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PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

AND FY 89 - FY 92 PRIVATE SECTOR COUNTRY TRAINING STRATEGY

HUMAN RESOURCES DEVELOPMENT ASSISTANCE (HRDA) PROJECT

USAID/NIGER

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USAID/NIGER PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

TABLE OF CONTENTS

PAGE

ANNEXES

ACRONYMS

AEPRP	African Economic Policy Reform Program
AFC	Association des Femmes Commercantes
AFR/TR/EHR	Africa Bureau, Office of Technical Resources for Education and Human Resources
AFN	Association des Femmes Nigeriennes
AMDP I and II	African Manpower Development Projects
APS	Agricultural Production Support Project
ASDG	Agricultural Sector Development Grant
BAC	Baccalaureat (high school diploma)
BCEAO	Banque de la Communaute des Etats d'Afrique de l'Ouest (West African States Central Bank)
BCC	Banque de Credit et Commerce Niger
BDMI	Banque Dar-al-Maal al Islami
BDRN	Banque du Developpement Rural de Niger
BEPC	Brevet d'Education Premiere Cycle
BIAO	Banque Internationale pour l'Afrique Occidentale
BICI	Banque Internationale pour le Commerce et l'Industrie
CAF	Centre pour l'Animation et la Formation
CAMPC	Centre Africain de Management et de Perfectionnement des Cadres
CARE	Cooperative Assistance and Relief Everywhere
CCIAN	Chambre de Commerce, d'Industrie et d'Artisanat du Niger (Chamber of Commerce)
CDSS	Country Development Strategy Statement
CEO	Chief Executive Officer
CESAG	Centre Africain d'Etudes Superieures en Gestion

CET	College d'Enseignement Technique (Vocational Technical School)
CFA	West and Central African Franc
CFEPD	Certificat de Formation et d'Education Premier Degre
CFPA	Centre de Formation Professionnelle des Activites Pratiques et Professionnelles
CFPP	Centre de Formation et de Perfectionnement Professionnel
CLUSA	Cooperative League of the USA
CNCA	Caisse Nationale de Credit Agricole
CNCE	Centre Nigerien de Commerce Exterieur
CNPG	Centre National de Perfectionnement a la Gestion (National Management Training Center)
CPA	Certified Public Accountant
DEFLATE	Laid-off or early-retired (voluntarily) parastatal or public sector employee
ECOBANK	Economic Community Bank (of ECOWAS)
ECOWAS	Economic Community of West African States
EEC	European Economic Community
EI	Entrepreneurs International
ENA	Ecole Nationale d'Administration
FY	Fiscal Year
GDP	Gross Domestic Product
GON	Government of Niger
HRDA	Human Resources Development Assistance Project
IBRD	International Bank for Reconstruction and Development (World Bank)
IESC	International Executive Service Corps
ILO	International Labor Organization

IMF	International Monetary Fund
NEPRP	Niger Economic Policy Reform Program
NGO	Non-governmental Organization
NIB	Nigeria International Bank
OPEN	Office de Promotion de l'Entreprise Nigerienne (Nigerien Enterprise Promotion Office)
PAIPCE	Programme d'Appui aux Initiatives Privees et a la Creation d'Emplois (Private Sector and Employment Assistance Program)
PD & S	Project Development and Support
PRC	Peoples Republic of China
PSAB	Private Sector Advisory Board
ROD	Rural Organization Development Project
SAL	Structural Adjustment Loan
SME	Small to Medium-sized Enterprise
SONHOTEL	Societe Nationale des Hotels
SPEIN	Syndicat Patronal des Entreprises Industrielles
SRFMP	Sahel Regional Financial Management Project
SYNAPEMEN	Syndicat des Moyens et Petites Entreprises au Niger
TVA	Taxe sur Valeur Ajoutee(Value-added tax)
UMOA	Union Monetaire de l'Ouest Afrique
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Office
USAID	United States Agency for International Development
WHO	World Health Organization

EXECUTIVE SUMMARY

The purpose of the HRDA private sector training needs assessment conducted in December 1988 was to determine training priorities which will promote private sector development in line with USAID/Niger's assistance strategy. The mission's strategy is to use sector program grants to promote policy changes, improve management, and to encourage the more efficient and effective use of human and financial resources in agriculture, rural development, health, and family planning. Through its program support, USAID/Niger is assisting the GON to initiate: the transition to private sector and cooperative supply of agricultural inputs; the promotion of rural credit and savings systems; the liberalization of cross-border trade, particularly of agro-pastoral products; and the establishment of a more competitive balance between the formal and informal sectors.

The four-year training plan developed as a result of this assessment will serve as the basis for HRDA private sector training activities from FY 89 - FY 92.

During the assessment, team members met with 35 key players in private sector development, including GON business promotion units, training institutions, other donors and PVOs, accounting firms, employer's associations, and with 30 small and medium sized private sector firms from all sectors.

The assessment identified the following major constraints to the development of private sector activities, particularly as concerns small to medium-scale enterprises which were targeted under the assessment:

- a critical lack of business skills, particularly as relates to principles of management, marketing, financial management, and accounting;
- a serious lack of available credit for both working capital and investment;
- severe competition with imported goods from Nigeria and other countries, combined with reduced consumer purchasing power in recent years; and
- lack of adequately trained middle or line managers.

The assessment identified the following training needs for SMEs:

- **for owners and managers:** business start-up basics; principles of management including long-term planning, appropriate accounting systems, and organizational development; and market analysis and product promotion.
- **for line managers and workers:** improved production, maintenance, and repair skills; and quality control.

The assessment determined that training services for SMEs should be centralized and that CNPG is the most logical home for these services, provided that CNPG coordinates with CAF. The assessment also examined the role of the various business support organizations and associations in Niger and determined that training is needed to improve their efficiency in representing and serving their members.

In line with USAID development priorities and based on the results of the training needs assessment, the HRDA private sector training strategy has three key objectives:

1. **Promotion of enterprise creation and expansion**, to be accomplished through the development of specialized programs at CNPG, including: in-depth needs assessment and training plans for small enterprises; development of courses in principles of management, marketing, appropriate accounting, and others as determined by the needs assessments; and scholarships for CNPG staff to attend short-term training programs addressing SME issues. A similar program will be developed with outside technical assistance for women entrepreneurs. Both of these programs will emphasize the importance of follow-up training activities and will involve participants in a series of workshops.

2. **Strengthening of business support organizations and associations** through customized study tours and short-term training in Africa and the U.S., with emphasis on the Chamber of Commerce, employer's unions, associations, PAIPCE, and training institutions. In addition, PAIPCE will receive training in dossier preparation, outreach and supervision skills, project identification, and appraisal techniques.

3. **Improving credit appraisal and management techniques for lending to small-scale enterprises** through workshops conducted by the S&T/RD ARIES project. The primary target audience is the banking community and private sector support organizations. This program will be funded out of mission PD&S funds.

The HRDA private sector training strategy represents a major departure from previous mission training activities which emphasized long-term training in the U.S. The HRDA strategy should serve to build a strong and lasting local capacity to respond to training/support needs of private Nigerien firms.

It is estimated that the HRDA project will be incrementally funded from the mission's OYB at $400,000 per year for FY 89 -FY 92, totalling $1.6 million over the four year period. Of that amount, $812,000 (51%) will be devoted to private sector training, including 40 short-term training programs in the U.S. or Africa, one study tour to the U.S.; and 57 in-country training activities.

I. HRDA BACKGROUND

The Human Resources Development Assistance (HRDA) project was initiated in FY 1988. Its stated purpose is to stimulate, facilitate and support national and regional training programs which will provide qualified technical, scientific, and management personnel and policy planners with skills to strengthen African development institutions, enhance the growth of the private sector and increase the participation of women in development.

The HRDA project, as compared with the predecessor regional training projects AMDP I and II, has two new targets: 50 percent of project training (i.e., number of trainees) should serve to promote private sector development; and second, 35 percent of the project trainees should be women. In addition, the project places increased emphasis on the use of third country and in-country institutions to implement training programs.

USAID Niger has developed a five year country training plan under its Sahel Resources Development Project covering FY 86 - FY 90. This training plan calls for limited private sector training. When this project was folded into the HRDA project and the new project life extended until FY 92, USAID Niger decided to develop a more detailed private sector training strategy.

A three person team, including the Director of CNPG, conducted over 55 interviews in a two-week period, including representatives from five training institutions, two accounting firms, six donors/PVOs, two business associations, five banks, four business promotion offices, and 30 private sector firms. (The assessment methodology and contacts are described in Annexes 1-3).

II. DEVELOPMENT PRIORITIES FOR NIGER

A. USAID Development Priorities

USAID Niger's long-term objective, as stated in its CDSS written in February 1986, is to "increase food production, leading toward food self-reliance and increased incomes. In the medium-term, ... objectives focus upon helping Niger support policies and actions necessary for structural readjustment".

The strategy developed by USAID/Niger to achieve these objectives is to use sector program grants to promote policy changes, improved management, and more efficient and effective use of human and financial resources in agriculture, rural development, health, and family planning. Development of the agricultural sector is important for growth of the economy and most of the population depends on this sector for their livelihood; development of the health sector is important to assuring the human resources needed for other economic activities. Program assistance is integrated with project assistance designed to contribute to the development of local, sustainable institutions, and to provide the building blocks necessary for commercial farming.

Through its program support, under the Agricultural Sector Development Grant (ASDG) I and the second amendment to ASDG I, USAID/Niger is assisting the GON to initiate the transition to private sector and cooperative supply and distribution of agricultural inputs, particularly fertilizer; to promote viable rural credit and savings systems; and to liberate cross border trade, especially of livestock and cowpeas. In addition, under the African Economic Policy Reform Program (AEPRP), USAID is assisting the GON to implement policy and institutional reforms related to export marketing of agro-pastoral products; to restore more of a competitive balance between the formal and informal sectors; and to improve bilateral trade relations with Nigeria, thus encouraging private international commerce. Furthermore, USAID collaborates closely with IBRD in support of the GON structural adjustment program, including parastatal reform.

Project assistance (the Agricultural Production Support (APS) project and the follow-on Rural Organization Development (ROD) project) concentrates on the development of participatory, self-managed organizations, technical assistance for restructuring the agricultural input distribution system, and the availability of credit through a guarantee fund. Other projects focus on applied agricultural research in the cereals subsector and in irrigation, as well as on linkages with the extension system. A projected result of this assistance is increased production for sale, as increased numbers of private farmers will have access to appropriate production technologies, credit, and new marketing channels.

Most of the USAID activities in the health sector focus on supporting policies which are conducive to structural changes, strengthen the government service organizations, improve health sector public resource management, and promote selected child survival programs. One possible private sector activity is the pricing and distribution of pharmaceutical products.

B. USAID Private Sector Strategy and Its Relationship to Training

As discussed above, many of the USAID/Niger programs aim to support the private sector and have implications for training activities. The private sector strategy emphasizes the need to examine, identify, and promote targets of opportunity within the agricultural sector and the integration of markets in the entire region. (A study of the export potential of cowpeas is currently underway.) To promote the internal and external marketing of commodities, training in market analysis, promotion of products, and financial management will be important.

The private sector strategy also emphasizes the mission's efforts to assist in fostering the transition of businesses from the informal sector to the formal sector through policy reforms under the NEPRP. Concurrently, USAID/Niger is encouraging new enterprise development through the CARE Maradi project and the ILO activity in Dosso. The APS (CLUSA) project is also providing support to cooperatives, including an extensive training component.

While creating a favorable formal sector environment is crucial to this transition, informal sector operators must have the skills to make this transition. SME owners will need better skills to develop new enterprises. Furthermore, business support organizations must be strengthened to assist this transition and to promote enterprise development.

The mission is also assisting in the development of local financial markets in several ways. A component of the APS project, to be continued under the ROD project, guarantees private bank loans for cooperative activities. USAID has also provided loan funds for the ILO Dosso project, the CARE Maradi project, and for livestock production under the ASDG. More broadly, studies done under ASDG have provided the background and research for restructuring rural credit and savings in Niger. Under the second amendment to ASDG I, the credit component is currently being expanded to include credit unit promotion and institutionalization policy reform, as well as the design of pilot credit union activities. Similarly, the new ROD project will be oriented to the development of, among others, savings and credit services.

Training is an important factor in facilitating the proposed changes in the credit environment and in ensuring their success. Owners of SMEs and particularly the staff of business support organizations must be trained in the assessment of viable investment opportunities, financial management and related skills. Concurrently, bank officials, loan officers, and other individuals must be trained in the specific skills needed to adequately review SME potential, develop different definitions of acceptable collateral, and to understand the constraints facing SMEs.

Several training activities under the HRDA project are proposed in the last chapter of this study to complement the mission's private sector strategy. It is important that USAID/Niger continues to coordinate with other donors, not only in providing training opportunities, but also in supporting the private sector in general.

III. PRIVATE SECTOR ENVIRONMENT

Following is a summary of the environment in which the private sector functions in Niger, especially as regards policy, economic and market factors and credit. A brief description of economic and industrial potential for SMEs is included as well as an evaluation of the key constraints to SME development and how they relate to training. A more detailed discussion of these topics is provided in Annex 4.

A. Policy Environment

A program of economic policy reform involving the private sector was begun in earnest by the GON in 1986. Under both the Economic Recovery Program and the 1987-1991 five year development plan, the GON states its commitment to provide an economic, fiscal and regulatory environment conducive to the growth of the private sector. The principal elements of this policy shift are the gradual disengagement of the GON from activities normally carried out by the private sector, reduced price controls, trade liberalization, a more equitable and reasonable fiscal and regulatory administration, and the restructuring, privatization or divestiture of parastatal enterprises.

Further, the GON in 1988 entered into serious dialogue with the private sector. Meetings were held in March and June, under the aegis of the Ministry of Commerce, to present public sector initiatives which addressed some of the principal complaints and constraints of the private sector. The objectives of the meetings were three:

- to obtain the reaction of the private sector to the initiatives.

- to set the stage for private sector-GON collaboration in the revival of the economy.

- to engage the private sector in the process of changing public policy.

B. Economic and Market Factors

While Niger is recovering from the disastrous drought years of 1984 and 1987, and enjoyed an excellent harvest in 1988, the manufacturing and construction sectors are suffering, as are those firms which supply and/or service these sectors. Commerce/trade is said to be affected by a drop in purchasing power of the Nigerien consumer, and by price increases made by Nigerian businessmen on Nigerian exports to offset the decline in the value of the naira.

1. Niger's Economic Performance

Since the drought of 1984, Niger's GDP has grown modestly, with the exception of last year, when it declined 5 percent largely because of badly patterned rainfall. Inflation has declined from about 9 percent to under 7 percent per year. The current balance of Niger's balance of payments remains negative, with continuing serious external debt servicing problems - especially if only Niger's ability to export goods and services is considered.

The industrial/manufacturing sector remains stagnant, has had business closures, and the near-term future for many SMEs looks modest at best and bleak at worst.

2. Liberalization and the Vulnerability of SMEs

The desired impact of liberalization in the longer term is a more openly competitive economy, including agricultural, manufacturing and service sectors effectively driven by market forces. As is the case with many other countries undergoing structural adjustment, the private sector had little time to prepare for direct competition with cheaper imported products.

Nigerien SMEs are particularly fragile entities, given their smaller size (from the standpoint of finances, productive resources and political clout), the very small size of and few linkages within the SME subsector, and the small and fragmented nature of the domestic market. This lack of scale and linkages means that their staying power, in the face of competition, is weak. Other factors which contribute to their vulnerability are their lack of access to credit, onerous business taxes, competition from the informal sector, stagnant neighboring country markets, their own lack of competitive products for export to world markets, and a general environment which is not yet conducive to true entrepreneurial activity.

These factors, combined with the Nigerien entrepreneur's very limited business expertise, especially in how to market his product, made (and make) the SME a vulnerable entity especially when faced with a crisis - market liberalization which lets in a flood of competing imports.

C. Credit

For the start-up SME, credit is virtually unobtainable and for the SME with a good business track record, additional credit is very hard to get. This lack of access to credit is due in part to economic conditions, in part to commercial banks' typical aversion to risk, in part to the risk-free returns that can be earned on UMOA money market instruments as an alternative to risky, slightly higher yielding loans to SMEs, and in part to the sheer lack of bankable business propositions.

Three commercial banks, however, indicated modest interest in SMEs as clients, as a portfolio diversification measure and as future clients with various credit needs. All cited risk factors, lack of bankability, lack of suitable collateral, and the costliness of servicing small accounts as the reasons why they were reluctant to lend to this class of clients. They all, however, indicated receptivity to creative approaches to lending to SMEs, especially if the inherent riskiness could be offset/reduced by some sort of guarantee measures, e.g., client depository relationship, guarantee funds, group security deposits ("cautions mutuelles").

The Banque Dar al Maal al Islami and the BCC expressed the most interest, the first stating that its objective is to have a variety of solid clients in the future, and the second citing that the bank could be interested in smaller clients if they meet the bank's collateral and personal investment criteria. The Dar al Maal is already involved in loan programs for rural artisans and in livestock raising, both of which have a USAID guarantee fund. A third bank, the BIAO, is involved in lending to cooperatives for economic activities under USAID's Agricultural Support Project, which also entails a guarantee fund.

The relatively new program PAIPCE, for those who voluntarily leave government as well as those who are already in the private sector and wish to create their own business and employment, has a credit component under a World Bank line of credit - which has yet to become operative. The credit is tied to a 30 percent personal investment on the part of the new entrepreneur (if he has left the government voluntarily, he receives a substantial "golden handshake") and in-depth training by the Centre d'Animation et Formation.

D. Economic and Industrial Potential

The areas of most potential growth for SMEs appear to be light industry linked to rural productive activities (along the food chain); light manufacturing for those products where

Nigerien manufacturers have or can gain a competitive edge in domestic and neighboring country markets by virtue of product differentiation; and services for the urban domestic markets (product repair, maintenance services, office services, information services/professions, and possibly the assumption of selected government and municipal activities). Activities requiring limited capital investment and a fairly low level of technical expertise, such as bakeries, pharmacies, printshops, transportation, have a short-term potential since these areas of business endeavor are not yet saturated.

Two other areas with potential are all the operations that support tourism/hotels, i.e., transportation in-country, local transportation, tours, sporting activities (e.g., boating, fishing, hunting), restaurants, shopping, etc. The other area, construction, depends on the state of the economy. Assuming a revived economy, construction has potential since it entails an entire chain of activities, ranging from building materials to home and office furnishings.

E. Key Constraints to SME Development and Their Relationship to Training

The key constraints to SME development which directly affect their training needs are:

1. **Access to credit** - with more favorable economic conditions, SME access to credit can be enhanced by appropriate, practical training across the span of business functions in order to make the SME "bankable." The training needed covers basic business start-up skills, proper "business mentality" required, accounting systems, management, and especially markets and marketing. This training should be tied to obtaining credit, as the means of ensuring that the entrepreneur has successfully completed the training and is starting off with a solid foundation of skills and a "bankable" business activity.

2. **GON Policy Actions** - trade liberalization brought Nigerien SMEs into severe competition with imported goods and many firms are simply unable to compete. Also, the problem extends to companies which supply goods and services to the first affected manufacturers. Marketing and financial management are the key skills needed for these enterprises to be able to combat this fierce price competition of imports. Business operations must be made leaner (training in cost accounting and cost control) and more competitive (training in the basics of marketing and those techniques and tools which are germane to the Nigerien SMEs' situation).

3. **Economic and Market Potential** - Here again marketing training is absolutely critical if the SME, which is competing with foreign goods, is to survive. The SME faces a small,

fragmented domestic market, with only a modest overall potential for growth (some niches exist), and a flood of imports from Nigeria. On the other hand, Nigeria, with proper market prospection, could offer market opportunities for products and/or product attributes (for example, product quality) where Nigerien manufacturers have a comparative advantage.

4. **Characteristics of the private sector** - constraining characteristics of the private sector itself range from its perception of business (fast turnover of goods and money versus investment and reinvestment in an activity for the long-term) to the effective organization and operation of a business. Specifically, these characteristics include a lack of financial responsibility, a lack of business creativity, a passivity vis-a-vis the market (waits for the customer to come to buy), a lack of understanding of capital and its role in the formation and operation of the enterprise, and little understanding of the need for planning. Training in how to organize, plan, account for, manage, schedule, and perhaps most important in Niger's case, market, is a measure needed to alleviate the functional business constraints in the SME subsector and in reconciling African values with the requirements of business.

F. Additional Recommendations To Alleviate Certain Constraints

The Assessment Team also evaluated additional possibilities of alleviating certain constraints to SME development, linked to current AID-funded activities in private sector development. These are discussed in Annex 5.

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

A. Employment in Niger

The estimated population (the last census was taken in 1977) of Niger is 6.9 million, with 50 percent under 16 years old. Only 15 percent of the population resides in urban areas, with the remainder involved in agricultural and livestock production in the rural areas. Only 10 percent of the adult population is literate.

In 1986, the GON employed 32,600 people, of which over 11,000 were on contracts which could be terminated at any time. Formal private sector firms and parastatals employed 22,800 workers, down from 27,000 in 1984 and 36,000 in the late 1970s. In 1987, the informal sector provided about 125,000 jobs, of which over 22,000 are in Niamey. Using the above statistics, it is estimated that over 65 percent of the adult population in urban areas is unemployed. (Note that this estimate includes those who can not work.) Increasingly over the past few years, the unemployed includes educated individuals.

B. Educational System in Niger

The education system in Niger begins with primary school at age 7 and, for a few, finishes 14 years later with the equivalent of a BA degree. The system is used to select and prepare future public service employees, not to provide general education leading to a more productive workforce. This orientation works to the disadvantage not only of the economy, but also to the education system, "compelling it to direct greater attention at reductions in the student group rather than to the learning process of those enrolled" (USAID/Niger 1986).

Although the GON made primary education free and compulsory in 1962, only 27 percent of the pool of potential students entered year 1 in 1985/1986. Roughly, only 28 percent of the entering class in 1981 received a "certificat" (CFEPD) in 1986, enabling them to continue in school. Thus, out of every 100 children able to enter year 1 of primary school, it is estimated that only 8 will be able to continue to Jr. High school. The opportunities for those not continuing are very limited, usually returning to farming or moving to the urban areas.

Secondary school is divided into two levels. At the end of the first level, which is four years long and provides a general education, the BEPC is awarded, given the successful completion of a national exam. In 1986, 45 percent (4,188) of the fourth year students received the BEPC; of these, 26 percent were not allowed to continue to the second level, but were available for private sector employment. The BEPC, as an end in itself, possesses only limited value and ensures no specialized skills.

Entrance into the second level, equivalent to high school, is, for all practical purposes, dependent on having both the BEPC and adequate grades to qualify. Most students will enter either an "academic" or technical school (College d'Enseignement Technique - CET). It is important to note that, even in the technical schools, "education at this level is considered essential only for the formation of future public sector leadership and for technician-level civil servants who will be given professional assignments: agricultural and livestock agents, health assistants, elementary school teachers, and other professions" (USAID/Niger 1986).

Successful completion of these four years and a national exam results in the Baccalaureat (BAC), which allows students to enter university, provided financial conditions are met. In 1986, the national senior high school class prepared to enter university totaled 945 students; 80 students passed the BAC but were unable to continue and 754 had finished the four years but did not pass the BAC exam.

C. Technical Training

There are two training schools available to students with the CFEPD, both of which are two-year programs and prepare students for low-level positions: one for nurses aids; and one for technicians. [1]/ While the team did not visit the Centre de Formation et de Perfectionnement Professionnel (CFPP), the CFPP is reported to view its role as closer to that of the upper secondary technical schools, to train technicians as civil servants, than as a school to teach the productive, industrial skills needed for low-level positions in private and state enterprises.

There are four upper secondary technical schools, thus requiring a BEPC for entrance: Centre d'Enseigement Technique Kalmaharo; College d'Enseigement Professionnel Issa Beri; Ecole Nationale d'Administration (ENA); and Centre de Formation Professionnelle des Activites Pratiques et Professionnelles (CFPA) in Zinder. Students graduating from these schools are generally programmed for mid-management in the civil service and the private sector. These schools tend to be plagued by a lack of equipment and qualified teachers, and most students lack any practical experience. CFPA in Zinder was recently constructed with Algerian assistance and is reported to be adequately equipped.

It can be argued whether these schools provide any effective training in management or technical skills, particularly as needed by the private sector. One businessman stated "Graduates from Issa Beri don't know what a motor is!" Issa Beri is reportedly the largest and the best one of these centers. ENA is discussed under the management training section.

In addition to the schools discussed above, many of the large companies have their own training programs (e.g., the national mining firms and the national electricity company). Many informal and formal manufacturing enterprises have apprenticeship programs, for which the trainees pay the owner of the firm.

As is shown in the analysis of the questionnaires and as stated in several interviews, well-qualified and experienced production managers and workers with technical and maintenance skills are lacking in the private sector. At first glance, it would appear that HRDA funds should be used to upgrade the technical schools discussed above. However, given the orientation of the system

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[1] While ENA used to also have a program for this level, it recruited its last entering elementary class in 1988.

away from educating practical technicians and the small number of individuals entering these programs for in-service training, the team argues that any program to increase productivity will have to be placed outside of the current education system and not under the Ministry of Education and Research.

The employer's union SPEIN is in the process of designing a private sector technical training center for industrial skills to be located under the Chamber of Commerce. The program is geared to providing in-service training to outstanding low-level employees in order that they can assume "foreman" level positions. Thus far, the President of SPEIN reported that the GON has promised a building and the FAC has expressed interest in equipping the center. Part-time instructors are to be recruited from the private sector, where they will remain employed. While employers will bear some of the costs of the program, SPEIN will require financial and technical assistance, particularly a short-term training program for the instructors in teaching methodology.[2]

This program, if it is realized, will require more support than is available under the HRDA project. The study team recommends that USAID/Niger maintain contact with SPEIN concerning this project and monitor the progress in design and negotiations with other donors. If progress is made, providing long-term assistance could be very beneficial to the private sector.

D. Management Training

Ecole Nationale d'Administration (ENA)

ENA is a secondary school offering both lower and upper levels. The BEPC and completion of an entrance exam are required. The programs included are: public administration; secretarial; finance and accounting; and commerce and management. Students from the private sector usually attend only the latter two departments. Although ENA is encouraging contact with the private sector, primarily as a means of generating students and income, there is currently no systematic evaluation of the needs of the private sector and the development of appropriate responses. However, ENA is hoping to review its program and methodology as a first step in developing an in-service training

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[2] This center is described in the current five-year plan as a public institution. However, SPEIN and the Chamber of Commerce are committed to locating it in the private sector. According to the President of SPEIN, "If the private sector doesn't control the center, it will never work". For more information contact Mme. Feuveur, secretary of SPEIN (phone: 72-24-55/56).

program, including short-term courses, for people from the private sector. ENA costs about $1,000 per year.

There are seven professors (three women) in the commerce and management department. Most have received their university degrees from outside Niger but have no practical experience in the private sector. Many of the professors have followed the CNPG Training of Trainers course, but ENA has not evaluated the effectiveness of that course. In the past, ENA professors have taught at OPEN and, less often, at the CNPG.

University of Niamey

Within the University, the Faculty of Economics and Law offers a three-year diploma in economics with a specialization in management (33 percent of course time) including: principles of management, financial management, accounting, marketing, cost analysis and other topics. Individuals who commented, characterized the program as very theoretical and lacking practical applications; the goal of the university is to prepare students for further studies or government employment, not for private sector businesses.

There is currently only one Nigerien professor of management and his specialty is accounting. Other professors are part-time, coming primarily from CNPG or ENA, or are expatriates; over 60 percent of the department faculty are foreigners, including the few who teach the management courses. Three faculty members are now enrolled in training programs in management (non-USAID funded) and one can only hope that their programs include practical applications.

Members of the faculty have suggested a more practice oriented three-year diploma in management, but the University administration has not been receptive to this idea. At this point, it is not only unlikely that the University would support such a program foreign to its very nature and image, but also that it has the resources to retool any current professors or to hire additional professors necessary to offer this diploma. Members of the faculty have also suggested that a two-year diploma in accounting be created. Although the University has been more receptive to this idea, lack of human and financial resources, as well as the definition of the University's goals, continue to inhibit any positive action.

In the study team's opinion, the University needs to seriously consider offering an alternative to its current approach; graduating students can be employed neither by the government, which is reducing the number of civil servants, nor by the private sector, for which they are not adequately prepared. The necessary decisions, however, can only be taken by the University administration and, until that time, providing long-term training to the few Nigerien professors will have only limited results. USAID, however, could pursue a dialogue with the University on this subject and encourage slow integration of more practice oriented courses and approaches. For example, the SRFMP has just finished conducting a course in audit techniques at the University; 20 professionals and one faculty member attended. The University has agreed to offer this course to students in August 1989 as an elective to be completed in addition to the regular program. It will be interesting to see how many students take the course and what their reactions are.

As a first step, provided both suitable enterprises and candidates are identified by the Chamber of Commerce and the University, HRDA could fund study tours and an internship program for faculty and/or students in local, other African, and U.S. businesses and universities with applied programs during the summer holidays.

CNPG

Established in 1985, CNPG (Centre National de Perfectionnement a la Gestion), under the Chamber of Commerce, refocussed its activities in 1987 to emphasize the private sector. The staff of CNPG is receiving scholarships and technical assistance from the ILO, with funding from UNDP, to increase the technical capabilities of the Nigerien staff and to expand its private sector programs. CNPG also receives assistance from the IBRD, but this is primarily for activities supporting parastatal reform.

The CNPG charges for its courses: about $300 for short programs and $1,600 for long-term training (six weeks spread over a year). Generally, only medium scale enterprises are able to pay these fees and the program is oriented to this size of firm. CNPG has six full time and 30 part-time Nigerien trainers, as well as three permanent expatriate staff. Anyone wishing to become a part-time trainer must follow the CNPG Training of Trainers course.

In collaboration with the ILO/UNDP, CNPG will begin activities to assist small enterprises in 1989, primarily the development of appropriate management systems and training methods. During this phase, the CNPG hopes to provide technical assistance to four small firms per year using the action/training model outlined below. This will include a needs assessment and the development of a training plan. When a group of individuals needing the same skills is assembled, CNPG will provide a short course in the evenings.

The team recommends that the HRDA project be used to support the CNPG program for small enterprises, including funding of: SME analyses/training plans; implementation of an appropriate training program; 1-2 scholarships/year for short-term programs or study tours on SME issues; and a limited fund for reference materials focussing on the issues of SMEs. The CNPG should collaborate as much as possible with PAIPCE/CAF as that project is also focussing on small enterprise development.

Where possible, the HRDA project should emphasize the strengthening of the CNPG, as well as collaborators, by encouraging opportunities to work with other institutions and trainers in the presentation of seminars and programs. In this way, CNPG can also be viewed as a resource for the HRDA project. CNPG currently offers several training services to the private sector, including:

- A series of 3-5 day seminars in various **management topics** for mid-level managers (e.g. Human Resources Management, Budget, Profit Analysis, Stock Management, Market Review);

- A **Training of Trainers** program covering both theory and practical exercises using problems drawn from the participants' places of work;

- **Computer Training and Applications** (many participants are funded by IBRD under the parastatal reform program);

- A short course in **Audit Techniques**;

- **A training/action program** where tasks and the skills necessary to complete these tasks in a particular institution are identified, and then training and follow-up is provided to ensure the necessary skills are adopted;

- **Technical assistance** to companies using the training/action model, including needs assessment, development of a training plan, and seminars to address the needs of the company on an institution-wide basis; and

- **Conferences on special management** topics for the directors of both public and private enterprises.

OPEN

OPEN (Office de Promotion de L'Enterprise Nigerienne) was organized in 1978 by the GON, with staff primarily from the civil service, to serve small and medium scale enterprises. Current staff now number about 64. OPEN has two field offices which, according to people interviewed and the study team, do not appear to have much effect (i.e., over the past three years, the office in the Maradi-Zinder region has provided long-term assistance to about five enterprises and short-term assistance to some others). The continuation of the field offices is very unlikely.

OPEN has two divisions: the division of studies and the division of training and assistance. The division of studies provides commercial and marketing reviews, implementation and evaluation studies, and economic research reports, as well as an information and documentation center, primarily used by the staff. The division of training and assistance includes both management and technical sections. Activities to date have included several studies, workshops, and assistance to enterprises. Emphasis is often, but not always, placed on accounting. Some enterprises have paid for assistance contracts, which include on-site, short-term management and technical analysis/training, as well as follow-up, and sometimes training programs in Niamey. Activities for small enterprises have focussed on the organization of cooperatives in Niamey among the furniture makers, garages, tanners, and artisans in the Katako market, using German development funds.

A report by PAIPCE in 1987 concludes that OPEN is "subject to many criticisms which appear justified in that very few of its projects have been known to succeed. It has lost much of its credibility with promoters and financial institutions which find it incompetent in the preparation of projects." This general opinion was also expressed by many people interviewed during the study, both by representatives of organizations and by recipients themselves.

The contributing factors to OPEN's poor success rate are varied and complex, and are not completely understood by the study team. At a basic level, OPEN does not always demonstrate the capability to judge viable enterprises in which to invest human and financial resources. Furthermore, OPEN staff stated that many entrepreneurs are hesitant to collaborate with them and to adopt their recommendations. In addition, some staff are not adequately trained in organizational development skills and needs assessments, often leaving this task to the enterprise itself, which is not equipped to perform this function. When a training program is identified, course materials are out of date and lack creativity. In sum, in the opinion of the team, OPEN has proceeded with implementing technical assistance without first addressing, at least recently, the preceding steps of organizational development, analysis and teaching materials.

While the HRDA project could be used to respond to these needs, including technical assistance in curriculum development, training in needs assessment, and strengthening OPEN through collaboration with other training institutions in the presentation of management workshops, a large investment is not recommended at this time. The GON, UNDP, and the World Bank are currently discussing a reorganization of OPEN. The World Bank representative suggested that OPEN would be restructured as a study organization to address policy level research, market studies, implementation reviews, and evaluations, with their training responsibilities transferred to CNPG. If this is indeed the case, OPEN will have very different training needs. The team recommends that USAID/Niger reassess the needs of OPEN following the reorganization.

USAID/Sahel Regional Financial Management Project (SRFMP)

The SRFMP, covering seven countries in the Sahel, has an office in Niamey. The project, which will continue through June 1990, has as its primary goal the institutionalization of effective management, accounting, and audit practices in primarily USAID development projects. As such, it does not emphasize the private sector but has been able to respond specifically to some selected needs. For example, SRFMP, with HRDA funds, will be sponsoring three accountants from private firms to attend training activities in parallel firms in Abidjan. SRFMP has also conducted, as discussed above, a course in audit techniques at the University, as well as a budget management seminar in collaboration with CNPG. While the latter activity was not specifically directed to the private sector, it served to strengthen a training institution for this sector. The chief of party expressed interest in developing an accounting workshop for the private sector, but stressed the importance of assembling a group of participants with common problems. Working through the unions/trade associations could provide such a group.

V. PRIVATE SECTOR SUPPORT ORGANIZATIONS

A. Chamber of Commerce

The Chamber of Commerce was established in 1977 and has a 120 member General Assembly, with 50 representatives from the commerce and credit sectors, 55 from the industry, transport, and artisan sectors, and 15 from agriculture and livestock. While it now has over 9,000 members, the number of members paying dues could not be determined as the appropriate staff could not be located to obtain this information. There are currently no statistics which describe the membership by primary activity. The Chamber has five offices, one each in Niamey, Zinder, Maradi, Tahoua, and Agadez. The effectiveness of these offices in implementing the goals of the Chamber of Commerce is questionable.

The Chamber of Commerce has five departments, including: administration; studies and research (much of this work is carried out by SPEIN); information and documentation; infrastructure evaluation and use (e.g., market places); and training. The training department promotes various seminars, including those on marketing and management issues within several sectors, reviews of government regulations, and others. The head of the training division is also on the Board of the CNPG, OPEN, and ENA. As a part of the PAIPCE project, the Chamber recently initiated the Centre pour l'Animation et la Formation (CAF) to respond to the needs of the informal sector and of small enterprises. CAF has a staff of four, including two women: the director of the department of training; a staff member of the department; an expert provided by UNIDO, and one individual from the PAIPCE project.

Other activities of the training department focus on technical skills training, currently for wood and metal workers. This year, the Chamber hopes to expand this center to include training in automobile repairs, as well as to establish training centers for artisans (in Niamey) and for electricians and mechanics (in Maradi).

In the study team's opinion, both human and financial resources are lacking for the effective implementation of the numerous planned activities. The Chamber is not well organized and does not have well-focussed priorities. The HRDA project should be used to assist the Chamber in clarifying relationships with other support organizations, setting objectives, developing a realistic plan of activities, determining expected outcomes, and self evaluation. In addition, staff of the Chamber of Commerce need to develop their SME outreach capability and to improve their technical skills. While technical assistance in strategic planning would be beneficial to the Chamber of Commerce, the Chamber does not at this time seem committed to this type of reorganization.

The CNPG is undertaking a diagnostic review of the Chamber of Commerce and will develop a training plan. The team recommends that short-term training opportunities be funded under HRDA, including programs in: strategic planning; selected management topics (e.g., information and financial management); SME development and outreach; training of field representatives; and others as determined by the CNPG analysis. In addition, a study tour should be organized, with the assistance of AFR/TR/EHR, to expose representatives of the Chamber and of employers unions to alternative approaches being pursued by similar organizations.

B. Programme D'Appui aux Initiatives Privees et a la Creation D'Emplois (PAIPCE)

PAIPCE is a 5-year project initiated in 1987 by the GON with support from UNDP, the World Bank, and other donors. The staff at PAIPCE consists of 11 people; three of which are consultants paid by the donors. Most of the staff have little or no practical experience but are well-educated and very enthusiastic. The first goal of PAIPCE is to research the implications of current government policies and to make recommendations for reform. Topics to be covered include: the Niger Commercial Code; external trade legislation; the investment code; and improvement of the administrative and fiscal framework of the private sector.

The second goal of PAIPCE is to support the creation of new enterprises. Thus far, this activity has consisted of assistance to civil servants voluntarily leaving the overburdened government service ("deflates") and entering the private sector. Of the first group of 91 "deflates", 37 followed a three month course in enterprise development and management offered by the CNPG, with ILO assistance. Only a handful of this first group has been able to obtain commercial credit. While training for the second group of about 40 "deflates" is planned, the CNPG will not implement this activity until the government pays the costs of the first training program. PAIPCE and the GON hopes to support about 100 "deflates" per year. The government has also targeted university graduates unable to find work in the public sector as participants in this program. PAIPCE promoted an information campaign for this group, with only one response.

The HRDA project should be used to strengthen PAIPCE activities to support the "deflates" in two priority areas: (1) the evaluation of viable enterprises and preparation of market studies and other documentation required for a commercial loan; and (2) training in follow-up and outreach services to small enterprises. The study team suggests a workshop, possibly presented by the AID ARIES project, in credit appraisal and "dossier" preparation to respond to the first priority area. If possible, banking representatives should be included in all or part of this workshop in an effort to strengthen the linkages between PAIPCE and the banking community.

In response to the second priority area, the team recommends a workshop based on a modified version of the training materials used to train extension agents under the CARE Maradi SME project. Given that PAIPCE is seen as the host-country counterpart to this CARE activity, it may be possible to use CARE as the implementing agent. This would facilitate the management of this activity by the USAID mission.

C. Association of Women Merchants (AFC)

Formalized in March 1988, the AFC has 540 general members, a governing board of 16 women, and two recently established field offices in Zinder and Tahoua. Each member buys an annual membership card for about $1.65. The group uses these funds primarily for publicity and has paid for one radio announcement. The average enterprise employs one woman and has annual sales of between $3,000-$6,000/year. These women retailers sell vegetables, fruits, condiments, and fish, and have entered into the traditionally male-dominated cloth and cereals markets. Most of these women go to Benin to buy their produce as it is less expensive than in Niger. Examples of activities include the following:

- A tontine (savings group) which generates over $900/week. Every week (about once a year for each woman) a member is selected to receive the fund for investment in her business. Unlike many tontines, written records of disbursements are kept.

- Bimonthly meetings organized by commodity to discuss problems faced by the members. If possible, the AFC acts to resolves these problems. For example, when the distribution of produce from a vegetable coop was determined by who could get the sacks off the truck first, that is the men, the AFC intervened with the directorate of the cooperative and negotiated that the produce would be distributed equally between men and women.

- A guarantee fund, raised by the women, of over $600 which is primarily used to guarantee loans from money lenders.

- Attendance by members at international conferences on Women in Development (transport and per diem paid for by WHO), a Training of Trainers workshop (through USAID sponsorship) and at several national seminars.

D. Association des Femmes Nigeriennes (AFN)

The AFN was established in 1975 as a non-governmental organization, although the GON has an informal input into the institution. AFN is primarily a decentralized network of women's centers spread throughout the country in the rural and urban areas. Animatrices (extension workers) run these centers at the arrondissement level. AFN receives funding for operations and a loan program from a number of donors, mostly NGOs. The primary role of the AFN is to promote social and household skills, with literacy skills as a secondary goal. Examples of activities include: small ruminant production; grain mills; embroidery; cooking; small gardens; cookstove promotion; gari processing; and sanitation. Even when there may be the potential for private sector activities, this is not the aspect which is generally encouraged. In the interview, the president of AFN made a statement to the effect that the purpose of their women's centers is to better equip mothers and housewives.

As to the effectiveness of the AFN program, Sheila Reines writes, "There is no training or income-generating program: there is no program. There is a collection of centers, with no umbrella structure of working rules or standardized curricula to pull them into a coherent network. It is largely up to the individual animatrice to develop her own program" (1987). This view was also expressed by the Peace Corps staff interviewed.

In 1989, AFN is planning management training for the extension workers through a series of Training of Trainers workshops. The purpose of this training is to improve the management of projects, not of private sector activities. The AFN, in collaboration with the Ministry responsible for women's affairs, has also asked the Chamber of Commerce and CNPG to create a training module in principles of management and appropriate accounting systems for women traders. The Ministry has already committed one staff member to be trained in this course, who will then train AFN extension workers and other groups of women. The AFN has yet to commit a counterpart.

Management and accounting skills are certainly a need among women entrepreneurs and the mission should use HRDA funds to support this type of program. However, it is questionable that AFN is the best implementing institution. While the AFN appears to have the extension workers, some of which are very successful, it lacks the ability to develop a program, use its structure in an effective manner, and to follow-up on activities. The team suggests that the HRDA project be used to support the development of the module and its implementation on a pilot basis, beginning in Niamey and then in the surrounding areas. For a broader effect, representatives from other women's groups, such as the AFC, should be included in the initial Training of Trainers course, as should Peace Corps volunteers working in the women's centers. In sum, the emphasis should be on a training strategy for women entrepreneurs in a limited geographic area, including follow-up workshops for both trainers and participants, rather than on a one-time activity, conducted over a large area, implemented by only one organization.

E. Employers' Unions

A number of employers' unions exist in Niger. For the formal private sector, there is the Syndicat Patronal des Entreprises Industrielles au Niger (SPEIN) which represents large enterprises. There are also several unions, which function mostly as trade associations, including those for: builders, merchants, transporters, hotel and restaurant owners, and textile producers. If a member of one of the smaller unions encounters a problem, the president of the association may go to SPEIN, which, if it can not resolve the problem, turns to the Chamber of Commerce, which, if necessary, will petition the government on the entrepreneur's behalf. The team included the Syndicat des

Moyens et Petits Entrprises au Niger (SYNAPEMEN) in the study as an illustrative union. A possible project activity with SPEIN is discussed in the technical training section.

SPEIN

SPEIN, created in 1944, is closely linked to the Chamber of Commerce. SPEIN undertakes many of the studies outlined by the Chamber and key officials of SPEIN hold positions on the General Assembly; the President of SPEIN is currently the General Treasurer. SPEIN also makes recommendations to the Chamber of Commerce regarding the organization of the Chamber to best meet the needs of the private sector, as well as on private sector development.

The union has 40 members, mostly large enterprises, and three primary activities, including: a fiscal commission; maintaining relations with the Ministry of Labor; and a social committee which addresses issues facing employees, currently the need for adequate housing. SPEIN has never directly provided training for its members, but has been used to organize programs.

No institution building activities under HRDA are suggested for SPEIN at this time, however, a representative should be included in the study tour for the Chamber of Commerce, as well as for consideration for selected short term training programs. As discussed under the technical training section, USAID/Niger may want in the future to explore a possible bilateral project to support the technical training center under SPEIN. In addition, including a representative of SPEIN on the PSAB is highly recommended.

SYNAPEMEN

SYNAPEMEN, including builders, electricians, plumbers and other technicians, was created in 1976. However, until 1982, there were only a few firms which dominated the formal sector and the medium and large scale construction market. The union now includes 250 members, of which about 175 have joined since the beginning of 1987. SYNAPEMEN has five full time employees, including: an Executive Secretary; a permanent Secretary; and three technical experts.

Members must meet a number of conditions to join the union, including: legal registration with the State; a minimum capital of $17,000; and a certificate that no workers have a grievance against the firm. Members give a portion of their work public and private contracts (50 %) to the union, both public and private contracts, to the Syndicat, which acts as a subcontractor dividing the work between various members of the union. As the union has grown rapidly and the economy has declined, the problem of not enough work for each member has increased.

SYNAPEMEN provides training to its members on an individual basis. A number of teams are formed which provide training to the entrepreneur on a selected topic (e.g., accounting, cost estimation, technical skills). If the entrepreneur does not improve after 3-4 sessions, he is not included in the union bids for work.

At this time, HRDA support to these associations is not a priority, although a representative could be included in the study tour for the Chamber of Commerce.

VI. DONOR ACTIVITY IN SUPPORT OF THE PRIVATE SECTOR

A. USAID/CLUSA (Agricultural Production Support Program - APS)

The CLUSA project is the primary USAID vehicle for developing self-sustaining local organizations in Niger. Among other activities, CLUSA has established a national system of decentralized village-based training for cooperative members and field trainers. The project has: provided a training model to build the capacity of the cooperatives to identify, design, and implement viable economic activities; trained cooperative leaders in literacy, management, and accounting skills; developed an organization whose primary mission is training and consulting and whose agents are accountable to the cooperatives;and trained a cadre of qualified cooperative trainers across Niger.

B. USAID/CARE SME project in Maradi

CARE has recently initiated a project in Maradi for the support of micro and small enterprises as a means of diversifying rural incomes and increasing productivity. The project has trained eight agents who work primarily with artisans from the informal sector in Maradi and the surrounding rural areas. Agents assist beneficiaries in: defining their activity; assessing the ability and needs of the entrepreneur to undertake the activity and of the profit potential; preparing a request for and obtaining a loan; as well as providing assistance and training in management and technical skills. A loan fund is available to support those enterprises which would be unable to obtain credit through any official channel.

The project staff also includes two experts in appropriate technology who work with the artisans to improve current practices and to develop new ones. In addition to training in the new technologies, beneficiaries receive funds for machinery, which is repayable through providing services to the community, primarily training other artisans and/or providing services to self-help groups.

C. USAID/International Labor Organization (ILO)

The ILO/USAID project, Training and Assistance to Artisanal Enterprises, is providing technical and basic management training to artisans in the Dosso region. Technicians work with the artisans to adopt new technologies to local conditions and needs (e.g., camel harnesses, solar dryers). A fund is available for the purchase of low-cost materials, which the client repays through community service or by establishing a postal office savings account of an equal sum. (Some components of the CARE/Maradi project have their basis in this activity.) This ILO project received mixed reviews in several of the interviews.

The ILO, with UNDP funding, has also provided extensive assistance to the CNPG, including scholarships for CNPG staff, technical assistance and trainers. Recently, ILO staff collaborated with the CNPG and PAIPCE program to train the first group of "deflates" in enterprise development and basic management. In the coming year, the ILO and CNPG will collaborate in defining appropriate management systems for small firms and hopes to conduct 2-3 seminars for this size enterprise. The ILO staff has been trying to include personnel from the Chamber of Commerce in this activity.

D. World Bank (IBRD)

The World Bank is the largest donor in the private sector/parastatal reform arena. It has completed or plans to conduct numerous studies on related topics (e.g., the effects of government policies on the development of the private sector, a private sector assessment, and incentives to industry). The World Bank has also provided direct assistance to the CNPG, including: study tours for staff; personnel; funding of an estimated total of 140 participants, particularly to the computer training seminars; support of an institutional linkage with a business school in Paris; and financing of the conferences for decision-makers in the public and private sectors. IBRD is also a contributor to the PAIPCE project and to OPEN, providing the latter with a line of credit.

E. United Nations Development Program (UNDP)

As discussed above, CNPG receives financial assistance from UNDP through the ILO project. UNDP also supports OPEN, via its Industrial Development Organization (UNIDO) which provides technical assistance primarily to the studies division, as well as to the Centre Nigerien de Commerce Exterieur (CNCE). In CNCE, UNDP has financed technical assistance to develop an export action plan, rationalize import operations and techniques, and create a pilot commercial information system. There are also two consultants under UNIDO working with PAIPCE. In addition, UNDP finances a regional project to help train slaughterhouse employees to improve the quality of hides and skins. UNDP has funded several studies on the development of livestock support industries, cassava processing, onion storage, poultry farming, and animal feed.

VII. ASSESSMENT OF TRAINING NEEDS

A. Profile of Firms Interviewed

During the assessment, the team interviewed 30 firms in Niamey and Maradi. All of the firms were recommended by one of the following: OPEN, CNPG, or the Director of the Chamber of Commerce in Maradi. Most firms were from the formal sector, although some from the informal sector were included. The following section describes the characteristics of the firms and their training needs as perceived by their owners, general managers, or, in six cases, management staff.

The firms were divided equally between the industrial sector (light manufacturing, agro-industry, and construction) and the services sector (trade, hotels, and business services), of which 40 percent were engaged in commerce. While the percentage of industrial firms interviewed (50%) is not representative of the private sector in Niger, this sector was emphasized due to its potential for growth and job creation.

Most of the businesses were small to medium-sized, family-owned enterprises (63%) or corporations (30%). Twenty percent of the firms had been parastatals and were only recently privatized, with one remaining public. Over half of the firms had been in business ten years or more; one-fourth had been in business for 6-10 years. Few of the firms exported their products, even to neighboring countries. The level of technology of the firms was either low (50%) or medium (50%), although very few firms were labor intensive.

Most respondents indicated either a high (48%) or medium (35%) degree of competition. Of the firms indicating a low level of competition, the issue was not so much the lack of competitors, but rather that the much higher quality of their work placed them above the competition. Generally, for the businesses providing services, competition is from other local firms. Most businesses providing manufactured goods are in competition with imports from Nigeria.

Most owners/general managers voiced frustration with current stagnation or decline in sales; of those respondents who knew, 56 percent reported a decline in sales over the past three years.[3]/ On the whole, they were positive about the future of their business (good/average outlook: 83%), although only one owner (of Djibo & Associates) felt the future prospects were excellent.

The typical **management structure** is very simple. Most firms employed a general manager, with the owner sometimes fulfilling this function, an accountant, although this was rarely the case in the firms from the informal sector, a sales manager, and a technical/production manager, the number of which generally increased with the level of technology. While many of the owners/general managers tended to be "older" (60% were over 40), the other managers were often younger and less experienced. Many firms from the informal sector relied on family members, particularly sons, to fulfill management positions. Women were very rarely in these positions.

About half of the firms employed less than 25 people and a quarter of the firms employed between 26-60 individuals. Two firms, BRANIGER and ZADA Construction, had more than 100 employees. A few firms employed part time help. More than 80 percent of the employees had only primary school education or were illiterate, and 20 percent had some secondary school education. None of the employees had been to college and only 14 percent of the managers had college-level training. Over 65 percent of the firms had no one with any university-level training.

The owners/general managers usually had some secondary school education and about a third had been to university. Five of the respondents had only a primary school education and four, all from the informal sector, were illiterate. Sixty percent of the respondents had over ten years experience.

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

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3 Businesses reporting a sales increase over the last three years included: ZADA Construction - 10%; Hotel Tenere - 10%; Tapisserie Nigerienne - 15%; BRANIGER - 26%; SONIA - 30%; ENTRELEC - 50%; SICONIGER - 50%; and TOUTELEC - 100%. SICONIGER's large increase can be attributed to the regulation of imported oil by the GON and the resulting 210% increase in sales from 1987 to 1988. SICONIGER, however, only ran at 29% of its design capacity in 1988.

Market Size and Economic Factors - 87%

There is no question that the financial resource base of most consumers and the government has fallen dramatically since the uranium boom and the drought of 1984, from which the country is only this year recovering. Thus, the problem is rarely that consumers do not want the product, but rather that they can not pay for it. This problem is exacerbated by the often illegal importation of cheap goods from Nigeria.

Access to Credit - 47%

The problem voiced here, generally concerning smaller enterprises, was one of access to credit, not the terms of credit. The problem is two-fold: on one hand, owners of small firms are unable to adequately prepare the necessary documentation, including feasibility and market studies, cost analysis, and other documents; on the other hand, banks are reluctant to provide loans to these small enterprises. Furthermore, as discussed elsewhere, the banks have also been negatively affected by the decline in the economy and lack the human resource capacity to respond to the needs of the business community.

Need for Better Trained Personnel - 30%

Most frequently voiced concerns were for better trained managers and technicians, both in production technology and in maintenance.

Government Legislation - 23%

The level of taxation was often quoted as a problem. In two cases, high taxes on imported machinery priced the machinery out of the reach of the entrepreneur.

B. Training Needs

The owners/general managers expresses the following principal training needs.

For **themselves**: 88% felt they needed training. The areas most frequently cited and the average priority given them (1 = lowest; 5 = highest) were:

Marketing (52% - 3.3)
Principles of Management (45% - 3.8)
Financial Management (45% - 3.4)
Computer Applications (34% -3.6)

Most would prefer half-day training sessions during 3 - 5 days, and most (80% of those responding) said they would be willing to pay.

For their **managers**: 81% felt their managers need training in the following areas:

Accounting (58% - 3.9)
Marketing (48% - 4.4)
Principles of Management (48% - 3.9)
Production (41% - 4.1)
Maintenance/Repairs: (41% - 4.1)

Over 50 percent of the owners/general managers wanted to train at least half of their managers, and 80 percent were willing to pay for this training but most had no training budget. Again, the preferred formula for this training is half-day sessions over one week.

Almost 60 percent wanted to train their **workers** and were willing to pay for this. The most important need (45% - 3.9) is for improved technical and maintenance skills. An appropriate training program would be one at the place of work over an extended period of time.

One half of the firms interviewed had received training from either CNPG or OPEN. Given that many of the firms were identified from the attendance lists of these two organizations, this is not surprising. Generally, the respondents judged the training from CNPG as useful and that from OPEN as inadequate.

Based on the discussions with the main players in local private sector development and on the 30 interviews described above, the key training needs which may be filled under the HRDA project are: business creation skills for new entrepreneurs, particularly for the "deflates"; and general management, financial management, analytical accounting, and marketing skills for existing SMEs. In addition, HRDA can contribute to facilitating SME access to credit. To accomplish this, local training institutions and business promotion units should be strengthened to better support the private sector. In addition, the banking community should receive training in the specific conditions of lending to SMEs.

As discussed under the technical training section, it is not recommended that HRDA funds be used to address the need for technical and maintenance skills, but rather that USAID/Niger consider a bilateral project with this goal in the future. Use of HRDA funds is also not recommended to respond to the desire for computer applications. Computer knowledge is not essential to the development of the private sector at this point and CNPG is already offering a related course.

VIII. TRAINING PLAN

The following training plan describes HRDA training objectives, audiences and activities to promote the private sector in Niger, and covers the period FY 89 - FY 92. For additional discussion, refer to the section concerning the relevant institution.

A. Training Objectives

The three objectives of the HRDA training plan are: (1) to promote enterprise creation and expansion; (2) to strengthen business support organizations to better serve the private sector; and (3) to improve credit appraisal and management techniques for lending to small-scale enterprises.

B. Target Audiences

Target audiences include owners and managers of SMEs, trainers from CNPG and other institutions, selected bank personnel, women entrepreneurs, and the staff of PAIPCE, OPEN, CNCE and the Chamber of Commerce.

C. Training Activities

The following description of training activities is broken down by objective, target audience and schedule. The detailed schedule of activities and projected costs per fiscal year are provided in tables at the end of this section.

OBJECTIVE 1: PROMOTE ENTERPRISE CREATION AND EXPANSION

The HRDA project will fund three types of activities to achieve the above objective.

1.1 Training and Outreach Services for SMEs at CNPG

HRDA will assist in developing a SME training and outreach capability within CNPG, targeting existing SME owners and managers. By providing skills to both informal and formal sector firms, this activity will also contribute to the transition of firms from informal to formal activities when other conditions in the economy and government regulations are adjusted. Throughout the assessment, the need for centralized SME training and outreach services was emphasized.

CNPG was generally considered the best organization to implement such a program, however, the PAIPCE project and the Center for Animation and Formation (CAF) are considering similar activities. To avoid duplication and to strengthen PAIPCE and CAF (including Chamber of Commerce field representatives), it is highly recommended that these organizations collaborate as participants and/or co-trainers as much as possible. Similarly, some graduates from the PAIPCE program should be included as participants in the program. To assist in developing this institutional capability, HRDA will fund the following:

a. Development and implementation of core courses

The process of developing and adapting these courses will be spread out over three years. The first step in developing these courses is to conduct in-depth needs assessments of selected SMEs, using the CNPG action/training model, which are representative of the sector activities in Niger. HRDA will fund three of these needs assessments in FY 89, four in FY 90, and five in FY 91, at a unit cost of $6,000.

The second step is the development of course materials and designs. The ILO, with UNDP funding, has stated that they will use in-country staff to assist with this aspect. As the definition of the course content will depend on the needs assessments, specific topics can not be determined at this point. However, responses to the assessment interviews indicated a need for training in principles of management, marketing, and appropriate accounting systems. The interview results also suggest, for those participants already employed, that these courses should be implemented in the afternoons or weekends for three hours each session.

Given the assistance from the ILO, HRDA will fund implementation costs, which the CNPG estimates at $3,000 per course. Four courses are planned for FY 89 and up to ten in FY 90 - FY 92. An additional $3,000 per year is programmed in 90-92 to facilitate the implementation of the program in areas outside of Niamey. An additional $5,000 is programmed for evaluation conferences, which will include participants not only from the CNPG courses, but also from other USAID funded training activities.

Finally, it is important that CNPG have access to recent developments in the SME development field and can contribute to the information resources in Niger. HRDA will provide $2,000 per year for this purpose.

b. Short term training programs for CNPG staff

HRDA will provide specialized short term U.S. or third country training programs or study tours focussing on SME development for CNPG staff, based on identified needs (examples include MSI; Small Business Development Centers in the U.S.; CESAG). Two per year, at a unit cost of $10,000 are planned.

c. Funding mechanism for the SME training unit

USAID/Niger and CNPG should write an agreement for all components of the activity at the beginning of each fiscal year. CNPG will then have the responsibility of identifying participants, pending USAID approval, and organizing the activities. CNPG should keep USAID apprised of its progress on a regular basis.

1.2 Training for **Women** Entrepreneurs

As discussed under AFN in section V, the HRDA project will support an in-country training program for women entrepreneurs. The training modules, in marketing, principles of management, and appropriate accounting systems, will be developed by CNPG with outside technical assistance. Possible sources of technical expertise include: USDA; Technoserve; Atlanta University; and a consultant known to CNPG [4]/. Two workshops are planned for FY 89. The first will be conducted by outside consultants (a $60,000 budget is alloted for this workshop), and will also serve as training of trainers workshops for a staff member of the Direction de la Promotion Feminine of the Ministry of Youth and Sports, and for co-trainers from other groups, e.g. AFC and/or NGOs working with women's groups. The second workshop should be conducted in collaboration with CNPG (a $3,000 budget is allotted for this workshop). The co-trainers will then conduct subsequent workshops, about five per year. Funds for outside technical assistance is provided again in FY 1991 ($60,000) for the development of new training modules and the updating of training skills.

It is important that these workshops be seen as a series of activities, which will often involve the same participants two or three times, to be implemented in a concentrated area, first in Niamey and then in surrounding areas. This approach will provide the continuity and follow-up required when working with small and micro-enterprises. The program should not be a one-time only activity spread across a large area. If and when this program is successful, it can be increasingly expanded.

The above activity is likely to be management intensive. It is suggested that a detailed design of the activities during Years 1-2 be outlined in collaboration with the FY 89 technical assistance. A host-country institution (CNPG or the Chamber of Commerce) or Ministry (of women's affairs) could then be charged with supervising the activities of the co-trainers, who will work with local women's groups to identify participants. USAID/Niger will also want to play a supervisory role.

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[4] CESAG does not always have a good performance record, in the opinion of CNPG, in providing assistance outside of Senegal.

1.3 Support to **Medium sized firms**

The following activities are recommended as needed and provided funding is available. Participants should be indentified by the PSAB.

a. Business internships in the U.S. for local SME managers

USAID/Niger may decide to use the resources of the HRDA project to support the participation of SME owners or managers in the Entrepreneurs International (EI) program. Under this program, in operation since January 1987, entrepreneurs from the developing world are carefully matched with owners of U.S. or third country firms with similar operations. The foreign entrepreneur is "placed" with the host firm during a two to four week period to study operations and management in a firm with similar problems and concerns. EI has been quite successful to date and has even resulted in a limited number of U.S./foreign partnerships or investments. The estimated cost of these internships is $5,000.

b. International Executive Service Corps (IESC) technical consultations

The IESC activity provides technical consultations for local private sector firms. These consultations, provided by retired U.S. executives who volunteer their services, have proven effective in the developing world in solving operational or management problems of small to medium-scale firms. In addition, the placement of technical assistance in the firm itself responds to the frequently expressed need for training to be at the place of work. Other U.S. voluntary consultation services may also be considered under this activity, such as those provided under Project Sustain for food processing firms. The estimated cost per one month consultation is $10,000.

OBJECTIVE 2: STRENGTHEN BUSINESS SUPPORT ORGANIZATIONS

HRDA will fund three types of training activities to achieve this objective:

2.1 Study tour for staff from the Chamber of Commerce, SPEIN, CNCE, AFC, and smaller unions/associations

In early FY 90, HRDA will provide financing for one study tour to the U.S. for a group of representatives from employer's associations, SPEIN, Centre Nigerien Commercial Exterieur (CNCE), and the Chamber of Commerce to evaluate the activities of similar U.S. institutions. This exposure is intended to facilitate a more clearly defined role for these organizations and to explore alternative means of implementing stated objectives. The group should also meet with representatives of the Entrepreneurs International Program, the IESC, and Project Sustain for a better understanding of the services offered by each. The cost for this activity is estimated at $25,000.

2.2 Short and long term training opportunities

HRDA will also provide funding for short term training opportunities for representatives from these organizations, both businessesmen and staff, in specialized U.S. and third country training programs, such as the Atlanta Francophone Management Seminar, Coverdale workshops in Executive Management, Center for Leadership Development programs in Association Management, and CESAG or CAMPC courses. Two such short term training programs are allocated in FY 89 - FY 90, and three each in FY 91 - FY 92.

In addition, funding for one long term training program is planned in FY 92 (45,000). One suggestions for use of this funding is to sponsor a representative from the CNCE to attend the CESAG MBA program in enterprise development, following the international commerce and marketing option.

2.3 Training to strengthen PAIPCE to promote enterprise development among "deflates" and others

a. Outreach and follow-up skills development

During FY 89, a four week training program in outreach skills, project identification and appraisal techniques, follow-up, loan supervision, and other selected topics should be provided to the staff at PAIPCE. It is suggested that the materials for training extension agents from the CARE/Maradi project be used. As PAIPCE is the host-country counterpart to the CARE/Maradi project, it may be possible to use CARE as the implementing agent. Funding is estimated at $10,000.

b. Training for PAIPCE staff in investment appraisal and preparing banking documentation

The team recommends that a workshop with PAIPCE staff on evaluating the investment potential of an activity, conducting market surveys, and on the preparation of documents to obtain a commercial loan. While these activities are considered one of PAIPCE's roles, few of the staff have been trained in its execution, particularly for SMEs. This workshop is planned for year 1 only ($25,000). The mission is hoping to use PD&S funds for this activity.

c. Short term training

Two short term training programs in the U.S. or third countries are planned for FY 90. None are planned for FY 91 - FY 92 as the project is to be completed at that point.

OBJECTIVE 3: **IMPROVING CREDIT APPRAISAL AND MANAGEMENT TECHNIQUES FOR LENDING TO SMALL-SCALE ENTERPRISES**

The team recommends a series of two in-country workshops to sensitize participants to the special requirements and conditions of lending to SMEs, and to train them in the methods of credit appraisal and loan portfolio management for small scale lending operations in developing countries. The second workshop will be a follow-up to the first, involving many of the same participants. While new material will be presented, this workshop will provide an opportunity to discuss unanticipated problems, clarify difficulties, and reinforce the need for specialized credit appraisal and loan portfolio management. Not only is it important to invite participants from the banking sector and from NGOs working with small enterprises, but also from PAIPCE. PAIPCE participants need this training and need to strengthen their linkages with the banking community.

In FY 89, the mission is planning on using the resources of ARIES, a S&T/RD central project which has developed credit management workshops in English and French for banks, NGOs and credit unions lending to small and micro-enterprises. The mission will use its PD&S funds for this activity. Hopefully, PD&S funds can also be used for the follow-up workshop in FY 90 as well. If not, HRDA funds could be used for this purpose, but are not included in the budget in Table 1.

D. Adjunct Training Activities

The HRDA project provides for five Nigerien participants, from either businesses or support institutions, per year at HRDA regional private sector conferences which will be held at various locations in Africa. Per participant costs are estimated at $2,000 to cover travel and per diem expenses of the participants during the training program.

E. Future Training Activities

Several programs have been discussed in this report but are not included in this training plan. The team has suggested these programs because they respond to the USAID private sector training strategy but should not be implemented until certain conditions are met. These include:

1. <u>Bilateral program with SPEIN technical training center.</u> This project has been suggested because it responds to the need for technical training and is appropriately placed outside of the formal education system. However, SPEIN must more clearly define the activity, assure cooperation with other donors, and present a request to AID before the mission considers funding.

2. Internships for university professors and students in local and third country businesses and short or long term training for faculty. The university will need to adjust its orientation, if it is going to respond to the needs of the private sector and to decreasing employment opportunities for graduates. At this point, the university has demonstrated little inclination to change its image. In addition, Nigerien professors are poorly represented on the faculty.

3. Strategic planning workshop and consultation for the Chamber of Commerce. While the Chamber of Commerce could benefit from the above outside technical assistance, it has not yet expressed the desire or commitment to this type of reorganization.

4. Workshops for OPEN staff in curriculum development and training plans. This will only be appropriate assistance if OPEN remains a training institution after the reorganization. USAID is already working with OPEN to conduct four in-country workshops and to provide short term training to several staff members. These plans should be implemented.

F. Role of the Private Sector Advisory Board (PSAB)

The PSAB should meet quarterly to determine the schedule and venue of future programs, to evaluate past performance results, to select candidates and determine desired outcomes of upcoming programs, and to determine means of advertising activities and of keeping all key players in private sector development in Niger informed. Attention should be placed on notifying and encouraging women participants for all activities. All decisions will be transmitted to the USAID/Niger special projects officer for approval.

The team recommends that the recently established PSAB be composed of no more than seven members, with the special projects officer serving as a technical advisor. At least one member should be a woman. The following organizations are recommended as board members:

Chamber of Commerce
CNPG
SPEIN or SYNAPEMEN
Two businessmen or women
The Association of Professional Bankers
PAIPCE

G. Recruitment and Selection

Recruitment and selection of participants will be key factors in the success of the HRDA private sector training activities. The PSAB will play a key role in the selection process. PSAB members will also be responsible for informing the local private sector community of program opportunities, through newspaper ads, radio announcements, notices at all Chamber of Commerce offices, and through the various employers' associations.

The PSAB, in collaboration with USAID/Niger, should establish criteria for the selection of candidates for internships and short term training activities. Candidates should be selected based both on individual qualifications and on the profile of their firms (e.g., growth potential, job creation potential, priority sectors). The Chamber of Commerce will notify the mission for approval, as well as send an official notice to the appropriate ministry as necessary.

H. Evaluation and Follow-up

An important component of the HRDA private sector program is its evaluation and follow-up. Returned private sector participants should be interviewed upon completion of their program and the training reviewed in light of the desired outcomes initially set. A written report should result from this process. The PSAB should consider the evaluations of past training programs and should adjust subsequent programs as needed.

AFR/TR/EHR will backstop the USAID/Niger training office as necessary and has scheduled at least one annual follow-up trip, coinciding with one of the PSAB meetings, to assist the training officer in programming its private sector training activities. Progress reports on implementation of the private sector portion of the HRDA project will be submitted twice annually as part of the Project Implementation Reports, with a copy to AFR/TR/EHR, so that it may better determine what other support to the mission is needed.

I. Funding

The following summary reflects projected funding levels over the life of HRDA. The amounts for public sector training are illustrative and are based on the buy-in level over the life of the project.

	Private Sector	Public Sector	Total
FY 89	163,000	237,000	400,000
FY 90	199,000	201,000	400,000
FY 91	230,000	170,000	400,000
FY 92	185,000	215,000	400,000
Total:	777,000	823,000	1,600,000

TABLE 1: SCHEDULE OF HRDA PRIVATE SECTOR TRAINING ACTIVITIES

OBJECTIVE	FY 1989	FY 1990	FY 1991	FY 1992
1. PROMOTE PRIVATE ENTERPRISE CREATION AND EXPANSION				
1.1 **SME Unit at CNPG**				
a. Course Development	3 Needs Ass. $18,000	4 Needs Ass. $24,000	5 Needs Ass. $30,000	
b. Imple- mentation	4 In-Country $17,000	10 In-Country $35,000	10 I-C $35,000	10 I-C $35,000
Evaluation Conference	1 In-Country $5,000	1 In-Country $5,000	1 I-C $5,000	1 I-C $5,000
c. Staff Development	2 ST US/Afr $20,000	2 ST US/Africa $20,000	2 ST $20,000	2 ST $20,000
1.2 Training for Women				
	1 TOT w/ TA $60,000		1 TOT w/ TA $60,000	
	1 In-Country $3,000	5 In-Country $15,000	5 I-C $15,000	15 I-C $20,000
1.3 Support to Medium Sized Firms				
a. Entrepreneurs International - **As required and provided funding available.**				
b. IESC Technical Assistance - **As required and provided funding available.**				
OBJECTIVE 2: STRENGTHEN BUSINESS SUPPORT ORGANIZATIONS				
2.1 Study Tour for Chamber of Commerce, CNCE, Employers' Unions, etc.				
		Study Tour $25,000		
2.2 Short and Long Term Training				
	2 ST US/Afr $20,000	2 ST US/Africa $20,000	3 ST $30,000	3 ST $30,000
				1LT/Afr. $45,000
2.3 Support to PAIPCE				
a. Outreach skills	1 In-Country $10,000			
b. Dossier Preparation	1 In-Country PD&S			
c. Training		2 ST US/Africa $20,000		
OBJECTIVE 3: IMPROVING CREDIT APPRAISAL AND MANAGEMENT FOR LENDING TO SMES				
3.1 ARIES project				
	1 In-Country PD&S	1 In-Country PD&S		
ADJUNCT TRAINING				
	5 Regional $10,000	5 Regional $10,000	5 Regional $10,000	5 Regional $10,000
PROGRAM TOTAL	$163,000	$174,000	$205,000	$160,000
INFLATION		$25,000	$25,000	$25,000
GRAND TOTAL	$163,000	$199,000	$230,000	$185,000

TABLE E: HRDA PRIVATE SECTOR TRAINING COSTS

LT TRAINING AFRICA	ST TRAINING US/AFRICA	IN-COUNTRY
FISCAL YEAR 1989		
	2 Programs for CNPG $20,000	CNPG Course Development and Implementation (4) $35,000
	2 Programs for CNCE, Chamber of Commerce, SPEIN, AFC, etc. $20,000	1 CNPG Evaluation Conference $5,000
		TOT and Course Development for Businesswomen (2) $83,000
	5 HRDA Regional Programs $10,000	1 workshop Outreach skills PAIPCE $10,000
TOTAL: $163,000		
FISCAL YEAR 1990		
	2 Programs for CNPG $20,000	CNPG Course Development and Implementation (10) $59,000
	2 Programs for CNCE, Chamber of Commerce, SPEIN, AFC, etc. $20,000	1 CNPG Evaluation Conference $5,000
	1 STUDY TOUR Chamber, Unions, etc. $25,000	Implementation of Courses for Businesswomen (5) $15,000
	2 Programs for PAIPCE $20,000	
	5 HRDA Regional Programs $10,000	
TOTAL: $199,000 (includes $25,000 inflation contingency)		
FISCAL YEAR 1991		
	2 Programs for CNPG $20,000	CNPG Course Development and Implementation (10) $65,000
	3 Programs for AFC, Chamber of Commerce Unions, etc. $30,000	1 CNPG Evaluation Conference $5,000
	5 HRDA Regional Programs $10,000	TOT and Course Development for Business Women (6) $75,000
TOTAL: $230,000 (includes $25,000 inflation Contingency)		
FISCAL YEAR 1992		
	2 Programs for CNPG $20,000	10 CNPG Course Implementation $35,000
1 Program for SME Promotion institution $45,000	3 Programs for SME Promotion Institutions $30,000	1 Evaluation Conference $5,000
	5 HRDA Regional $10,000	5 Course Implementation for Businesswomen $20,000
TOTAL: $185,000 (includes $25,000 inflation Contingency)		

Annex 1

ASSESSMENT METHODOLOGY

The purpose of the private sector training needs assessment was to define, with the USAID mission, a multi-year training plan to promote human resources development within the private sector, either directly by financing participants from the private sector or less directly by strengthening private sector service institutions through training activities. Specific needs expressed by USAID/Niger included: a strategy for upgrading existing private sector support and training institutions in Niger; and suggestions as to regional institutions which offer relevant training.

AID/Washington assigned a two-person assessment team to Niger: a specialist in private sector analysis and a specialist in management training. The Director of the CNPG, Mr. Hassane Kaneye, assisted the team by scheduling and participating in meetings, as well as offering his useful insights. The assessment was completed in three weeks, using the following methodology:

1. Literature Search

Literature on the local private sector, recent economic analyses, and employment/education studies were reviewed (see Bibliography in Annex 6).

2. Contacts with Key Private Sector Players and Support Institutions

A tight schedule of meetings during week 1 and 2 was organized with officials from the Chamber of Commerce, University of Niger, key local commercial banks, major donors (IBRD, ILO), private voluntary organizations (CARE, CLUSA), private sector training institutions (CNPG, OPEN, ENA), business associations (SONHOTEL, Association of Women Merchants), local CPA firms, and employee unions, as well as various other groups.

3. Interviews with a Representative Sample of Small and Medium-Scale Enterprises (SMEs)

During week 2, the team conducted 30 interviews in Maradi, 700 kilometers east of Niamey close to the Nigerian border and in Niamey. A prototype questionnaire with 40 close-end questions was administered in French to the Chief Executive Officers (CEOs) or owners of the firms. The interview lasted about an hour, including an introductory discussion with the CEO on how he had begun his business. (The assessment questionnaire is attached as Annex 2 and a list of all people interviewed is provided in Annex 3.)

Interviews were conducted with small and medium-sized urban and semi-urban firms in all sectors, although industrial firms were emphasized. Representatives from CNPG and OPEN assisted in locating the firms.

4. Tabulation of Questionnaire Results and Review of Preliminary Conclusions

The assessment team regularly reviewed results of the interviews and discussed impressions with USAID staff. At the end of week 3, results from the questionnaire were tabulated and preliminary conclusions were presented to USAID and the PSAB. This allowed for feedback on the nature of the proposed training.

5. Preparation of the Private Sector Training Plan

Prior to departure, the team submitted a final draft of the private sector training plan covering FY 89 - FY 92. This plan was reviewed with the mission in an exit interview. It was agreed that the mission would review the plan in detail during the following two weeks and would submit modifications by cable to AFR/TR/EHR.

6. Follow-Up

AFR/TR/EHR will backstop project requirements, e.g., identifying resources, assisting in organizing study tours or customized training program, and other activities.

DATE: ____________________
INTERVIEWER: ______________

QUESTIONNAIRE FOR PRIVATE SECTOR TRAINING NEEDS ASSESSMENT

NAME: ____

TITLE: ____

COMPANY: ______________________________________

ADDRESS/PHONE: _________________________________

A. YOUR COMPANY

1. Date business created: ____________________

2. Initial mode of financing: ____________________

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

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

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

6. Percentage sales exported _____%.

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

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

9. Is competition:
   - Strong ____________________
   - Average ____________________
   - None ____________________

10. What are the major constraints to expanding your business:
    - Government regulations ____________
    - Credit ____________________
    - Need for trained personnel __________
    - Need for management consultation _______
    - Market size ____________________
    - Economic factors ______________
    - Lack of marketing information ________
    - Other ____________________

B. YOUR PERSONNEL

1. How many employees in your business:
   - Part time ________
   - Full time ________

2. How many managers ________ (if appropriate, classify senior, middle, lower)?

3. How many employees have a high school diploma _____?

4. How many have a college degree ____________________?

5. How many have formal business training ___________?

C. OWNER/SENIOR MANAGER'S PROFILE

1. What is your level of education:
   - High school (diploma? ____)
   - University (diploma? _____)
   - Specialized training (type __________________)

2. How many years of business experience do you have _____ _?

3. What are your personal training needs (rank 5 highest to 1 lowest):
   - General management ______________
   - Financial management _____________
   - Marketing/sales ________________
   - Accounting ____________________
   - Purchasing ____________________
   - Management information (computers) _____
   - Manufacturing __________________
   - Repair/maintenance ______________
   - Business law ___________________
   - Other (specify: ________________)

4. How much time could you devote to training per year? ______________________________

5. How much money would you be willing to pay for 40 hours of instruction______________

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

D. MANAGEMENT TEAM PROFILE

1. What is the level of education of most of your managers:
   - High school ______________
   - University _______________
   - Specialized training _____

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

3. What are your managers' typical training needs (rank highest 5, lowest 1):
   - General management _____________________
   - Financial management ___________________
   - Marketing/sales ________________________
   - Accounting _____________________________
   - Purchasing _____________________________
   - Management information (computers) _____
   - Manufacturing __________________________
   - Repair/maintenance _____________________
   - Other (specify) ________________________

4. How much time could your managers devote to training per year _________________________

5. How much money would you be willing to spend on training for your managers per year ___________?

6. How many of your managers would you want to train _____(___%)?

7. What would be the best format:
   - 1-2 evening classes/week _____
   - 1 Friday p.m./Saturday a.m. _________
   - In company training ________________
   - Other (specify) _____________________

E. WORKER PROFILE

1. What is the average level of education of your workers __________?

2. How many years of work experience do most have ________?

3. Training needs (rank 5 highest to 1 lowest):
   - Reading/writing ____________
   - Clerical skills ____________
   - Bookkeeping ____________
   - Manufacturing/technical skills ____
   - Repair/maintenance ____________
   - Selling skills ____________
   - Other (specify) ____________

4. How much money would you be willing to spend on worker training per year ____________?

5. How many of your workers would you want to train ____(__%)?

6. What is the best format for such training ____________________?

F. EXPERIENCE WITH LOCAL TRAINING INSTITUTES

What local training institutes have you used and how would you
evaluate their programs ______________________________
____
____?

G. OTHER INFORMATION

1. Your age ____________.

2. Total sales for your company in 1987 __________

3. Percentage of sales growth over the last three years __________.

4. What is the future outlook for your business:
   - Excellent ________
   - Good ________
   - Fair ________
   - Poor ________

DATE: ____________

INTERVIEWEUR: __________

QUESTIONNAIRE POUR EVALUATION DES BESOINS DE FORMATION DU SECTEUR PRIVE

NOM: ____________________

FONCTION: ____________________

SOCIETE: ____________________

ADRESSE/TELEPHONE: ____________________

A. VOTRE SOCIETE

1. Date de creation ________

2. Mode de financement initial______________

3. Quelle activite decrit le mieux votre entreprise:
   Fabrication ________ Agri-industrie _________
   Construction _______ Transport _____________
   Commerce __________ Service ________________

4. Etes vous proprietaire _____, directeur general _____, cadre _____, autre _____?

5. Est-ce que votre entreprise est:
   Une entreprise privee familiale ____________________

   Une entreprise privee en societe de personnes _______

   Une entreprise d'economie mixte (privee/publique)____

   Une entreprise publique ____________________

   Une filiale d'une firme etrangere __________________

6. % des ventes l'exportation ______________.

7. Est-ce que le niveau technique des activities de la societe est:
   Tres technique ______
   Moyennement technique ___
   Peu Technique _______

8. Votre concurrence est-elle surtout:
   Des entreprises locales __________________
   D'autres entreprises africaines __________
   Des entreprises non-africaines ___________
   Pas de concurrence (monopole) __________

9. La concurrence est-elle:
   - Forte ________
   - Moyenne ________
   - Faible ________

10. Quelles sont les principales contraintes a l'expansion de vos affaires?
   - Reglementations gouvernmentales ________
   - Credit ________
   - Besoins en personnel qualifie ________
   - Besoins de conseils en gestion ________
   - Taille du marche ________
   - Facteurs economiques ________
   - Besoin de renseignements commerciaux ________
   - Autre: ________

B. <u>VOTRE PERSONNEL</u>

1. Effectif total:
   Plein temps ________ Temps Partiel ________

2. Combien de cadres: ________ (si possible donner cadres superieurs, moyens, inferieurs)

3. Combien d'employes ont leur bac ________

4. Combien d'employes ont fait des etudes superieures____

5. Combien d'employes ont fait des etudes superieures de commerce ________

C. <u>PROFIL DU PROPRIETAIRE/DIRECTEUR GENERAL</u>

1. Quel est votre niveau d'instruction
   - Lycee (bac? Oui _____ Non _____)
   - Etudes superieures (Quel diplome _____)
   - Formation specialisee (Laquelle _____)

2. Combien avez-vous d'annees d'experience des affaires?
   ____

3. Quels sont vos besoins personnels de formation? (5 plus grands, 1 plus faibles besoins)
   - Gestion generale ________
   - Gestion financiere ________
   - Marketing/ventes ________
   - Comptabilite ________
   - Achats ________
   - Informatique de gestion ________
   - Production ________
   - Reparation/entretien ________
   - Droit des affaires________
   - Autre (lesquels ________)

4. Combien de temps pouvez-vous consacrer a la formation par an ______________________

5. Combien d'argent voudriez-vous payer pour 40 heures de formation?___________

6. Quel format d'instruction vous conviendrait le mieux?
   1-2 soirees par semaine______________________________
   Un seminaire vendredi apres-midi-samedi matin _____
   Une semaine a la fois________________________________
   Un conseil particulier ________________________________
   Une formation dans votre entreprise ________________
   Autre (Precisez)______________________________________

D. <u>PROFIL DE L'EQUIPE DE GESTION</u>

1. Quel est le niveau d'instruction de vos cadres
   Lycee (bac?) _____________
   Etudes superieures _______
   Formation specialisee ____

2. Combien en moyenne vos cadres ont-ils d'annees d'experience des affaires ____________________?

3. Quels sont les besoins de formation typiques de vos cadres? (5 plus grands, 1 plus faibles besoins)
   Gestion generale _________________
   Gestion financiere _______________
   Marketing/ventes _________________
   Comptabilite ____________________
   Achats __________________________
   Informatique de gestion _________
   Production ______________________
   Reparation/entretien ____________
   Droit des affaires_______________
   Autre (lesquels) ________________

4. Combien de temps vos cadres peuvent-ils consacrer a la formation par an _____________.

5. Quelle somme d'argent seriez-vous pret a payer par an pour la formation de vos cadres ___________________?

6. Combien de vos cadres aimeriez-vous former ____(__%)?

7. Quel format d'instruction vous conviendrait le mieux?
   1-2 soirees par semaine ____________
   Un seminaire vendredi apres-midi-samedi matin _____
   Une semaine a la fois __________
   Une formation dans votre entreprise_________
   Autre (precisez) ___________________________

E. PROFIL DE L'EMPLOYE

1. Quel est le niveau d'instruction moyen de vos employes ____________?

2. Combien d'annees d'experience ont-ils en general ____________?

3. Besoins de formation (5 les plus grands besoins, 1 les plus faibles)
   Lecture/ecriture __________________________
   Aptitudes d'emploi de bureau _____________
   Tenue des livres compatables _____________
   Aptitudes a la fabrication/technique _____
   Autre (lequel) ___________________________

4. Quelle somme d'argent etes vous pret a depenser par an pour la formation de vos employes ________________?

5. Combien de vos employes aimeriez-vous former ___(__%)?

6. Quel serait le meilleur format d'instruction pour cette formation ____
   ____?

F. EXPERIENCE AVEC LES INSTITUTS DE FORMATION LOCAUX

Quels instituts de formation locaux avez-vous utilise et comment evaluriez-vous leurs programmes____________________
____

G. AUTRES RENSEIGNEMENTS

1. Votre Age: ________________________________

2. Chiffre des Ventes pour votre societe en 1987 __________________________________?

3. % de croissance des ventes pour les trois dernieres annees ____?

4. Quel est le pronostic pour votre entreprise:
   Excellent _____
   Bon ___________
   Moyen _________

ANNEX 3

PERSONS INTERVIEWED

USAID/NIGER

Mr. Michael Kerst, Special Projects Officer
Mr. Gaston Kaba, Training Officer
Mr. Jack Slattery, GDO
Mr. Mark Baudoin, Project Manager, SRFMP Niger

AID/WASHINGTON

Ms. Nancy McKay, AFR/PD/SWAP

PEACE CORPS

Ms. Linda Gray, Director, Niger

TRAINING INSTITUTES

Mr. Hassane Kaneye, Director, CNPG
Mr. Daoura Ibrahim, Training Director, OPEN
Mr. Abdoulaye Djibeye, Legal/Administrative Director, OPEN
Mr. Hachimi Mossi, Director, OPEN - Maradi
Mr. Allambaye Maidagi, Director, ENA
Mr. F. Paul Rouelle, Director, Issa Beri
Mr. Ousmane Sidibe, University of Niamey

PRIVATE SECTOR SUPPORT ORGANIZATIONS

Mme. Saadou, Director of Training, Chamber of Commerce
Mr. Chaibou, Administrative Secretary, Chamber of Commerce, Maradi
Mme. Boucar, Operations Manager, PAIPCE
Mr. Ide, Staff Member, PAIPCE
Mme. Diallo, President, AFN
Mme. Mounkaila, Vice-President, AFN
Mme. Marcel, President, AFC

ACCOUNTING FIRMS

Mr. Gilles Maton, FFA (Arthur Young International)
Mr. Amadou Djibo, Djibo et Associes

DONORS/PROJECTS

Mr. Robert Clement-Jones, IBRD Washington
Mr. Pierre Nignon, IBRD Niger
Mr. Mody, IBRD Niger
Ms. Lisa Matt, CLUSA - APS project
Mr. Sardin, ILO

Mr. Maurice Koue, UNIDO
Mr. Charles Gilbertson, CARE Small Enterprise Project, Maradi
Mrs. Ann Ritchie, CARE, Niamey

BANKS

Mr. Wolfgang Merchez, Credit Director, BIAO Niger
Mr. Cheick N'Diaye, Managing Director, Nigeria International Bank
Mr. Tajammul H. Khan, Managing Director, Bank of Credit and Commerce Niger
Mr. Moussa Haitou, BDRN-Maradi
Mr. Hamida Hamida, Assistant Director, Banque Dar al Maal al Islami

Employers' Unions

Mr. Amadou Ousmane, President, SPEIN
Mr. Ali Soumana, President, SYNAPEMEN

PRIVATE SECTOR FIRMS/COOPERATIVES (N=Niamey, M=Maradi)

AKALI FURNITURE - furniture manufacture, 3 employees (M)
ANEM - air conditioning and electrical repair, 3 employees (N)
BOULANGERIE MODERNE - bakery, 16 employees (Birni N'Konni)
BRANIGER - brewery, soft drink bottler, 280 employees (N)
DJIBO ET ASSOCIES - accounting, tax preparation, 13 employees (N)
ENITRAP -manufacture of paper school supplies, printing supplies, 23 employees (N)
ENTRELEC - electrical/electronic products and services, 32 employees (N)
ETS. EL HADJI AL HASSAN YOUREIMA - manufacture of agricultural equipment, beds, chairs, 12 employees (M)
ETS. EL HADJI KALA - import/export, 20 employees (M)
ETS. GONDA GARKI - trading, import/export, 8 employees (M)
ETS. LAOUALI BARO - hotel, commerce, 6 employees (M)
HARAKA - import/export, office services, 6 employees (N)
HOTEL JANGORZO - hotel, 36 employees (M)
HOTEL TENERE - hotel, 60 employees (N)
IMPRIMERIE ALBARKA - printing, 92 employees (N)
MANUTENTION AFRICAINE - heavy earth-moving equipment, sales and service, 70 employees (N)
MME. MARCEL - fish store, 1 employee (N)
PHARMACIE MODERNE - pharmacy, 6 employees (N)
SIM ARTISANS COOPERATIVE - leather goods, 11 employees (M)
SICONIGER - vegetable oils, animal feed (by-product), 48 employees (M)
SNA - manufacture of matches, 78 employees (M)
SOCOGEM - management of central market, 60 employees (N)
SONIA - manufacture of cookies, 67 employees (N)

SONIBOIS - wood products, (no employees-defunct)
SONERAN - slaughter house, meats, 50 employees (N)
SONHOTEL - hotel association, 7 employees, some private participation (N)
SONITAN - tannery, 57 employees (M)
TAPISSERIE NIGERIENNE - furniture manufacture, 58 employees (N)
TOUTELEC - electrical services, EDP equipment, services and training, 20 employees (N)
ETS. ZADA - construction, 190 employees (N)

EMPLOYER/BUSINESS ASSOCIATIONS

Mr. Abdoulaye Jean-Gabriel, SONHOTEL

Annex 4

Private Sector Environment

This annex examines the environment in which Niger's private sector operates. It sets forth the key constraints which slow private sector development, especially that of SMEs, and recommends areas in which training can help alleviate the constraints.

A. Policy Environment and Economic Performance

1. Policy Environment

Following the collapse of world uranium prices over the period 1979-1981, Niger's economic performance derailed. Income from uranium sales dropped while ambitious development continued, with the result that Niger was forced to draw on its official reserves and short-term foreign borrowing at commercial rates to meet a growing deficit. Ultimately, in 1983, Niger had a liquidity crisis as it was increasingly unable to meet its debt service requirements from export income at the same time that external capital sources dried up.

In 1983, the GON put an austerity program, "the interim consolidation program," into place with financial help from the IMF, France and USAID. Its purpose was to restrain public spending and stabilize the economy. By 1984/85, however, Niger's external debt continued to rise, drought set in and the border with Nigeria was closed. In December 1986, the GON and the IMF set up a three year Structural Adjustment Facility which included certain economic policy reforms:

- provision of an environment conducive to increased private sector activity via a changed and improved fiscal and administrative system.

- reduction in the scope of price controls.

- liberalization of marketing/trade.

- reform of parastatal enterprises via privatization, reorganization and liquidation.

The following reforms in price controls and trade have been made:

- products with fixed prices: reduced from 27 to 5

- products with fixed profit margins: reduced from 200 to 39

- allowable mark-up increased to: 35-50%

- without GON approval, companies under the Investment

Code can raise prices yearly by: 7%

- elimination of the COPRO-NIGER import monopoly for all its products

- marketing of agricultural products liberalized.

The GON, however, has been slow to implement many other needed changes in administrative procedures. The delay is in part due to GON reluctance to give up its control of the private sector part of the economy, and in part because of a simple lack of experience and expertise to put the changes into effect.

The World Bank-GON 1986 structural adjustment loan program called for action on three fronts, viz: agricultural policy reform (USAID's Agricultural Sector Development Grant), reform of parastatal enterprises, and strengthening public resource management. In mid-1987, an additional World Bank program, the Public Enterprise Sector Adjustment Program, came on stream to extend the structural reform of Niger's parastatal companies.

The World Bank's fourth Structural Adjustment Loan tentatively will come on stream in FY 1991. It will target both the private and financial sectors.

Only in 1986 did Niger revive its development planning activities. Two major policy shifts have occurred and are summarized below:

a. Programme Significatif de Relance (Economic Recovery Program). The principal elements of this action plan are the public policy changes to be made to revive Niger's economy. The GON acknowledges that its role (now) is to provide a fiscal and administrative environment conducive to private sector growth. Implicit in this acknowledgement is the importance accorded the private sector in the development of the economy, and the withdrawal of the GON from activities (business) which are not naturally (rightfully) those of the public sector.

An outgrowth of the Economic Recovery Program is PAIPCE (the program to support private sector initiatives and job creation). PAIPCE addresses the changes needed in the administrative environment, i.e., reducing and simplifying the numerous counter-productive regulations on business, and doing an up-to-date commercial, investment and labor law codification. The second aspect of PAIPCE addresses public sector overemployment by offering assistance in entering the private sector to those civil servants who voluntarily leave public service.

b. Rural development as Niger's engine of economic growth - as expressed in the 1987-1991 five year development plan. This engine is also export-oriented. Its justification as the engine is that agriculture is the only productive sector large enough to support wide-spread economic growth. The five year plan reiterates the policy shift toward the private sector of the Economic Recovery Program.

Additional steps taken by the GON include active dialogue between it and the private sector, as evidenced by the March 1988 presentation of the Ministry of Commerce's Private Sector Promotion Policy to the private sector, and by the June 1988 Private Sector Roundtable Conference. Both meetings were to solicit private sector reaction to public sector initiatives and to engage the business community in the public policy change process. Specifically, the GON's proposals are:

- gradual disengagement of the government from business activities.

- the creation of a more reasonable, equitable regulatory and fiscal environment based on today's economic realities.

- the creation of conditions to allow the GON and the private sector to work together.

The GON has made minor progress in establishing a more reasonable regulatory environment for business:

- Nigeriens who start a business no longer need prior authorization to do so from the Ministry of Commerce.

- The duration of business licenses now extends from five to ten years (rather than two) for trade and manufacturing activities, and are automatically renewable - provided there is no GON negative decision within 45 days after receipt of the requesting documents.

2. Economic Performance

Niger's economy has performed modestly since its recovery from the 1984 drought, with increases in GDP in 1985 and 1986, and a 5% decline in 1987. GDP should rise in 1988 as the result of a very good harvest. The following table shows the progress of Niger's economic reform program:

Niger: Progress of Its Economic Reform Program

Year	GDP (% gr. rate)	Inflation(%)	Bal. of Paym. Current Bal($mil)	Debt[1] Service
Late 1970s	9	14	(125)	3%
1980	6.3	13.8	(289)	6.7%
1981-1983	(1)	9.5	(105)	22%
1984 (drought)	(16)	8.7	(48)	31%
1985	6.6	7.5	(88)	33%
1986	2	6.5 (est)	n/a	n/a
1987	(5)	6.5 (est)	n/a	n/a
1988	+	?	?	?

Continued overall economic progress is mainly dependent on rainfall and its pattern. Progress in the industrial/manufacturing sector will, in part, depend on the GON's ability to create sufficient incentives and an environment favorable to business expansion.

[1] percentage of goods and services and private transfers necessary to service Niger's external debt. The sudden increase in debt service in the early 1980s reflects the drop in world uranium prices.

B. Breadth of Business Base and Infrastructure

1. Breadth of Business Base

There is little up-to-date reliable information on the number of formal private sector firms, other than a directory published by the Chamber of Commerce which covers only its advertising members. A few aggregate statistics for 1986 and 1987 are available for both the formal and informal private sectors. It should be noted that informal sector statistics are very rough estimates.

- the manufacturing sector contributed less than 2% to GDP (1986).

- Employment (estimated) - 1986

formal private sector	10,100*[2]
parastatal companies	12,700*
GON	32,600
informal manufacturing sector - Niamey only	22,150
total informal sector (1987)	125,000

- Number of Informal Enterprises (estimated) - 1987

manufacturing	4700
service	3300
trade	9000

The above figures show how the informal sector dominates the private sector of Niger. In many ways it is the "lubricant" which keeps the economy moving, supplying many of the needs of the majority of the population. It is also a source of entrepreneurs and entrepreneurship, to be tapped for inclusion in the formal part of the private sector.

Using Chamber of Commerce data, the following table shows how heavily skewed Niger's private sector is toward commerce. Of 232 registered, private companies, 148 (64%) are engaged in commerce. 18 companies are principally engaged in manufacturing, 19 in transportation and 13 in hotelery.

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[2] * in the late 1970s, these two categories together numbered 36,000 employees, and in 1984, 27,000. The uranium "recession" of the early 1980s hit mining and construction employment hard, while the mid-1980s drought, coupled with the ongoing regional economic stagnation further decreased formal sector employment.

Breadth of Business Base

Commercial Establishments	Number
General Commerce, Import/Export	144
beef export (10)	
Clothing/material/ready-to-wear	4
Total	148
Construction and Trades	
Construction/Public Works	7
Carpentry	1
Plumbing	1
Total	9
Transport/Freight Forwarding	19
Hotels/Tourism	13
Industrial Establishments	18
Services	
Refrigeration/Air Conditioning	2
Car Rental	3
Consulting	2
Total	7
Financial	
Banks	6
Insurance Companies	2
Total	8
Other	
Bakeries	3
Garages	2
Poultry Farms	2
Miscellaneous	3
Total	10

The above data, drawn from limited membership statistics of the Chamber of Commerce, is necessarily incomplete, since all firms are not members of the Chamber. For instance, there are six accounting firms in Niamey, four private pharmacies, there are several lawyers and notary publics, as well as printing establishments, and other enterprises some of which do not belong to the Chamber. The above data, however, does show the overwhelming importance of commercial activities, an area of endeavor the Nigeriens choose. Most of the Chamber of Commerce member firms would be classified as medium or small sized enterprises in most West African countries. A small fraction of the informal enterprises would be classified as small businesses. In Africa, the SME subsector, formal and informal, has various characteristics which make it important:

- It creates jobs and thus helps absorb urban unemployment.

- It expands the breadth of the formal business base with new activities, e.g., light industry for import-substituting consumer products and intermediate goods, links to rural productive activities, and a variety of service activities, including maintenance, repair, spare parts, communications, the professions, equipment rental, and tourism. It also expands the depth of the formal business base as it builds on existing manufacturing and service activities.

- It often builds, manufactures, services, transports and distributes what the formal, larger enterprise needs and produces. These upstream and downstream linkages are very important for the health of the private sector, and offer opportunity for the informal business to gradually enter the formal business sector.

- It also develops cross-linkages, which often are the glue binding the private sector together, e.g., packaging manufacturers which are essential to a wide variety of manufacturing enterprises.

- It helps develop a pool of qualified labor, which as it grows becomes increasingly mobile, a requirement for any modern economy.

- It is the wellspring of entrepreneurs, and it is the crucible for entrepreneurs.

- Today's SME is tomorrow's large employer and taxpayer.

2. Infrastructure.

For a Sahelian country, Niger's infrastructure is relatively well developed. Business infrastructure, i.e., transportation, communications, electricity, water and various municipal services are satisfactory, although certain are expensive. Electricity costs approximately two to two and one-half times as much as it does in northern Virginia and four times as much as the U.S. average per kilowatt hour. Businessmen report that water is very expensive at 120 cfa/ cubic meter. Nonetheless, they state that the supply of both electricity and water are reliable, and only those companies which are dependent upon a 100% uninterruptible electricity supply have generator backup facilities.

Communications (telephone and telex) to Europe and the U.S. are reliable, but expensive. Internal communications are somewhat less reliable, but are not considered a real constraint to doing business. Telephone communications with neighboring countries can be difficult, but usually due to the neighboring countries' systems, e.g., inadequate number of telephone lines, antiquated systems. Formal market information, a "subset" of communications, is inadequately developed - with the result that enterprises miss market opportunities, especially in neighboring countries.

Niger's primary road system, principally East, West and North, to its major cities and to its borders with other sub-Saharan neighbors is almost entirely paved, and the roads are well maintained. The Zinder-Agadez road is nearing completion, and paved road links with the northern tier of Nigeria exist. Its secondary roads, all-weather unpaved and unpaved farm-to-market, are considered less than satisfactory, but are being improved.

Niger has no railroad, and being landlocked, depends on foreign ports for the entry of imports. The use of foreign ports coupled with transportation costs for the 1000 kilometer plus trip to Niamey adds $150-200 per ton costs to merchandise delivered to Niamey. The two nearest and acceptable ports are Lome and Cotonou. Lome's port has Ro-Ro capacity to handle both 20 and 40 foot containers. For efficiency and the avoidance of theft, most general cargo is handled in containers. Businessmen report that Lome, while slightly more expensive than the Cotonou/Parakou (Benin) alternative, offers more security. For goods shipped through Benin, the rail link Cotonou/Parakou is used, followed by transfer to truck at Parakou, offering real theft possibilities. Nigerien businessmen also report serious delays in moving goods through Parakou. In any case, businessmen tend to use contract transportation for goods transshipment, shifting the risk (and cost) of theft to the trucking company.

Niger is served by a few international air carriers, but with nowhere near the frequency of Lome or Abidjan, for example. Air freight, as in the rest of West Africa, is very expensive. Internal air service is very limited, as a result of the failure of Air Niger. Weekly service to Agadez is offered, but the timing is extremely inconvenient, viz: Tuesday arrival, Thursday departure from Agadez. One charter air company operates, at very high rates.

The principal constraint which Niger's geography poses is that of the added transportation cost on goods. These costs add to the uncompetitiveness of Nigerien manufactures and imported consumer products vis-a-vis those of Nigeria which are increasingly flooding Niger's markets.

C. Banking/Financial Sector

SMEs cite their lack of access to credit, from working capital to medium/long term financing as a key constraint to both the healthy operation of their businesses and to their expansion plans. They also cite an aggravating factor, i.e., the length of time to collect their GON accounts receivable - as much as four months at the end of the GON fiscal year. Given the excess liquidity of the banking system and the GON's accent on the development of the private sector, why is the small businessman having such problems?

1. Characteristics.

Niger has relatively few commercial banks and other financial institutions. By early next year the country will have one less commercial bank as the BICI is folded into the BIAO, leaving Niger with five commercial banks, two development banks, four insurance companies, one savings bank, and a mortgage lending institution. A regional bank, ECOBANK, 90% privately owned, opened its headquarters in Lome in May 1988. Affiliated with ECOWAS (The Economic Community of West African States), it was established to lend to the private sector in an effort to foster regional trade. It will target local and regional businesses, including SMEs, for lending. ECOBANK indicated that it would consider lending to SMEs in amounts as low as 1.5 million CFA.

Niger is a member of UMOA, the West African Monetary Union. As a member it shares a common central bank (BCEAO), a common currency (CFA) linked to the French franc, and an overall set of credit and monetary policies.

2. SMEs: Credit Policy

The BCEAO provides for preferential interest rates for SMEs, based on a special rediscount rate of 6% plus a spread of 3 percentage points, or a total borrowing cost of 9%. An SME qualifies for this rate provided its outstanding indebtedness does not exceed 30 million CFA, and it is managed and majority owned by nationals. Terms (maturities) of loans vary slightly between banks, with a medium term loan usually running anywhere from two to seven years. No banks report that they make long term loans to SMEs. For the business with indebtedness over 30 million CFA, the going interest rate is 13.5% + 17% TVA, negotiable.

3. SMEs: Credit Availability

SMEs are correct in their complaint that credit is increasingly difficult to obtain from commercial banks. What little credit made available to SMEs is largely for short-term financing of current operations. Even those firms with long standing relationships with their banks and with track records of profitability report difficulty in getting additional credit to finance expansion of operations. Businesses report being held to the BCEAO credit limit of 30 million CFA.

The World Bank's industrial credit line for SMEs (approximately 500 million CFA) at the BDRN is open for:

- medium term loans (maximum seven years) for equipment, construction and other capital investments

- working capital loans (maximum two years)

- manufacturing, services, hotels, agriculture and transportation

There are no stated minimum or maximum amounts on the loans, and the credit is on-lent to the final borrower at 11%/year. There has been little movement of these funds, principally because of the lack of viable business proposals and the deteriorating state of the economy.

Although there is political pressure put on banks (as in most francophone African countries) to devote a certain percentage of their lendable funds to financing SMEs, the banks are extremely reluctant or unable to lend to this sub-sector. Various reasons lie behind the commercial banks' reluctance/inability to lend to SMEs:

- The high percentage of formal SMEs in very serious financial difficulty or in liquidation.

- Commercial banks' traditional aversion to risk and to longer-term development-type lending; their lack of incentive to diversify away from existing, highly profitable, short-term commercial lending activities.

- The failure of the CNCA, and the continuing portfolio and management problems of the two remaining development banks (BDRN and le Credit du Niger), have made the commercial banks even more leery of lending to other than commercial customers.

- Commercial banks' general lack of in-house ability to assist the fledgling entrepreneur with the necessary business skills; their lack of in-house capacity to identify and evaluate new SME clients, to work with, monitor and follow-up with this class of client, and an absence of work-out procedures once a client runs into business difficulties.

- The interest rates allowed on SME loans currently only exceed the interest rate paid on BCEAO money market instruments by one percentage point, not enough to cover the higher risk and higher transactions costs of lending to SMEs.

- SMEs' lack of expertise in preparing appropriate business proposals and credit applications, as well as serious questions about the viability of proposed activities.

- The lack of investment capital of SMEs. Depending on the activity/perceived riskiness, the start-up SME must put up 20 - 50% of the total investment required.

- SMEs' general lack of business experience and management ability, especially serious and evident in many former parastatal/"mixed economy" companies whose ownership has been totally or partly sold to private interests.

- SMEs' lack of suitable collateral and banks' inability to attach certain assets in the event of default. The judicial process is extremely slow and judges often condone debtors in default of a legal obligation.

- The small number of SMEs which actually succeed.

- The "commercial" mentality of many new entrepreneurs.

4. Commercial Bank Flexibility vis-a-vis SMEs.

In spite of the current high degree of reluctance to lend to SMEs, certain commercial banks expressed a willingness to entertain SME lending under the right conditions:

- NIB: might consider short term lending, i.e., three months loan for $1 - 2 million at 13% annually, with a lien on the goods (inventories). Would be a bit more disposed toward SMEs for a depository relationship, or for overdraft facilities if they have good treasury management. Bank could eventually give working capital loans if the borrower proved to have a good track record and good accounting records.

- BIAO: presently unwilling to lend to SMEs while money market instruments are yielding 8%. Normally would consider overdraft facilities, working capital and short-term loans where borrower has good track record and offers sufficient solid collateral. Able to consider lending 60-70% for medium-term loans for vehicles, with a lien on the vehicles. The BIAO has just purchased BICI-Niger from the Banque Nationale de Paris, and will be undergoing reorganization. It lends to cooperatives for economic activities under aegis of APS project (USAID project and guarantee fund).

- BCC: Smaller clients could be of interest, provided they bring 20-50% of the investment and have sufficient collateral. The proposal has to be sound and the borrower must have a good track record. It may also require the co- signature of a "highly respected" individual. The bank prefers depository relationships, but anyone can apply for a loan.

- Banque Dar al Maal al Islami: requires classic commercial bank criteria, including track record and sound collateral. For smaller clients, working capital loans would be considered first. For medium term loans, the borrower must bring 30% of the investment. Being an Islamic bank, it does not charge interest, but takes a one time commission on the principal of the loan, e.g., for a working capital loan - 10%; for a medium-term loan, effectively, 10-11%. The bank does not offer long term loans. The bank participates in loan programs for rural artisans (USAID guarantee fund) and for animal husbandry (USAID project and guarantee fund).

The BDRN, Niger's principal development bank only lends their own funds on a short-term basis, applying the usual commercial bank criteria. For medium-term loans, donor lines of credit are used, onlending to the final borrower at somewhat preferential interest rates.

The BCC and the Banque Dar al Maal expressed more interest than the three other banks in possible lending to SMEs. For those borrowers bringing little or none of their own investment, a minimum spread of three percentage points plus some form of loan guarantee mechanism would probably be required for these banks to entertain lending. These banks might consider creative loan mechanisms, such as undertaking a package of sound SME clients with a two to three year track record of increasing profitability, a zero default rate, and some sort of short-term (one-two years) guarantee scheme (see DAI's mid-term evaluation of the Community and Enterprise Development Project in Senegal, June 1987, pp. 85-86 for a description of loan packaging). These banks might also be amenable to accepting mutual loan guarantee societies whereunder members contribute to a guarantee fund to insure against individual member default.

The foregoing is to demonstrate that commercial banks will entertain SME lending under the right conditions. As they are under political pressure to lend, "creative" approaches to them can bear fruit. Today's small, risky start-up may be tomorrow's solid customer, with a variety of credit needs. This concept appears to be in the thinking of the Banque Dar al Maal, and could be instilled in the BCC. The BIAO, with its forthcoming reorganization, appears less likely to be receptive. This could change once the reorganization is complete. The NIB and the BDRN are the least likely to be interested.

D. Human Resources

Given Niger's continuing economic stagnation and its growing urban unemployment[3] and underemployment, the question of human resources and how to employ them is key today, and will soon be critical. Like many other West African countries under donor pressure to reform, Niger has undertaken economic reorganization policy actions which, in part, entail the restriction of government employment, the shedding of uneconomic parastatal companies, and a program designed to induce voluntary departure from government service with subsequent entry into the private sector.

Tomorrow's criticality stems from the fact that the formal private sector is extremely small and is in very bad shape -competitively, and therefrom, financially. Add to this fact Niger's educational policy since independence, which was aimed solely at educating and grooming future civil servants, and it becomes evident that not only is the "source" of demand small, but also the current supply of future businessmen and managers is small.[4] The questions therefore are how to revive the formal private sector, and how to "retread" both current departing civil servants and University/high school graduates so they become potential entrants into the private sector. Following are observations on Niger's pools of entrepreneurs, management and labor.

1. **Entrepreneurs:**

Niger's pool of true entrepreneurs is small. Niger has many traders, but the country has very few real businessmen with the management skills, vision, drive and intestinal fortitude to take large risks over the long haul. Nowhere is this more evident than in the cases where parastatal companies were taken private by sale of GON shares to large traders, the only individuals who could afford to purchase the shares. These individuals are absentee owners with little knowledge of or interest in the sound operations of their firms, other than the immediate profit potential - of which there is extremely little.

As in the case of other West African countries, there is more entrepreneurial spirit than there is entrepreneurial ability. The ability is that which must be developed and nurtured. Following are the missing elements, and therein the need for short-term

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[3] Although no reliable unemployment statistics are available, unemployment is known to be a serious and growing problem.

[4] this situation will be further aggravated by the fact that primary school enrollment is very low, and thus output is low, especially in French.

practical training in developing entrepreneurship and management skills.

- there has been little opportunity for true entrepreneurs to develop, given the thrust of the educational system and the earlier economic "dirigiste" policies of the GON.

- the fact that the vast majority of new "entrepreneurs" simply do not know what business is all about, i.e., how to structure and organize a business, what financial responsibility is, the notion of capital, and the fact that a productive enterprise is not run on a deal-by-deal basis. Largely absent is the understanding of the long-pull nature of market-driven producing enterprises.

- the lack of financial responsibility, which includes the notion of capital, is an ingrained attitudinal problem, which appears in the use of revenues (not even profits) to satisfy perceived pressing social and/or personal needs, rather than the use of revenues to strengthen and solidify the business.

- training is shunned by some entrepreneurs, since much of the training offered to date has been of the classic lecture/seminar type, rather than hands-on, practical, oriented-to-their-problems training. Some are not used to seeking out training, feeling that they fulfill their firms' important positions - owner, manager, accountant, cashier (i.e., they are unable to delegate authority). Some entrepreneurs interviewed expressed surprise at the notion of paying for training.

Entrepreneurial ability does show up in the informal sector, where there are instances of Nigerien-owned, non-trading establishments that are on-stream, and are of the size and sophistication which could qualify them as formal small size enterprises. These are self-made individuals, with an intuitive sense of their market(s) based on experience, and a clear idea of the constraints facing them. These too are candidates for business training.

Fortunately, Niger does not yet suffer from the "imitation" syndrome, whereunder fledgling entrepreneurs blindly rush into business activities with easy entry, i.e., low capital requirements, easily satisfied urban markets, and a low level of business sophistication. This is a phenomenon of many West African countries undergoing "compression" of government employment, where those who are laid off and encouraged to enter the private sector soon saturate a limited number of business activities which are easy to enter, viz:

- Bakeries
- Pharmacies
- Transit/transportation
- Construction
- Printing
- Services: accountancy, computer services

2. **Management:**

The vast majority of Nigerien businessmen and new entrants into the private sector lack management skills and know-how. There is also a lack of hands-on experience in general management, business organization, personnel management, financial management, production skills, including scheduling, and most important, all aspects of basic marketing. Following are the problem areas that need to be addressed:

- all of the absent business skills, but especially markets and marketing - given the overwhelming competition from Nigeria and the Far East in many consumer products. Nigeria, however, because of its proximity, market size, and other characteristics offers market opportunities for Niger's private sector.

- the "diploma syndrome" of University graduates who feel they have an entitlement to be hired directly into management and who have no desire "to get their hands dirty." The established businessman feels that the theoretical, public sector-oriented education of the University graduate is of little use in the real business world, and in fact would rather hire the high school graduate, who comes with few pretensions. Even the banks report that basic technical knowledge (accounting, financial analysis) is absent, explained by Niger's basic educational system and a reflection of that system. By contrast, banks in Senegal, Togo and Zaire, for example, report a good supply of well-trained people.

- the lack of middle management (cadres moyens), experienced and ready to assume responsibility immediately. This is symptomatic of a larger problem, i.e., the absence of a broad and deep pool of labor and managerial talent. Unfortunately, Niger, unlike some other countries (Zaire, Togo, and Senegal, for example) never developed a pool of talent which is of the size that permits it to be easily tapped and which itself is mobile. This is in large part due to the relatively small size of the formal business sector.

3. **Labor**

In general, the labor supply is abundant given the growing number of unemployed and the stagnation/decline of the manufacturing sector. While labor turnover is not a serious issue, the ability of a firm to replace employees with better qualified ones is severely hampered by the legal restrictions (labor laws) on dismissing employees. It is virtually impossible to fire those with seniority, in order to hire younger, better educated, more trainable employees.

The Nigerien labor force, viewed from the perspective of the business owner/manager, has various negative characteristics and weaknesses:

- a very thin labor market in the sense that it difficult to find experienced employees ready to fill a position, and who will actually want training in order to get ahead.

- those coming out of the very few vocational institutions have a decreasing amount of basic knowledge, e.g., one company reports that graduates simply do not know how a motor functions.

- no attention to detail and doing a 100% job. A complete mental "compartmentalization" of duties in all departments, best summed up as "it's not my job to check the bolts," with the result that products leave a factory incomplete.

- the employee does not see how his work relates to the effective functioning of the company.

- worker-management friction, caused in part by strong labor unions. Also worker-worker friction, especially in technical areas of activity.

- a lack of employee responsibility or dedication to the firm, which shows up as absenteeism, lack of punctuality, theft and little interest in job advancement or increased responsibility. Job dedication also runs counter to the extended family system and its demands on time and money.

- illiteracy and inability to do arithmetic are constraints where the ability to measure accurately is important.

- the notion of maintenance, especially preventive maintenance, is largely absent.

- a mixture of discipline, incentives and constant supervision is necessary to have a productive labor force.

- the usual "petit frere" syndrome, where government officials pressure businesses to hire relatives, whether qualified or not.

The upshot of the foregoing weaknesses of the labor force and the poor quality of employee coming out of training institutions is that the company does most of the training itself. This is true in much of Africa, with the positive result over a long period of time that a pool of skilled labor develops. Niger's problem is that it can not wait this long. A bright spot in an otherwise bleak situation is that product quality, as a concept, is beginning to be recognized as something desirable. This stems in part from a history of craftmanship in certain activities and in part from the comparison Nigeriens are making between Nigerien products and many shoddy goods coming in from Nigeria.

Finally, businessmen report that unions are strong, and depending on the union, can be reasonable or highly unreasonable in their demands on management. Strikes are legal in Niger. Businessmen report that employee unions have a solidarity of purpose, which employer "unions" do not have. Employers tend to view needs from their own personal or company perspective, not across the span of private sector or manufacturing sector needs. This tendency puts the employers at a disadvantage when facing employee union demands. Employee unions are grouped under an overall union umbrella, the Union des Syndicats de Travailleurs Nigeriens.

E. Economic and Industrial Potential

Many businessmen and bankers are pessimistic about the future of Niger's economy. The continuing economic stagnation (domestic and regional), the onslaught of Nigerian imports, and the decay of the formal manufacturing sector, give rise to their pessimism. Following is a capsule description of the major productive sectors of the economy and their general potential for growth as well as the potential for SMEs:

SECTOR (% of GDP)	POTENTIAL FOR GROWTH
Agriculture (23% of GDP-'87)	- fair to good for cowpeas, onions, garlic, for export to regional countries, especially West African coastal city markets.
	- limited for fruit and vegetables for European winter markets; Niger would be a late starter in this market, and must meet quality, quantity, delivery date and regulatory requirements.
Livestock (18% of GDP-'87)	- good for animal hides/skins if able to rationalize industry operations and regain collection activity from Nigerians.

- fair for meat if able to rationalize industry operations, including spin-off of retail market segment to private sector and later transfer of institutional and export markets to private sector.

Manufacturing
(2% of GDP-'87)

- poor or non-existent for many consumer products due to flood of imports from and through Nigeria.
- fair for light industry tied into rural productive activities and along the food chain from farmgate to market, e.g., agricultural equipment, tools, storage, cold chain, some processing.
- good for textiles (domestic and export) given high quality of Sonitextil's production. Dependent on weather conditions for cotton production.
- fair/good for niches in northern Nigerian markets based on products not produced/not available in sufficient quantities or quality. Depends on ability of Nigeriens to research markets and differentiate their products based on quality, price, style, design, ability to supply, etc.

(informal mfg)

- fair for artisanal activities, e.g., iron work, carpentry, furniture, simple hardware, construction materials. Product quality starting to be recognized as a sales factor.

Mining
(8 % of GDP-'85)

- limited. Uranium: prices assumed to remain flat. Iron ore, coal: world awash in these raw materials; domestic market

Tourism/hotels (n/a)	- moderate. Dependent on rehabilitation and improvement of existing hotels, as well as creation of most supporting infrastructure, and professional promotion efforts.
Transportation (4 % of GDP-'85)	- depends on state of economy and numbers of unemployed/voluntary departures who enter this activity (relatively easy entry).
Construction (3 % of GDP-'85)	- poor in near term; industry suffering today; highly dependent on state of economy.
Services (9 % of GDP-'85)	- moderate. Domestic urban markets: product repair, spare parts, maintenance, certain professions, training, office services, printing, edp sales/service, contracting out certain government and municipal activities.

The areas of most potential SME (including larger informal enterprises) growth appear to be:

- Light industry which services domestic, urban markets where product quality and timely supply are important criteria: (e.g., metal and wood products, simple hardware, automotive replacement parts).

- Some operations ancillary to agricultural production, i.e., agricultural equipment/tools, storage/cold chain construction, selected food processing, institutional food markets.

- Operations ancillary to other basic sectors, e.g., construction - provided there is an economic turnaround. A variety of operations along the "construction chain": building materials, iron/wood intermediate and finished products, glass products, simple hardware, office and home furnishings.

- Services for domestic urban markets, i.e., to industry and to government. Maintenance, repair, office services, consulting, management accounting, training, subcontracting of computer/word processing services. Operations ancillary to expected growth in tourism - these operations are almost nonexistent today: tours, tourguides, minibus transportation, convenient shopping, in-country air transportation, boating, fishing, hunting, camera safaris, etc.

The continuing economic stagnation, low purchasing power, small domestic markets, high cost-low productivity export activities, and the overwhelming presence of Nigeria mean that the choice of profitable SME activities is largely limited to certain domestic needs. In the longer term, Niger could be a larger supplier of certain food and food-related products and light manufactures for its neighbors, particularly Nigeria. A growth strategy would entail producer/manufacturer organization, serious market research to find market niches (where there are product shortfalls, quality differences, price differences, etc.), the ability to spot and/or create market opportunities, the ability to move fast, and the ability to capitalize on the often-reported disorganization of Nigeria's producers.

A market factor which is repeated by many businessmen is that of product quality. The comparison is always made between Nigerien and Nigerian products, with Nigerian products called down for their shoddy quality. The assessment team got what it believes to be a fair assessment of quality for a number of products which both countries produce, viz: biscuits, school supplies (paper products), textiles, simple agricultural equipment and tools, furniture (wooden and upholstered), animal hides and skins, leather goods, and a variety of artisanal items. The fact that quality is beginning to be recognized by the consumer as a desirable product attribute adds a useful tool in an otherwise meager array of marketing tools at the disposal of the Nigerien SME.

In economic parlance, "the importance of being small," means that Niger could "ride on the coat tails" of Nigeria without being a threat to it. As mentioned above, it entails finding the opportunities and niches which Nigeria can not fully exploit at home. Domestically, the SME is forced to avoid head-on competition with lower priced, and often smuggled, simple consumer items. It must develop marketing expertise and an agility to blunt the flood of imports where it can, to capitalize on existing market opportunities, and even to create new opportunities for itself.

Finally, Niger must learn the lesson of comparative advantage and disadvantage. One recommendation of the Private Sector Roundtable Conference was that of the manufacture of bottles and glass. The recommendation appears to be based on the fact that most of the raw materials are available locally. Glass production, however, is capital intensive and demands a degree of technical expertise. In spite of the availability of the raw materials, Niger may be at a comparative disadvantage to a country with glass making facilities already in operation, and would be better served (cost-wise) by buying bottles. The lesson of comparative disadvantage is to learn how to trade on and take advantage of world markets. World markets are an alternative, often cheaper, to self-sufficiency.

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

Private sector development, and in particular that of SMEs, is affected by six types of constraints, four of which directly affect the training needs of the SME.

Type of Constraint	Degree of Bearing on SME Training
Administrative and Bureaucratic Factors	Minimal
Business Formation and Taxation	Minimal
Access to Credit	Strong
Government Policy Actions	Strong
Economic and Market Factors	Strong
Characteristics of the Private Sector	Strong

1. Administrative/Bureaucratic Factors and Business Formation/Taxation

While these factors have little direct bearing on training for SMEs, they are important constraints to growth of SMEs. The principal complaint about administration and bureaucracy is the overly complex and time-consuming procedures involved when one deals with the government. The bureaucracy is so cumbersome that there is at best a 50% public sector implementation rate on donor funding destined to support the private sector, and according to the World Bank, even the Chamber of Commerce is criticizing the GON for its slowness in getting things done.

The second aspect of the bureaucracy is the lack of legal codification on one hand, and on the other the plethora of "textes," or government pronouncements on taxes, customs duties, doing business , establishing a business, etc. These "textes" are very "flexible" in their interpretation by whatever government agency (ies) involved. When there is a question to be resolved or a business need to answered, the formalities require an inordinate amount of time.

The third aspect of the bureaucracy is the continuing legacy of government control over business. This control is symbolized today by the tax system, customs controls, the labor department and to a much lesser degree, the economic police. Price controls have been removed from many products, business now has some autonomy in setting profit margins and the economic police's role is much diminished. Lacking sufficient personnel, the economic police only concentrate on the larger business establishments.

Nigerien businessmen report that corruption (payoffs) never has been an important element of doing business.[5] Occasional small "emoluments" help speed paper along, and contacts are important. "Influence" only becomes a factor when large contracts and business deals are at stake.
Nigerien businessmen are legion in their complaints about the "cascade effect" of the tax system, i.e., taxation is heavy and the system is complex. A second disagreeable facet is the severe penalization a businessman faces if the tax authorities deem he is not "en regle" (in order). A businessman who is late in paying his taxes faces an immediate 10% penalty plus 1% per month he is overdue. Failure to file returns results in a 200% penalty, plus the "normal" 10% and 1% per month penalty. The businessman can appeal through the hierarchy of the tax authorities (a long, time-consuming process) or he can settle.

Following is the array of taxes business faces:

1. Tax on profits — 45%
   (recently reduced from 50%)

2. Tax on gross revenues — 1%
   (New businesses are exempt for two years, and businesses being reorganized are exempt for three years)

3. Tax on physical assets - based on the rental value of buildings, and at different rates for machinery, tools, office furniture, vehicles. — 4-12%

4. Tax on real estate (of net revenue) — 25%

5. Tax on general expenses — 30%

6. Tax on apprenticeship - of total salaries paid: — 1.2%
   (this tax can either be paid or the business can use this amount for employee training)

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[5] except for cross border trade with Nigeria. One businessman stated "that the wheels have to be greased all the way from the bank to the interior of Nigeria."

7. Patente - (lump-sum business tax): yearly, amount depends on the activity, e.g., a merchant - $1350; a hotel - $1860; carpentry shop - $600; trucking firm - $8300.

8. Tax on value added - depending on nature of business: 10 - 24%

9. Tax on services (equivalent to TVA) 17.4%

10. All manner of licenses, and taxes on specific products.

The heavy, complex, punitive tax system comes from the French concept of an all powerful fiscal authority and inspectorate, based on the old French anti-business bias, best summed up as "anyone who is on their own must be cheating." The GON, as is true of the other West African francophone countries, does not understand that a tax system can be used to stimulate the private sector, as well as collect revenues for the government. Moreover, IMF pressure to collect more revenue to help set the economy right, coupled with the flood of smuggled, non-duty paying goods, combine to increase the tax pressure on the formal business sector. By contrast, the large informal business sector, "stays out of sight," and pays little or no taxes, much to the annoyance of the formal business sector.

Business formation is a complex procedure, entailing seven major steps, and depending on the activity, as many as an additional 32 "sub-steps," (10 substeps alone to be registered in the Business Register). Since July 1987, Nigerien-owned start-up businesses are not required to obtain the authorization to open a business (step one), rather they can write up a company charter, go to a notary public, who will take care of the intervening sub-steps precedent to getting one's business license. Accountants report, however, that the notary public operation can take as long as two years, since they are submerged in work. Even if the charter is not yet published by the notary, in fact, the business can operate anyway.

Thus, the new entrepreneur certainly has ample incentive to remain in the informal sector, relatively invisible to the tax authorities, just paying a minimum "base, lump-sum yearly tax," depending on the nature of his business activity. The other alternative is to hire an astute accountant to help him evade the greatest amount of taxes possible.

Interestingly, Niger's tax on gross revenues is much lower than many other African countries (for example, in Togo the rate is 14%). This is very important for the survival of the start-up enterprise. Also, Niger exempts start-up businesses from this tax for two years, to give them a chance to become profitable. In many other African countries, the start-up business pays the tax regardless of a profit or loss situation, which often results in the demise of the new business.

The Investment Code is under proposed revision aimed at bringing it up to date, giving better tax and duty advantages for a business' start-up phase, and a phase-out period of advantages at the end of Investment Code protection. The revisions include the usual priority industries and geographic area (the interior), and call for simplified procedures. One potential problem is the length of time of tax exoneration - 10-15 years for companies under the "priority" and "conventional regimes." Long periods of tax exoneration give little incentive for infant companies to grow up and become taxpayers. Rather, they will hide under the Investment Code protection, doing little to prepare for open, fair competition, and at the end of the 10 or 15 year period will try to bargain for an extension of that protection.

2. Access to Credit

Most SMEs complained that credit is almost impossible to obtain from the commercial banks. Even those SMEs with good track records, and long-standing bank relationships, report that their access to additional credit has been curtailed this year.
While the banking system is liquid, the state of the economy, the increasing financial shakiness (and therefrom, riskiness) of the formal private sector, the relative attractiveness of UMOA money market instruments, and the sheer absence of bankable business propositions account for the very little credit accorded.

Under more favorable economic circumstances, the typical SME lack of access to credit can be mitigated by appropriate, practical training in areas which will make the SME more "bankable." Such training entails the gamut of basic business skills, business proposal and loan application preparation, market/feasibility studies, simple accounting/financial management systems, and understanding the concepts of financial responsibility, capital, credit and repayment. The effectiveness of such training is often ensured by linking it to obtaining credit, i.e., credit is accorded only to viable enterprises (start-up and existing) which have successfully completed the prescribed training.

The training developed and offered should be geared to the factors that will make a business "bankable" to a bank. An example of such a factor, seen through a banker's eyes, is the firm's accounting system. The mere fact that a business has a written accounting system, albeit rudimentary, helps "legitimize" the business in the eyes of the bank. The bank feels more secure, knowing that it can see to what purpose the loan was put, how the business is performing, and therefrom how secure their loan is.

3. Government Policy Actions

The principal policy action undertaken by the GON which affects SME manufacturing activities and those suppliers of services, raw materials, and components is that of economic liberalization - to get rid of import monopolies (de jure and de facto) and to make trade freer. This is a correct step. In many product areas, however, Niger has (had) protected industries, often of one company. Apparently, as in many other African countries undergoing structural adjustment, the potential effects of trade liberalization on Niger's SMEs were neither explored nor anticipated. Moreover, there is a ripple effect on other companies which are suppliers of goods and services to the "primary" companies affected. The following example demonstrates the problem:

> The principal clients of a local electrical repair company are many small and medium sized enterprises which use electric motors in a variety of operations. These motors have to be serviced, cleaned, rewound, and at times completely rebuilt. The company in question reports that this part of its business is just about nil - stating that electric motors, like packaging, are a good barometer of business conditions. The ripple effect for this company is a poor financial year. For Niger, the ripple effect is less tax revenue, and possibly greater future unemployment.

Local manufacturers find themselves increasingly unable to compete with imported goods, legal and illegal. Nigeria is the source of many imports, both Nigerian and other country. Chinese (PRC) matches, piece goods and fabrics show up as China garners hard currency. EEC exports which adversely affect the domestic private sector are powdered milk and poultry products.

The effects of liberalization have direct training implications for the SME. For the Nigerien SME to be competitive under these new conditions, training in the following range of disciplines is urgent:

- marketing, including market research, and all the relevant marketing tools and techniques - to protect and expand current markets, and to find and enter new markets.

- financial management and cost accounting - to attain leaner operations via cost-cutting and cost control.

- inventory and production management - to match, at least cost, raw material and intermediate goods supply with market demand.

- planning for and rapid response to both problems and opportunities.

4. **Economic and Market Potential**

Economic and market factors are of critical concern to the Nigerien businessman. A small, fragmented domestic market, shrinking under the impact of imports, and continuing economic stagnation have and are affecting the very survival of many manufacturers. A number of businesses have gone under and more are in dire financial straits. Of the 25 odd companies in Niamey's industrial zone, six are operative. In Maradi, 14 of the 16 formal manufacturing firms are either closed or in serious difficulty. In short, the formal manufacturing sector is in disarray.

Niger's manufacturing sector will take time to revive, and it will continue to face growing competitive pressures from imports. As mentioned above, SMEs will be forced to "lean down," to produce competitive products, and will have to learn to market their products, as distinct from selling. Most firms interviewed had little idea of how to combat competition, little idea of the tools at their disposal, and even less idea of how to put together a marketing strategy that would allow them to fight back. Marketing training, in all its aspects, is an urgent priority for the SME:

- market research and the development of market information, both domestic and export, to find market niches, to capitalize on desired product attributes, e.g., product quality, packaging, appearance, delivery, seasonality.

- use of marketing tools, e.g., market segmentation - if product quality is desired, "cream the market," leaving the low end for the cheap Nigerian goods. Do the same in northern Nigeria.

- use of other marketing tools, e.g., product differentiation to tap different segments of a market, package size and packaging differentiation, pricing strategies to undercut competition, to capture different market segments, to enter new markets.

Those few companies interviewed that were in relatively good health were employing one or more of the above tools:

- an informal sector manufacturer (12 employees) of agricultural equipment in Maradi sells to Nigerian customers, at higher prices than are prevalent in Nigeria, on the basis of quality. He also sells to customers as far away as Dogondoutchi and Dosso in Niger.

- SONIA, a biscuit manufacturer, not only meets foreign competition in the domestic market (Sonia's prices are 20% higher than Nigerian biscuits) on the basis of quality (taste) and attractive, different sized packaging, but also competes in foreign markets on the same basis. Sonia's markets are 35% export, and the company successfully competes with Ivoirian biscuits in Burkina Faso, Mali, Togo and Gabon.

- ENITRAP, a manufacturer of paper school supplies and paper supplier to printers, successfully competes with lower priced Nigerian products on the basis of quality, and a lean well-run operation.

5. Characteristics of the Private Sector

Niger's private sector has characteristics which are themselves constraints and which have strong implications for training. These characteristics range from "mentalities" or perceptions of business to the way in which businesses are organized and run. Following are the principal characteristics which impede the development of SMEs:

- A lack of entrepreneurial ability: A fairly widespread lack of understanding of the true nature of a productive, producing enterprise. Nigeriens understand trading perfectly well (circulate money and merchandise as fast as possible), but have little idea of how to organize and manage a market-driven enterprise over the long-term. Nowhere is this clearer than in the cases of those state and mixed economy enterprises which were sold to wealthy traders, who are absentee owners, and who have no experience in the operation of a manufacturing enterprise. This is also clear in the case of the informal sector, where a trader will be engaged in a variety of non-trading activities, ranging from trucking to hotels. Typically, he has little, if any, experience in these secondary businesses.

- A lack of financial responsibility: to the enterprise, to its employees and to himself. The mistaken perception is the enterprise as a personal "cash cow" - to be milked early and at every opportunity, rather than the enterprise as something to be nurtured and built for greater future profits and for the well-being of all connected with it.

- A "production" mentality: which says "because I know how to make a product, I'll sell it," rather than a "market" mentality which asks "where are/what are the markets that can be tapped, and how can I best tap them with my product, assets, skills and ideas?"

- A low literacy rate in the informal sector: which in and of itself impedes the movement from informal to formal sector. Illiteracy is an important characteristic behind which the informal sector businessman can "hide," and thus avoid the responsibility of an accounting system, and thereby avoid paying all but the minimum yearly business tax. An additional sore point is the informal sector businessman's ability to become "licensed" to compete for government tenders - often at lower cost than the formal sector businessman, because he pays little or no taxes.

- For University graduates and the voluntary departures from government service: an absolute lack of hands-on business experience and a general lack of understanding of what business entails. Established businessmen state that they need skilled personnel who can be immediately productive - this is imperative given the critical state of manufacturing.

- Some fear and resentment of normal competition: and resentment of employees, who when trained, leave one firm's employ and either go to another, or start their own firm. This is symptomatic of the general lack of understanding of business. Today's new competitor may be tomorrow's partner/collaborator.

The training implications of these characteristics are first, the reconciliation of African values/perceptions with the requirements of business. Second, mentalities and attitudes take a long time to change, and are perhaps best addressed through weaving common threads of necessary attitudinal change in the fabric of all practical business training programs.

Annex 5

Additional Recommendations For The Private Sector

A. Credit

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

1. Develop and train a SME client assistance unit within the BIAO[6] or the BDMI, in collaboration with the selected bank. Both banks have some experience with smaller clients, viz: the BIAO with economic activities of cooperatives under the auspices of the APS project, and the BDMI with rural artisans and with livestock raisers.

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

2. As part of the development and training of an SME client assistance unit, institute collaboration between the bank and a local accounting firm to provide simplified, understandable accounting systems for SMEs. A logical candidate is Fiduciare France Afrique (the local Arthur Young International Affiliate), which has already worked with the CNPG to train internal auditors. An alternative candidate is the Sahel Regional Financial Management Project. The project is interested in developing an accounting workshop for the private sector, and the workshop could be a logical starting point for the development of simplified accounting systems for SMEs.

Two sources of financing technical assistance and/or training are available:

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[6] The BIAO-BICI merger will result in the layoff of over 100 employees. It is conceivable that the BIAO will be receptive to any solid suggestion(s) for retention of the best of these employees in a productive status.

a. The Private Sector Development Support Program, a Bureau for Private Enterprise centrally funded program, contracted to Arthur Young International. Under this program, The Bureau for Private Enterprise co-finances 50% of the cost with the USAID mission.

b. The Financial Management IQC held by Arthur Young International.

3. Develop creative packages/mechanisms to induce commercial banks to lend to SMEs:

a. tailor packages of SME borrowers with good business track records for "sale" to a bank. For example, a bank lends to a package of 20 clients, thereby reducing its transaction costs. A project such as SRFMP assures the follow-up of the 20 "parts" of the package, USAID assumes all or part of the credit risk for one-two years, and the bank and the project share in the loan interest income according to the amount of credit risk assumed by each. After year two, the bank is on its own, with 20 viable clients, borrowing at market interest rates and terms.

b. Establish joint credit arrangements where suppliers of goods and services to business, e.g., CFAO, banks and USAID come together to form a pool of credit, share the risks and the gains, and USAID provides a partial risk backstop on the order of 25% maximum. The role of the supplier is a key to such an arrangement, since it knows its clients' credit-worthiness better than anyone else, and thus brings only the truly sound borrowers to the credit pool of which it is a major partner.

4. Policy Steps

Two areas in which USAID/Niger could work with the GON under the auspices of the NEPRP are the those of bank interest rates and borrower collateral. SME access to credit would be eased if banks were allowed to charge higher rates of interest on loans. The banks interviewed by the assessment team indicated that a three point spread between the UMOA money market instruments rate and loan rates to SMEs could be attractive. The banks also stated that another important constraint they face in lending is the virtual inability to seize collateral in the case of borrower default. If banks were assured of their legal and real ability to seize collateral, the credit situation for SMEs would be eased.

B. Informal sector

A second area of concern is the informal sector, its ability to escape taxation, and therefor the "unfair competition" it offers the formal business sector, especially the SME. An important development objective is to bring the informal sector into the formal business sector - not only for reasons of taxation, but also as a capital and wealth creator (in an economic sense), and to expand and strengthen the business linkages in Niger's economy.

1. The policy component of this area of concern entails taxation, for both the formal and the informal business sectors. A few modest actions have been undertaken and many recommendations have been made for easing the complexity and the cost of taxation on the formal business sector. Little has been said about how to use taxation as an incentive for the informal sector businessman to move into the formal sector.

The prerequisites for successful changes in the tax structure are an economic and a regulatory environment conducive to the growth of business. In short, to draw the informal sector operator into the formal business sector, there must be greater opportunity to make more money in the formal than in the informal sector.

Needed is a tax system which is fair, less complex and less onerous, and which raises as much or more tax revenues across a larger universe of formal sector companies than does the current system. The other half of the tax equation is increased taxes on the informal sector. The objective is to give the informal sector businessman a combination of positive and phased negative tax incentives to transfer to the formal private sector. Coupled with this objective is the solution to the problem of access to credit and the response to the business training needs of the majority of businessmen, formal and informal.

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

C. Markets and Marketing

The third area of concern is markets and marketing. Since markets and marketing is key to the survival of Niger's formal manufacturing sector, the entire marketing chain for products and services in demand (and which could be in demand), domestically and in neighboring countries, should be explored and illuminated. The recommendation of David Wilcock in DAI's August 1987 report, "Agricultural Marketing in Niger...," for rapid reconnaissance commodity studies should be undertaken for manufactures and services domestically, and for manufactures in neighboring countries. The countries to be explored first should be those with the already strongest trade links to Niger , those with the more developed markets, and those with the greater purchasing powers. Those countries are the Ivory Coast, Togo, Nigeria as well as Cameroon, Gabon and Senegal.

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

1. Emphasis on what Niger already does best - in order to reinforce and increase its hold on markets, e.g., livestock, animal products, cowpeas, onions.

2. Search for those markets where Niger's penetration and hold can be increased, e.g., agricultural equipment, biscuits.

Search for new markets, products and services, taking advantage of the dynamics of markets (they change), the lapses of other players (e.g., Nigeria's reported disorganization, shoddy quality of many of Nigeria exports), of niches available, and of consumer needs not being adequately met.

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

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

f. agricultural implements sold to Nigerian customers and distant Nigerien customers on the basis of high quality - domestic and Nigeria markets:	Maradi
g. industrial maintenance/cleaning - domestic market:	Conakry
h. beauty products manufacture - domestic and neighboring country markets:	Dakar
i. oil reconditioning - domestic market:	Dakar
j. orthopedic shoes manufacture - domestic market:	Kinshasa
k. gaskets, other automotive composition/ rubber parts manufacture - domestic market:	Kinshasa

Annex 6

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