or institution development. The markets for enterprise development projects are far from saturated and demand for the services is high, even if the number of interested participants with sound project ideas is just a small percentage of the total number of applicants.

Local NGOs Are Increasingly Important Actors in MSE Development

NGOs are steadily growing in numbers and importance, and gaining more legal recognition from the state. As they become aware of the importance of developing sound, sustainable economic activities, NGOs are taking an increasingly pragmatic view of enterprise functions. Many of the early beneficiary-focused NGO MSE activities have been replaced with sound project ideas that seek viable opportunities for institutionalization.

Simultaneously, NGOs are behaving more like enterprises themselves. As many countries begin their austerity programs, restricting public sector employment, few options are available to the unemployed. As long as the donors maintain their preference for working with NGOs over private firms, NGOs will continue to grow, and will look more and more like enterprises.

RECOMMENDATIONS

Ten recommendations for donor agencies to strengthen their programs for promoting sound MSEs and to develop sustainable institutions flow from these conclusions.

Project Design and Implementation

1. Take a systems approach to project design and implementation.

Rather than focusing on short-term benefits, which are counted in numbers of enterprises financed or helped in isolation from the rest of the environment, concentrate on building viable systems and developing new technologies and tools, whether financial, managerial, engineering, or training, which will ensure that the project is integrated into the economy after donor funds stop. This usually requires a good analysis of the upstream and downstream constraints facing the target population of the project, or, in other words, of the subsector in which the project operates, to determine the best place to intervene. This might not lead to action directly at the level of the beneficiary, as most projects do, but to action in another part of the system, which will lead to greater impact by establishing linkages or removing bottlenecks that constrain the entire subsector. And by concentrating on one subsector, the project can identify the common inefficiencies or needs within that subsector and develop, for example, a teaching program or a credit system that is effective and efficient.

2. Respect market incentives when working in market arenas to facilitate institutionalization of systems and ensure sustainability.

Donor projects should not distort economic incentives which dominate decision making in the private sector and lead to sustainability. Therefore, they should:

- Develop income sources based on commercial rates: interest rates for loans and fees for advisory services;
- Create linkages between the formal sector and MSE finance and not work in isolation;
- Institute a market orientation in technical assistance projects from the beginning; and
- Beware of undermining existing private sector services with subsidized donor services.

3. Increase the standards of what is expected from projects to reflect levels of achievement in other projects and other countries and facilitate sustainability.

The level of project implementation is improving across West Africa and project managers should be informed of and held to the new standards. Respecting these new standards will improve MSE project assistance across the region and continue to force the development of new tools and methodologies for reaching MSEs with viable support systems. One of the constraints to achieving this is the lack of information flow on what the new standards should be, as per recommendations 8 and 9, below.

4. Continue to foster links between credit unions and credit projects.

There is often a fundamental difference in philosophy between savings-based credit unions and credit projects. But the two are nearing one another in implementation and the donors should increase the interaction between them. Possible synergies need to be explored.

5. Provide increased institutional support to local NGOs for MSE support.

Local NGOs are increasingly active in MSE support, so the donors should help them do it better, increasing their leverage. This requires correctly diagnosing the needs and limitations of NGOs, investing in them, and then demanding results on a par with professionally managed development programs.

6. Provide more interactive project design and flexible implementation that allow for creativity, and plan on sufficiently long periods of time for project development.

Many projects are designed with little interaction with the project target group. In addition, nearly all of the more successful projects have evolved during their young lives and bear little resemblance to the original project conception. This is normal, as the projects are in pilot phases.

Though MSE support projects may be making rapid improvements, they are still fragile and require the time to become fully implanted before being thrown on their own resources. At the same time, they should not be coddled for too long, but be forced to push for sustainability.

7. Monitor projects closely but continue a relatively hands-off approach to management.

As with (5) above, project managers do not need to be second-guessed at every step along the way, which is a common trait among both donor and host government managers, if they are to succeed. At the same time, the donors need to carry out regular financial audits to ensure that the projects are meeting their targets and are managing resources appropriately.

Donor Coordination and Relations with the State

8. Promote better coordination among the donors and come to a broader agreement on guidelines for project support.

Although it will never be possible for the different donors to agree on all aspects of MSE programming within a country, there is still an important need for increased and more systematized collaboration and coordination in the field. Broad guidelines about important issues such as interest rates, viability, project overlap, and integrating activities into the local economy should be discussed, agreed upon, and respected. This can only be executed by the representatives in each respective country and usually requires the active interest of the heads of the missions to make it work effectively.

9. Foster information-sharing on results and techniques that have proved effective and maintain transparency in project implementation.

Accurate information about what is going on in the field is difficult to come by. However, just as in the private sector, good information leads to greater transparency and breeds more efficient markets, or in this case better-implemented donor projects. Since very little information is transferred within countries, let alone between countries, the donor agencies should sponsor more activities that regroup the project implementers to allow them to share their experiences and the new, effective techniques they have developed.

On a national level, the example used in Mali is a good one, where all the heads of projects meet once a month to review the important issues they are dealing with and to share information about project progress.

This information exchange is also needed on a regional level. Several donors have initiated meetings of the staff from their own projects on a regional level. It is equally important to introduce a wide range of projects from different donors to ensure that there is good cross fertilization of ideas between donors, since many donors continually implement one kind of project without examining the results from other projects.

10. Continue to promote a shift in government emphasis toward improving the enabling regulatory and policy environment.

The unstated donor policy to limit the direct management role of local governments in project implementation has resulted in more creative and better-managed projects with a good chance for long-run viability. This trend of getting the government out of managing private sector support programs should be promoted.

The complementary trend of increasing the attention of the host governments on the policy and regulatory environment is a good one and should be continued. However, this process can be more efficient and effective with two steps:

- Improve the policy agenda by creating greater and easier links between the projects providing direct support to MSEs and the policy programs. This will allow the policy agenda to reflect the real constraints encountered in the private sector and place more emphasis on these constraints; and

- Promote increased participation of the private sector in the elaboration of the policy agenda. It is difficult for donors and government to judge properly the effectiveness of regulatory reforms since they are not in direct contact with them on a daily basis as is the private sector. Involving the private sector will provide a better feedback and pressure mechanism to ensure that new policies are being implemented properly.

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ANNEX A

LIST OF CONTACTS

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ANNEX A

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M. Jacquier	Head Coop Branch				
Gretchen Goodale	Women's Trainin	6968			
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					Fax sent on 4/10
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FED					
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Mr. Zeller	Ghana	2613	2899	desks have porject responsibility	
Mr. Frontini	Cote d'Ivoire	2612			
Mr. Macrae	Senegal/Gambia	2594			

Mr. Aguirre	Niger	2505
Matos Ferreira	Maurit/CapVert	2596
Mr. Ruyssen	Togo	2609
Dieter Friedrichs	Eval. Service	2520
Mr. Sola	DG VII	0344
Mr. Nyland	Decentralization	

World Bank

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Ashouripour	(1-202) 473-4891		Nigeria, Ghana	
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JA

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ANNEX B

REVIEW OF DONOR-FUNDED PROJECTS IN SUPPORT OF MSE IN SELECTED COUNTRIES:

Benin, Burkina Faso, Cameroun, Gambia, Ghana, Guinea, Mali Mauritania, Niger, Senegal, Togo

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BENIN

1. Project Name and Donor: Programme d'Etudes et d'Enquêtes sur le Secteur Informel (PEESI). UNDP/OPS funded, ILO implemented $294,365, 1991-1993.

Project Target Group and Objectives
The project's primary goal is to develop a better information base on the structure of the informal sector in Benin.

Concept and Program Description
Very little precise information is known about the informal sector in West Africa. This program proceeds with a series of in-depth studies to:

- Estimate the informal sector's contribution in terms of production, employment, and income to the national economy;
- Increase understanding of work, management, and use of apprentices in MSE organizations;
- Evaluate the potential for the informal sector to absorb labor and its cost of creation of jobs;
- Improve understanding of the inclusion of MSEs into the final consumer markets, the labor market, markets for intermediate goods, the financial system, and its relations with the formal sector;
- Diagnose the external and internal constraints that block the development of MSE in terms of supply and demand; and
- Identify several plausible short- and medium-term scenarios to orient action to improve MSE operations in the Beninoise economy.

Results to Date
Several studies have been carried out. Research agenda is ongoing.

2. Project Name and Donor: Appui à la promotion des activités informelles urbaines et d'une politique de soutien au secteur (2 phases). UNDP financed, ILO implemented, phase one 1988-1991 ($1.08 million), phase two 1991-1993 ($685,000).

Project Target Group and Objectives
The project is designed to address the two major factors constraining artisanal MSEs: the poorly adapted regulatory and legal environment; and the low level of technological, raw material, and financial services and of knowledge available to MSE.

Concept and Program Description
The underlying concept and approach is to rely on the regrouping of artisans, especially under credit unions, and to create bases for support, conceived as meeting places to exchange ideas, where the project could help with training artisans to produce new products. All these steps accent a participatory

approach. Simultaneously, the project would work to strengthen the Direction de l'Artisanat and create a permanent National Committee for the Artisans to work on the environment.

The project followed three main steps: organizing artisans into savings and credit unions (MEC), creating support centers, and training artisans.

Savings and credit unions. These are organized under a strictly defined framework. This has undergone a steady evolution, with starting loan interest rates at 6 percent, increasing to 12 percent. Meanwhile, savings are now deposited in banks at 5.75-7 percent interest rates. First credit unions were started in 1988.

Support centers. Four support centers are being created separately from the MECs, even though they should have been emanations from the MECs. The artisans perceive the centers as workshops equipped with machinery they cannot otherwise afford. Artisans were paid to build the centers.

Training. Training covers new products, technical skills, literacy, and research and development.

Results to Date

In January 1991, at the end of phase one, there were 49 small credit unions with 1,141 members, 8.78 million CFA in savings, and 4.35 million CFA in 94 loans. Average loan size was 46,000 CFA.

According to the 1991 evaluation, the use of credit unions was an inappropriate choice as the starting base for a professional artisan organization, since the reasons for joining the two are significantly different. Because of this, no support centers were created during the first phase.

Training during the first phase included new products (7), technical skills (5), literacy (4), and R&D (11) for a total of 780 artisan/weeks.

3. Project Name and Donor: Promotion for Employment and Small and Medium Enterprises, UNDP financed.

Project Target Group and Objectives

Small and Medium Enterprises

Concept and Program Description

Technical assistance to work at the Center for the Promotion of Employment and SME (CEPEPE) and the Fonds de Bonification et d'Assistance aux PME (FOBAPE).

Results to Date

N/A

BURKINA FASO

1. Project Name and Donor: Banque Banh; Sahel Action and CIRAD, CCCE funded.

Project Target Group and Objectives

Targets poor women in the Yatenga district to provide them with access to productive credit.

Concept and Program Description

Based on the Grameen Bank concept of lending small amounts to solidarity groups. Group of five get loans, a new member every month as long as repayment is good. Tests and applies the concept that sustainable lending is possible when credit comes before savings.

Small loans (less than 50,000 CFA) averaging 10,000 CFA. Each loan is for a year, with weekly repayments of 1/50 of the amount over 57 weeks (hence covering interest). Credits must be for viable economic activities; for some activities, such as animal fattening, credit is accorded to all members at the same time. Each agent covers five villages and spends one day per week in each village, ensuring the weekly repayment.

Results to Date

Evidence shows very heavy demand for small productive loans that are not covered by other systems such as COOPECs and for women who comprise 90 percent of the clients of the Caisse. Interesting accompanying studies have been made on how the loan funds get used and how little actually goes for the stated purpose.

2. Project Name and Donor: PRODIA; local NGO financed by CCCE and GTZ.

Project Target Group and Objectives

Program targets small loans (less than 300,000 CFA) to production-oriented enterprises that cannot gain access to bank credit. Its principal objective is to become financially self-sustaining.

Concept and Program Description

The program involves a detailed client selection process, with interviews and site visits, before assistance is provided to prepare the dossiers. The loan fund of 80 million CFA is managed by four professional staff. PRODIA applies a 12 percent annual interest rate, calculated on a declining balance with fees of 5,000 CFA for the dossier and 7,000 CFA for registration. Men require two guarantors, women only one.

Results to Date

In 1990, the program made 290 loans with an average value of 276,000. With a repayment rate of 90 percent. the lending activity lost 5 million CFA, not including the cost of the (expatriate) director's salary. Loans were made to agriculture (17 percent), animal rearing (18 percent), food processing (26 percent), artisans (29 percent), commerce (4 percent), and other (6 percent).

The program reached a saturation point and could make no more loans for lack of funds. Beyond its 300 regular clients, it has a backlog of about 100 clients and believes it is capturing only about 10 percent of its market. CCCE provided a loan of 10 million CFA at 11 percent, which has been fully repaid. With PRODIA lending at 12 percent, this is not a worthwhile proposition for them.

3. Project Name and Donor: Fonds d'Appui aux Activités Rémunératrices des Femmes; UNDP funded, 3 year project started in May 1991, Budget $660,000.

Project Target Group and Objectives
The program provides credit to individual women with income-generating projects in Ouagadougou.

Concept and Program Description
The project makes loans through solidarity groups of 3-6 people, with the group serving as guarantor. The solidarity groups are coordinated by field agents, who help the client to prepare a project appraisal and application. Loans are approved by a committee of field agents.

The credit fund of 300 million CFA has an operating budget of 70 million CFA for offices and the team of eight professional staff, provided by the Government of Burkina Faso. UNDP has provided $660,000 in vehicles, equipment, and technical support.

Loans are normally for 12 months with weekly payments. Biggest loans are for 50,000 and interest rates are 10 percent add-on, equivalent to 18 percent APR (hence half again as much as PRODIA). A "guarantee fund" of 10 percent of the value of the loan is calculated into the first month of payments, and is held as a deposit until the entire loan is paid back.

Results to Date
In the first six months of operation, the program made 496 loans with a value of 22 million CFA. Only one group has defaulted due to the death of its leader.

4. Project Name and Donor: Union de Coopératives d'Epargne et de Crédit Burkinabe (UCECB); created in 1973 by the Catholic Church with help from CESAO.

Project Target Group and Objectives
Fundamental objectives are to mobilize individual and collective savings at the village/community level and to provide loans to individual and collective members and associates on a profitable basis.

Concept and Program Description
The program is conceived along standard savings and credit union lines. UCECB provides COOPECs with assistance in establishing procedures, training, and some funding; assures the accountability of and financial management of COOPECs and savings clubs; provides a central fund for deposits, withdrawals, and loans to COOPECs and village groups; assists COOPECs to design and manage collective projects; and lobbies for its members at the government and donor level.

The annual operating budget of 80 million CFA comes from contributions from the COOPECs as well as a margin from managing the funds. The COOPECs don't pay their staff.

Interest rates on loans are 11-12 percent for income-generating activities (declining balance) with a duration of 12-24 months. Standard loan criteria among the COOPECs are: member must have been an account holder for at least 12 months before the loan, 20 percent of the loan must have been saved already and is blocked (blocked account gets between 3-5 percent interest), and the applicant needs a guarantor within the COOPEC. In the case of nonrepayment, COOPEC members undertake communal projects to raise the funds to cover losses.

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Savings accounts are non-interest-bearing, with benefits expected to come from dividends if the COOPEC earns money after costs and set-asides. The pyramidal structure allows about 40 percent of total funds to be placed in interest bearing deposits at the bank, with most of the rest loaned out.

Results to Date
By December 31, 1990, the union had 67 active savings and credit cooperatives (COOPECs) with deposits of over 200,000 CFA, 33 savings clubs, and 31 groups at the initiation stage. There are 450 village groups associated with the union that can receive services. The 11,000 members (including 2,500 women) had mobilized 400 million CFA in savings. Loans outstanding were 207 million CFA, of which 35 percent were to village groups primarily for the purchase of agricultural inputs.

5. Project Name and Donor: Caisses Populaires; SDID with $2.4 million in funding from the ACDI during the current three-year phase.

Project Target Group and Objectives
To establish a financially viable financial network based on savings generation in the rural and urban regions of Burkina Faso.

Concept and Program Description
SDID took an existing network of 12 Caisses and structured them along the lines of SDID in Canada.

There are three main zones (Bougouriba, Ouaga, and Yatenga), each comprising one union. Caisses must deposit 50 percent of their funds with the union, which can relend them or put them in the CNCA at 95 percent. At the end of November, 64 percent were in bank deposits.

A Caisse can lend up to 50 percent of its funds directly for loans of up to 300,000 CFA for one year at 16 percent (declining balance). Enterprise loans require a 30 percent contribution toward the project by the entrepreneur as well as loan guarantees from another member of the group or a solidarity group. Larger loans are available from the union, which requires a more formal application and more stringent collateral. The largest single loan to date has been for 5.6 million CFA.

SDID has been experimenting with different techniques to improve its enterprise lending activities including guarantee funds (55 million CFA from the Dutch for agricultural equipment purchases), which are not known to the borrower!

Results to Date
27 Caisses with 30,000 members have mobilized 891 million CFA by November 1991. The 12 oldest Caisses in Bougouriba Province have 491 million; 4 new Caisses have been opened in the last five years in Ouaga with 201 million CFA in savings; and 10 Caisses have been opened in the northern province of Yatenga with 130 million CFA in savings. Eight of the Caisses are profitable, with the break-even coming after 25 million CFA in savings have been achieved.

The SDID portfolio of 2,300 loans totals 325 million CFA (averaging 141,000 CFA/loan). Repayment varies by union. In Yatenga (the newest and least prosperous zone), it is 100 percent on 16.9 million in loans, Ouagadougou has 7-8 percent on 18.9 million CFA in loans, and Bougouriba has 90 percent on 289 million in loans.

6. Project Name and Donor: Centre d'Appui aux Petites Entreprises à Ouagadougou; SDID implemented, ACDI funded, 1991-1995, total funding $C 3.4 million plus $C 330,000 in counterpart funds for guarantee fund.

Project Target Group and Objectives
The project targets existing small enterprises to provide them with advice and financing services.

Concept and Program Description
The program works from the concept that small enterprises that show promise of long life still need advice and access to additional finance. The program carries out socioeconomic studies to understand the environment facing small enterprises, puts together training for small enterprises, provides direct advice to small enterprises (target of 50), and will guarantee loans to another 30 enterprises, of which 5 should be to women.

Results to Date
Too soon to tell.

7. Project Name and Donor: FASO BAARA; IBRD $20 million, others $7.8 million and GOBF $2.2 million. Start 1992.

Project Target Group and Objectives
To finance a program of small municipal works to improve urban infrastructure, which will provide immediate employment while focusing on the improvement of the operations of the entire subsector through increased skills, faster payment, increased competition in the private sector, and better-managed firms.

Concept and Program Description
By creating a separate agency to manage the funds destined for the public works the program can increase the speed of attribution of markets, reduce delay of payment, and improve the overall functioning of the public works subsector while increasing employment. The program will rely on locally available firms for the design, supervision, and implementation of the individual public works.

The executing agency will decide on all projects up to $400,000 using certain criteria: each project must have at least 20 percent of the cost go to labor (high intensity) and must lead to additional skill development. It will take a commission on each piece of work contracted, to cover its costs. The fundamental operating principals of the agency are: independence (from government), efficiency, impartiality, and cost saving.

Results to Date
Too soon to tell.

8. Project Name and Donor: Association de Développement de la Région de Kaya (ADRK).

Project Target Group and Objectives
To provide a mechanism of finance for the members of the association.

Concept and Program Description
Traditional savings and credit association concept. Savings are remunerated at 5 percent/year while loans are made at 5 percent (for sums less than 50,000 CFA) or 10 percent (for sums over 50,000). Client must have 25 percent of the loan in the bank plus get a guarantee from a group.

60 percent of funds are deposited in BICIA, 40 percent are loaned for up to a year.

Results to Date
131 savings and credit groups with a total of 70 million CFA in savings. 28 million CFA are loaned for agricultural equipment, income generating activities, and cereal banks. Default rate is 10 percent.

CAMEROUN

1. Project Name and Donor: Renforcement d'Entreprises au Cameroun, CIDA, 1989-1991/2, Second phase, 24 months, 1991-1993, Total Budget: C$1,447,330-second phase.

Project Target Group and Objectives

The project intends to help established small and medium businesses grow by providing assistance in all aspects of operations, but particularly with financial controls and accounting.

Concept and Program Description

CIDA's point of departure is that without formalized accounting, budgeting, and other financial controls, medium-sized firms will see their growth and profitability stymied. Introduction of controls and systems, CIDA believes, will have the most immediate impact.

In contrast to many other projects, Renforcement does not work with start-ups, but only with firms that already have products established in the marketplace and which are not dependent on sales to government. In phase one, the project offered its client firms some financial assistance, but this has been dropped in phase two, which primarily utilizes the assistance of a Cameroonian accounting firm to help the participating firms get a solid understanding of operating costs, budgeting, and other traditional "western" management techniques.

CIDA selects firms that are doing well without utilizing such systems on the assumption that they will do better still once the managers/owners are given the tools to analyze the financial health of their businesses. In a "loss-leader" approach, CIDA offers the preselected firms a free diagnostic of their business. This process generally takes two months and costs 2,000,000 CFA, all of which is paid for by CIDA. The diagnostic covers internal costing, setting up accounts, and budgeting, but may also include analyses of markets and industrial processes or assistance with sourcing materials.

If the firm then recognizes the value of the diagnostic and is willing to implement some of the changes that come from the study, CIDA will underwrite further work by the consultant with the understanding that the firm will eventually take over the cost of the consultant. The consultant prepares a budget for further assistance and CIDA negotiates a cost-sharing arrangement with each firm. This managerial assistance is intended simply to guide the participating firm. Neither CIDA nor the consultant is in any way responsible for the day-to-day running of the business.

Results to Date

In phase one, six firms were chosen to participate. These firms were assisted with management consulting and advice on production and were also put in touch with Canadian firms for possible business link-ups. Two firms had annual revenues greater than $4.5 million (a milk/yogurt plant and an electrical wiring contractor); two had annual revenues greater than $250,000 but less than $1,000,000 (a clothing manufacturer and a cleaning services business); and two had annual revenues of less than $250,000 (a bakery and a furniture manufacturer). Employment in these firms ranged from 10 to 150.

After two and half years, three of these firms, one from each of the above categories, are still with the project. Interpersonal problems led to the drop-out of the electrical contractor. The bakery business was sold and the furniture operation never assumed a sufficiently business-like attitude to utilize the assistance made available.

2. Project Name and Donor: Micro-projets Productifs en Faveur des Femmes au Cameroun (MPPF-CAM), implemented by OCSD, funded by CIDA, $5 million 1992-1997.

Project Target Group and Objectives
The project targets low income women in rural areas, in particular women with existing MSEs and those wishing to create them. The objectives are to support 60 new enterprises with credit and other services, while helping 50 established MSEs to expand their operations. Training will be provided to women (500-700) and to two or three women's NGOs.

Concept and Program Description
The project addresses primarily the financing constraint facing productive, woman-owned MSEs. It will deliver most of its credit and other services to groups engaged in a "common/joint" activity.

The project will work closely with the Ministry of Women's Affairs and with local women's NGOs, which will serve as partners to identify loan recipients and to provide other project services.

Project will provide credit at 12 percent, substantially below the market rates of 25+ percent, on loans between 500,000 and 5 million CFA. It will focus on agribusiness-related enterprises, livestock, and aquaculture. Secondary activities will be the production and marketing of artisanal products and support services for non-traditional activities.

Results to Date
Just started in July 1992.

3. Project Name and Donor: Centre de Création des Entreprises de Yaounde, CIDA funded, $5 million for 4.5 years, 1988-93.

Project Target Group and Objectives
The target group includes Cameroonian entrepreneurs who are judged capable of creating and sustaining viable SMEs in the Yaounde area.

Concept and Program Description
The original project concept was to create and service an industrial park, but this was modified to focus on new enterprise creation: to identify viable business concepts, prepare business plans, and facilitate access to commercial bank financing by providing loan guarantees and supplementing the investor's initial capital.

Project implementation has differed from the concept. The project has gotten into direct lending and it has evolved into a form of development bank that targets small and medium start-up enterprises. Project components now include a business center, where advisory assistance is provided and entrepreneurs may obtain business information as well as telecommunications and photocopy services at below market rates; a line of credit to the commercial banks for onlending to SMEs; training and assistance to develop business concepts and plans; and training and advice on business and technical issues as well as implementation assistance.

Results to Date
The project has supported the start-up or expansion of 44 firms with 485 new jobs created. It is anticipated that eight more enterprises will be created, adding another 80 jobs. CCEY funded 40 of the 44 enterprises, for 162 million CFA, while banks only made loans to 15 of the enterprises, totalling 358 million CFA. With an average loan size of 24 million CFA ($96,000), one could ask whether the banks would not have loaned money to these enterprises without the project. Meanwhile the banks showed no interest in the small loans, which should have been the focus of the project.

Overall recovery rate for loans is 70 percent, with 25 percent of the firms facing major difficulties and in severe delinquency. At an average cost of $113,000 per enterprise assisted and average loans of 4 million CFA ($10,000), and with a limited number of enterprises assisted, the project has very high costs per enterprise assisted.

4. Project Name and Donor: Fonds National de l'Emplois, World Bank line of Credit as part of the SDA, started 1990, $32 million total, $5 million for MSE, $8 million for self-employment.

Project Target Group and Objectives
Aimed at laid-off government workers and the unemployed, the project seeks to create self-employment opportunities.

Concept and Program Description
The program provides job placement aid and training that target existing enterprise employment needs. In addition, project perceives self-employment to be the only viable way to deal with the massive unemployment problems.

Results to Date
6,000 registered job seekers, 600 have been placed.

5. Project Name and Donor: Financement d'Investissement de Micro-Réalisations Agricoles et Communautaires (FIMAC), IBRD funded, in 1992-1996, with $4.1 million for market infrastructure, and $8.5 million for group commercial operations and social infrastructure investments.

Project Target Group and Objectives
The project targets rural communities to develop food security, village infrastructure, create jobs, and support women.

Concept and Program Description
The credit program is available for municipalities (no interest) and groups (15 percent interest). The program is just beginning and expects to finance 60-70 percent of microproject costs. Credit is decentralized, to run through local NGOs. Borrowers must be sponsored by local NGO, which then manages the credit reimbursement.

Project targets 1,700 commercial projects for 2,000 groups.

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6. Project Name and Donor: Projet de Développement Communautaire (PRODEC), IBRD funded $5 million line of credit, $.8 million for operating costs.

Project Target Group and Objectives
Similar to FIMAC but targets urban populations.

7. Project Name and Donor: Credit Union Development Phase II, USAID ($3.2 million) and CIDA ($.775) funded assistance to CamCCUL, implemented by WOCCU, 1986-1991.

Project Target Group and Objectives
The project provided assistance to the Cameroun Cooperative Credit Union League (CamCCUL) in order to strengthen its national and regional credit structure, expand the credit union network served by CamCCUL, and modernize the services rendered to credit union members

Concept and Program Description
The project has provided a range of services to CamCCUL over the 14 years of assistance under the two phases of the project. The basic concept to strengthen the capacity of the credit union movement has included training of CamCCUL staff and union members, establishing a productive credit program, instituting a risk management program, decentralizing CamCCUL's operations, and enhancing the operation of CamCCUL's Central Liquidity Fund.

Results to Date
In April 1992, CamCCUL was servicing 225 credit unions with 75,600 members and $10.9 billion CFA ($43.6 million) in savings. CamCCUL's member unions have a loan portfolio of 6.4 billion CFA ($25.6 million), 13 percent for business and 3 percent for farming. Education and construction accounted for 55 percent of the loans. Some 26 percent of the loan portfolio is delinquent.

CamCCUL is on the path to sustainability. It has achieved a high degree of maturity and financial and operational self-sufficiency. However, it still has to resolve several issues, primarily financial management, to reach sustainability. CamCCUL does cover 100 percent of its operating costs from earned income, but is still well below the average for a financial institution. The project has instituted an effective information management system that captures most important financial information.

GAMBIA

1. Project Name and Donor: CIDR Caisses Villageoises. Began in 1988.

Project Target Group and Objectives
To develop a self-managed village financial system that will allow the villagers to finance local activities and to tie into the formal financial systems.

Concept and Program Description
See Mali description

Results to Date
In 1991, program had .854 million CFA in capital and averaged 3.2 million in savings in the six villages with 1,304 members. Repayment rate was 93 percent at 15 days of scheduled payment, with no loans defaulted. Made 621 loans for 7.2 million CFA in 1991; amount outstanding at end of year was 3.5 million CFA, and the average loan period was 5.6 months. Caisses received refinancing from the Central Bank at 12 percent, which passes through the central association, which in turn onlends to the Caisses at 20 percent.

GHANA

1. Project Name and Donor: Development of Rural Industries Project; funded by UNDP, implemented by ILO.

Project Target Group and Objectives

The Department of Rural Housing and Cottage Industry (DRHCI) aims to build a national capacity for servicing rural industries. Specific goal is to set up and service 10 production units of Micro-Concrete Roofing Tiles (MCT).

Concept and Program Description

Work with existing producers and set up new enterprises concentrating on producing this new technology building material. Program works with three Ghana government organizations (DRHCI, University of Kumasi Technical Consultancy Center [TCC], and the Ghanaian Enterprise Development Commission). The program created a Focal Point (FP) for MCT at TCC. Entrepreneurs receive assistance in credit, training, technical follow-up, and market development. The FP is expected to become profitable within four years.

Results as of May 1991

Six businesses have been established, including the FP. Businesses in Greater Accra are finding the production profitable, due to sufficient markets; business in the smaller towns may be having difficulties. FP is not a true business operation. The project is finding that integration with other elements in the construction subsector (architects) is necessary to make the businesses viable. Needs to work with government building material codes to get new technologies accepted.

2. Project Name and Donor: MSE component of Central Regional Integrated Development (CEDECOM) Project; UNDP (GHA/88/014).

Project Target Group and Objectives

To strengthen the institutional capabilities of CEDECOM to carry out its mandate to assist MSE development, especially for women, and support entrepreneurs by providing them with access to credit, training, appropriate technology, and marketing information.

Concept and Program Description

CEDECOM is responsible for management and implementation of development assistance to MSEs in the region. This is a classic, traditional development project, run by a government agency. The MSE coordinator manages relations among the six different components (credit, training, marketing information, appropriate technology, tourism, and new enterprise development), and NGO linkages in conjunction with the government services there to help: GEDC for credit, ITTUs for appropriate technology, and the Tourist Board for tourism.

Results to Date

N/A

3. Project Name and Donor: Fund for Small and Medium Enterprise Development (FUSMED) SME line of Credit; National board for SS Industry, World Bank, $25 million for long term finance, $2.5 million for leasing, $2.5 million for technical assistance, 1989-1996.

Project Target Group and Objectives
Project targets SME's in search of medium- to long-term credit. Its objectives are to encourage term lending and to stimulate private sector growth.

Concept and Program Description
To promote private sector development through provision of term credit. Classic line of credit, designed to provide term credit in a financial environment in which the commercial banks are not interested in providing term credit. Project provides technical assistance to an SME unit at the Central Bank. Microenterprise loans will have a one-year grace and five years to pay back, but this element is still under design. All other loans have a three-year grace plus seven years to pay back. Small bank loans (under $10,000) can be decided by the bank, while larger loans ($10-100,000) can be decided at the APEX level in the Central Bank; all loans over $100,000 go back to the IBRD. Borrowers are charged a floating rate, which is based on the average for 180 deposit plus bank spread.

Results to Date
Half of the money has been committed in 71 loans passing through 10 different commercial banks, with loans ranging from $6,000 to $380,000 (one loan is over $1 million). The large loans averaged $267,000, while 14 small loans averaging $25,000. Forty-six of the loans (65 percent) have been given in the Accra area. Since all of the borrowers have a three-year grace period, no loan repayments have begun yet, so it is impossible to determine the viability of the program. Each participating bank has received training in how to assess loans under a separate program, the Financial Sector Operation.

The MSE loans have not yet started, but they expect to adopt mutualist credit schemes and microlending through cooperatives. Similarly, the leasing component has not yet started.

4. Project Name and Donor: Ghana Regional Appropriate Technology and Industrial Service: Multidonor funding, led by FED, assisted by CIDA and ODA. Next phase will have $3 million from FED, $2.4 million from CIDA and $3.1 million from other sources, including ODA and GTZ.

Project Target Group and Objectives
GRATIS is an umbrella organization that provides managerial support and direction to the six Intermediate Technology Transfer Units that now operate in Ghana. These ITTUs evolved from the experience gained, beginning in 1971, with the Technology Consultancy Center at the University of Technology and Science in Kumasi. Subsequently, ITTUs were constructed with Canadian and American assistance at Suame and Tamale in the 1980s. The ITTUs were situated in informal, light industrial areas and equipped with machinery and staff tailored to local production. The ITTU's primary purpose is to strengthen regional, grassroots industrial capacity and development. It does this through several services, including:

Concept and Program Description
N.A.

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Results to Date
Five ITTUs have been created during phase one, with five more planned for phase two. Centers are often not fully staffed with adequately skilled personnel, leading to poor-quality service. Quality standards were low and formal procedures for quality control are nonexistent.

The March 1991 evaluation (apparently) considered only the Tamale, Tema, and Cape Coast ITTUs, because the ones at Ho and Sunyani were completed only in 1990. The evaluation cited the results at the Tema ITTU as general indicators. These, for the eight-month period, January through August 1989, were as follows:

Total jobs	432
Total income from jobs:	4,992,657 cedis
Rate of working capital seif-sufficiency: (this is recurrent expenditure financed by earned income); in 1990, Tamale, Tema and CC covered 89, 58 and 59 percent respectively and costs include that spent on training)	60 percent
Number of tenant clients:	2
Number of trainees:	12 (including 2 women)
Number of visiting apprentices (local business types):	14

5. Project Name and Donor: Women's Credit with Education Project; Freedom From Hunger.

Project Target Group and Objectives
Project targets women in the rural area of Kintampo District of the Brong-Ahafo Region. The objective is to develop a model for community outreach by the Ministry of Health for growth monitoring and promotion, immunization, and improved health care delivery.

Concept and Description of Program
The concept was to transfer a village bank methodology developed for Latin America to Ghana based on borrower (solidarity) groups of 5-6 people each, grouped into associations of 3-7 groups (average about 30 people), which receive credit funds from the project (in pilot phase) or a local financial institution (now). The donor added hunger-prevention education as an integral part of the program. With women as the principal target, up to 15 percent of each association may be male.

Each association has an internal management committee, comprised of representatives from the borrower groups, which approves loans to the groups after the groups have approved them. The loan to the association is made by the project after all group loans have been approved within the association. Loans are made to the association as a whole, for a period of four months, but can have even shorter individual repayment periods. This forces loans to be very short term, but also gives the association access to reflows to make other short-term loans.

Results to Date
By January 1992, there were 16 credit associations with 444 women borrowers in two villages: $69,903 in loans, $17,958 overdue (26 percent); only 121 borrowers have paid loans in full. There have been serious problems with repayment since October 1991. The program is now being phased out.

6. Project Name and Donor: Women's World Banking, Ghana; funding from IBRD, WWB, and Pue Memorial Trust, started in 1988.

Project Target Group and Objectives
The program targets women without access to institutional credit, particularly due to inability to provide required collateral and the need for only small amounts of financing that are uneconomic for commercial banks to handle. Objectives are to increase women's incomes, generate employment among women, and integrate women into the national economy.

Concept and Program Description
WWB is a private, nonprofit financial institution that provides credit savings facilities, business technical assistance, and business and literacy training to small-scale business women, either as individuals or in groups. Program now also provides assistance to men.
Program includes a:

- Loan guarantee scheme, in which WWB/Ghana guaranteed loans from Barclay's bank;
- Development fund for lending to individuals and groups;
- Savings facility based on the traditional *susu* saving system, started in 1991;
- Project support for group enterprises by women, including soft credit, technical assistance for planning and appraising new projects, and advice in implementation; and
- Training, primarily a two-week course on business and financial management. Following the training, participants benefit from networking, confidence building, support from regular meetings, a newsletter, and access to a support network.

Results to Date
The guarantee fund guaranteed about 25 loans before it was terminated in 1992. Four group loans have been made from the development fund in the past year, and 225 individuals have been trained since 1988.

7. Project Name and Donor: Ghana Rural Cottage Enterprises; ILO implemented, UNDP funded $1.18 million, started in 1988, phasing out in summer 1992.

Project Target Group and Objectives
To promote small-scale cottage industries in rural areas.

Concept and Program Description
Concentrated on organizing groups of artisans in order to provide them with better, more cost-effective service while creating new enterprises.

Results to Date
Program being phased out. Proved unable to organize the artisans in rural areas given the independent nature of the artisans, which made it impossible to follow through effectively. Three mobile teams exist in three regions to identify entrepreneurs, carry out cursory analysis of their activities, and refer them to existing institutions that could provide them with the necessary support.

8. Project Name and Donor: Umbrella Program for Employment Promotion: ILO implemented, UNDP funded $2.1 million 1992-1995.

Project Target Group and Objectives
Three main components: develop systems for labor market information, develop vocational training, and develop MSEs.

Concept and Program Description
Program will establish regional MSE promotion centers and common facilities. It will rely on mobile teams to identify entrepreneurs and send them to the centers where they will be able to get assistance in funding, entrepreneurship development, and maybe training. These regional promotion centers will be expected to have a source of earnings to help cover their costs.

Results to Date
Just signed.

9. Project Name and Donor: Rural Finance Project, Bank of Ghana with $20 million funding from the IBRD.

Project Target Group and Objectives
The rural banks in Ghana are community-owned banks that provide for the financial needs of the community and small enterprises.

Concept and Program Description
This project has numerous objectives. Primarily it is intended to restructure and strengthen the rural banking sector by assisting the rural banks' compliance with new 1989 Bank of Ghana regulations (such as increased capital adequacy) that threaten many rural banks with insolvency. This strengthening and restructuring is to be achieved through training, heightened supervision, new lines of credit for borrowers, more rigorous examination of rural banks and credit unions, and, in some cases, liquidation or mergers of failing rural banks.

Results to Date
Project has worked on internal strengthening of the 122 rural banks by cleaning up their books and providing for nonperforming loans. To date, only 24 of the 122 banks meet the 6 percent capital adequacy ratio and the project expects to save only 80 of the 122 banks. As of July 1992, only 30 percent of the funds available for onlending to the communities had been used due to the method of calculating the borrowing rate for the banks.

10. Project Name and Donor: Improve Your Construction Business (IYCB); ILO implemented with Dutch funding, 1990-1992, total budget $537,000.

Project Target Group and Objectives
To improve the management capacity of owner/managers of small-scale construction companies.

Concept and Program Description
The Improve Your Construction Business Project is an industry- and country-specific modification of the ILO's widely utilized Improve Your Business course and its Construction Management Programme

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(Interactive Contractor Training). The intention of this project was to develop a training course that would specifically address issues that have restricted growth, productivity, and profitability in the Ghanaian construction industry (primarily smaller-scale).

As a point of departure, an extensive study of the sector was conducted. This study identified 44 discrete problems plaguing Ghanaian contractors. It laid out a modular training program designed to help contractors identify and overcome these problems. The study took eight months to complete. Only then did the actual IYCB training begin.

Initially, the project held a training of trainers workshop for 18 people; 4 from MDPI, 11 from CEBCAG, 2 from the Department of Rural Housing, and 1 from the Manufacturers Association. Workshops were then held in all 10 regions of Ghana for owner/managers of construction firms.

Results to Date

By August, 1992, 200 owner/managers will have completed a series of six one-week workshops held in all 10 regions. The goal of these workshops is to teach the contractors how to make more money from their businesses by being better project managers. Most construction work is executed on behalf of the government or parastatal organizations, so the training emphasized efficiency while dealing with bureaucracies.

IYCB takes credit for helping reduce the number of steps it takes before a contractor is paid by the government. The Ghanaian government has recently agreed to let individual ministries pay contractors unlike the old system that required the Ministry of Finance to make all payments. Both of these actions came from the initial study and not anything related to IYCB's training programs.

GUINEA

1. Project Name and Donor: Maison de l'Entrepreneur; CIDR with FAC and other NGO financing, 1.5 million French francs (FF)/yr for four years. Started in 1988-92, Phase two 1993-95.

Project Target Group and Objectives
The project targets individuals and groups and provide them with a consistent and sustainable consulting and training service.

Concept and Program Description
The program is to set up a multipurpose for-profit office in urban areas that provides basic training modules for existing (primarily) and would-be entrepreneurs; follow-up and advisory services; assistance in establishing contact with other partners (firms, state, suppliers); and preparation of bank dossiers and help to get finance. Has four MSE advisors in each town.

Fees are charged for each service: 20,000 Guinea francs (FG) for base training for an individual or 40,000 FG for the complete cycle. Village groups get charged 120,000 for the prescribed program if government is paying (full cost) or 60,000 if they ask for it themselves. Charge 100,000 FG for HCR refugee organizations.

Maison de l'Entrepreneur also manages a small HCR credit fund in Nzerekore that applies the CIDR solidarity group approach, lending to groups of 20-30 people. Provides credit only, and no follow-up.

Currently operating in two towns in Guinea, one prefectoral capital (Nzerekore) and one secondary town (Macetan). The project works under the Secretary of State for Decentralization with the dept and Microrealizations from the Min Industry, but is basically independent. Requires the support of the local administrations, which it finds are better in the larger towns.

Results to Date
In 1991, the project trained 100 individuals, 8 village groups, and 13 informal groups (2-3 representatives per group) at the two centers, and has eight contracts with individuals for follow-up (10,000 FG/mo), 13 contracts with rural groups (10,000/month), and two government village contracts (40,000/year).

Under the HCR program, made 112 loans totalling 20 million FG, all repaid. Project has only succeeded in getting one project funded because there are no financing institutions available. CPAR, CICM, and RED are not working in their area. This is a major constraint, because demand is there.

In 1991, program covered 57 percent of operating costs (no expatriate) from revenues in Nzerekore and 39 percent in Macenta.

2. Project Name and Donor: Projet Crédit Agricole et Rural: Caisses Solidarité; IRAM with CCCE funding.

Project Target Group and Objectives
Objective is to develop a rural banking system and provide support to MSEs.

Concept and Program Description
The project uses the solidarity group method as its underlying methodology, based on the Grameen Bank model. The project relies on the strong social fabric of the country as part of the guarantee mechanism. Has a Conseil des Sages (wise men's council), which approves each solidarity group (originally 5 people, now 5-10). The Conseil presents a short list, which is evaluated by the project staff in a group presentation. Regional supervision committee includes the president from each group.

The project charges interest of 3 percent per month and has a ceiling of 200,000 FG per person. Started savings component in 1991; pays 4.5 percent every 3 months, untied to credit. Early methodology had monthly repayments and only two out of the group of five could borrow at a time. This has evolved so that all get loans at once, since it was found that the two receiving the loans simply split them with their colleagues. Project adapts to each region: in other words, in areas where agricultural loans predominate, the project provides a grace period of seven months; in the forest region, loans are renewed every three months because of the heavy diversification of activities.

With eight central agents and 76 agents at the Caisse level, each agent is expected to manage a portfolio of 56 million FG ($150,000).

Results to Date
Have created 26 Caisses. With 100 percent repayment in the first year in Moyenne Guinée, the program was expanded to two other provinces. Now give 850 million FG in credit and have accumulated 150 million FG in savings, of which they can lend 50 percent and hold 50 percent. Repayment remains high at 98.9 percent, with only two Caisses providing problems. Most loans go to commerce.

Major weakness is the management capacity within the Caisses and the fact that they have run out of money to lend. Interesting clash coming with CICM.

3. Project Name: Integrated Assistance to SMEs in Guinea: UNDP funded, UNIDO executed in conjunction with the Centre de Création et Développement de l'Entreprise (CCDE) and the Office de Développement Industriel du Maroc. Initial phase 1987-1992 ($900,000), second phase 1993-95, $2.23 million.

Objectives and Target Population
The objective is to create a basic fabric of productive small and medium enterprises (SME) across Guinea. Any entrepreneur can participate.

Project Concept and Description
The concept is to provide the complete range of services to SMEs in order to help them start up or expand. These services include technical assistance with business plan, finance, ongoing training, and technical follow-up. The enterprises were to be spread across the country, in order to develop a wide base for the program.

During the first phase of the project UNIDO provided one long-term advisor from the Office de Développement Industriel du Maroc who worked with a three-person unit in CCDE to study proposed businesses and assist entrepreneurs to start up or expand their activities. The South-South collaboration was seen as an important element. There is no charge to the entrepreneurs who participate in the program. This last element both hampers long-term sustainability and discriminates against local private consulting firms that might be able to carry out the same services.

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The CCDE unit presents a completed dossier to the Comité de Gestion, which is comprised of PNUD, UNIDO, GOG staff, and BICI-GUI. The range of loans was from 5-12 million FG, at an interest rate of 12-15 percent. The major decisions were taken by PNUD, UNIDO, and GOG. BICI-GUI's role has been primarily administrative, to distribute and collect the loans. It bears no risk. The program justifies the heavily subsidized interest rate, well below the cost of inflation and approximately one-third of the local market rate, by the near-complete absence of enterprises of this kind.

The second phase of the project anticipates handling an additional 100 enterprises, using a $700,000 line of credit for the enterprises.

Results to date

Forty enterprises were financed during the first phase of the project, for an average size of about 8 million FG. Most loans were made at the end of 1990 and early 1991, before the $300,000 line of credit was expended. No loans have been made since then. None of the borrowers has paid back in its entirety, but the latest review (February 1992) revealed that about 92 percent of the loans were being paid back.

With heavily subsidized interest rates in times of high inflation, the project needs to be careful about ensuring the viability of its investments.

4. Project Name and Donor: OIC; donors — USAID (42.8m FG), UNDP ($200,000), ACDI (12.3 million FG), CECI 2 coopérants, and USAID $530,000.

Project Target Group and Objectives

To provide trained employees for companies.

Concept and Program Description

Started in 1986, OIC provides vocational training to retired civil servants and to unemployed youth so that they can find productive jobs.

Results to Date

In 1991, OIC trained 16 people in secretarial services, 24 in masonry, and 21 in carpentry, and ran seminars that trained 30 women entrepreneurs and directors of small firms in business management, marketing, and basic bookkeeping.

5. Project Name and Donor: Projet de Caisses Mutuelles; CICM with FAC, FIDA, World Bank, CCCE and Guinean funding.

Project Target Group and Objectives

To mobilize local savings and give loans for agriculture and livestock, housing, commerce, artisanry, and social needs.

Concept and Program Description

To create a mutualist savings and credit institution in Maritime Guinea based on a French model.

The program sets up mutualist structures, primarily in urban Guinea, and waits 6-12 months before making the first loans in order to develop a secure savings base. It pays the market rate for savings at

17 percent but also offers 21 percent for term savings. It lends at 28 percent APR. Borrowers can get up to five times their savings, but no one can have more than 10 percent of the available supply. All credits are short term. The program tries to meet all credit needs, for both consumption and production.

Project has successfully integrated funding from a number of sources.

Results to Date
At the end of 1991, the program had managed to accumulate 760 million FG, with 344 million FG in credit. The number of members has increased by about 85 percent per year over the last three years (essentially tripling), and is up to 47 Caisses and 21,000 members. According to IRAM, their average loan size is 500,000-1 million FG, and recipients tend to come from peri-urban areas.

6. Project Name and Donor: Rural Enterprise Development Project; USAID, implemented by CID. 1991-1995 budget $6 million.

Project Target Group and Objectives
The goal of the program is "to promote sustained economic growth in the rural sector of Guinea through the development of viable small scale enterprises." The project targets micro- and small-scale enterprises already working in rural towns.

Concept and Program Description
The driving concept of the Projet Rural Intégré pour le Développement des Entreprises (PRIDE) is solidarity based lending, coupled with ongoing training to the borrowers. The project concentrates on minimalist credit, but it firmly believes that credit alone is not sufficient to create sound enterprise development — hence the other two experimental aspects to the program.

The project is currently microcredit driven, though the project management firmly believes that credit alone is not sufficient for growth. The credit portion is based on CID's experiences in Kenya, as well as two other very successful credit programs: the Grameen Bank in Bangladesh and the Projet Crédit Agricole et Rural (PCAR) in Guinea, itself. The credit program offers fixed schedule credit to members of solidarity groups (five members) who have followed a three session training program and have also been approved by the Conseil des Sages, a local neighborhood council of elders. The borrowers will be required to participate in one session of ongoing training per month, where new techniques and experiences will be introduced on a regular basis to improve the potential of the entrepreneurs.

The business training encompasses entrepreneurship training and management skills training. This has no direct relation to the credit program since the target audience will be larger firms than those targeted by the microcredit program. The purpose of the training will be to try to change the attitudes and approaches of the businessmen and to develop entrepreneurial characteristics such as persistence, risk-taking, and concern for quality and efficiency.

The business linkage center is to be a separate unit located in Kamsar, home of the Compagnie de Bauxite de Guinée (CBG). The center will assist the CBG procurement services to find local producers of the goods it consumes and then assist them to produce goods of sufficient quality and quantity to make timely deliveries to CBG.

Results to Date
Project has just begun its lending program and has made 200 loans for a total of 24.4 million FG ($30,000) in the first two months. Repayment was 100 percent after the first four repayments.

7. Project: Africa Small Business Assistance Program (ASAP) Revolving Credit Fund in Guinea; Peace Corps, 1988 - indefinite future.

Project Goal and Objectives
The goal is to create additional employment in 10 target cities outside of the capital, Conakry, by providing credit to existing enterprises.

Project Concept and Description
In 1988, a philanthropic American businessman provided resources to the Government of Guinea to create a series of small rotating credit funds in rural towns to promote micro- and small-scale enterprises. He arranged for Peace Corps Volunteers (PCVs) to manage the funds. The first loans were made in June 1989, roughly eight months after the PCVs arrived in their towns.

The PCVs serve as technical assistants to local credit committees comprised of larger businessmen and city notables, which are responsible for approving the loans and, theoretically, managing the process. Loans are made at xx percent interest and are generally for one year. The majority of loans were for working capital in existing enterprises, though some of the larger loans financed equipment for enterprise expansion or creation.

Results
Between May 1989 and September 1990, the project made 158 loans averaging 431,000 FG, while total assets increased from 34.8 million FG to 45.6 million FG. The project is now operating in six cities. In two of the cities, they have stopped giving loans and are in a collection phase to recoup bad loans. Peace Corps has not collated the loan figures since the program was evaluated in 1990, but repayments appear to be around 80 percent.

8. Project: Association pour la Promotion Economique de Kindia (APEK); local NGO with funding from CEE, FAC, and Loire Atlantique.

Project Objectives and Target Group
The objective is to provide a private organization that can support the development of agricultural- and agribusiness-oriented activities in the region of Kindia. The original target group was primarily women, but APEK now services all local residents interested in their services.

Project Concept and Description
APEK provides multidisciplinary, incubator support to local enterprises, either group or individually owned. APEK was created in 1989 with assistance from Loire Atlantique (LA), the Chamber of Commerce in Kindia's sister city, Nantes. Since then it has received funding from the CEE, FAC, and has established financial relations with BIAG.

The association is now made up of six different related services:

- <u>APEK Agriculture</u>, which provides technical support, advice, and financial assistance to groups, as well as seeking to identify and promote modern agricultural entrepreneurs;

- <u>APEK Recherche</u>, which studies new products that can be made by transforming locally available agricultural resources either through drying or processing;

- <u>APEK Service</u>, which manages the APEK incubator center and provides a range of services to the clients, including accounting, rental of buildings and equipment, vehicle rental, quality control in the laboratory, and watchmen; APEK services charges the clients full cost for all services;

- <u>SOKIDIS</u>, a newly created branch of APEK which markets their products in Kindia and Conakry (where they have a warehouse and two agents). This serves as a marketing cooperative for all of the participants in the incubator program as well as others who may wish to join;

- <u>APEK Aménagement</u>, a contractor which manages the use of local artisans to carry out all of the construction carried out by the APEK center, by LA for other activities in Kindia, or any other individual (it is unclear whether this should not really be a private enterprise); and

- <u>APEK Finances</u>, which is still being developed to serve as the financing arm of the NGO, manages a guarantee fund from the European Development Fund.

APEK's operating budget was about 60 million FG in 1991, largely subsidized by LA and FAC under a 2 million FF assistance package for all of Kindia. This latter includes the travel costs of technical assistance provided by LA free of charge to APEK in management, research, and marketing.

The NGO members that manage the different subsidiaries are all paid 250,000 FG/month to manage them. Only the supervisor of APEK Recherche donates his time for free (he is also the only civil servant in the Association). APEK currently employs about 19 other people to take care of its activities; it also benefits from the services of one French Volontaire de Progrès.

<u>Results</u>
There are currently seven enterprises in the incubator center, benefiting from services. The first enterprise is about to graduate from the APEK center, though its new building is on the APEK site.

APEK Agriculture is currently supporting 20 groups, in which each person has a loan of 50-100,000 FG. In the modern entrepreneur program, they have made five loans for a total of 8 million FG (starting at 500,000 FG) for commercial plantations and have another 20 requests on hand. Currently, the Bank is taking only 20 percent of the risk on the loans, which are made with Bank money, but use the guarantee fund.

SOKIDIS is just in its first few months of operations, so it is difficult to gauge results. However, an important question is raised regarding the nature of the cooperative and the benefits of the NGO. As a cooperative and part of the NGO, SOKIDIS pays no taxes on its imports and packaging materials, which it then provides to its members at cost. This means that the members, which are for-profit firms, get their packaging materials cheaper than other for-profit firms that don't benefit from this purchasing umbrella.

ANALYSIS OF PROFITABILITY OF PRIDE PROJECT IN GUINEA

ASSUMPTIONS	SCENARIO 1	SCENARIO 2	SCENARIO 3	SCENARIO 4	SCENARIO 5	SCENARIO 6
Number of agents/branch	3	4	4	4	4	4
Branch Manager	1	1	1	1	1	1
Number managing clients	3	4.5	4.5	4.5	4	4
No. clients/agent	350	350	350	350	300	300
Average loan/client	400,000	400,000	400,000	400,000	400,000	300,000
Cost of External Capital	20%	20%	20%	16%	16%	16%
Cost of Internal Capital	13%	13%	13%	13%	13%	13%
% of Internal Capital	0%	20%	20%	20%	20%	20%
Weighted Cost of Capital	20%	19%	19%	15%	15%	15%
Use of Capital	80%	80%	85%	80%	80%	80%
Interest rate	36%	36%	36%	36%	36%	36%
Dossier fees	2000	2000	2000	2000	2000	2000
% of Bad loans (annualized)	0%	2%	2%	2%	2%	2%

BRANCH OPERATING COSTS (in US $$)	unit cost	total					
Manager	370	370	370	370	370	370	370
Agents	270	810	1080	1080	1080	1080	1080
Guard	110	110	110	110	110	110	110
Soc. Sec.		181	218	218	218	218	218
Rent	250	250	250	250	250	250	250
Utils	100	100	100	100	100	100	100
Depreciation	100	100	100	100	100	100	100
Total Monthly		1,921	2,228	2,228	2,228	2,228	2,228
Total Annual $$		23,047	26,741	26,741	26,741	26,741	26,741
Total Annual in FG		21,433,896	24,868,944	24,868,944	24,868,944	24,868,944	24,868,944

BRANCH PORTFOLIO CHARACTERISTICS						
Loans outstanding	1,050	1,575	1,575	1,575	1,200	1,200
Loans/year	2,100	3,150	3,150	3,150	2,400	2,400
Average amount/outstanding	200,000	200,000	200,000	200,000	200,000	150,000
Total Loan Capital out	210,000,000	315,000,000	315,000,000	315,000,000	240,000,000	180,000,000
BRANCH REVENUES						
Interest revenue	75,600,000	113,400,000	113,400,000	113,400,000	86,400,000	64,800,000
Other Revenue	4,200,000	6,300,000	6,300,000	6,300,000	4,800,000	4,800,000
GROSS REVENUE	79,800,000	119,700,000	119,700,000	119,700,000	91,200,000	69,600,000
BRANCH COSTS						
Operating	21,433,896	24,868,944	24,868,944	24,868,944	24,868,944	24,868,944
Capital*	52,500,000	73,237,500	68,929,412	60,637,500	46,200,000	34,650,000
Bad Loans	0	6,300,000	6,300,000	6,300,000	4,800,000	3,600,000
TOTAL BRANCH COSTS	73,933,896	104,406,444	100,098,356	91,806,444	75,868,944	63,118,944
Available for HQ costs	5,866,104	15,293,556	19,601,644	27,893,556	15,331,056	6,481,056
Headquarter Costs	124,763,567	124,763,567	124,763,567	124,763,567	124,763,567	124,763,567
Branches needed to cover HQ	21	8	6	4	8	19
TOTAL LOAN FUNDS NECESSARY	5,582,996,208	3,212,179,992	2,358,777,133	1,761,182,926	2,441,388,914	4,331,362,454

MALI

1. Project Name and Donor: Projet d'Appui aux Petites et Microentreprise (PAPME); CIDA, C$5.0 million+ up to C$5.0 million in counterpart funds for credit.

Project Target Group and Objectives
Assist Malien residents of Bamako to develop productive enterprises in agroindustry, habitat, and products of primary necessity.

Description of Program and Concept
Five-year program will work in direct coordination with BIAO to assist entrepreneurs to develop productive enterprises relying primarily on insertion of new technology. Designed to assist 200 small enterprises and 700 microenterprises. Innovative aspect of the program is that the commercial bank will provide 50 percent of loans from its own capital. Technical assistance in the Cellule d'Appui will provide accompanying measures of consulting and training for entrepreneurs, as well as studies and research on how to improve entrepreneurial capacity in the target groups. Loans can go up to 25 million CFA and are made at local market rates of 14 percent for small and medium enterprises and 12.75 percent for micro loans (up to 3 million CFA).

Results to Date
The project has established excellent relations with BIAO/Mali. BIAO has placed one of its loan officers in the Cellule d'Appui to learn the new systems and financial tools being developed within the cellule to facilitate making positive loans to the target group. As of July 1992, project had approved 33 medium loans and six micro for an average of 11.6 million CFA ($40,000).

2. Project Name and Donor: Projet d'Appui à la Création d'Entreprises et à l'insertion des Jeunes Diplômés; FED, 3.5 million ECUs (TA).

Project Target Group and Objectives
To generate employment by creating new or developing existing small enterprises. Particular emphasis placed on assisting unemployed graduates (Jeunes Diplômés).

Description of Program and Concept
The underlying concept is to develop an entrepreneurial class or layer of entrepreneurs that will form the basis for private sector development. An important element of the project concept has been its real operating independence from the Government of Mali, with only titular supervision from the Ministry of Employment and Civil Service.

Though the project was designed to work through local commercial banks, it was unable to do so and established its own lending institutions in each region of operation. The project has created four antennas which operate independently in Bamako, Ségou, Sikasso, and Mopti, with two others due to open in 1992. The project requires each borrower to create a Groupement Economique (GIE) to guarantee loans by contributing to a blocked account, as well as a personal guarantee from an individual of local standing.

Interest rates are 8 percent for agricultural loans and 10 percent for others, but borrower must pay a dossier preparation and follow-up fee which averages 6 percent of the loan amount depending on size.

In addition, the project charges a consulting fee of 0.5 percent on the estimated turnover for the duration of the loan.

Project also has a component to develop local investment clubs, which serve as miniature venture capital funds, working with local businessmen's contributions.

Results to Date
As of April 30, 1992, there were 630 loans disbursed, for a total of 3.3 billion CFA. The outstanding portfolio was 2.4 billion CFA. Average loan size last year was 6.58 million CFA. Of these loans, 30 had failed and another 73 are at least 90 days late in their payments. The project estimated that 25 percent of enterprises were solid, 45 percent uncertain, and 30 percent in difficulty or failed, though after only three years of real operations this is difficult to confirm. The project claims it had created over 1,600 jobs.

Project efficiency appears low, with seven expatriate technical assistants (4 FED and 3 UNIDO) and 100 Malian staff for the total of 630 enterprises over four years. In the first three years of the project, total income (interest plus fees) equalled 195 million CFA as compared to annual operating costs of 435 million CFA, so a severe disequilibrium exists if the project seeks to attain institutionalization. Project repayment rates are low, running at about 60 percent within 90 days. Though the project claims much higher final recovery rate (in the 1990s) the costs associated with the late payments are crippling the project's hopes for sustainability.

3. Project Name and Donor: Caisses Villageoises d'Epargne et de Crédit Autogérées in Dogon Country, managed by CIDR, funded by KfW.

Project Target Group and Objectives
Isolated rural villages.

Concept and Program Description
The concept is to create a local village-based financial organization which can effectively mobilize locally available monetary resources as savings and reinject them, as credits, to finance productive activities. The Caisse relies on local funds for the early loans, but then after a couple of years find refinancing from a commercial bank, a development bank, or the central bank to leverage the village's funds two or three fold.

They pay about 20 percent on savings and charge 40 percent interest. An important element is that they tie the savings directly to credit so that participants see the results of their savings — first loans are made only 15 days after savings. Unlike much other theory about savings generation, the Caisses Villageoises of CIDR serve primarily as sources of finance, not savings, and seek to bring finance into the rural areas from urban areas.

Results to Date
After five years, at the end of 1990, the program had created 24 village Caisses with 3,800 members (individuals and groups). With investment capital of 2.765 million CFA, and deposits averaging 5.529 million CFA over the course of the year, the Caisses made 1,776 loans totalling more than 17 million CFA to village members; average size is 10,000 CFA for 4.3 months. In 1990, repayment rates to the village associations were 99.5 percent and association repayment to BNDA was 100 percent. Major

purpose of credit was for commerce (70 percent), with 16 percent for agriculture and livestock, and only 5 percent for artisanry.

One requirement for the successful implementation of this program is a functioning formal financial sector to link into (as they have in Mali and Burkina Faso) for refinancing. This style activity could not function in Niger, Togo, Chad, or probably Senegal under current financial sector conditions.

4. Project Name and Donor: MIEN and Credit with Education for Women; Association Malienne pour l'Insertion Professionelle des Jeunes (AMIPJ) and Freedom from Hunger.

Project Target Group and Objectives
Project targets women in the rural area of the Dogon Arrondissement of the Sikasso region. The objective is to improve nutritional status and food security of mothers and their infants and children by increasing income and self-confidence in the future.

Concept and Description of Program
The concept was to transfer a village bank methodology developed for Latin America to Mali based on borrower (solidarity) groups of 5-6 people each, grouped into associations of 3-7 groups (average about 30 people), which receive credit funds from the project (in pilot phase) or a local financial institution (now). It added hunger-prevention education as an integral part of the program. With women as the principal target, up to 15 percent of each association may be male.

Each association has an internal management committee, comprised of representatives from the borrower groups, which approves loans to the groups after the groups have approved them. The loan to the association is made by the project after all group loans have been approved within the association. Loans are made to the association as a whole, for a period of four months, but can have even shorter individual repayment periods. This forces loans to be very short-term, but also gives the association access to reflows to make other short term loans.

The program currently borrows short-term money at 10 percent (annual rate) from the bank for a four-month period. It onlends to the association at 24 percent, or 8 percent per four-month period. Hence, there is a spread of 14 percent to cover costs over the course of the year. Currently, average loan size is $30, with $50,000 in loan funds.

Results to Date:
At the end of 1991 the project reached 38 associations with 916 members, with loan repayment at 95 percent. Based on a survey conducted by GEMINI, 86 percent of the borrowers reported increased income, compared with 27 percent in the control group; 92 percent reported quality of life gains, compared with 54 percent in control group; 60 percent feel they get more respect from their families, compared to 19 percent in the control group; and 85 percent feel that the health and nutrition of their preschool children has increased, compared with 40 percent in the control group.

5. Project Name and Donor: Projet d'Appui au secteur Non-Structuré du Mali (phase four); ILO implemented, Swiss funded. Started 1983, phase three to end 1992.

Project Target Group and Objectives

The project targets artisans in five urban areas of Mali, particularly Bamako, Tomboctou, and Ségou. The program seeks to consolidate and increase the capacity for autonomous action, organization, and financing of the artisans supported by the project. It should allow them to maintain access to technical, financial, and economic factors of production, which will improve their output and revenue.

Concept and Program Description

The underlying concept is that an independently organized informal sector, through professional associations, will develop more rapidly toward the modern sector. Associations will provide the artisans with independence (external support based on demand and nonintervention of the state), recognition (legal status so that they can become social partners), and markets (have access to and win public — government — contracts). By providing the artisans with these three fundamental factors, they will increase their output and income.

The program works with associations formed over the past seven years and focuses on strengthening support to them. It has four major elements: (a) providing support at the level needed by the different associations, which varies; (b) strengthen and stimulate savings and credit systems; (c) improve training and access to information; and (d) specific assistance to associations of female artisans. The project provides basic equipment to groups of artisans, which they then manage; it will be turned over to them at the end of the project.

Results to Date

Project has created two Federations (Bamako and Tomboctou), one *ton* (Ségou), and two associations (Kolokani and Bandiagara), with between 300 and 1,200 beneficiaries. Rudimentary savings and credit schemes have been developed within six of the associations, allowing them access to credit from within their group.

6. Project Name and Donor: Emploi PME; executed by the ILO, funded by the PNUD.

Project Target Group and Objectives

Target group are unemployed graduates (*jeune diplômés*) in Bamako and the objective is to help them create their own enterprises.

Description of Program and Concept

Begun in 1987, this project has undergone major changes. Originally physically located within the Office Nationale de la Main d'Oeuvre et de l'Emploi (ONMOE), the program has now split away and serves as a consulting firm to study and write business plans for young graduates to submit to the Bank of Africa Mali which has a $1 million line of credit from the World Bank.

The project has an operating budget of $500,000 per year, which covers three expatriate technical assistants and five Malian technicians (*ingénieurs*) plus all operating costs. The project operates in complete independence of ONMOE now. At present, no fees are charged for the services being rendered even though there are more clients available than capacity to support them.

The IBRD line of credit became available in August 1991, and has been financing projects regularly since then. BOAM takes 20 percent of the risk on the loans it makes under the line of credit and IBRD maintains 80 percent of the risk. BOAM is also financing loans out of their own resources. The project works very closely with BOAM, meeting every week for about two hours to review loans and discuss repayments. Project staff are responsible for all follow-up and responding to all BOAM concerns.

The limiting factor is the capacity of the project staff to develop and monitor loan dossiers. Project management feels that under current conditions they can develop and monitor about 80 dossiers per year, which comes out to a cost of more than $6,000 for a loan dossier $10-15,000. This is prohibitively expensive over the long run, and reflects the "overstudying" of the dossiers to respond to BOAM's concerns. Over the long run, they believe they can cut the costs to $2,000 per dossier, but this is still extremely expensive.

Project beneficiaries currently pay for almost none of the services. They pay BOAM 13.5 percent (declining balance) plus up to 2 percent to open the loan and register the collateral.

To date, the project has not made plans for trying to institutionalize the services it renders. In fact, because the project does not charge for its services, it is competing actively with private consulting firms in Bamako, undercutting their market. These issues are just coming to the fore and will probably be dealt with in the coming year, as the new World Bank program gets under way.

Results to Date
As of June 30, 1992, the project had placed 88 loans before the Bank of Africa, Mali, and 55 of them were financed. 43 of the loans were to *jeune diplômés*, creating 180 jobs and representing 120 million CFA in loans and 200 million CFA in total investment. In addition 12 enterprises were financed outside of the line of credit for other beneficiaries, creating 189 jobs and accounting for 80 million in credit and 150 million CFA in total investment. CCCE is approving four loans totalling 48 million CFA soon under its AIPB.

Though it is still very early in the repayment cycles for most enterprises (since the line has only been operational for 10 months), BOAM is very satisfied with the repayment performance, which has been in the 90 percent range. Only one or two entrepreneurs seem to be having difficulties. The project is proud that it has a 100 percent acceptance rate of dossiers submitted to BOAM to date; none of the dossiers has been rejected.

7. Project Name and Donor: Assistance to the Centre Père Michel (CPM), Bamako, for agricultural machinery. Swiss funded, Catholic Mission implemented; phase two 1991-1993.

Project Target Group and Objectives
Program targets high school gradua

Concept and Program Description
Improve the quality of agricultural machinery repair and users to support local agro-pastoral businesses, which cannot find sufficient qualified personnel. There appears to be a need for more highly trained personnel in the agricultural machinery sector. This training program will provide 25 appropriately trained young people per year, particularly to respond to the needs of rural employers. It will also help them to investigate the possibility of creating their own enterprises.

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Results to Date

Eighty-five percent of the graduates of CPM have found employment, 50 percent in private companies; 53 percent of the graduates returned to work in rural areas.

8. Project Name and Donor: PVO Co-financing project; USAID, with AFRICARE as lead PVO for the MSE component.

Project Target Group and Objectives

Target group are Malien NGOs. Objective is to stimulate the activity of local NGOs in support of MSE development.

Concept and Program Description

The underlying concept is that local NGOs are appropriate social and technical sources of assistance to local entrepreneurs. The program will use one U.S. PVO as the lead agency to work with interested Malien NGOs to improve the local capacity to implement MSE programs, while the Malien NGOs can then seek specific U.S. PVOs as their partners in putting together and implementing MSE programs.

Results to Date

A group of Malien NGOs has created a coordinating body (Groupe Pivot) which is working with Africare, as the lead PVO. A.I.D. has financed nine grants to U.S. PVOs for $4.4 million, including big ones to Africare as the lead PVO ($700,000), and to World Education ($1,738 million) to work with four Malien NGOs on women's income-generating projects. Additional large grant requests are under review from VITA (replication of CAR or Chad), FFH (project Mien), Appropriate Technology Inc. (treadle pumps).

The program will become more operational with local NGOs with the arrival of a long-term advisor in August to animate the Groupe Pivot, helping them with training, strategic planning, information dissemination, and new project development.

9. Project Name and Donor: Kafo Jiginew — Union des Caisses Populaires d'Epargne et de Crédit du Mali Sud; CECCM.

Project Target Group and Objectives

Farmers working in the Cotton Zone in Southern Mali. Objective is to create a viable financial structure based on savings that can provide credit to its members for productive activities.

Concept and Program Description

This is a savings and credit union with loans based on membership and on accumulated savings. Remunerates at 5 percent, lends at 15-18 percent. Project has a 42 million CFA guarantee fund. Cannot lend more than 50 percent of available funds at each Caisse.

Results to Date

By September 30, 1991, Kafo Jiginew had 31 Caisses, grouping 193 villages and 9,713 members. Share capital totals 47,8 million CFA with total deposits of the 124.4 million CFA for total resources of 172.3 million CFA. The 4,107 loans made for the cotton campaign average 22,239 CFA/loan (this figure has decreased steadily since 1988 when it was 30,600). Meanwhile, 1,004 loans were made for other reasons, averaging 20,000 CFA (up from 83 averaging 15,000 CFA in 1988). Repayment rate is 99.5

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percent. CECCM covered only 50 percent of the operating costs in 1991; the rest were covered out of operating revenues.

10. Project Name and Donor: Projet d'Appui au secteur non Structuré; CIDA through the AMIPJ; $50,000, started in 1990.

Project Target Group and Objectives

The main thrust was to work with one *quartier* through an NGO to see how to organize links which might be made between the larger PAPME project and microentrepreneurs.

Concept and Program Description

AMIPJ has been working with the youth in one *quartier* for some time. This program was to provide AMIPJ with the means to develop a synergy between microenterprises in the *quartier* and the small enterprises, which are the target of the larger PAPME program.

AMIPJ was to work with 20 microenterprises and arrange financing for 5. They were to organize women in groups, exchange information between entrepreneurs, and develop a structure to support MSE in place: adapted credit services, training, and follow-up.

Results to Date

NA

11. Agence Pour Les Travaux à Intérêt Publique (AGETIPE); IBRD, KfW, $26 million. GRM $2.2 million, phase one: 1991-1995.

Project Concept and Description

Identical in concept to its sister projects in Niger, Senegal, and Burkina Faso, AGETIPE is just getting under way in Mali and has financed five pilot activities since October 1991. The project will be facing numerous problems in the financial, regulatory, fiscal, and technical arenas which it will apply pressure to try and resolve.

IBRD feels that the approach and systems have been sufficiently tested in Senegal and have proved that the method is the most efficient for addressing immediate unemployment conditions. The Government of Mali was provided with a "take it or leave it" choice by IBRD on this SDA loan, which facilitated the agreement by the government for the creation of the agency to manage its resources.

The Swiss, African Development Bank, and European Development Fund are waiting to see how things go before adding additional financing for infrastructure programs.

Results to date

The program started in October 1991, and had only five pilot projects under way as of July 1992. However, they have already accumulated a list of several hundred projects on which to begin work.

MAURITANIA

1. Project Name and Donor: Investissement Développement en Mauritanie (IDM); FED funded, SIDI implemented.

Project Target Group and Objectives
To reinsert returned Mauritanians from Senegal into economic activities in Mauritania.

Concept and Program Description
Creating a local venture capital institution (IDM) that works hand in hand with the promoters to develop and finance projects. It takes an equity position in those companies, and hopes to expand its own share capital through local organizations and the banking system, to create a financially viable and appropriate structure for investment in private enterprises.

IDM manages an investment fund of 400,000 ECUs provided by FED and is paid 350,000 ECUs to manage it for two years. IDM tries to get banks to contribute to the funding by providing the necessary studies, financial participation, guarantee, and technical advice. The target population, the returned Mauritanians, have many benefits set aside for them, which makes it difficult to create true social integration, so the program has modified its focus to include others, not just the *repatriés*.

Program uses its funding to take shares up to 49 percent, provide current account credit, and guarantee Bank loans.

Results to Date
As of March 1992, one year into the project, IDM had invested in six companies which started up, approved investments in three more, and is closely studying four more investments.

SIDI has invested 86.04,000 Ecus in nine companies, mobilizing 105.3,000 in participant funds. Current account loans have totalled 132.45,000 ECUs. Therefore, just over half of the available money has been used. 179 jobs have been created (though 135 of those are within one artisan cooperative), at an average investment of 1,860 ECUs/job, which is quite reasonable. About 50 percent of the operating budget has been used to achieve this.

IDM has found the local legal environment to be very negative, and even though the Investment Code foresees special tax breaks, the bureaucracy makes this impossible to access.

The project is off to a good start and is showing lots of innovative interaction with the local environment and financial institutions.

2. Project Name and Donor: Creation of Artisan Enterprises; ILO managed, UNDP funded, started in November 1991, 28 months long.

Project Target Group and Objectives
Repatriated Mauritanians.

Concept and Program Description
Original concept was to train the returnees to fill the gap presented by all the Senegalese artisans who left during the crisis.

Results to Date
NA

NIGER

1. Project Name and Donor: Maradi Microenterprise Development Program; CARE implemented with AID funding ($6 million), Norway ($500,000) and CARE (1.1 million). Phase two July 1991-Sept. 1996. Phase one was July 1988-June 1991, $2.4 million.

Project Target Group and Objectives
Objectives are to establish a sustainable credit system serving rural microenterprises in Maradi Department and develop a sustainable technical and management training system serving rural clients and participants.

Concept and Program Description
The first phase of the program developed an approach that relies on technical training, management training, and credit. Although the project relies primarily on credit as its main focus, its technical department will work with local producers and artisans to test and evaluate new processes and products, and its technical training unit of four people offers clients training in machine maintenance and service. Project is leaning toward subcontracting out training to a private group.

Credit program relies on group loans (solidarity) with an elder or village authority serving as guarantor. It makes small simple loans in as little as two weeks, but averages 4-6 weeks for most loans. It lends at 18 percent APR.

Results to Date
During phase one, the project made over 2,000 loans and claims to have assisted or created over 1,000 enterprises, creating 660 jobs, though it keeps no precise records on this. The program had loaned all of its funds and the system did not allow for the money to be reloaned as it was in a blocked account. The project came to a virtual standstill at the end of phase one, waiting for additional funds. In the first nine months of phase two, it made over 3,000 loans for 240 million CFA, with a claimed repayment rate of over 95 percent, but this did not reflect actual loans outstanding, which was probably closer to 90 percent, but still quite good.

2. Project Name and Donor: Appui au Développement du Secteur Privé par Agence pour le Financement et l'Encouragement de la Libre Entreprise au Niger, AFELEN; FED 12 million ECU, 1992-1997.

Project Target Group and Objectives
To develop a more dynamic private sector through two elements: clarifying the rules of the game on the part of the GON and providing finance and services to the private sector.

Concept and Program Description
Through AFELEN, a private, autonomous nonprofit agency run by Nigeriens and authorized by the GON, FED will provide impartial financial and technical assistance to private projects. AFELEN will receive 3.35 million ECU in operating funds, and will manage 8.65 million ECU in credit passed through two local financial institutions. AFELEN will help the clients to prepare their dossiers for submission to the banks, and then will provide all of the follow-up and collection. AFELEN will rely on local

consulting firms, selected through an ongoing competitive process, to handle 15 percent of its evaluation and supervision work. Project seeks to reach a 95 percent repayment rate by the middle of the third year.

The project will seek to improve the judicial, administrative, and fiscal frameworks necessary for creation and development of private enterprises through its efforts.

Results to Date
Not yet operational.

3. Project Name and Donor: ILO support the Direction de l'Artisanat; PNUD funded, 1989-1992.

Project Target Group and Objectives
Provide institutional assistance to the GON to develop a program in support of productive MSE development.

Concept and Program Description
By creating a new Direction in charge of Artisanat in the Ministry of Industry and Mines, the GON hoped to be able to better address the issues confronting artisans. Now in its second phase, a six- month effort to define a structure that can properly support MSE.

Results to Date
Organized a donor's roundtable, which started the process of building a consensus.

4. Project Name and Donor: Caisses d'Epargne Crédit: WOCCU with USAID funding, $8 million.

Project Target Group and Objectives
The project targets poor rural Nigeriens living in the region around Zinder and seeks to put in place a locally managed and funded rural savings and credit system.

Concept and Program Description
This is a classic savings and credit union program, being adapted to the local environment in Niger, since this is the first attempted credit union in the country. The project started in mid-1989 but then took several months to get started, and staff recruited and in place. It took another six months to get the first credit unions in place.

Results to Date
As of June 1991, five credit unions had been formed. After 16 months of operations, they had about 550 members and about 2.5 million CFA in savings and share capital, plus another .5 million CFA in earnings. Therefore total financial resources were still under $10,000, or about $20 per member. The five new credit unions were still in the start-up phase had not yet started making any loans. Initial results have included training managers in the basics of credit, setting up adequate bookkeeping and record keeping systems, and literacy training. Start-up has been very slow when compared with credit unions in other countries

5. Project Name and Donor: Financial support to Cooperatives; CLUSA with funding from A.I.D. phase one 1985-1989, phase two: 1989 1994. Total budget $8.8 million, with $1 million loan guarantee fund.

Project Target Group and Objectives
To strengthen the operation of Niger's rural cooperatives.

Concept and Program Description
The underlying concept of the project is to provide formal sector finance to rural cooperatives using a loan guarantee fund of 356 million CFA as a complement to other training and institution building aspects. The project guarantees loans from BIAO (110 percent guarantee) and then works with BIAO to evaluate the loans and to provide collection assistance. Interest charged is 14 percent APR.

Results to Date
BIAO currently has 100 million CFA in outstanding loans so it is using the guarantee fund. However, the project has not succeeded in its principal goal of encouraging BIAO to develop true linkages for cooperative finance in Niger. BIAO places little interest in the program, since it is covered 110 percent.

6. Project Name and Donor: Projet Appui à l'Artisanat: the GTZ and the Chambre de Métier d'Ulm. 5.6 million DM ($4 million) 1991-1994.

Project Target Group and Objectives
Objective is to assist artisanal MSEs to learn to solve their own problems, to organize viable groups and group activities, to improve the quality and diversity of their products or services, and to expand their enterprises.

Concept and Program Description
The concept is to apply action research through which the artisans are encouraged to formulate and articulate their problems, outline possible solutions, and organize to implement these solutions.

The project provides credit, training, and advisory assistance to the artisans. Credit is extended mainly for working capital, with forced savings. Loans are to range from 10,000 CFA to 100,000 CFA, with 10-33 percent retained as savings. Interest rate is 12 percent.

Results to Date
In the first nine months of operation, the project made 185 loans for about 10 million CFA. Some of the loans are group loans.

7. Project Name and Donor: Agence Nigerienne des Travaux à Intérêt Public (NIGETIP): donors include IDA ($20 million), GON ($3.3 million), other donors (several European donors expected) ($10 million), or a total of $33.3 million.

Concept and Program Description
NIGETIP, a World Bank (IDA) project that began operations in 1991, is a nonprofit, independent, autonomous agency that works with privately owned consulting engineering and construction firms to perform a wide variety of public works projects in the urban areas of Niger. It is virtually identical to its sister projects in Senegal, Burkina Faso, and Mali. NIGETIP's objectives are to:

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- Create short-term employment in urban areas using the private sector, mainly small local contractors and consulting firms, on public works projects;

- Improve skills of workers and firms and improve their capacity to respond to opportunities for work/employment after project completion;

- Demonstrate the feasibility of labor-intensive projects to test procedures to enable private sector to commission such projects;

- Accelerate implementation of existing public works programs and improve performance; and

- Provide training on feasibility studies and project proposals, increase grassroots participation in urban infrastructure maintenance, and do preparatory work on establishment of a mutual guarantee company.

Funds for this project flow directly from the Bank to NIGETIP to the contracted firms, thereby circumventing Government of Niger bureaucracy. Through completion of several hundred construction and rehabilitation projects, NIGETIP plans to generate significant, though temporary, employment, while raising the level of labor and contracting firm performance.

<u>Results to Date</u>
The project has implemented 39 projects, 25 of which are still in process. Total value: 355.13 million CFA. Labor costs represent approximately 20-35 percent of projects' total costs, depending on the type of activity. Administrative costs range from 4-8 percent.

SENEGAL

1. Project Name and Donor: Agence de Crédit pour l'Entreprise Privé (ACEP); USAID funded, started in 1985, in third phase, due to end in September 1993.

Project Target Group and Objectives
To promote growth and profitability of established (traditional) small businesses, and to manage the program so that it can become a viable financial institution.

Concept and Program Description
Project provides only credit, no advisory services or technical assistance beyond loan preparation and evaluation, to the clients (considered a minimalist credit approach). It lends only to existing enterprises, making short-term loans (less than one year) within the range of 100,000-3 million CFA. As borrowers repeat, they can get larger loans. Project operates with antennas in 5 cities and 26 local staff. Central loan committee approves all large loans and loans for new branches.

Project now has 764 million CFA in loan funds available, which are loaned at 28 percent APR (16 percent of value of loan) plus a 1 percent origination fee and 3 percent factoring fee if using inventory as the collateral. Effective bonus program is in place which allows some branch managers to double their salaries.

Project operates under a very strict code, in which repayment is the first and foremost objective. If payment is five days late, agent passes it on to regional supervisor. When it reaches 30 days, it is sent to the *huissier* (collection agent). No loans are rescheduled.

Results to Date
Over 5.5 years, the project has made 2.8 billion CFA in loans to 2,800 borrowers, hence average loan size is 1 million CFA. Loan volume has increased considerably in recent years, with more than 1 billion loaned in 1991 at an average of 800,000 CFA/loan. Repayment rates are 98 percent (95 percent in payments and 3 percent in recoveries) and the project made a net profit of $60,000 in 1991, accounting for all costs (including capital) except for the one long-term technical assistant.

Program has become the model for reaching MSEs in Senegal. Its success has allowed it to become a factor in determining other donor programs and policies, particularly around interest rates. Other donors are now interested in using it as delivery mechanism for their funds: Government of Senegal wants to add $1.5 million to open new region, and GTZ and CCCE are exploring using it.

2. Project Name and Donor: AGETIP; World Bank, AfDB, WFP, ACDI, CCCE, CEE, UNDP; $42 million in the first phase.

Project Target Group and Objectives
To generate employment in the urban areas through projects with high labor intensity concentrating on infrastructure.

Concept and Program Description
Realizing that one of the main blockages to spending money is the government procurement process, the program creates a new agency through which all contracting is handled, from project selection through

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design and payment, to step up the speed with which funds actually reach the field. The agency manages the IBRD money; selects proposed projects based on their labor intensity (minimum 20 percent of cost) and other factors; contracts all firms that execute the work (architects, engineers, supervisors, and construction companies); and makes payments within 10 days of the submission of the bills. The agency registers and categorizes firms able to bid and provides training and support services to firms that are registered. The agency finances itself out of a fee charged on each of the services which it renders (contracting, payment, or training).

The program concentrates on the demand side (by providing the money) but tries to stimulate competition within the construction subsector. It is private sector driven with a highly qualified private sector manager. It takes a complete subsector approach, trying to improve the services at all junctures in the process, and removing inefficiencies along the way. Training is provided to firms on the roster, and which have bid (can lose) on projects. Training generally covers problems identified by the agency in the management of sites by contractors, in their bidding documents, or in internal financial management.

Results to Date

The project has successfully established an efficient unit for managing the contracting procedure. The number of registered firms has increased from 90 to 680, with over 109 GIEs newly created just to bid on these contracts. Over 400,000 man-days (1,500 full-time jobs) of work have been generated by the program, which is more than the formal private sector creates in a year. There have been new technological innovations using higher labor intensity to meet the criteria of the project (demand drives technological innovation).

Other benefits include financially strengthened small companies due to quicker payment, which reduces their costs. The increase in competition has led to drops in prices for many services of 15-40 percent, which decreases the cost to the municipalities and lets the money go farther as well as faster.

The success of AGETIP's concept of putting all funds through a specialized private agency is leading to increased interest from other donors. CCCE wants to contract AGETIP to adapt the same process for managing MSE loans in Dakar with funds handled by ACEP and BIAO.

3. Project Name and Donor: Projet Caisses Populaires d'Epargne et de Crédit (CPEC); implemented by CICM, funded by FAC, CCCE and Senegalese Government. Started in 1988.

Project Target Group and Objectives

To mobilize local savings and give loans for agriculture and livestock, housing, commerce, artisanry, and social needs. Create a financially viable intermediary.

Concept and Program Description

To create a mutualist savings and credit institution in rural Senegal, starting in Kaolack, based on French mutualist model.

The program sets up mutualist structure, primarily in rural areas. Project waits 6-12 months before making the first loans in order to develop a secure savings base. Originally required a waiting period of three months before giving a loan to a new member, but has modified that to increase participation (will make immediate loan versus a blocked account with two-thirds of the loan).

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Savings earn 4.5 percent for the saver, but are invested by the central office at 8.5 percent. Money is loaned at 2 percent per month. Borrowers can get up to five times savings, but no one can have more than 10 percent of the available supply. Cannot lend more than 50 percent of total Caisse resources. All credits are short term, less than two years. Program tries to meet all credit needs for both consumption and production. Program works with individuals, not groups. It has found that when associations screen the process, it weakens the results.

Results to Date
Although credit demand is high in the Kaolack region, interest in developing savings is not. Program has created 30 Caisses over the last four years (only three in 1991) and the number of members has increased steadily each year to the current level of 7,700. Unfortunately, savings only total 95 million CFA. The introduction of the new blocked account for immediate loans stimulated the introduction of savings. l'Héritau notes that the real interest rate is 63 percent for the loan.

4. Project Name and Donor: Action Consulting Associates - ACA: Currently an NGO supported by USAID, but formerly the USAID Sahel Regional Financial Management Project (SRFMP).

Project Target Group and Objectives
Objective is to strengthen the financial management capabilities in MSEs.

Concept and Program Description
The ACA approach, developed over the five years of SRFMP, is based on developing a highly targeted financial management training program for entrepreneurs in the same subsector. The project staff interview entrepreneurs to find out what their problems are and to identify what they need. Then, with the help of five of the entrepreneurs (a focus group) from that subsector, develop a highly focused training program with tools and systems that respond directly to the needs of the particular subsector. Manuals are designed and printed at the NGO's printshop. Team then uses the focus group participants as trainers and follow-up consultants to check on the way that the skills are used in the enterprise. Fees charged to the participants are paid to the entrepreneur/consultants.

Second element of the program is to build solidarity groups from among the artisans who have participated in their programs. Now that the project has become an NGO, they are marketing their services to other donors as trainers, to respond to potential client program needs.

Results to Date
Have developed very good programs for 19 groups in urban and rural settings and have trained over 900 entrepreneurs. These include bakers, tailors, fishermen, foresters, carpenters, and jewelers, mechanics. They have stimulated the establishment of associations for seven groups.

To date the program has only dealt with financial management, but it needs to branch out if it is to become viable in the long term.

5. Project Name and Donor: 1) PODOR Enterprise Development Project; 2) St. Louis Repatriates; FED financed, GRET implemented. Start January 1990.

Project Target Group and Objectives
The PODOR project targets small start-up entrepreneurs in the Senegal River Valley, who benefit from a recent dam, while the St. Louis project targets the recent returnees from Mauritania. Both projects have similar objectives: to mobilize local economic initiatives, open up financing possibilities, support enterprise start-up, and transfer the support network and financial system to the private sector.

Concept and Program Description
The Small and Medium Enterprise (SME) Development project financed by the European Development Fund (EDF) was initially conceived as two separate projects: the PME/PODOR project, which was to finance small-scale enterprise creation in the Senegal River Valley area, managed by the Groupe de Recherche et d'Echanges Technologiques (GRET), and the Rapatriés/St. Louis project, managed by AXE, which was to finance business start-ups for the recent returnees from Mauritania. The PME/PODOR project was set up in mid-1989 and effectively began its credit operations in December 1989, with the first loans disbursed in January 1990. The Rapatriés/St. Louis project began operations around April 1990. After nine months of unsatisfactory performance, the technical assistance contract was transferred to GRET and the project began anew in January 1991.

As of January 1991, both projects were placed under the supervision of one project director, based at St. Louis. Since that time, the two projects have evolved into one project, managed from St. Louis and operated from several offices.

In practice, the philosophy of the project has changed in some fundamental respects. Initially, the project focused more on enterprise creation, which involved a considerable amount of work with inexperienced potential entrepreneurs. The project identified promising entrepreneurs and projects; developed project ideas with clients; and provided training, credit, and intensive ongoing follow-up and individual counselling. Although the project continues to work with entrepreneurs to develop their project ideas and to follow up loans, a more straight-forward finance approach has been adopted. The project is effectively acting as a bank for entrepreneurs who would not normally have access to the traditional banking system, and has adopted a professional banking attitude toward its clients.

Program is up and running with functioning centers in both regions. PODOR has three lines of credit, totalling 490 million CFA; St. Louis has two for 937 million CFA. Both programs tried to install a group guarantee system using sociétés de caution mutuels, which have not worked at all: only 3 percent of anticipated payments have been made. Experimenting with new mechanism FOGAMU. Loans are for medium to long term, averaging 27 months in St. Louis.

Theoretical interest rate and fees structure includes 11 percent interest (APR), between 1-1.7 percent dossier fees, .5 percent life insurance, and 4-5.5 percent for follow-up. Totals range from 18.7 percent for loan under 5 million. and 16.5 percent for loan over 10 million CFA. As of August 1991, project did not have regular collection of fees. Both zones were functioning differently.

Results to Date
The two portfolios have been merged and the project claims to have 2 billion CFA outstanding as of June 1992 in 550 loans. This reflects a tripling of the loan portfolio in the last 6 months. Project claims to have 98 percent repayment rate, but has omitted targeted credit from this amount since they will not be the long term clients. The project is exploring different options for institutionalization.

6. Project Name and Donor: ATOBMS; ACDI financed, SDID managed in conjunction with the World Bank Financial Sector Reform program. Project ends June 1992.

Project Target Group and Objectives
The objective of the project was to develop a new set of laws governing the new savings and credit unions springing up in Senegal and across West Africa.

Concept and Program Description
UMOA only has regulations governing formal financial institutions, which are not adapted to smaller credit unions that lack the assets necessary to be considered formal financial institutions (in Senegal a bank needs 300 million CFA in equity capital to be registered). The resulting void in regulations adapted to these groups has made it difficult for them to establish standard operating procedures and gain the necessary recognition.

Results to Date
The SDID team, working with the Ministry of Finance, drafted a new law governing savings and credit unions, but BCEAO (the regional central bank) has declared that it is the only one authorized to establish such regulations. Therefore the draft law is on hold until BCEAO can develop its own set of regulations to apply on a regional basis to all members of UMOA.

The program carried out an in-depth census of local Senegalese programs involved in different forms of financial activities (projects and NGOs).

7. Project Name and Donor: Catholic Relief Services SED Program; CRS, 1990-1994.

Project Target Group and Objectives
Two target groups are village members of the EGABI and members of the Chambre de Métiers de Djourbel (CMD). Objective is to improve revenues, strengthen solidarity groups, and increase the time available to women primarily through creating improved local financial systems in the form of a sustainable village banking system for EGABI and a functioning revolving credit fund for CMD.

Concept and Program Description
The concept is to create a village banking system that begins with credit delivered on the basis of solidarity groups, but requires savings as a means of developing the village banking autonomy. For EGABI, this is based on the FINCA model, adapted from Latin America.

Each village bank develops its own by-laws and votes (confirms) them in the beginning of each loan cycle (which started at four months but is now up to six months). This allows the villagers to adapt the procedures and to mould them to best fit the conditions in the village. Initially, each village bank decided to require a 30 percent savings component from the loan (along with the repayment) in order to benefit from a second loan, as well as interest rates in the order of 30 percent per annum (effective rate). With experience, the program has lengthened the loan cycles to six months, but is now requiring monthly payments, which raises the effective interest rate to the order of 55 percent per annum.

In CMD, the $33,000 revolving credit fund is supposed the strengthen the association's internal operation by unifying the group around the access to credit.

Training in banking management, literacy, and organizational development is a major component of the program, to strengthen the internal operations of the village groups and increase their autonomy.

Results to Date

Halfway through the second year, the program has opened 16 village banks with a total loan portfolio of 20 million CFA and over 7 million CFA in savings. Although the repayment rate is 100 percent from the village banks to EGABI, this reflects the principal, and actual collections at the village bank level are a little lower.

In CMD, the early loans were completely repaid and led to savings of 1 million CFA, but by the end of February 1992, the repayment rates had slipped to below 60 percent. Over the life of the project, about 60 loans have been made for about $30,000.

Collective activities have been financed including millet grinding and dehuller machines for EGABI and a photocopy machine and a supply store for CMD.

8. Project Name and Donor: Société d'Investissement Développement - SID; SIDI, Union Solidarité pour l'Entraide and BICIS have committed 100 million CFA for investment capital.

Project Target Group and Objectives

To promote local equity investment in small Senegalese enterprises.

Concept and Program Description

Part of the SIDI program of activities, SID encourages local individuals and financial institutions to take equity participation in Senegalese enterprises in order to develop a stronger network of local firms.

The program has financing from three different sources and has hired a management team, assisted by one VSN. The team identifies prospective enterprises for investment and then provides start-up assistance.

Results to Date

Despite searching for partners for two years, the program is just making its first three investments in tourism and agriculture.

9. Project Name and Donor: Selection et Formation des Entrepreneurs; ACDI funded, CESAG run with U. of Laval. Began in 1988, $659,000 from ACDI, $260,000 from U. of Laval, and $113,000 from CESAG.

Project Target Group and Objectives

To train 120 students of whom 90 are women: 50 have been trained in enterprise creation, 70 in management; 60 trainers trained; and 60 enterprises attempted with 30 successful.

Results to Date

NA

10. Project Name and Donor: Programme d'Assistance à la Pêche Artisanale (PRO-PECHE), CIDA, C$17 mm (C$14 mm CIDA + C$3 mm Fonds de Contrepartie Canado-Sénégalais), 5 years.

Project Target Group and Objectives
The project targets individual economic operators in the artisanal fishing sector (fishermen, women who process fish, and those who buy and sell fish), as well as community groups working to improve the living conditions of fishermen. The objective of the credit component is to support development within the sector by providing access to credit and savings mechanisms.

Description of Program and Concept
The project has three separate components: ATEPAS, which works to improve artisanal fishing techniques; Servi-Pêche, which finances small community development projects and provides loans to fishermen; and a new Women in Development program. The project is being implemented by the Société de Développement International Desjardins (SDID).

The principal underlying concepts of the project were to provide a complete package of assistance to fishermen and fishing communities, and to assure institutional sustainability after the life of the project. Two options for achieving sustainability beyond the project were to create a grassroots financial institution based on local savings or to work with an existing financial institution to provide services. The latter option was chosen by the GOS and CIDA, because it was assumed that it would provide quicker results.

Pro-Pêche chose to work with the Caisse Nationale de Crédit Agricole de Sénégal (CNCAS) to provide financing to fishermen. The Fonds de Garantie Canado-Sénégalais put in place by the project guarantees 100 percent liquidity for loans disbursed by CNCAS and covers 70 percent of the risk of nonpayment. The project is operating through CNCAS branches at St. Louis, Kayar and Dakar, with one CNCAS credit officer responsible for Pro-Pêche loans at each branch.

Loans are for fishing equipment, and average about 1 million CFA per fisherman, with an 18-24 month repayment period. CNCAS charges 15.5 percent p.a. interest, with a 5 percent return if a loan is paid on time. Dossier fees are also charged. CNCAS lends only through Groupements d'Intérêt Economique (GIE), which are group enterprises. The project expected the GIEs to provide a peer group structure for loan guarantees, but this has not been the case.

Results to Date
At February 29, 1992 (after about 2.5 years of loan activity), the project had disbursed 277 loans to GIEs for a total of 387.3 million CFA. The outstanding portfolio at that date was 207.9 million CFA, of which 117.5 million, or 57 percent, was in arrears.

The project has experienced serious difficulty with repayment in St. Louis, which accounts for most of these arrears (99.4 million CFA). It is highly likely that the bulk of the outstanding portfolio at St. Louis (125 million CFA) will be written off. The loans made at Kayar are performing well with 7 percent arrears, while problems with two large GIEs in Dakar have resulted in 38 percent arrears at that branch.

Pro-Pêche is satisfied with CNCAS' performance under the program. However, projections show that a 200 million CFA portfolio would be needed at each branch for operations to break even with existing staff. Existing staff cannot handle a portfolio that large, however, and it is not clear that CNCAS will continue with the maritime financing once the project has ended. The project is therefore exploring new products and other ways of ensuring long-term sustainability.

11. Project Name and Donor: Projet d'Appui aux ONG; USAID, US$15 million over eight years.

Project Target Group and Objectives
The project target group are NGOs working at the local level in agriculture, natural resources, health, education and small and microenterprise development. The objective is to finance development activities in the targeted sectors and to provide institutional support to the NGOs.

Concept and Program Description
The underlying concept of the project is that NGOs are the most appropriate delivery mechanisms for the financing of grassroots development activities. The project provides three types of support to NGOs: grants to finance direct development activities; institutional strengthening, through grants for general operating costs and through consulting services provided by the project to NGOs; and general training and exchange workshops for the entire NGO community. The project has developed a participatory diagnostic methodology to assess NGO capabilities. The program is being implemented by TransCentury.

Results to Date
The project has just finished its one-year start-up phase. The first cut-off date for proposal submission was June 15, 1992, for the first available grant tranche of US$5 million. More than 30 project proposals have been received. Virtually all of the proposals are for income generation activities at the village level, often with a revolving credit fund component.

12. Project Name and Donor: Fondation Friedrich Ebert; an independent foundation, which has received funding support from EDF.

Target Group and objectives
The foundation focuses on democratization and political training, and has programs for artisans to increase their participation in the democratic process.

Project Concept
To organize artisans and provide them with autonomous management while also sensitizing the government on the importance of the informal sector in the Senegalese economy and to put in place appropriate support mechanisms.

The program has worked with all 10 Chambres de Métier, providing training in management, organizing workshops to review the policies governing artisans,

Results to date
Organized several workshops on the policies governing artisans, the informal sector, and better coordination among the donors. Financed 120 training courses (3-5 days) for about 2,500 artisans. Financed equipment for artisan groups and organized regional handicraft fairs.

TOGO

1. Project Name and Donor: Togo Rural Institutions and Private Sector Support: TRIPS; USAID funded, CARE implemented, with some participation with FUCEC.

Project Target Group and Objectives
To develop 10 enterprises with direct agricultural linkages such as retail farm supply, animal food production, and food processing specifically targeting women in the Zio River Area.

Concept and Program Description
SED package includes small business planning and management training, and assistance with site selection, feasibility studies, or marketing. CARE also acts as an intermediary between larger enterprises and formal credit institutions and was to rely on FUCEC to handle much of the local finance.

Results to Date
Progress has been very slow. Philosophical differences between CARE and FUCEC, primarily over the interest rates on loan funds, have made it impossible for the two to work together. As designed, the program was also to have studied policies impacting on private sector development, but none of this has happened.

2. Project Name and Donor: Fédération des Unions Coopératives d'Epargne et de Crédit (FUCEC); USAID funding through WOCCU, $ 5million in Phase two.

Project Target Group and Objectives
The objectives of the project are to provide technical assistance to the central credit union umbrella agency, FUCEC, to improve its operational capacity so that it can better service the individual cooperatives.

Concept and Program Description
The underlying concept is to strengthen the nationwide savings and credit union, which has entirely untargeted credit activities.

This is a fairly decentralized operation with members controlling each of the credit cooperatives (coopec). Each coopec sets its own interest rates, which vary between 4 and 10 percent for savings and 13 and 23 percent for lending. Each coopec must deposit a certain percentage of its available resources at the FUCEC level. Borrowers are allowed to borrow at a ratio of 2:1 against savings.

FUCEC provides a central discount facility for the credit unions, from the resources placed at their disposal. FUCEC manages over .5 billion CFA in this fund.

Results to Date
The credit union system is one of the largest in the Francophone countries with over 30,000 members and over 2.5 billion CFA in savings ($10 million). Currently there are 1.8 billion CFA in loans outstanding, for nearly 10,000 loans. In June 1991, repayment rates were running 75 percent on time, 11 percent up to 60 days late, and 10 percent more than six months late, or very doubtful. The coopecs

are now 100 percent self-financing, whil FUCEC manages to cover 40 percent of costs from membership fees.

The program has also run training for entrepreneurs, with about 150 attending a three week training course over the past 30 months (until June 1992).

3. Project Name and Donor: Small Enterprise Development (SED) Pilot Project. Catholic Relief Services (CRS) executed with USAID funding $465,000 for 1988-1992.

Project Target Group and Objectives
The project works with micro- and small-scale artisans in the Sokodé Region, primarily to strengthen their organizational capacity and improve their access to resources. The underlying project objective is to develop and test methodologies to support the financial and organizational development of artisan guilds in sectondary towns and rural areas.

Concept and Program Description
The project builds on the work started by ILO in its earlier UNDP project to build sustainable groups of well-organized artisans who are independent. There are six main components, (1) short-term credit for working capital and fixed assets; (2) a savings facility; (3) access to specialized equipment, particularly for carpentry and metal working; (4) formal training courses, on-the-job training; (5) a specialized retail outlet that offers artisan supplies and equipment not elsewhere available up-country; and (6) administrative and infrastructural support to the Sokodé GIPATO (association of artisan guilds).

The project has an important credit and savings component and is self-managed by GIPATO with a loan/savings ratio of 4:1. Savings earn 6 percent while interest on loans is 12 percent. Maximum maturity is 12 months, but 99 percent of loans are for less than 6 months.

The program's training activities include study tours to Lomé or neighboring countries, as well as management and skills training. A component uses large local private firms for on-the-job training. The long-term management training course includes an extensive site visit and follow-up component to the businesses.

Results to Date
Over the first 42 months, the project has developed a loan fund of 15 million CFA, including 7 million in member savings. It has extended 336 loans, including 13 to groups with an outstanding balance of 9.8 million CFA. To date 89 percent of the portfolio is paying on time, and most of the 11 percent in arrears is just a little late, with no defaults.

The project works with a total of 283 artisans in 29 guilds, which account for a total labor force of approximately 1,000. As a result of the study tours, cost-benefit analysis has been performed (one of the few in Africa) with a ratio of 1:1, but the ratio of incremental benefits to cost are more important — 3:1.

The project keeps good statistical data on its accomplishments, which is extremely rare in projects of this kind in West Africa.

4. Project Name and Donor: Assistance to Chamber of Commerce and Industry; IBRD funded through CTI.

Project Target Group and Objectives
N/A

Concept and Program Description
Two technical staff with $550,000 and CFA 150 million. Started in 1987. Recent FED program design characterized the project as inefficient and with a poor chance of surviving.

Results to Date
Created five companies.

5. Project Name and Donor: Assistance to the Chamber of Commerce and Industry; IBRD funded through DIVAE, started in 1989.

Project Target Group and Objectives
Modern sector SMEs.

Concept and Program Description
N/A

Results to Date
FED program evaluated them to be not too bad.

6. Project Name and Donor: Various Guarantee funds; USAID, Soc. de Caution Mutuelle

Project Target Group and Objectives
To facilitate loans to enterprises through a guarantee fund.

Concept and Program Description
N/A

Results to Date
No loans guaranteed by either program. SCM never got enough capital to get off the ground, and ECOBANK, which manages USAID funds, has not used it since it was put in place in 1990 (a three-year program).

7. Project Name and Donor:Assistance to the Zone Franche; USAID, IBRD, and UNIDO (PNUD funds) Government of Togo.

Project Target Group and Objectives
To create a core of locally based export-oriented firms providing employment and value added within Togo.

Concept and Program Description
N/A

Results to Date
Off to a slow start, some 10 firms are taking advantage of the program. The legal framework has been put in place, but the ZF has not yet built its industrial park, which makes it more difficult for small companies to implant.

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ANNEX C

REVIEW OF SELECTED EUROPEAN NGOs WORKING WITH MSE IN WEST AFRICA:
WOCCU, CIDR, RAFAD, SIDI

World Council of Credit Unions (WOCCU) and African Confederation of Cooperative Savings and Credit Associations (ACCOSCA).

The savings and credit cooperatives in the field are supported by an international structure with ACCOSCA at the continental level and WOCCU at the worldwide level (which also supports ACCOSCA). They provide the technical assistance to the local credit unions and help them to implement the fundamental principles of credit unions which have been elaborated over the past century and are largely applicable worldwide:

- **Have a democratic structure** — membership is voluntary and open, and anyone in the community can join this autonomous organization; there is democratic control, based on the principle of one man, one vote; the boardmembers serve free of charge; they are nondiscriminatory on questions of race, religion, sex, nationality, or political persuasion.

- **Provide service to members** — the cooperative services target the well-being of their members, both economic and social; a fair interest rate is paid to members to encourage savings; all benefits are split among the members; and the unions provide financially stable institutions which can continue to meet member needs.

- **Realize social goals** — continuous training of members in democratic principles and good financial management is important; cooperation among cooperatives to meet all the needs of the local communities; and focus on developing social responsibility.

ACCOSCA provides service to more than 20,000 credit unions (1990 figures) across Africa, a 100 percent increase from a decade before. Their presence has been especially evident in the Anglophone countries where participation is widespread, particularly in Nigeria. The Francophone countries have been much slower in their adherence to the credit union system. Although the number of credit unions has increased just a little, the number of members has increased far more rapidly.

	Credit Unions		Membership		Financial($mn) Savings	Loans
Country	1980	1990	1980	1990	1990	1990
Benin	16	13	767	4,975	1.6	.45
Burk. Faso	33	133	1,200	6,609	1.5	.56
Cameroun	204	240	41,197	72,358	36.6	23.5
Côte d'Iv.	58	78	4,930	12,372	1.8	1.14
Gambia	0	10	0	730	.047	.05
Ghana	310	146	49,103	56,820	2.0	1.6
Liberia					10.4	7.56
Senegal	20	20	1,917	1,688	.3	.28
Togo	85	125	3,576	23,122	6.3	4.5
Totals	726	765	102,390	178,674	60.5	39.6
Nigeria	7732	15,000	717,268	2.7 mn	337.7	36.9
Sier. Leone	155	129	10,101	11,922	.45	.48

ACCOSCA's Mission Statement is to:

Promote the mobilization of personal savings for development utilizing the savings and credit cooperative model, and in so doing improve the living standards of savings and credit cooperative members and the communities in which they live.

To achieve this, ACCOSCA provides its members with assistance in education and training, research and development, promotion and bilingual services, and risk management insurance.

Centre International de Développement et de Recherche (CIDR)

The Centre International de Développement et de Recherche is a nonprofit organization. Created in 1961, CIDR designs and implements programs for regional economic development centered around:

- Creation and promotion of enterprises, differentiating service enterprises, artisans, and SME/SMI;
- Savings and credit; and
- Management of basic health care systems.

The principal approach is to support the organization of the local population and reinforce the capacity for automanagement. Their work in the first two categories are relevant to the review of MSEs.

Savings and Credit experience. In its 30 years of fieldwork, CIDR has tried many different approaches to circumvent the problems created by an absence of financial services in the rural areas destined for the local populations: giving direct loans, providing working capital to producer organizations, and providing guarantees to facilitate access to formal loans. Although responding to immediate needs, these approaches were not satisfactory because they did not provide for an ongoing system of credit delivery. Therefore CIDR spent nine years (since 1983) doing research on methodology.

The Caisse Villageoise d'Epargne Crédit Autogérée (CVECA) is a financial tool that is adapted to its environment and incorporated into the formal financial system. It is foremost a village tool operating from a well-defined, organized social base; it is open to all members of the village: men and women, young and old, groups and individuals. It is managed by the village: they determine all criteria for management of the Caisse and then assume all responsibility. It operates from its own funds, so it responds at a level the village understands and can manage.

The Caisse starts lending for productive activities very soon after opening (they try for 15 days from first deposit to first loan, but need at least 300,000 CFA), to encourage participation. Loan size is related to the amount of funds available, so loans grow with the size of the fund. Once local management is mastered (usually within 2-3 years), CVECA begins to link up with the formal financial sector. The first step is to negotiate a short-term overdraft to round out seasonal shortfalls; step two is to negotiate longer-term refinancing to cover other needs, either through a global loan, which the Caisse then relends under its own criteria, or as an intermediary for the bank, contracting services to formulate loan requests and provide follow-up and collection.

Small Enterprise Creation. CIDR works in urban areas (a complement to its rural development) to promote improved management and development of small enterprises. Its programs usually take the form of a for-profit (eventually) enterprise support center, which supplies basic and advanced training in management skills and marketing, follow-up advisory and consulting services, and loan dossier preparation; CIDR also helps MSEs make contact with banks (or other financing institutions) and establish links with Government agencies, potential clients, and suppliers. The program finds that it requires a functioning credit program in the area to optimize its work.

Recherches et Applications de Financements Alternatifs au Développement (RAFAD)

The RAFAD foundation was created in 1985 to facilitate the mobilization of local financial resources to create greater economic and financial autonomy of development associations in the Southern Hemisphere. RAFAD works primarily with federations and unions of groups of farmers and artisans, microenterprise networks, and local support groups (often referred to as NGOs), to help them take their place in the economy by gaining access to credit, and opening and mastering new markets.

RAFAD relies on an international guarantee fund to help banks cover the risk associated with lending or putting other banking services at the disposal of these development associations. Some of the advantages of the RAFAD guarantee are that it:

- Introduces the association to the formal financial networks, while leaving it master in its own house;
- Allows the associations to negotiate more favorable terms with the banks;
- Provides guarantees that are appropriate for all kinds of productive loans;
- Stimulates the generation of local resources to take over its job; and
- Forestalls some of the problems of inflation since its loans are in hard currency.

RAFAD makes the latest management tools used in the world available to development organizations. These include bank guarantees, resource evaluation, realistic cost analysis, and introduction to cost accounting and financial balance sheets. Through application of these tools, the organizations create true development enterprises.

RAFAD's support also includes management training, strategic and organizational planning, and evaluation of existing human and material resources to capitalise the development associations.

Total loans guaranteed in 1991 were $2 million, of which only one was in West Africa (Senegal, FONGS).

The Société d'Investissement et de Développement Internationale (SIDI)

SIDI is essentially a venture capital fund designed to finance investments in small enterprises in countries where access to capital is difficult. It also provides advice for setting up local enterprise financing systems and establishes relationships with organizations prepared to support these objectives. Operationally, after taking a minority equity participation in the enterprise, SIDI sells its shares back to the owner after a few years (no more than five). As an equity owner, it shares the risks and participates in management decisions.

It was created in 1983 with 10 million FF in capital, increased to 20 million FF in 1991. It made its first investment in 1984 in Morocco and created its first local investment fund in Chili in 1987. It has now created three local investment firms in West Africa (Mauritania, Senegal, and the Côte d'Ivoire), as well as in seven other countries around the world.

As an investment company, SIDI has only three full-time staff, but it brings many other assets to the investment. It brings its network of potential financing organizations (donor agencies, other banks, or individuals). It also provides technical assistance through the Fonds d'Epargne Investissement Développement (FEID), a fund created specifically to provide financial resources and support for SIDI.

FEID is a nonprofit organization that gets its resources from a 200 million FF mutual fund (entitled Faim et Développement) which promises its shareholders a return on their capital equal to the inflation rate, with the rest of the resources going to support SIDI. Averaging 10 percent/year return, versus inflation of 4 percent, FEID provides up to 8 million FF/year in support of SIDI. FEID provides technical support to the local investment companies within the SIDI network to study and assist the investments. FEID has eight salaried employees and uses a team of 16 consultants who work only for expenses. FEID makes capital investments in SIDI and other companies and sets up guarantee facilities to support the activities of companies and associations that it supports.

By separating the investment fund from the technical assistance required to get the local institutions functioning and making sound investments, SIDI becomes a worthwhile, private sector tool for generating increased equity financing in small enterprises in developing countries. In particular, it creates organizations that are finely tuned to the financial and operating needs of local companies.

The local investment companies require multiparty support to create. The sought-after mix is SIDI providing one-third of share capital, local NGOs another third, and local financial institutions providing the final third. This mixture of partners allows for a wholesome group. In addition, local NGOs provide the majority of the technical resources needed to study and follow the investments. In some countries (Côte d'Ivoire and Mauritania, in particular), most of this assistance is funded by the donors.

SIDI is now creating a second fund, the Société Africaine d'Investissement pour le Développement (SAFRID) which will provide an African-specific 12 million FF fund to support local investment companies with financial assistance.

ANNEX D

REVIEW OF SELECTED DONOR AGENCY METHODOLOGIES:
ILO Informal Sector Methodology
France: AIPB and NGO Support

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ANNEX D.1

ILO INFORMAL SECTOR PROGRAM[1]

The ILO methodology stems from two major debates. One argues that urban unemployment is a labor market problem: labor mobility is hampered by economic distortions, which can be eliminated. The other argues that unemployment is a sectoral problem and that improvements can be made only by intervening at the enterprise level; all else equal, employment and salaries of workers depend on physical capital, level of training, education, and technology. The sectoral approach also takes many macro factors into consideration such as the demand for goods and services in the sector, relations with the formal sector, and the regulatory and legal framework.

These two approaches are complementary, but must be implemented by different actors. For the small operators and in developing countries, however, the sectoral approach is probably more appropriate since most workers are not salaried, but work for themselves. By improving the operations of the informal sector, we can ensure the exchange of correct signals about profitable activities. Hence ILO focuses on the sectoral approach for the informal sector.

ILO assistance addresses the questions of increasing capacity by improving the commercial environment through self-help (increasing production and employment, and better yield from access to factors of production such as credit, training, and technology); and of inappropriate regulations and policies that discourage the efforts of the entrepreneurs and lower their income, either through direct restrictive measures or by distortions in prices and imperfect markets. ILO addresses the question by working directly with groups at the base, by reinforcing official support institutions to assist the informal sector, and by improving the policy and institutional framework to encourage the expansion and growth of the sector.

Since most work focuses on working with grassroots groups, providing direct support to the enterprises through local organizations, ILO often must create or strengthen the organizations in the first place. These groups can serve as links to institutions that provide support services (banks, and training/technology centers), but can also defend the interests of the groups and pressure decision makers. Hence a major objective is to "organize the target group and improve its collective capacity" so that it can both participate in development but also strengthen members' ability to help themselves. Group support can take many forms: strengthen the competency of staff through training, improve management capacity and physical plant, prepare documents and manuals, and improve financial capacity. Local evaluations reveal that ILO-supported projects have:

- Led to increases in income and improved social conditions (housing, nutrition, clothing);
- Increased individual savings;
- Increased the capacity of the artisans to negotiate with local institutions, participate in the formation of projects, exploit new markets, and get more credit; and

[1] This report is based on "Le secteur non-structuré et l'emploi urbain, revue des activités concernant le secteur non-structuré urbain," BIT, Geneva, 1991.

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- Made small producers become valuable resources for designing programs for the government.

Methodology. Start with a 12- to 15-month pilot phase in a country to study the conditions, identify target groups, and outline a plan for intervention. Very heavy emphasis on forming flexible organizations formed around sociocultural characteristics in the Francophone countries. Important new elements include mobilization of local savings for use by the groups and exchange of information across countries and among associations.

ANNEX D.2

FRENCH MSE SPECIAL ASSISTANCE PROGRAMS

1. Programme d'Aide aux Initiatives Productives de Base

Aides aux Initiatives Productives de Base (AIPB) is the arm of the Caisse Centrale pour la Coopération Economique for direct lending to small private enterprises. Loans are for 5-7 years, primarily for ongoing activities, and always for productive activity (though this could include a service). The program is highly decentralized, with only a few recommendations and guidelines coming from Paris. The interest rate is set by the agency in the field and can vary from 0-12 percent; average is 7 percent.

The program is six years old, but it didn't pick up speed until after decentralization, in 1989 (a total of 18 loans in Africa, 1986-1988). The number of loans have gone up steadily since then (30 in 1991, and looks like about 60 in 1992 for all of Africa).

Maximum loan is 400,000 FF. Only a few are made below 100,000 FF, most of those with the assistance of other organizations; smallest is 4,500 FF, and the average size is 200,000. Over the 5.5 years of the program (through 1991), it loaned 16 million FF, 6 million coming in 1991.

The most effective use of the smaller loans (under 10,000 FF) is through NGOs or other agencies, which actually follow the loan; this makes CCCE simply the financing window (see option one or two below). This is the case in Madagascar, Mali, Guinea, Côte d'Ivoire, and Togo. The most dynamic countries are Burkina Faso and Madagascar with 15 loans for 3.1 million FF and 17 for 1.4 million FF. Senegal has had 14 for 3.4 million FF but has had a poor repayment history on these loans. The Madagascar program is working closely with UNDP (which provides a guarantee); under this arrangement, 14 loans were made in 1991 (most ever for one country in a year) averaging only 64,000 FF.

Repayment rates should be about 60 percent, but are actually lower than this now, having dropped over the last year. Loans are being rescheduled regularly. The grace period (2 years) on the loans creates problems, because the borrowers fall behind. None of the loans have gone full cycle yet, so they cannot really evaluate the success level of the enterprises. Most loans are to men.

AIPB has discovered that it cannot reach the really small borrowers cost-effectively on its own, so is seeking counterparts. Methods used for reaching small (really small) enterprises are:

- The loan is initiated and followed by an NGO, but the loan comes directly from CCCE through AIPB to the borrower;
- An NGO gets the loan and then onlends it to the borrower (à la PRODIA), but must repay the loan to CCCE at the end; and
- The NGO gets a grant from AIPB.

Three kinds of payment are involved with intermediary institutions when the loan comes directly from CCCE: (1) AIPB doesn't pay for service, (2) AIPB provides a subsidy to manage the funds, or (3)

AIPB takes a percentage on the interest rate. The last mentioned seems to push up repayment and gets the banks more interested in the small borrower for eventual finance.

Headquarters is trying to convince local branches to up their interest rates and become more market-oriented, but this is up to each branch to decide.

Conclusion: Although the results are positive, CCCE's AIPB could collaborate further with local and international NGOs to promote linkages into the formal financial sector. CCCE has additional clout with its connections through the development banks to pressure them to take more interest in onlending programs to NGOs, as AIPB is teaching CCCE itself.

2. Fonds d'Aide et de Coopération (FAC) NGO Operations

FAC has taken an increasing interest in shifting the operations of French NGOs toward a more market-oriented perspective. Although their annual budget is 300 million FF ($55 million), less than $1 million goes to support NGO MSE projects, largely because of the lack of demand for programs.

To stimulate the move to more projects, FAC has created a few programs with direct attention to microenterprise development through NGOs, in addition to its regular grants:

- Fonds d'Etudes Préalables - a fund to study the feasibility of putting MSE programs in place, but it has financed only 15 studies in two years.
- Program d'Insertion des Migrants - works with the Office des Migrations Internationales to finance workers wishing to return to Senegal. Out of 450 workers financed with between 100,000-200,000 FF, they could find only 20 two years later.

The basic failure is the lack of competence of French NGOs to do MSE development.

ANNEX E

LIST OF DONOR-FUNDED MSE PROJECTS IN WEST AFRICA

ANNEX E

LIST OF DONOR-FUNDED MSE PROJECTS IN WEST AFRICA

no.	Main Donor	Country	Project Name	Nature of Project	Implementer	Budget
1		Burkina	ADRK	Mutual Savings and Credit	ADRK	
2	Canada (CIDA)	Benin	Train Early Retirees	Training		
3	Canada (CIDA)	Burkina	Union Regional Caiss	Mutual Savings and Credit	SDID	
4	Canada (CIDA)	Burkina	CAPEO	Enterprise support center	SDID	
5	Canada (CIDA)	Cameroun	Incubator in Yaounde	Enterprise Support		
6	Canada (CIDA)	Cameroun	Douala SME assistanc	Enterprise Support		
7	Canada (CIDA)	Cameroun	Support to Women MSE	Enterprise Support		
8	Canada (CIDA)	Cote Ivoire	Partnership			
9	Canada (CIDA)	Mali	Informal Sector	Credit urban enterprises	AMIPJ	$50K + $35K
10	Canada (CIDA)	Mali	PAPME	Credit enterprise creatio		$5 mn + $5mn
11	Canada (CIDA)	Senegal	ATOMBs	Mutual Savings and Credit	SDID	
12	Canada (CIDA)	Senegal	Formation Entreprene	Training, Entrepreneurs	Univ. Laval	$659K
13	Catholic Church	Burkina	Union Caisses E.C.	Mutual Savings and Credit		
14	CCCE/IBRD	Benin	Caisses Rurales	Mutual Savings and Credit	IRAM	
15	EDF	Mali	Appui a la Creation	Credit enterprise creatio		35 mn ECU
16	EDF	Mauritania	Invest. Devel. Maur.	Venture Capital	SIDI/FEID	750K ECU
17	EDF	Niger	AFALEN	Credit urban enterprises		12 mn ECU
18	EDF	Senegal	Projet Podor	Credit urban enterprises	GRET	5 mn ECU
19	EDF/CIDA/GTZ	Ghana	GRATIS	Training, technology		
20	EDF/SIDI	Cote Ivoire	Urban Enterprises	Venture Capital	SIDI	
21	France	Mali	Kafo Jignew	Mutual Savings and Credit	CECM	
22	France FAC/EEC	Guinea	APEK	Enterprise Support		
23	France (CCCE)	Burkina	Bank Banh	Credit Rural enterprise	Sahel Action/CI	
24	France (CCCE)	Burkina Fas	AIPB	Credit Urban Enterprises	CCCE	
25	France (CCCE)	Cote Ivoire	Caisses Ep. Credit	Mutual Savings and Credit	SDID, CICM	
26	France (CCCE)	Guinea	P.C.A.R.	Credit Rural enterprise	IRAM	
27	France (CCCE)	Guinea	Credit Mutuel	Mutual Savings and Credit	CICM	
28	France (CCCE)	Senegal	Credit Mutuel	Mutual Savings and Credit	CICM	
29	France (CCCE)	Senegal	Medina Project	Credit urban enteprises	AGETIP/ACEP	22 mn FF
30	France (CCCE)	Senegal	AIPB	Credit Urban Enterprises	CCCE	
31	France (FAC)	Burkina	Bobo Chamber of Comm	Enterprise support center	VSN	
32	France (FAC)	Mali	Reinsertion	Credit enteprises	Min. Migration	
33	France (FAC)	Senegal	Cellule d'Appui aux	Studies and policy		
34	France (FAC)	Senegal	Asst. Artisan	Enterprise support, artis		
35	France (FAC)	Senegal	Senegalais Invest. D	Venture Capital	SIDI/FEID	
36	France (ONG)	Guinea	Enterprise Support	Enterprise support center	CIDR	
37	Germany (GTZ)	Burkina	PRODIA	Credit urban enterprises	PRODIA	
38	Germany (GTZ)	Burkina	Dir. Artisanat	Institutional Dev.	GTZ	
39	Germany (GTZ)	Cameroun	Artisan Self Help	Artisan Support		
40	Germany (GTZ)	Mali	Self Help Groups	Organize informal sector	GTZ	
41	Germany (GTZ)	Togo	Artisan support	Organize informal sector	GTZ	
42	Germany (KFW)	Burkina	Village Banks	Mutual Savings and Credit	CIDR	
43	Germany (KFW)	Gambia	Caisses Villageoises	Mutual Savings and Credit	CIDR	
44	Germany (KFW)	Mali	Caisses Villages	Mutual Savings and Credit	CIDR	
45	Germany (KFW)	Senegal	Caisses Vill. AutoGe	Mutual Savings and Credit	CIDR	
46	govt of Ghana	Ghana	Credit with Educatio	Mutual Savings and Credit		
47	IBRD	Burkina Fas	Faso Baara	Credit rural enterprises	FFH	
48	IBRD	Ghana	Oil Palm Press	Employment, subsector imp		
49	IBRD	Ghana	Small Enterprise Lin	Technology Transfer	Technoserve	
50	IBRD	Mali	AGETIPE	Credit urban enterprises		
51	IBRD	Niger	NIGETIP	Employment, subsector imp		
52	IBRD	Senegal	AGETIP	Employment, subsector imp		
53	IBRD, WWB, PUE	Ghana	Women's Banking	Credit Urban Enterprises	Ghana Women's B	
54	IBRD/govt Ghana	Ghana	Rural Banks	Credit rural enterprises		
55	Netherlands	Burkina Fas	Karite prod'n by Wom	Technology development	SNV	DFL 2 mn
56	Netherlands	Ghana	Fish Handling and Pr	Training, skills		DFL 1.94 mn
57	Netherlands	Ghana	Improve your Const'n	Training, management	ILO	DFL 1.715 mn
58	Netherlands	Guinea Biss	Enterprise Buba	Enterprise Privatisation	SNV	427K DFL
59	Netherlands	Guinea Biss	Fish Smoking			
60	Netherlands	Senegal	RADI/Prog Rurale Int	Training		
61	Peace Corps	Guinea	Assist Small Enterp.	Credit Urban Enterprises		
62	Swiss	Benin	Vocational training	Training		
63	Swiss	Burkina	CNPAR	Training		
64	Swiss	Burkina	Tech. Support Unit	Technology development	ILO/MSE	

65	:Swiss	:Mali	:Pere Michel	:Training, vocational	:	:
66	:Swiss	:Mali	:Informal Sector	:Organize informal sector	:ILO/ISU	:
67	:UNDP	:Benin	:Assist SME	:Enterprise Support	:	:
68	:UNDP	:Benin	:PAPPU	:Artisan Support	:ILO	:$1.8 mn
69	:UNDP	:Benin	:PEESI	:Studies and org'n of info	:ILO	:
70	:UNDP	:Burkina	:Women's Project	:Enterprise Support	:ILO/SED	:
71	:UNDP	:Burkina	:Women's Bank	:Credit urban enterprises	:	:
72	:UNDP	:Cameroun	:Afr. Ent. Dev.Initia	:Environment Support	:ILO/SED	:
73	:UNDP	:Cameroun	:Assist to Create Ent	:Enterprise Support	:ILO/SED	:
74	:UNDP	:Cape Verde	:Informal Sector	:Organize informal sector	:ILO/ISU	:
75	:UNDP	:Cote Ivoire	:CAPEN (Centre Promot	:Enterprise Support	:ILO/SED	:
76	:UNDP	:Cote Ivoire	:Fonds National de Re	:Training, Women in busine	:ILO/SED	:
77	:UNDP	:Gambia	:Women's Project	:Enterprise Support	:ILO/SED	:
78	:UNDP	:Ghana	:Cottage Industries	:Enterprise Support	:ILO/MSE	:$1.18 mn, 4
79	:UNDP	:Ghana	:Emp. Umbrella Projec	:Enterprise Support	:ILO/MSE	:$2.1 MN, 3 y
80	:UNDP	:Guinea	:UNIDO Ent. Developme	:Credit urban enterprises	:Mor. Indust. De	:
81	:UNDP	:Mali	:Jeunes Diplomes	:Enterprise and Credit	:ILO/SED	:
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84	:UNDP	:Niger	:Dir. Artisanat	:Institutional Dev	:ILO/MSE	:
85	:UNIFEM	:Senegal	:Appui Tech. aux gpmt	:Training and credit	:ILO	:83.6 mn CFA
86	:USAID	:Burkina	:Chamber of Commerce	:Training Support	:	:
87	:USAID	:Cameroun	:CAMCULL	:Mutual Savings and Credit	:WOCCU	:$3.2
88	:USAID	:Gambia	:Village Banks	:Credit rural enterprises	:CRS	:
89	:USAID	:Guinea	:Rural Enterprise Dev	:Credit rural enterprises	:CID	:$6 MN
90	:USAID	:Mali	:Dogo Region Women Cr	:Credit rural enterprises	:AMIPJ/FFH	:
91	:USAID	:Mali	:Vol. Early Depart	:Guarantee	:Bk of Afr	:
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95	:USAID	:Mali	:PVO Cofinancing	:Credit enterprises	:A.C., WE, FFH	:
96	:USAID	:Niger	:Maradi Enteprise Dev	:Credit rural enterprises	:CARE	:$6 mn
97	:USAID	:Niger	:Cooperative Finance	:Guarantee	:CLUSA	:
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99	:USAID	:Niger	:Savings and Credit U	:Mutual Savings and Credit	:WOCCU	:$8 MN
100	:USAID	:Niger	:Blacksmith	:Organize informal sector	:ILO/MSE	:
101	:USAID	:Senegal	:ACEP	:Credit urban enterprises	:New Transcentur	:
102	:USAID	:Senegal	:ACA	:Training, finance	:ACA	:
103	:USAID	:Senegal	:Village Banking	:Credit Rural Enterprises	:CRS	:
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