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Policy Constraints Affecting Small and Microenterprises:

Summary from the MAPS Experience

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EXECUTIVE SUMMARY

The Office of New Initiatives of the Africa Bureau (ONI/AFR) of the United States Agency for International Development is reviewing its activities in the micro and small private enterprise sector, with a view to the development of support programs for the private sector in Sub-Saharan Africa. Since 1988, J.E. Austin Associates has interviewed a total of 3,833 firms in 13 Sub-Saharan African countries through its Manual for Action in the Private Sector, or MAPS, surveys. As part of this exercise, ONI/AFR has asked J.E. Austin Associates to review its data on small business with the purpose of identifying critical policy constraints.

1. The Data Base

Of the 3,800 firms interviewed about 62 percent were classifiable as owner-operated, micro- (2-5 full time employees) and small Enterprises (6-10 full time employees). The firms represented all sectors of activity. With the exception of a few cases, when the Mission wished to focus MAPS on specific issues and sectors in support of strategy already selected and being implemented, the vast majority of the private enterprises interviewed and whose responses are considered in this report were randomly selected from two broad pools: the formal pool (identified through census data, association membership rolls or government tax rolls) and the informal pool (selected in all cases using a cluster sampling method).

While the universe of firms is impressively large and varied, caution should be exercised when attempting to make broadly valid generalizations. In some cases, survey samples were biased in favor of particular sectors of a country's economy. In other cases, the surveys were taken after a country had qualified for USAID assistance by revising adverse political or economic policies. In a few cases, the cultural biases of the local partner firm eliminated data that observation by the Mission and J.E. Austin strongly suggested did exist. Nonetheless, the data are extremely useful in highlighting constraints to economic development of the smaller private enterprises in much of Sub-Saharan Africa.

2. Characteristics of Small Business

Young: The Sub-Saharan African small businesses studied are on average 7-10 years old, with owner-operated firms and microenterprises being younger than the small enterprises. The true average age for small and microenterprises in Sub-Saharan Africa is probably a bit less than the average from the MAPS sample.

Commerce: The fact that small and microenterprises tend to focus on commercial trade and other services reflects the lower cost of entering these businesses as compared with manufacturing. The concentration in trade also reflects to some degree a strategy to minimize liability to regular taxation, and cope with the difficult operating conditions in these countries, where inputs, maintenance, supplies and skilled labor are commonly in short supply.

Owner-operated enterprises tend to concentrate in agriculture and agribusiness more than micro and small enterprises. This reflects the background skill-set and economy of largely agrarian countries. As firm size increases from owner-operated to microenterprise, commerce and services supplant agricultural activities as the most common from of business activity. This reflects the greater pool of skills and capital available to the larger firm. Among small enterprises (6-10 FTEEs) the order of importance by sector is commerce, manufacturing, agriculture and agribusiness, and services.

Local Focus: Small and microenterprises are oriented chiefly to the domestic market, where, according to survey data, they sell on average over 98 percent of their goods and services. Information gathered from five surveys indicates that owner-operated, micro- and small enterprises export 2.8 percent of their sales on average. The proportion marketed abroad is strongly correlated to firm size. owner-operated firms export the least: 1.4 percent; microenterprises export on average 1.9 percent of their volume; small enterprises report exporting an average of 4 percent of their production.

The high degree of "inward" orientation reflects in part the nature of the goods and services marketed by these companies. Many of these firms operate in the services sector (hairdressers, tailors), and thus find most of their clientele locally. Those active in commerce tend to be involved in break-bulk wholesaling and retailing rather than the larger volumes required for successful exporting. Small firms cannot command the capital resources required to take possession (and assume the risk) of large volumes of goods. Moreover, marketing abroad requires access to information about market opportunities, consumer tastes, standards, etc. Lack of marketing information and marketing know-how is a key characteristic shared by smaller enterprises throughout the continent.

Women: The proportion of women-owned firms is inversely related to firm size. Women own 27 percent of owner-operated enterprises, 21 percent of microenterprises and 14 percent of small Enterprises. Most women-owned businesses interviewed through either the survey or the focus groups were active either in sale or preparation of food (agriculture and agribusiness) or in commerce.

Investment needs: Smaller firms are generally less interested in investing in their human resources. This reflects the few number of workers employed by these firms, their relatively low level of productivity and technology, and the low expectations of their proficiency. Indigenous entrepreneurs express little interest in investing in their personal resources to benefit their employees. Nevertheless, owner-operated enterprises in all countries demonstrated considerable interest in improving the owners' skills.

3. Typical Constraints to Efficiency

Government is not helping: More than one quarter of the over 2,500 owner-operated, micro and small firms interviewed through MAPS surveys and focus groups reported that government policies detract from business performance. Some 13 percent specifically noted their negative impact on sales. Small enterprises, perhaps because they are more sophisticated than the smaller companies, feel these constraints most; 23 percent of small enterprises reported that a drop in sales could be traced to government regulation. The proportion of microenterprises and owner-operated enterprises believing that government regulation affects business performance or sales was smaller, perhaps because many of these are informal and therefore, by definition, operate outside the reach of official control.

Data from surveys and focus group also suggest that economic liberalization, and reduction of regulatory constraints on business, do not always benefit the smaller firms. At least this is what survey respondents in many countries believe.

Taxes: Tax policies were the most frequently cited policy constraint. Direct observation, survey data and focus group discussion results in Côte d'Ivoire, Togo and Guinea suggest that even the "informal" enterprises do pay some taxes, especially to local governments, in the form of periodic market usage fees. Of 1,857 small, micro and Owner operated enterprises in 13 countries responding to the question on taxes, 37 percent indicated that tax policies hurt their business performance. Of the 1,500 owner-operated, micro and small enterprises that responded to a question on the effect of tax policies on their sales volume, 37 percent claimed a negative impact.

Financing: In all countries surveyed, a key constraint to increased production is perceived to be lack of access to finance, either start-up or working capital. This issue is not unique to Africa. Lacking a credit and payments history, owner-operated, micro- and small enterprises in most countries of the world feel they are unjustly denied access to formal or informal lending, and are forced to rely heavily on their limited personal resources. On average over 80 percent of owner-operated, micro and small companies are forced to rely on the Owners' own personal savings for working and investment capital. On average, less than 10 percent of financing from these enterprises comes from the formal banking sector.

Legal Issues: The legal environment was often cited as a key constraint to business operations. In the five countries where this topic was considered, 45 percent of respondents confirmed that imperfect enforcement of contracts renders business transactions difficult in their country. This opinion was strongest among small enterprises, which presumably engage in more sophisticated transactions than Owner-operators or microenterprises. Fifty-one percent of small enterprises noted legal issues as a problem policy area, compared with 41 percent of microenterprises and 39 percent of owner-operated firms.

Land and Property Issues: Secure land tenure is viewed as a constraint to improved business performance by 18 percent of the 2,500 owner-operated, micro and small enterprises surveyed and interviewed in focus groups. The proportion of owner-operated, micro and small enterprises identifying insecure land tenure as a constraint to business operations and growth was almost identical.

Secure use of business premises was viewed as a serious constraint to improved business performance by 23 percent of those surveyed. The proportion of companies which believed this was a serious policy constraint is directly related to the size of the business. While only 14 percent of owner-operated enterprises perceived access to business premises as a constraint to operations, it was an important constraint for 20 percent of microenterprises and 30 percent of small enterprises surveyed in all countries. This correlation reflects the fact that larger and older enterprises, managing a larger volume of business, housing larger inventories of finished and semi-finished goods as well as sophisticated equipment are more likely to require suitably lit, drained, serviced and accessible premises. The smallest of enterprises often operate from home or from the premises of a family member or friend, or simply squat, and are therefore outside what might be termed the formal land tenure system. This may not be an entirely negative phenomenon, as such practices decrease the risk variables by one and permit the Owner-operator to concentrate limited resources on other factors of trade.

Transport and Distribution: The physical transportation infrastructure is an important constraint to improvement of the commercial and social environment of Sub-Saharan Africa. The unit cost of transportation in the region, either by volume, value or distance, is excessive as a percentage of the value of goods or services distributed. The key transport policy issues considered in the MAPS surveys and focus group discussions were transport regulation, transport infrastructure (including ports and roads) and transport quality.

4. Addressing the constraints

The analysis of survey and focus group responses for over a dozen Sub-Saharan African countries reveals that entrepreneurs in Africa are highly responsive to changes in the policy climate. Where the government has embarked on some liberalization or loosening of control over the economy there is an immediate increase in the official establishment of private enterprises. Thus work on improving the general policy environment for business is among the most important activities that can be undertaken to support the emergence and growth of small business in Africa.

The Legal Environment: Weak legal institutional issues are among the more important obstacles affecting business performance and growth in Africa, irrespective of sector of activity. Entrepreneurs interviewed noted repeatedly that this legal framework is missing, making it difficult for the smaller enterprises to plan, invest and expand.

Data suggest that the gender of the owner is in many cases, though not all, related to the legal difficulties expressed by firms in the smallest size categories. Size of firm is strongly correlated to the gender of owner, with the smallest firms twice as likely to be woman-owned than the larger ones. The legal role of women in business varies from country to country. But in most cases women-owned businesses find a more inhospitable climate than other firms in the same size category.

Besides gender, small business satisfaction with the legal environment depends on three factors: the nature of the body of law and regulation, the access of citizens to law enforcement agencies and their equitable application of the law, and the sophistication of the enterprise seeking enforcement of rights. In all three areas the smaller companies, less well endowed financially and in terms of contacts, are at a clear disadvantage.

Commercial Code: In all countries surveyed, the commercial code, and its related commercial courts, are in strong need of revision, modernization and enforcement. Where the countries have inherited codes based on the Napoleonic Code, USAID will have to overcome bias against this legal structure. Where the countries have inherited codes based on English Common Law (largely former British East Africa), USAID will relate more smoothly to the legal concepts. In all cases, and whatever code is applied, all provisions of the code have to be widely published in forms and languages accessible to all business people and their suppliers and customers, and enforced equitably in public fora to which all petitioners have access.

This will necessarily involve reform of the judiciary: including qualifications, appointment and remuneration of officers of the court, independence of officers of the court, and the physical location and distribution of courtrooms.

Equal Access to Adequate Information: Often the difference between the "haves" and "have nots" in the Sub-Saharan African business world is one of access to information. MAPS focus group discussions have confirmed that the smaller entrepreneur of Sub-Saharan Africa, like the smaller entrepreneur in most countries, is often at a disadvantage because he/she does not enjoy the same wide access to information as the larger firms. Gaining access to what by rights is public information requires better relations with civil servants than a person of limited resources, education and circle of friendships can develop. Larger firms typically are better equipped with such resources, which allows them to manipulate the system to their advantage in a manner that the smaller entrepreneur cannot.

Adequate and Efficient Infrastructure: provision of and access to adequate infrastructure is hampered by the inability of local government to mobilize the resources required to carry out its responsibilities. In most cases this can be traced to a "caisse unique", in which the central, national treasury is the sole depository and dispensary of operating revenues. Revenues generated at the local level, and intended for local government activities, are passed up to the "caisse unique" but seldom are passed back down to local government. Improvement of infrastructure may be promoted by policy reforms that empower local government to exercise authority as well as assuming responsibility.

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INTRODUCTION

The Office of New Initiatives of the Africa Bureau (ONI/AFR) of the United States Agency for International Development is reviewing its activities in the micro and small private enterprise sector, with a view to the development of support programs for the private sector in Sub-Saharan Africa. As part of this exercise, ONI/AFR has asked J.E. Austin Associates to review its data on small business with the purpose of identifying critical policy constraints.

J.E. Austin Associates has gathered data on the micro and small enterprise sector through implementation of the Manual for Action in the Private Sector (MAPS) in 18 Sub-Saharan African countries. MAPS, a framework developed by J.E. Austin Associates, Inc. to assist the United States Agency for International Development (USAID) in its efforts to promote economic development through the private sector, has actively sought the views regarding the business climate and the key obstacles to and opportunities for growth directly from the microentrepreneur, as well as from representatives of agencies which work extensively with these types of firms. The instruments used to gather data on this sector are discussed in greater detail below.

1. REVIEW OF MAPS DATA

1.1 Data Sources

MAPS data on small and microenterprises characteristics and constraints were collected in 18 Sub-Saharan countries between 1988 and 1993. Data collection was undertaken primarily through published studies (secondary sources), extensive enterprise surveys (primary sources) as well as focus group discussions (see Table 1).

1.1.1 Secondary Sources: secondary data came from authoritative reports and statistics issued by the World Bank, International Monetary Fund, the United Nations Development Program, host government reports, or on donor and privately sponsored studies.

1.1.2 Survey: surveys of private firms were conducted in 13 of the 18 countries were MAPS exercises were carried out. The survey instrument was in all cases designed by J.E. Austin Associates. The surveys were generally implemented by a partner firm based and locally owned in the country under study. Since 1988 a total of 3,833 firms have been interviewed in Sub-Saharan Africa through MAPS surveys. Given the fact that in most countries Missions have been interested in supporting small, private enterprises rather than assisting major employers, smaller enterprises are probably over-represented in all MAPS surveys. On average about one third to one half of the firms interviewed in these surveys

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have been small and microenterprises (see Table 1 below).[1] Firm level data gathered from these surveys were complemented and augmented through data from secondary sources.

TABLE 1 - ENTERPRISES INTERVIEWED IN MAPS SURVEYS 1988-1993		
COUNTRY	TOTAL SAMPLE SIZE	OWNER-OPERATED, MICRO & SMALL ENTERPRISES
Cameroon	408	159
Côte d'Ivoire	330	284
Ghana 1989	300	169
Ghana 1991	361	195
Guinea	323	124
Kenya	777	519
Lesotho	136	76
Madagascar	350	204
Niger	278	201
Rwanda	260	203
Senegal	114	NA
Swaziland	200	25
Togo	296	213
TOTALS	3,833	2,372
SOURCE - J.E. AUSTIN ASSOCIATES, Inc, MAPS data base		

1.1.3 Focus Group Discussion: in addition to quantitative data gathered in surveys, MAPS exercises included in most cases the collection of **qualitative** data through extensive dialogue sessions with representatives of the small and microenterprise sectors. These sessions included firm owners and entrepreneurs, managers in NGOs and financial institutions which promote and assist this type of client. The dialogue sessions, typically held in small groups of 3 to 8 people for 2-3 hours, discussed at length the entrepreneurs' perceptions of the business environment, key resource constraints, and served as brainstorm

[1] Not all surveys covered the same topics, nor covered them in the same depth. What was covered depended primarily on the topics of interest to the Mission, and the extent to which there were data available from sources other than MAPS studies which could provide similar information. For this reason, not all the country appendices may cover the exact same set of issues, or provide the same level of detail.

sessions to search for mechanisms and approaches to help them overcome obstacles to growth. While firm level data collected through the survey revealed some important commonalities among smaller firms which cut across all sectors and countries, dialogue sessions helped alert the MAPS Teams and Mission to the remarkable variety in the activities and outlook of the small entrepreneur. These sessions suggested the need to develop a variety of mechanisms and strategies for assisting firms in these sectors.

TABLE 2 - OVERVIEW OF DATA SOURCES AVAILABLE FROM MAPS IMPLEMENTATIONS IN SUB-SAHARAN AFRICA

COUNTRY	TYPE OF MAPS	YEAR
Swaziland	Survey, Focus Groups	1988
Lesotho	Survey	1988
Zaire	Secondary sources only	1988
Botswana	Secondary sources, Focus Groups	1989
Kenya	Survey, Focus Groups	1989
Ghana	Survey, Focus Groups	1989
Rwanda	Survey, Focus groups	1989
Cameroon	Survey	1989
Senegal	Survey	1989
South Africa	Secondary sources, Focus Groups	1990
Ghana	Survey	1991
Madagascar	Survey, Focus Groups	1991
Niger	Survey, Focus Groups	1991
Uganda	Secondary sources	1991
Guinea	Survey	1992
Tanzania	Secondary sources	1992
Togo	Survey, Focus Groups	1992
Côte d'Ivoire	Survey, Focus Groups	1992
Ethiopia	Survey (NOT MAPS)	1993

Dialogue sessions were conducted in 13 countries, not all the same countries in which the surveys were conducted (see Table 2). Additional information on the data collection methodologies in each country is provided in Appendix A to this report.

1.2 Representativeness of Sample

The more than 2,500 firms interviewed through surveys or focus groups as part of the MAPS process ranged in size from Owner-operator to thousands of employees. The firms represent all sectors of activity. With the exception of a few cases, when the Mission wished to focus MAPS on specific issues and sectors in support of strategy already selected and being implemented, the vast majority of the private enterprises interviewed and whose responses are considered in this report were randomly selected from two broad pools: the formal pool (identified through census data, association membership rolls or government tax rolls) and the informal pool (selected in all cases using a cluster sampling method).[2]

1.3 Comparability of Data Across Countries and Across Time

Data on microenterprise gathered through MAPS have been collected with a uniform methodology and whenever possible using standard definitions of firm size to facilitate cross-country and cross-time analysis. Thus most issue areas highlighted in this report were identified and analyzed simply by obtaining a weighted average of responses for the over 2,000 companies interviewed as part of MAPS exercises.

The extent to which conclusions regarding the effect of policy issues on small enterprise operations on the firms interviewed can be extrapolated to the universe of small companies throughout Sub-Saharan Africa is limited. Caution must be exercised when extrapolating from responses to MAPS interviews because of three basic limitations with the data: limitations related to the timing, limitations related to the nature of the sampling process and limitations related to the unique cultural contexts surrounding each country. These limitations are discussed in greater detail below.

Timing: The timing of a survey exerts a strong influence on the nature of the responses. MAPS data were typically collected after a host country had qualified in some way for USAID's support. Therefore, it is often the case that data were collected in the period of immediate collective relief from an era of adverse political or economic policies. Thus survey and focus group responses may actually understate the extent to which enterprises in Africa are affected by certain policy or regulatory issues.

[2] See Appendix A for a discussion of the methodology.

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Sampling Techniques: In some cases, MAPS data gathering efforts were focussed on specific sectors of the economy, creating firm samples that are not truly representative of the wider population of enterprises in the country. Thus responses may over-represent the interests and perceptions of a single sector over all others. In some cases, either questions on policy issues or the types of companies targeted for interviews were unique to one country or a small group of countries, to accommodate specific Mission concerns. For example USAID/Cameroon was particularly interested in regulatory and policy issues as well as exporters and exporting activities. Its strategy for private sector development, as articulated by Mission personnel, was driven by the hypothesis that the policy environment was hostile to businesses, and that policy and regulatory burden costs in part accounted for the sluggish economic performance. The Mission was also embarking on an ambitious program to develop a free trade zone (FTZ). Thus the scope of work drafted was adapted so that it would gather data with which to quantify this regulatory burden, particularly on agribusinesses, exporters and foreign-owned firms, as well as examine the potential demand for FTZ activities among these firms. The result is that survey for Cameroon included many questions on regulatory and free trade zone infrastructure issues unique to Cameroon.

Similarly, MAPS data collected in Côte d'Ivoire over-represent the relative significance of health care, medicine, and urban services in the economy. Data collected in Ethiopia are skewed toward printing and publishing. Ghana's two surveys over-represent the relative importance of exporters.

Limitation of Culture: Data were largely collected by nationals of the country under consideration. As in the case of Guinea, where no women Owner-operators were surveyed, the effect of cultural bias can be significant. In Kenya, culture (a traditional mistrust of outsiders) and politics (the fear of reprisal created by jealousy) conspired to severely limit the number of responses which could be obtained from Asian-owned companies. A similar situation arose when organizing interviews and focus groups in Tanzania and Uganda. In Madagascar, the Chinese community was under-represented. In Togo, the interests of residents allied with coastal ethnic groups swamped those of residents of the interior.

The report has tried to note all cases where these types of problems are most likely to emerge and introduce significant biases in the responses. The analysis of responses has tried to compensate for these biases by weighing responses as appropriate. The report also notes, for each category of issue being analyzed, how many responses have been analyzed, and whether the company categories or the issue areas are truly comparable. The section that follows describes in greater detail how firm categories have been standardized to facilitate cross-country comparisons whenever possible.

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1.4 Standardization of Responses

1.4.1 Firm Size: In order to be able to aggregate data from all surveys and interviews, a standard definition of firm size has been developed. This size definition is based on number of people employed. Thus, where possible, responses on firm size have been recalculated based on a uniform size definition based on full time equivalent employees (FTEE):

Owner-Operated:	1 FTEE
Microenterprise:	2-5 FTEE
Small Enterprise	6-10 FTEE

There are two exceptions to this standard firm size definition. In Swaziland and Lesotho the original survey instrument defined a small business as one having fewer than 25 FTEE. This definition reflected the fact that the relatively large number of bigger foreign and local corporations in these countries meant that firms employing less than 25 persons are still small.

The FTEE is probably the single best indicator of size (in terms of salary mass and business turnover) and sophistication of the companies interviewed (see section 1.4.2 below). Nevertheless, FTEE figures are not without their problems in terms of accuracy and validity. For example, there is a reticence, born of the survival instinct, to represent an enterprise as smaller and less significant than it may be. This is to reduce tax burdens and guard against legal or illegal seizure of assets by government officials. Moreover, the definition of an "employee" is therefore fluid. In some countries, employees may be carried on the books as "apprentices" in order to enjoy certain regulatory benefits, such as lower statutory wages and right to dismiss. In many countries, the small operator tends to value the labor of family members at zero. Thus the relation between salary mass and number of workers may not be statistically significant.

It is important to note that even where size categories are comparable, the context in which these firms operate may be so different that aggregating responses across countries is made difficult. Enterprises in Niger and Kenya, for instance, are not truly comparable in terms of FTEE, given the significant differences in the size of the markets they serve. In these cases the report notes those situations where aggregating or comparing responses may not be not feasible.

Aside from firm size categories based on employees, other indicators are usually used to define small and microenterprises. One is turnover. Another is the formal vs. informal distinction, where informal firms are defined as those that are not registered in any "official list" (e.g. the government's tax rolls, or the census or form part of any association). Indeed, all MAPS surveys show a high degree of correlation between the firm categories based on employee numbers and revenue/turnover. MAPS exercises also show a high degree of correlation between FTEE category and the proportion of these firms registered in the census or government tax rolls. But there are numerous problems involved in basing the analysis for this report on enterprise categories constructed on the basis of either turnover or degree of formality. These problems are described below.

1.4.2 Annual Turnover: Few, if any, small and microenterprises have been willing to report this number accurately. Using these figures to evaluate firm size tends to introduce error in the analysis, since it is nearly impossible to correct for firms' systematic under reporting of fixed assets and income. Moreover, given the great distortions of currency value created by exchange rate policies in almost all countries studied, and the problems with under-reporting, standardizing currency units was considered to be a nearly impossible task, unlikely to yield any meaningful or accurate depiction of the firm's real resources or sophistication. Therefore, this report does not standardize responses for currency units.

1.4.3 Formality: Analysis of responses across all countries shows that most micro and small enterprises tend to operate in the informal sector. Generally, "formal" refers to whether the firms appear in an official government registry (in most countries either tax rolls or census bureau lists and/or trade association registries). But definitions of "formal" and "informal" are not always uniform across countries, depending on the legal and regulatory system, making cross-country comparisons difficult.

2. PROFILE OF SMALL BUSINESS FROM MAPS DATA

This section provides a profile of owner-operated, micro and the small enterprises for the countries where MAPS exercises were undertaken. It highlights characteristics shared by enterprises in these size categories in Sub-Saharan Africa. In the sections which follow the reader will be able to appreciate that African owner-operated, small and micro enterprises are in most respects very similar to such enterprises in other parts of the developing world. These profiles enable the reader to place in context the discussion which follows on policy constraints. Detailed profiles of small businesses for each of the 13 countries where surveys were carried out may be found in Appendix B.

2.1 Age of Firms

Firm size and age are strongly correlated. The Sub-Saharan African small businesses studied are on average 7-10 years old, with owner-operated firms and microenterprises being younger than the small enterprises (Figure 1). The true average age for small and microenterprises in Sub-Saharan Africa is probably a bit less than the average from the

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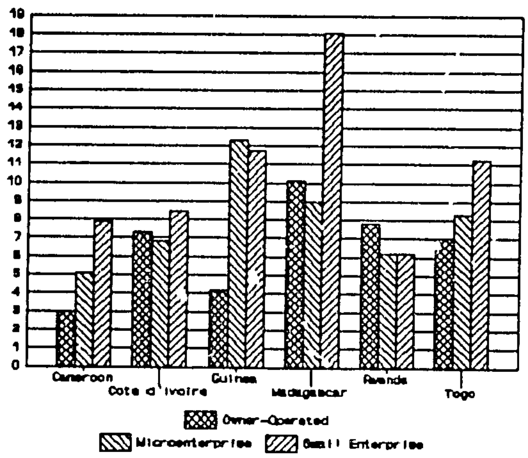
MAPS sample. Surveys taken in Ghana and Kenya, two of the more dynamic and entrepreneurial economies, did not ask the year of firm establishment. Moreover, the proportion of smaller firms in these countries is greater than in Francophone countries. By leaving out the figure on age for these two major Anglophone countries, the responses are probably not truly representative of the universe of smaller firms in the continent.

FIGURE 1 - AVERAGE AGE OF ENTERPRISES



Despite this problem with representativeness of the sample, the correlation between age and size remains valid: in Sub-Saharan Africa, as in other parts of the world, smaller firms tend to be on average much younger than the larger companies.

2.2 Economic Sectors of Operation

TABLE 3 - MAPS: SECTORAL DISTRIBUTION OF OWNER-OPERATED, MICRO- AND SMALL ENTERPRISES[3]

Agriculture and Agribusiness	23%
Manufacturing	21%
Commerce	34%
Services	27%

Table 3 shows the sectoral distribution for enterprises employing fewer than 10 people[4] in the countries where surveys were undertaken. Since some survey instruments permitted respondents to indicate multiple sectors of activities, while others did not, the results above should be taken as indicative of the degree to which small businesses engage in multiple activities, rather than precise estimates of sectoral distribution of small and

[3] Data provided by MAPS surveys of 2,372 firms from all countries except Senegal

[4] Except for Lesotho and Swaziland, where "small" refers to those enterprises employing less than 25 people.

microenterprise activity in Sub-Saharan Africa. This tendency to operate in more than one sector is often a strategy to spread risk, and quite common for enterprises of all size categories in Africa (and indeed the developing world).

The fact that small and microenterprises tend to focus on commercial trade and other services reflects the lower cost of entering these businesses as compared with manufacturing. The concentration in trade also reflects to some degree a strategy to minimize liability to regular taxation, and cope with the difficult operating conditions in these countries, where inputs, maintenance and supplies, skilled labor are often in short supply.

FIGURE 2 - SECTOR OF OPERATIONS
OWNER-OPERATED FIRMS

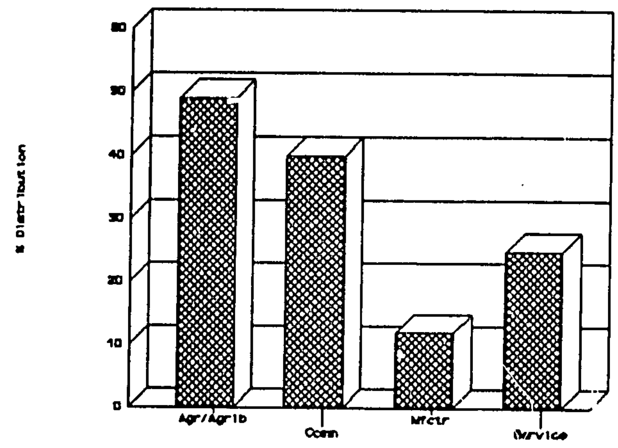
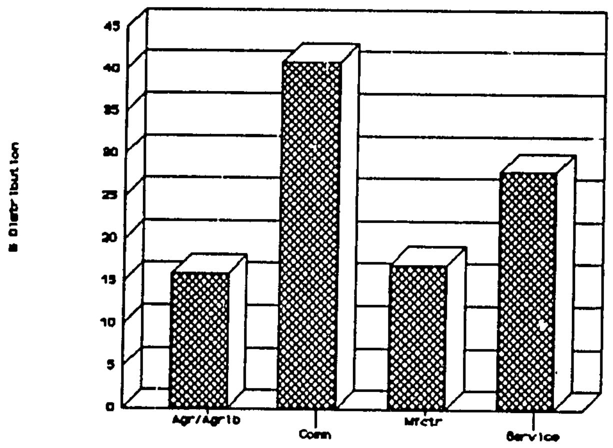


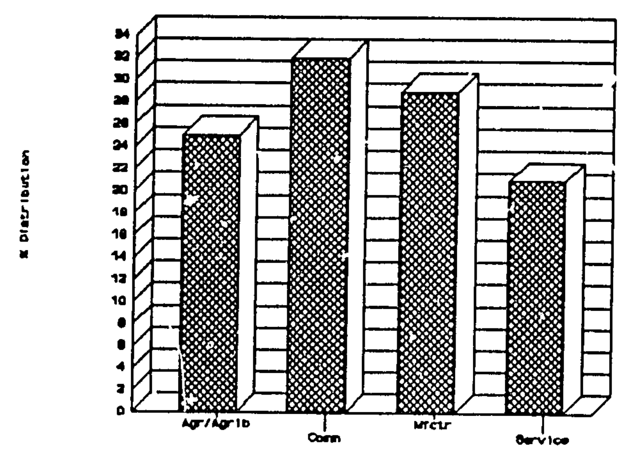
FIGURE 3 - SECTOR OF OPERATIONS
MICROENTERPRISES



Within the small enterprise sector, there are differences in terms of the sectors in which business activities are concentrated (Figures 2 to 4). Owner-operated enterprises tend to concentrate in agriculture and agribusiness more than micro and small enterprises. This reflects the background skill-set and economy of largely agrarian countries. As firm size increases from owner-operated to microenterprise, commerce and services supplant agricultural activities as the most common from of business activity. This reflects the greater pool of skills and capital available to the larger firm. Among small enterprises (6-10 FTEEs) the order of importance by sector is commerce, manufacturing, agriculture and agribusiness, and services.

2.3 Market Orientation

FIGURE 4 - SECTOR OF OPERATIONS



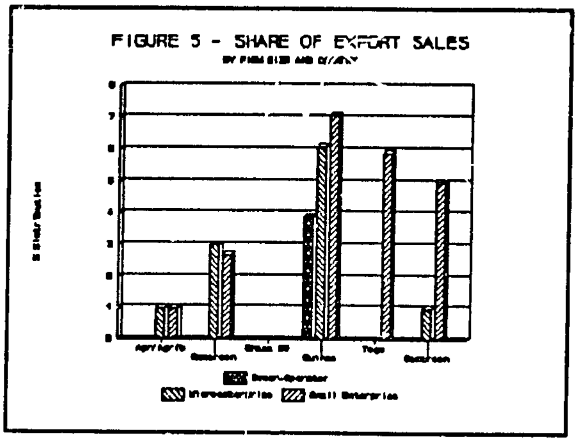
Small and microenterprises are oriented chiefly to the domestic market, where, according to survey data, they sell on average over 98 percent of their goods and services. Information gathered from five surveys[5] indicates that owner-operated, micro- and small enterprises export 2.8 percent of their sales on average.

The proportion marketed abroad is strongly correlated to firm size (Figure 5). Owner-operated firms export the least: 1.4 percent; microenterprises export on average 1.9 percent of their volume; small enterprises report exporting on average 4 percent of their production.

The high degree of "inward" orientation reflects in part the nature of the goods and services marketed by these companies. Many of these firms operate in the services sector (hairdressers, tailors), and thus find most of their clientele locally. Those active in commerce tend to be involved in break-bulk wholesaling and retailing rather than the larger volumes required for successful exporting. Small firms cannot command the capital resources required to take possession (and assume the risk) of large volumes of goods.

Moreover, marketing abroad requires access to information about market opportunities, consumer tastes, standards, etc. Lack of marketing information and marketing know-how is a key characteristic shared by smaller enterprises throughout the continent. For example, in Guinea and Togo, where about a quarter of firms surveyed reported they were exporting, 65 percent found lack of market information the most important obstacle to selling more abroad. In the island nation of Madagascar, where smaller enterprises earned less than 5 percent of their revenue from exports, three quarters of those enterprises interviewed noted that poor communications and information had been a key constraint to their development. In Kenya, Cameroon and Rwanda, less than 50 percent of the small firms felt they had adequate information about the local market for their goods. In Swaziland and Lesotho, the percentage was 65. Over 90 percent of these

[5] MAPS Côte d'Ivoire, Ghana 1989, Guinea, Togo and Cameroon



firms in all countries surveyed depended primarily, if not exclusively, on personal contacts for their market information.

2.4 Gender of Owners

The proportion of women-owned firms in Sub-Saharan Africa is inversely related to firm size. Women own 27 percent of owner-operated enterprises, 21 percent of microenterprises and 14 percent of small Enterprises (see Table 4).[6]

TABLE 4 - WOMEN-OWNED ENTERPRISES By Size And Country

COUNTRY	Owner-Operated	Microenterprise	Small Enterprise
Côte d'Ivoire	20%	19%	14%
Ghana 1989	44%	25%	23%
Ghana 1991	40%	36%	14%
Guinea	0 *	16%	9%
Togo	49%	28%	30%
Cameroon	23%	11%	2%
Kenya	23%	17%	12%
Madagascar	34%	23%	10%

* - The sampling frame for Guinea clearly eliminated women-owned and operated businesses, known from observation to exist.
SOURCE: MAPS Surveys, J.E. Austin Associates, Inc.

Most women-owned businesses interviewed through either the survey or the focus groups were active either in sale or preparation of food (agriculture and agribusiness) or in commerce. Togo and Ghana may be exceptions, due to their exceptionally high levels of women-owned enterprises across all size categories.

[6] Data taken from 1,864 responding firms in 8 MAPS surveys conducted in Côte d'Ivoire, Ghana (1989 and 1991), Guinea, Togo, Madagascar, Kenya and Cameroon. Additional data from Lesotho and Swaziland surveys.

2.5 Attitudes Towards Labor and Training

Smaller firms are generally less interested in investing in their human resources. This reflects the small number of workers employed by these firms, their relatively low level of productivity and technology, and the low expectations of their proficiency. Indigenous entrepreneurs express little interest in investing their personal resources to benefit their employees. Nevertheless, owner-operated enterprises in all countries demonstrated considerable interest in improving the owners' skills. On average over one third of the firms in this size category reported planning to invest in improving their own management skills.

Few small firms (employing less than 10 people) reported shortages of most categories of skilled as well as unskilled labor. Reports of skilled labor shortages were more likely to come from the larger companies. There are important exceptions, however. At the time of the survey in Lesotho and Swaziland, the smaller firms faced special problems obtaining access to skilled and supervisory labor. Not only did the small indigenous entrepreneur have to compete with the larger firms in-country for this relatively scarce resource, but also with the relatively lucrative opportunities offered by South Africa. Thus for smaller firms in these countries, the potential recruiting pool was very small. In all other counties, the raw labor pool was more than adequate, as was the pool of highly trained cadres.

3. POLICY AND REGULATORY CONSTRAINTS

This section highlights the key policy and regulatory constraints identified through MAPS surveys and focus group interviews. The issues were identified first by aggregating responses to surveys across countries for firms in each size category. Then the contents of the focus group discussion summaries were categorized and aggregated. Where appropriate, this section will note where there are significant differences in how certain policy constraints are perceived across regions, by gender, and sector in which the company operates.

3.1 General

More than one quarter of the over 2,500 owner-operated, micro and small firms interviewed through MAPS surveys and focus groups reported that government policies detract from business performance. Some 13 percent specifically noted their negative impact on sales. Small enterprises, perhaps because they are more sophisticated than the smaller companies, feel these constraints most; 23 percent of small enterprises reported that a drop in sales could be traced to government regulation. The proportion of microenterprises and owner-operated enterprises believing that government regulation affects business performance or sales was smaller, perhaps because many of these are informal and therefore, by definition, operate outside the reach of official control

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(Figure 6).

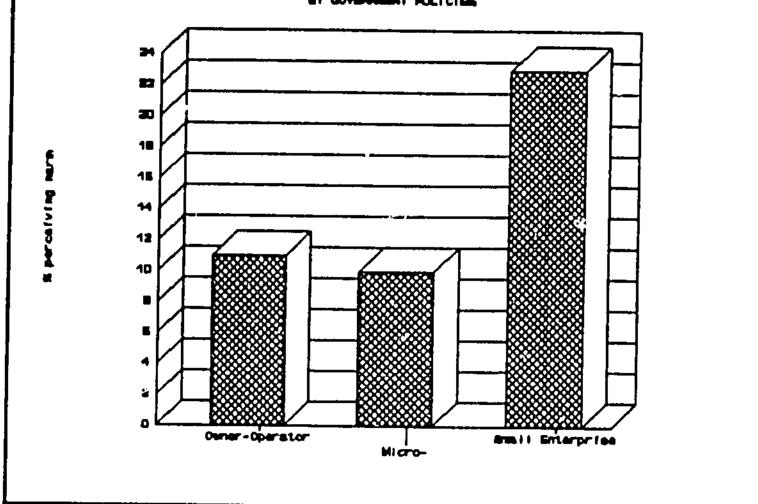


FIGURE 6 - SHARE OF FIRMS HARMED

Data from surveys and focus group also suggest that economic liberalization, and reduction of regulatory constraints on business, do not always benefit the smaller firms. At least this is what survey respondents in many countries believe. For example, at the time the enterprise interviews were undertaken in Swaziland, Rwanda and Ghana, government had to some degree dismantled many of the onerous reporting, tax and other regulatory obstacles or burdens on the private sector. In addition, governments in these countries adopted industrial development policies and incentive packages to encourage business investment. But smaller firms in these countries generally reported slower past sales and expected slower growth in the future than the average firm in the country. Moreover, small entrepreneurs in these countries believed that these policies were at best be neutral towards small scale enterprises, and at worst heavily biased toward large foreign businesses and parastatals.

Nevertheless, survey data also show that firm start-ups are closely related to a more liberal (in the classic sense of the word) policy environment. National (economic) politics and firm age are often strongly correlated. Where the government has embarked on some liberalization or loosening of control over the economy there is an immediate increase in the official establishment of private enterprises. This was observed in Côte d'Ivoire, Togo and Guinea. In the year following a policy liberalization there was a spike of new business formation.

These "new businesses" may include new starts, but, in fact also usually include government officials taking advantage of personal knowledge, and existing entrepreneurs benefitting from what they perceive as an opportunity to "formalize", attracted by new programs or support. This phenomenon is difficult to measure, but was nevertheless noted in focus group discussions and individual interviews carried out in Tanzania, Guinea, Uganda and Ghana.

3.2 Taxes and Tax Policy

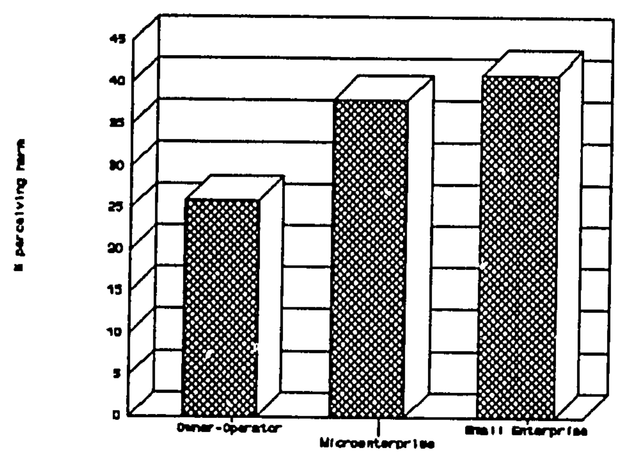
Tax policies were the most frequently cited policy constraint. Direct observation, survey data and focus group discussion results in Côte d'Ivoire, Togo and Guinea suggest that even the "informal" enterprises do pay some taxes, especially to local governments, in the form of periodic market usage fees. Of 1,857 small, micro and Owner operated enterprises in 13 countries responding to the question on taxes,[7] 37 percent indicated that tax policies hurt their business performance. Of the 1,500 owner-operated, micro and small enterprises[8] that responded to a question on the effect of tax policies on their sales volume, 37 percent claimed a negative impact.

Countries where taxes were perceived as most detrimental were Côte d'Ivoire and Ghana. Whether this was due to rates, collection methods or some other reason was not specified.

As shown in Figure 7, more small than owner-operated and microenterprises perceive tax policies as detrimental to their interests. This pattern reflects the fact that greater proportion of small enterprises are paying some form of taxes. The smallest enterprises are less likely to have permanent premises and fixed assets of sufficient size to catch the eye of the government tax collector.

Some 600 firms were asked to comment on the effect of taxes on their ability or inclination to export. Since few firms in these size categories export directly, few replied to the questions on taxes. But even among those who did have a response, only 4 percent believed that export taxes or export licensing requirements negatively affected their ability to export.

FIGURE 7 - TAX POLICIES PERCEIVED
AS HARMFUL, BY FIRM SIZE



[7] From surveys in Cameroon, Côte d'Ivoire, Ghana 1989, Ghana 1991, Guinea, Kenya, Madagascar, Rwanda

[8] From surveys in Côte d'Ivoire, Ghana 1989, Ghana 1991, Guinea, Lesotho, Niger, Togo, and Rwanda

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3.3 Legal Environment

The legal environment was often cited as a key constraint to business operations. In the five countries where this topic was considered[9], 45 percent of respondents confirmed that imperfect enforcement of contracts renders business transactions difficult in their country. This opinion was strongest among small enterprises, which presumably engage in more sophisticated transactions than Owner-operators or microenterprises. Fifty-one percent of small enterprises noted legal issues as a problem policy area, compared with 41 percent of microenterprises and 39 percent of owner-operated firms.

Information gathered in dialogue sessions in most countries confirmed that few business people considered the commercial courts as a source of protection or enforcement of the commercial code. In Côte d'Ivoire and Togo, the judges' salaries are paid in the form of fees paid by attorneys appearing before their bench. Legal structures exist in parallel with the government's nominal commercial code in most countries.

Another measure of the legal environment is the share of firms that conduct their business solely by cash on delivery. The majority of firms of all sizes reported conducting their transactions on a cash basis; credit was extended only involuntarily.

3.4 Parastatal Competition

Nearly 1,900 firms in seven countries[10] were asked whether competition from state-owned enterprises (SOEs) affected their sales volume. In only 14 percent of these cases, respondents complained about their negative effect on their performance. This view of parastatal competition varies by region. Cameroon and Togo have especially high numbers of firms who attribute decreased or lost sales to public sector competition. Parastatals of Anglophone countries seem less dominant than those in Francophone countries (Figure 8). The relatively small affect of parastatal competition on enterprises in these size categories reflects in part the fact that these smaller firms operate in very specific niches and serve the needs of a very narrow clientele. It may also reflect the fact that the effect of parastatal competition is less related to size of firm than to sector of activity.

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[9] Cameroon, Côte d'Ivoire, Guinea, Madagascar, Togo

[10] Cameroon, Côte d'Ivoire, Ghana 1989, Ghana 1991, Guinea, Kenya, Madagascar, and Togo.

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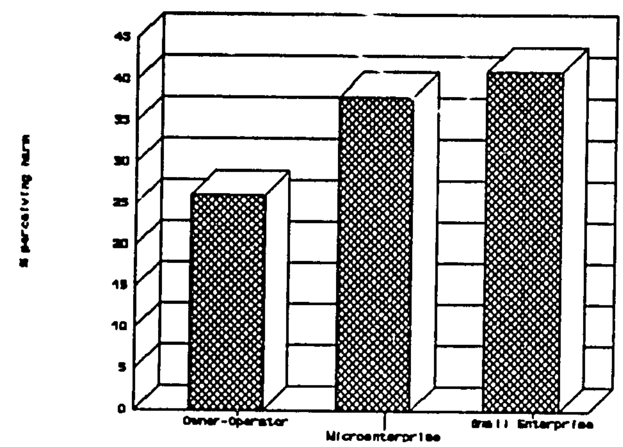
3.5 Customs and Imports Policy

Import and Customs policies affect business operations by making it harder or more expensive to obtain critical inputs, or by altering the competitive terrain by making it easier for foreign goods to compete with local ones. Both are important factors affecting responses to questions on import policy.

FIGURE 7 - TAX POLICIES PERCEIVED



In terms of access to critical inputs, import regulations drew criticism from 14 percent of respondents operating in Cameroon, Kenya, Madagascar and Togo (1,095 respondents). Again, this figure may understate the extent to which these policies truly affect the smaller enterprise operations throughout the region because the weighted average includes Kenya, where numbers of enterprises reporting that import regulations affect their businesses are low by comparison. Small firms indicated the most sensitivity to import regulations - with 21 percent claiming that reduced or lost sales were attributable to import regulations. Only 13 percent of microenterprises and 8 percent of owner-operated claimed that import regulations affected their performance. Access to critical inputs is also affected by exchange rate policies, which are discussed in the section which follows.

Customs regulations and policies were criticized by 15 percent of the 771 firms surveyed on this point[11]. In Niger, 48 percent of respondents asserted that the inequitable applications of customs duties was a "very important" obstacle to their business growth. Twenty-six percent of Cameroonian firms surveyed noted that this type of regulation cost them potential sales, that demand exceeded their ability to obtain sufficient imported goods. In most countries, negative perceptions were directly related to firm size. These variations in response patterns by size categories reflect the fact that possibly that many of these businesses do not have a high import content, and produce goods and services that are specific to their local market and for which there is no import substitute. But this trend was not consistent across all countries.

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[11] Firms surveyed in Cameroon and Madagascar noted that customs exerted a negative influence on sales volume. Côte d'Ivoire and Guinea firms responded similarly in terms of business performance.

Import policies also affect the competitive terrain in which enterprises in these size categories exist, by making easier or more difficult for foreign market entrants to compete with local companies. Twenty-two percent of firms surveyed in Cameroon, Côte d'Ivoire, Guinea, Madagascar and Togo claim that the presence of legal imports have a negative effect on their sales. The perception that import policies affect local business in this respect is particularly widespread in the CFA Franc (CFAF) zone countries included in the surveys (Senegal, Côte d'Ivoire, Togo, Niger, Cameroon). The CFAF is the only freely convertible currency in Africa. The CFAF's direct convertibility facilitates sales relations with France, and other European Monetary System countries, but it also makes imports relatively cheaper, making it easier to compete with locally produced goods.

According to responses of 984 firms from 5 surveys[12], competition from illegal imports has an even greater negative impact on sales than does being forced to compete with the government. Generally, 31 percent of these firms reported decreased sales due to illegal competition.

3.6 Exchange Rate

The degree of importance attached to exchange rates as a constraint on business was strongly correlated to firm size. The extent to which exchange rate policies are viewed as constraints to business operations is related to concerns regarding the cost of inputs and the right to retain foreign exchange earnings from exports or sales to foreign customers at home. Due to the nature of the businesses in which most of these companies are involved (services and commerce), the fact that relatively few firms in these size categories are likely to be importing inputs directly, in great amounts or with great frequency, and the fact that very few of these companies export directly, it is not surprising that only a small fraction of enterprises employing less than 10 people perceived exchange rate as a constraint to business operations.

3.7 Banking regulation policies

In all countries surveyed, a key constraint to increased production is perceived to be lack of access to finance, either start-up or working capital. This issue is not unique to Africa. By definition lacking a credit and payments history, owner-operated, micro- and small enterprises in most countries of the world feel they are unjustly denied access to formal or informal lending, and are forced to rely heavily on their limited personal resources. On average over 80 percent of owner-operated, micro and small companies are forced to rely on the Owners' own personal savings for working and investment capital (see Figure 9). On average, less than 10 percent of financing from these enterprises comes from the formal banking sector.

[12] Cameroon, Côte d'Ivoire, Guinea, Madagascar and Togo

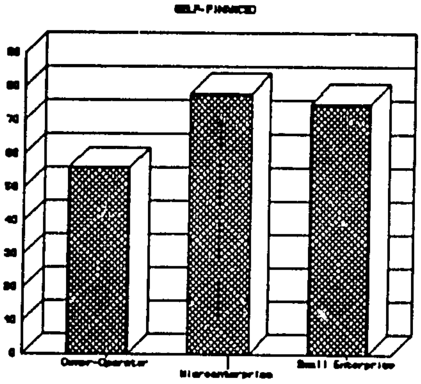

FIGURE 9 - SMALLEST FIRMS ARE

In many countries, though not all, banking regulations such as reserve requirements and interest rate spreads, and monetary policy issues such as interest rate ceilings contribute to this phenomenon. Servicing these smaller clients is both more expensive and more risky. But such regulations limit the formal institution's ability to cover these costs. Though these issues do not by any means explain the lack of support provided by the formal banking sector to the smaller enterprises, they account for a significant portion of the reticence to deal with these firms.

3.8 Land Tenure and Business Premises

Secure land tenure is viewed as a constraint to improved business performance by 18 percent of the 2,500 owner-operated, micro and small enterprises surveyed and interviewed in focus groups. The proportion of owner-operated, micro and small enterprises identifying insecure land tenure as a constraint to business operations and growth was almost identical.

Secure use of business premises was viewed as a serious constraint to improved business performance by 23 percent of those surveyed. The proportion of companies which believed this was a serious policy constraint is directly related to the size of the business. While only 14 percent of owner-operated enterprises perceived access to business premises as a constraint to operations, it was an important constraint for 20 percent of microenterprises and 30 percent of small enterprises surveyed in all countries. This correlation reflects the fact that larger and older enterprises, managing a larger volume of business, housing larger inventories of finished and semi-finished goods as well as sophisticated equipment are more likely to require suitably lit, drained, serviced and accessible premises. The smallest of enterprises often operate from home or from the premises of a family member or friend, or simply squat, and is therefore outside what might be termed the formal land tenure system. This may not be a bad thing, as such practices decrease the risk variables by one and permit the Owner-operator to concentrate limited resources on other factors of trade.

The quality and quantity of the stock of commercial premises is both an issue of adequate <u>physical and legal</u> infrastructure. Part of the problem finding secure suitable premises may be found in such legal areas as contracts, the ability to perfect a lien, obtain insurance, and tenancy law. If commercial property owners do not have adequate protection for their fixed investments (including insurance, police, fire and flood protection, free market rents, among others) they are not likely to maintain or improve them, nor to make new investments.

3.9 Transport regulation and transport infrastructure development policy

The physical transportation infrastructure is an important constraint to improvement of the commercial and social environment of Sub-Saharan Africa. The unit cost of transportation in the region, either by volume, value or distance, is excessive as a percentage of the value of goods or services distributed. The key transport policy issues considered in the MAPS surveys and focus group discussions were transport regulation, transport infrastructure (including ports and roads) and transport quality.

The main transport regulations considered in the surveys and focus group discussions include licensing of transport firms, and formal or informal cabotage regulations. Only 9 percent of enterprises employing less than 10 people in the 13 countries where the surveys were implemented considered these regulations to be adversely affecting their business operations.

Eighteen percent of respondents from owner-operated, micro and small enterprises interviewed through surveys and focus groups cited problems with access to adequate transportation, and 22 percent complained about the poor state of transport infrastructure, including physical infrastructure and vehicles.

In general the degree of concern about the existence or access to transport increases as firm size increases. This reflects the fact that Owner-operators typically relate to an immediate, even neighborhood market, where head loads and foot traffic are the key transport elements.

4. ADDRESSING THE CONSTRAINTS: AN AGENDA FOR ACTION

The analysis of survey and focus group responses for over a dozen Sub-Saharan African countries reveals that entrepreneurs in Africa are highly responsive to changes in the policy climate. Where the government has embarked on some liberalization or loosening of control over the economy there is an immediate increase in the official establishment of private enterprises. Thus work on improving the general policy environment for business is among the most important activities that can be undertaken to support the emergence and growth of small business in Africa.

Analysis of MAPS data suggests that weak legal institutional issues are among the more important obstacles affecting business performance and growth in Africa, irrespective of sector of activity. As business activity increases and the entrepreneur's circle of contacts is enlarged beyond personal acquaintances (in which legal enforcement is social), the importance of having a solid institutional base for effecting and enforcing contracts increases. Entrepreneurs interviewed noted repeatedly that this legal framework is missing, making it difficult for the smaller enterprises to plan, invest and expand.

Data suggest that the gender of the owner is in many cases, though not all, related to the legal difficulties expressed by firms in the smallest size categories. Size of firm is strongly correlated to the gender of owner, with the smallest firms twice as likely to be woman-owned than the larger ones. The legal role of women in business varies from country to country. But in most cases women-owned businesses find a more inhospitable climate than other firms in the same size category. For example, in Lesotho and Swaziland, surveys discovered that much of the difficulty faced by the smaller firms was related to the fact that so many of these firms were women-owned. Legal restrictions on signing contracts, or owning land, and custom make it difficult for women to operate businesses in these two countries. On the other hand, the business culture tradition in countries along the West African coast clearly promotes business activity among women to the point that they were able to operate an agricultural futures market in Lomé, although there continue to be laws on the books that forbid this type of activity for anyone.

Besides gender, small business satisfaction with the legal environment depends on three factors: the nature of the body of law and regulation, the access of citizens to law enforcement agencies and the agencies' equitable application of the law, and the sophistication of the enterprise seeking enforcement of rights. In all three areas the smaller companies, less well endowed financially and in terms of contacts, are at a clear disadvantage.

Other important policy areas affecting businesses were import and customs regulations, tax, land tenure and monetary policies. Data analysis did not reveal any systematic correlations between the likelihood that each of these factors would appear as constraints and either the sector in which the enterprise operated or the gender, once you controlled by firm size. Concern with these policy areas was more likely to reflect the degree of sophistication of the owner, the degree of visibility to official tax authorities, and the limited market being served by these firms than a particular type of business activity, or the legal status of the owner.

The above summary suggests that there are a number of areas where donor interventions may be quite effective:

4.1 Commercial Code

In all countries surveyed, the commercial code, and its related commercial courts, are in strong need of revision, modernization and enforcement. Where the countries have inherited codes based on the Napoleonic Code, USAID will have to overcome bias against this legal structure. Where the countries have inherited codes based on English Common Law (largely former British East Africa), USAID will relate more smoothly to the legal concepts. In all cases, and whatever code is applied, all provisions of the code have to be widely published in forms and languages accessible to all business people and their suppliers and customers, and enforced equitably in public fora to which all petitioners have access.

This will necessarily involve reform of the judiciary: including qualifications, appointment and remuneration of officers of the court, independence of officers of the court, and the physical location and distribution of courtrooms.

4.2 Information on government regulation

Often the difference between the "haves" and "have nots" in the Sub-Saharan African business world is one of access to information. MAPS focus group discussions have confirmed that the smaller entrepreneur of Sub-Saharan Africa, like the smaller entrepreneur in most countries, is often at a disadvantage because he/she does not enjoy the same wide access to information as the larger firms. Gaining access to what by rights is public information requires better relations with civil servants than a person of limited resources, education and circle of friendships can develop. Larger firms typically are better equipped with such resources, which allows them to manipulate the system to their advantage in a manner that the smaller entrepreneurs cannot.

In addition to the commercial code, other government regulations on taxes, duties, excise, patents, licenses, permits, zoning, health and safety, etc., must be widely published in forms and languages accessible to all business people and their suppliers and customers, and enforced equitably. This is not a trivial issue, as may be understood from the vast resources devoted by companies and governments of developed countries to gain and offer equal access to information.

4.3 Rights of women

In some countries, women do not have full adult rights to enter into contracts. Rather than tackle all cultural issues, USAID could usefully assist women to obtain the universal right to enter into contracts directly and personally. Such an action may go a long way to improving the efficiency of a large proportion of the smallest enterprises.

4.4 Interest rate policies

Interest rate and related financial sector policies affect the formal financial sector's willingness to service the needs of the smaller firms. In the past donors have preferred to create special institutions or lines of credit to service the needs of the smaller firms. But these responses have their own problems and associated costs. Moreover, until the wider policy issues affecting risk profiles and lending policies are addressed, neither new credit lines nor money for new institutions will work particularly efficiently.

4.5 Decentralization of Government Public Works Decision-Making

Poor road and transport infrastructure in general limits the size of markets, effectively limiting the growth opportunities for enterprises in the region. One of the more effective policy avenues through which donors can assist the growth of the private sector's domestic and foreign markets is by helping host country governments to decentralize effective responsibility for infrastructure maintenance and construction to the local level.

This will likely require efforts to introduce locally novel concepts and programs for local budgetary autonomy. These concepts would include retention of locally-generated revenues at the level where they are generated, introduction of locally collected and retained user fees for public structures such as markets, roads and bridges, and the right of the local government to enter into and pay out of local resources contracts to perform municipal and regional services.

Such reforms are blocked by the presence of a "caisse unique", or a single, national treasury to which lower governments apply for operating funds. The "caisse unique" typically found in most Sub-Saharan Africa is perhaps a greater block to economic development than the terms of trade under which the region operates. The "caisse unique" renders local government powerless to provide the physical infrastructure needed for economic development.

APPENDIX A

Description of Data Gathering Activities and Methodologies

Presented by Country

Swaziland

MAPS was started in Swaziland in November 1988 and completed in June 1989. MAPS/Swaziland included analysis of secondary data, a survey, and dialogue discussion groups. This survey instrument was designed to capture the unique Swazi relation with the Republic of South Africa in the late 1980s.

Lesotho

MAPS began in Lesotho in November 1988 and was completed in September 1989. MAPS/Lesotho included analysis of secondary data, survey and dialogue discussion groups. This survey instrument was designed to capture the unique relation with the Republic of South Africa in the late 1980s.

Zaire

MAPS was conducted in Zaire in December 1988. MAPS/Zaire did not result in any significant activities beyond a Team assessment of Mission activities and strategy.

Botswana

MAPS began in Botswana in January 1989 and ended in June 1989. The MAPS/Botswana Team performed an analysis of existing and readily available data on the Botswana private sector's contribution to income and employment generation. The MAPS Team also conducted focus group sessions with some 100 business people and local experts on the private sector. No survey was conducted.

Kenya

MAPS began in Kenya in February 1989 and was completed in November 1989. MAPS/Kenya included analysis of secondary data, survey and dialogue discussion groups.

Ghana

MAPS was first started in Ghana in February 1989 and completed in September 1989. MAPS/Ghana 1989 included analysis of secondary data, a survey and dialogue discussion groups. This survey did not ask for information on annual revenues or year of business establishment.

MAPS was conducted for the second time in Ghana in 1991. MAPS/Ghana 1991 implemented the survey for the second time, in an effort to develop a time series, and focus on issues important to the exporting sector.

Rwanda

MAPS was started in Rwanda in September 1989 and completed in February 1990. MAPS/Rwanda included analysis of secondary data, a survey and dialogue discussion groups.

Cameroon

MAPS was started in Cameroon in November 1989, and completed in April 1990. MAPS/Cameroon included only a survey; no focus group interviews took place.

Senegal

MAPS was started in Senegal in November 1989 and completed in September 1990. MAPS/Senegal included an analysis of secondary data, a survey and dialogue discussion groups.

South Africa

MAPS in South Africa in 1990 took the form of a very specific private sector assessment. Due to the Mission's interest in evaluating a very specific aspect of its private sector portfolio, no survey of the private sector took place. The small and micro enterprise sector was left out of the analysis at this time, given the fact that a GEMINI research exercise was being conducted simultaneously.

Madagascar

MAPS was started in Madagascar in December 1990 and was completed in June 1991. MAPS/Madagascar included analysis of secondary data, a survey, and dialogue discussion groups. Efforts in Madagascar were oriented toward supporting the Mission's goal of encouraging increased private sector participation in the market place and preparation for elections.

Niger

MAPS was started in Niger in January 1991 and completed in July 1991. MAPS/Niger included analysis of secondary data, a survey and dialogue discussion groups.

Uganda

There was no MAPS in Uganda. The only data on the private sector was gathered as a result of a pre-MAPS reconnaissance Mission which took place in June 1991. The consultants interviewed a limited number of private entrepreneurs and synthesized relevant private sector secondary data for the Mission at that time.

Guinea

MAPS was started in Guinea in January 1992 and completed in July 1992. MAPS/Guinea included analysis of secondary data, a survey and dialogue discussion groups. Efforts in Guinea were directed to collecting data supportive of the Missions goal of promoting increased private sector marketing of agricultural production, domestically and internationally.

Tanzania

MAPS was started in Tanzania in March 1992 and was completed in April 1992. MAPS/Tanzania was confined to an analysis of secondary data and interviews. Efforts were directed to assisting the Mission attain its goal of encouraging an early start to Tanzania's privatization program.

Togo

MAPS was started in Togo in April 1992 and completed in December 1992. MAPS/Togo included analysis of secondary data, a survey, and dialogue discussion groups. Efforts in Togo were oriented toward gathering data supportive of the Mission's agriculture and small business promotion goals.

Côte d'Ivoire

MAPS was started in Côte d'Ivoire in January 1993 and was completed in July 1993. MAPS/Côte d'Ivoire included analysis of secondary data, a survey, and dialogue discussion groups. Efforts in Côte d'Ivoire were directed to gathering of data supportive of the Mission's Population and Health goal and focussed on the private sector's role in health care and municipal service provision.

Ethiopia

A survey of businesses was undertaken in Ethiopia in April 1993 and was completed in December 1993, as part of a wider analysis of the commercial viability of printed media. These efforts were in turn part of the Mission's Democracy and Governance goal of strengthening the private news and information media of Ethiopia. For that reason, few data are useful for a study of Ethiopia's private sector as a whole.

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APPENDIX B

Enterprise Profiles from MAPS Surveys

By Country (presented in chronological order)

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1. Swaziland

SMALL BUSINESS PROFILE MATRIX - Swaziland 1989	
Characteristic	BUSINESS employing less than 25 FTEE
Share of private enterprises	12.5%
Share women owned	NA
Years in Business	NA
Average Annual Revenue	NA
Agriculture/ Agribusiness	4.0%
Manufacturing	52.0%
Commerce	8.0%
Services	12.0%
Export share of sales	NA
Import share of input purchases	NA
This survey instrument was designed to capture the unique Swazi relation with the Republic of South Africa in the late 1980s: data about owner-operated, small and microenterprise was not of interest and not captured.	

Dialogue in Swaziland: Training as the Key Constraint to Business Growth.

Despite significant amount of assistance targeted to the education sector in Swaziland, most of it had benefitted public sector agencies and administrators. Dialogue with a wide spectrum of small businesses including a dress and uniform designer, soap maker, a child care provider, an electrician, suggested that the one problem they all shared was their inability to access trained accountants and managers. Small indigenous firms were unable to compete effectively with the growing number of the larger expatriate-owned firms for the relatively low number of trained Swazis in these areas. There existed few opportunities to contract for these services within the country. As a result, the smaller firms remained unable to prepare books properly, impeding their ability to qualify for formal sector credit. Nor were they able to organize themselves effectively to meet the challenges of an increasingly competitive local private sector environment. Credit alone was not going to solve the key bottlenecks to indigenous private sector growth: more and better targeted education and technical training programs were needed to fill the needs of the small enterprise sector. As a result, the Mission's follow-on training and education projects were targeted to address more directly the needs of the indigenous entrepreneur. In addition, alternative training and consulting services delivery mechanisms were explored to alleviate the trained manpower needs of the growing small scale enterprise sector.

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2. Lesotho

SMALL BUSINESS PROFILE MATRIX - Lesotho 1989	
Characteristic	BUSINESSES employing less than 25 people
Share of private enterprises	55.9%
Share women owned	NA
Years in Business	NA
Average Annual Revenue	NA
Agriculture/ Agribusiness	71%
Manufacturing	
Commerce	
Services	25%
Export share of sales	NA
Import share of input purchases	NA
Share of capital from non-family sources	47%
This survey instrument was designed to capture the unique Lesothan relation with the Republic of South Africa in the late 1980s: Small and microenterprise was support was not of interest.	

Dialogue in Lesotho: Using Joint Venture Mechanisms.

A small agricultural inputs wholesaler had a wonderful idea: why continue importing processed seeds from the Republic of South Africa, when Lesotho had the land, expertise and equipment to produce improved seeds for less? He had the location, the business development plans, but lacked the capitai and the marketing and distribution channels. He had talked to government and multilateral donor agencies, and all expressed an interest but little else. MAPS private sector dialogue sessions gave the wholesaler the opportunity to express his views to a variety of actors, including larger entrepreneurs and a variety of donor agencies. He also began making contacts, facilitated through the AFR/MDI database on investors, with the international agribusiness community. Within 9 months, the wholesaler had struck a deal involving Pioneer Seeds and the Lesotho National Development corporation (LNDC), to produce and market seeds in the country. The success led other small entrepreneurs in the country to see the importance and value of strengthening the linkages between small and large firms. The Chamber of Commerce, as a result, began to design a program to encourage such networking and linkages through a variety of mechanisms, from local short-term seminars on marketing presented by executives of the larger firms, to informal get-togethers and exchanges.

3. Zaire

MAPS was conducted in Zaire in December 1988. MAPS/Zaire did not result in any significant activities beyond a Team assessment of Mission activities and strategy.

4. Botswana

MAPS began in Botswana in January 1989 and ended in June 1989. The MAPS/Botswana Team performed an analysis of existing and readily available data on the Botswana private sector's contribution to income and employment generation. The Team also conducted focus group sessions with some 100 business people and local experts on the private sector. The client did not wish to have a survey conducted, and therefore no primary data were collected.

Using secondary data, MAPS determined that in 1989, the contribution of the private sector is 76 percent of GDP and 82 percent of employment. While foreign-dominated firms provide about 35 percent of total formal employment, expatriates comprise only 4 percent of this work force. Economic diversity was judged insufficient for assured, sustainable growth. Agriculture was unproductive in the Botswana geographical context. As much as 70 percent of formal firms employed 10 and fewer workers.

The dialogue and discussion sessions revealed that there were significant gaps in business information and dissemination to both rural and urban business people. The quality and penetration of business training and advisory services was judged inadequate. There was a lack of skilled labor, difficulty with expatriate work and residence permits, and an emphasis on education rather than training. The domestic market for most goods and services was judged small. For business establishment, there was a lack of serviced land available for new businesses and business expansion; the cost electricity was believed high, and there was a shortage of water in rural areas.

In retrospect, these findings are appropriate for a Sub-Saharan developing country.

5. Kenya

SMALL BUSINESS PROFILE MATRIX - Kenya, 1989			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises	11.6%	38.6%	16.6%
Share women owned	23.3%	16.6%	11.6%
Years in Business	NA	NA	NA
Average Annual Revenue	NA	NA	NA
Agriculture/ Agribusiness	1.1%	2.3%	4.7%
Manufacturing	15.5%	14.3%	14.7%
Commerce	40.0%	46.6%	39.5%
Services	42.2%	35.3%	39.5%
Export share of sales	NA	NA	NA
Import share of input purchases	2%	9%	18%
Share of capital from non-family sources	14%	17%	25%
NA = not available; the survey did not collect these data			

Dialogue in Kenya: The Need to Coordinate Microenterprise Assistance.

The microenterprise sector in the country had been one of the few growth points in an otherwise sluggish economy. The government and donors were focusing an increasing amount of their assistance in these firms. But there was much confusion regarding the causes and sources of growth in this sector, and the types of obstacles constraining its development. Survey and dialogue activities under MAPS helped clarify assistance needs and strategy, and promote wider cooperation among donors. Consultations with a wide spectrum of small firms took place: from the one person metalworking operation who sells its product directly to retail customers to the relatively sophisticated 5 person jewelry design firm exporting to the EC. These sessions revealed the vast diversity within the microenterprise sector: no one assistance strategy would suffice. The dialogue sessions also illustrated the special problems of the small entrepreneur whose growth and success brought on new marketing and management problems which remained largely unaddressed by the donor community. They also revealed that the larger informal had an even harder time obtaining capital than the smallest firms; cooperatives and informal lending mechanisms were playing a much more reduced role in enterprise credit than anticipated, donor programs were generally targeted for the smaller enterprises, formal bank sector lenders were unwilling to extend credit to these types of firms, given the present system of interest rate regulations. MAPS dialogue sessions revealed the need to encourage wider information sharing among donors, and set the foundation for greater cooperation among donors, in terms of targets and coverage.

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6. Ghana

SMALL BUSINESS PROFILE MATRIX, Ghana 1989			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises	3.0%	27.7%	25.7%
Share women owned	44.4%	25.3%	24.4%
Years in Business	NA	NA	NA
Revenue	NA	NA	NA
Agriculture/ Agribusiness	44.4%	25.3%	7.8%
Manufacturing	33.3%	43.2%	46.8%
Commerce	0	15.7%	20.8%
Services	22.2%	15.7%	24.7%
Export share of sales	0	3.0%	2.7%
Import share of input purchases	65%	60%	62%
Share of capital from non-family sources	NA	NA	NA
This survey did not ask for information on annual revenues or year of business establishment; questions on sources of capital permitted multiple and non-hierarchical responses.			

Dialogue in Ghana: Measuring the Distribution of the Costs and Benefits of Structural Adjustment

MAPS dialogue and research activities showed that despite the well documented costs of the Structural Adjustment process, the small and informal sector in the country was nevertheless thriving, while the larger, formal, previously protected enterprises were the ones being hurt. These results were important feedback to the Mission, as it tried to adjust its development strategy and leverage its assistance effectively to support the needs of the indigenous private sector in the adjustment process. It indicated to USAID the need to continue to support this program on the conviction that the private sector was generally benefitting.

In addition, MAPS dialogue sessions showed liquidity was the main constraint on microenterprises. As a result of MAPS findings, as well as other key finance sector studies, USAID began examining the role of rural finance within the broader context of rural agrorelated development; in the future this information would lead to some form of assistance to credit unions, cooperatives, etc. that would benefit directly "microentrepreneurs".

7. Rwanda

SMALL BUSINESS PROFILE MATRIX - Rwanda, 1989			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises	17.7%	65.5%	16.7%
Share women owned	34%	23%	10%
Years in Business	10	9	18
Average Annual Revenue			
Agriculture/ Agribusiness	24%	33%	64%
Manufacturing	21%	21%	29%
Commerce	26%	30%	17%
Services	40%	30%	17%
Export share of sales	NA	NA	NA
Import share of input purchases	NA	NA	NA
Share of capital from non-family sources	25%	28%	30%

Dialogue in Rwanda: Reaching out Beyond the Urban-Based Enterprises

While most MAPS studies and dialogue sessions with smaller entrepreneurs have centered in the urban sector, in Rwanda, the growing pressure on the countryside caused by fast population growth and a dwindling land base required special efforts to reach out beyond the main urban centers and understand the evolving role of farm-based enterprises. The local MAPS project monitor drove out several hours into the country's central region to get a sense of the type of small business activity which took place beyond the main urban centers. Among the most common activity found was tanning. In one sense, tanning has been a very difficult business in Rwanda because it is in direct contradiction to the traditional Rwandan reverence for cattle. On the other hand, the fast population growth in an already densely populated country, has meant that an increasing percentage of the cattle population has had to be penned or slaughtered. As a result the tanning business has experienced fast growth, and sections of the country where no business activity beyond simple barter trade was contemplated began witnessing a new class of small entrepreneur.

These small businessmen have been unable to access the type of capital needed to make improvements and keep up with the growth demanded of their business. Few banks reach out beyond the key urban centers. Government small business lending programs were geared primarily to the traders. Yet the MAPS dialogue sessions with these rural-based entrepreneurs clearly showed the need to re-orient lending priorities and programs; the country's fast shrinking land base was leading to radically altered sources of rural income. The MAPS dialogue sessions, complemented with firm level data, contributed to the Mission's design of its integrated Rural Enterprise Development Project.

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8. Cameroon

SMALL BUSINESS PROFILE MATRIX - Cameroon 1990			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises	8.6%	20.1%	10.3%
Share women owned	22.9%	11.0%	2.4%
Years in Business	3.0	5.1	7.9
Average Annual Revenue	NA	NA	NA
Agriculture/ Agribusiness	2.9%	7.1%	2.4%
Manufacturing	40.0%	31.7%	64.3%
Commerce	54.3%	56.1%	59.5%
Services	37.1%	24.4%	33.3%
Export share of sales	0	0	5.9%
Import share of input purchases	4%	14%	28%
Share of capital from non-family sources	NA	NA	NA

Dialogue in Cameroon: a New Look at the Chamber of Commerce

One of the key issues pertaining to private sector assistance is always: how does one channel assistance most effectively? The perception of the Mission, prior to MAPS, was that the Chamber of Commerce in Cameroon, a parastatal, was an ineffective implementing agent. As such Mission private sector strategy should seek to fortify or create other channels of assistance. But the dialogue and survey sessions in Cameroon proved that the Chamber of Commerce,despite its management and political problems, also had a surprisingly good reputation among a vast spectrum of entrepreneurs. It was generally highly regarded by small and large firms alike. It also had a fairly diversified membership base; as such it was already serving as a bridge between the small and the larger entrepreneur. These linkages could be enhanced and exploited through carefully placed USAID assistance.

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9. Senegal

SMALL BUSINESS PROFILE MATRIX - Senegal 1989	
Characteristic	INFORMAL FIRMS
Share of private enterprises	
Share women owned	NA
Years in Business	NA
Average Annual Revenue	NA
Agriculture/ Agribusiness	9.9%
Manufacturing	31.5%
Commerce	30.6%
Services	44.1%
Export share of sales	3%
Import share of input purchases	2%
Share of Capital from non-family sources	20%
NB - data for Senegal cannot be disaggregated by firm size as few respondents supplied FTEE data; informal firms are used as proxy for these data	

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10. Ghana

SMALL BUSINESS PROFILE MATRIX - Ghana 1991			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises	4.2%	32.1%	17.7%
Share women owned	40.0%	36.2%	14.1%
Years in Business	NA	NA	NA
Revenue	NA	NA	NA
Agriculture/ Agribusiness	33.3%	12.9%	9.5%
Manufacturing	13.3%	30.2%	58.7%
Commerce	53.3%	27.6%	14.3%
Services	0	29.3%	17.5%
Export share of sales*	100%	100%	100%
Import share of input purchases	19%	20%	23%
Share of capital from non-family sources	20%	25%	24%
* survey designed to include only exporters;			

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11. Madagascar

SMALL BUSINESS PROFILE MATRIX - Madagascar 1991			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises	10.9%	35.4%	12.0%
Share women owned	34.2%	22.6%	9.5%
Years in Business	10.1	9.0	18.1
Average Annual Revenue	FMG 20m	FMG 20m	FMG 838m
Agriculture/ Agribusiness	23.7%	33.1%	64.3%
Manufacturing	21.1%	21.0%	28.6%
Commerce	26.3%	29.8%	31.0%
Services	39.5%	29.8%	16.7%
Export share of sales	NA	NA	NA
Import share of input purchases	2%	1%	0
Share of capital from non-family sources	NA	74%*	48%
* Much of this capital appears to be foreign supplier credits			

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12. Niger

SMALL BUSINESS PROFILE MATRIX - Niger 1991	
Characteristic	INFORMAL FIRMS
Share of private enterprises	NA
Share women owned	NA
Years in Business	NA
Average Annual Revenue	NA
Agriculture/ Agribusiness	36.8%
Manufacturing	0
Commerce	46.3%
Services	38.2%
Export share of sales	2%
Import share of input purchases	5%%
Share of capital from non-family sources	45%
NB - survey classified firms only as formal or informal; informal subset is used as a proxy for these data	

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13. Guinea

SMALL BUSINESS PROFILE MATRIX - Guinea, 1992			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises	1.5%	18.9%	18%
Share women owned	0	15.5%	8.8%
Years in Business	4.2	12.3	11.7
Average Annual Revenue	GF40m	GF73.8m	GF1,127.6m
Agriculture/ Agribusiness	100%	14.0%	32.7%
Manufacturing	40%	24.6%	41.4%
Commerce	0	24.6%	17.2%
Services	60%	32.8%	29.3%
Export share of sales*	NA	NA	NA
Import share of input purchases*	NA	NA	NA
Share of capital from non-family sources**	<33%	<33%	<33%

multiple responses permitted to sectoral questions
* - widespread smuggling and non-compliance rendered self-reported data on import and export questions invalid
** - most important external sources of capital were tontines, commercial banks and usury

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14. Togo

SMALL BUSINESS PROFILE MATRIX - Togo, 1992			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises	17.2%	32.1%	22.6%
Share women owned	49.0%	28.4%	29.9%
Years in Business	7.0	8.3	11.2
Average Annual Revenue	CFAF 5.2m	CFAF 20.6m	CFAF 48.9m
Agriculture/ Agribusiness	98.0%	100%	97.0%
Manufacturing	3.9%	5.3%	1.5%
Commerce	68.6%	81.1%	46.3%
Services	23.5%	13.7%	49.3%
Export share of sales	3.9%	6.1%	7.1%
Import share of input purchases	2%	2%	7%
Share of capital from non-family sources*	50%	60%	32%
* - these figures are notably elevated over those for similar firms in comparable countries.			

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15. Côte d'Ivoire

SMALL BUSINESS PROFILE MATRIX - Côte d'Ivoire, 1993			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises	12.4%	58.5%	15.2%
Share women owned	19.5%	18.7%	14.0%
Years in Business	7.3	6.8	8.4
Mean Annual Revenue	CFAF 12.5m	CFAF 219.4m	CFAF 395.6m
Agriculture/ Agribusiness	2.4%	6.2%	4.0%
Manufacturing	12.2%	6.7%	8.0%
Commerce	36.6%	26.4%	6.0%
Services	48.8%	47.2%	100%
Export share of sales	0.0	1.0	1.0
Import share of input purchases	3%	6%	5%
Share of capital from non-family sources	5%	8%	27%
* in this survey respondents were permitted multiple responses as applicable			

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16. Ethiopia

Efforts in Ethiopia were directed to collection of data supportive of the mission's Democracy and Governance goal of strengthening the private news and information media of Ethiopia. The survey instrument was quite different from the survey questionnaire developed for MAPS, though it contained some of the same basic questions on enterprise characteristics as MAPS survey, and are thus included below and in the analysis.

SMALL BUSINESS PROFILE MATRIX - Ethiopia 1993			
Characteristic	Owner-Operated	Microenterprise	Small Enterprise
Share of private enterprises		17%	47%
Share women owned	16%	15%	14%
Years in Business		7%	2%
Average Annual Revenue	Birr 50,000	Birr 100,000	Birr 250,000
Agriculture/ Agribusiness	NA	NA	NA
Manufacturing	NA	20%	16%
Commerce	NA	42%	24%
Services	NA	38%	60%
Export share of sales	NA	8%	6%
Import share of input purchases	NA	18%	22%
Share of capital from non-family sources	NA	12%	14%
NB -this survey was intended to measure printing and publishing services and therefore responses are not representative of Agriculture, Manufacturing, and Extraction industries			

Ethiopian businesses surveyed revealed that they are significantly dependant on imports for inputs to operate; nearly half of the businesses reported that obtaining all the licenses required at least 6 weeks. The smaller the firm, the longer it took to acquire the licenses. On the other hand, few licenses and permits and little time were required to start business and to operate. Again, the number of permits was inversely related to firm size.

On the issue of business associations, it turned out that the greatest demand was form information on local markets, a reflection of the chaotic state of affairs in the post-revolutionary East African state. The second greatest need was for information on export markets. Access to credit ranked much lower on the list than has been typical in other MAPS surveys.

The regulatory environment was the most often cited restraint on business among the smallest firms, followed by the condition of the country's infrastructure and competition from parastatals.