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in the West African Sub-region  
Dakar, Senegal, 25 May - 4 June 1970  
in the East African Sub-region  
Kampala, Uganda, 8 - 18 June 1970 (tentative)

## SERVICES FOR SMALL-SCALE INDUSTRY IN WEST AFRICA <sup>1/</sup>

Survey carried out in the Ivory Coast,  
Ghana, Nigeria, Dahomey and Senegal  
from 2 August - 6 September 1969

by

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<sup>1/</sup> The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the secretariat of UNIDO. The document has been reproduced without formal editing.

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### INTRODUCTION AND GENERAL COMMENTS

At the request of the United Nations Industrial Development Organization - UNIDO - a mission was carried out from 9 August to 6 September 1969 in five West African countries, for the purpose of "preparing a report containing findings and recommendations on the necessary action in the field of industrial extension and financing in these countries. These include the two countries where extension centres exist (Senegal and Ivory Coast), one country where a UNIDO project for the establishment of a centre for the development and training of small-scale industries (also catering to other countries of West Africa) has been formulated (Ghana), and two countries where little, if anything, has been done (Dahomey and Nigeria)".

The findings of this mission which appear, country by country, in this report indicate that a new definition of small-scale industry is required in West Africa; indigenous industrial enterprises, Ivorian, Nigerian, Dahomean, Ghanaian or Senegalese can, by and large, be equated with small-scale industries. One government (Ghana) has already limited the right to own small-scale industries to its nationals and another one (Nigeria) is considering similar measures. These two governments, however, differ widely in their views as to what may constitute the upper range of the small-scale industry sector and ignore, by and large, the lower limit of the same sector. It should be possible to find some common denominators. For instance, to differentiate between handicraft and small-scale industries the notion of structure could be introduced for the latter category, namely that the enterprise keeps records and separate accounts for the firm's and the owner's resources. The upper limit of the small-scale industry sector could well be that agreed upon in Addis Ababa in December 1966 at the All African Technical Expert Meeting, namely employment of up to 50 persons. To this could be added the criterion of capitalization of say up to the equivalent of US\$100,000. Nevertheless, for practical purposes, it is possible to generalize and equate indigenous industrial enterprises with small-scale industries. These attempts at definition, while to some extent arbitrary, help in focusing attention to the precarious situation of indigenous enterprises.

The findings show that, while no two countries face exactly the same problems and therefore require custom-made solutions, there are enough points in common for

only in their initial stages. Nevertheless, the mere fact that there has been comprehensive thinking on the subject and that a system has been worked out and established bodes well for the future. The opportunity was taken during the visits to Ghana, Nigeria and Senegal, which followed that to the Ivory Coast, to suggest to those responsible for small-scale industry development in these countries to avail themselves of the Ivorian experience in working out their own national systems. In the case of Dahomey, the situation was somewhat different as the President of that country joined with the Presidents of the four other countries, members of the Council of the Entente, to regionalize eventually the services provided by the Office for the Promotion of Small and Medium-scale Ivorian Enterprises - OPEI.

As regards the techniques of credit, extension and credit supervision, no fast rule is suggested for the entire region since conditions vary greatly from country to country, particularly from French to English-speaking countries which have retained much of the former colonial powers' philosophies and methods of doing business. This is why the Ivorian system of having OPEI in effect carry out the supervision of commercial bank credit together with industrial extension is strongly supported. In Nigeria, on the other hand, where decentralization is the policy of the Federal Government, it is recommended that the commercial banks establish their own system of credit supervision with industrial extension. At a later stage, commercial banks in all countries could well be convinced to become more aggressive in their lending practices by adding industrial extension, at least in a rudimentary form, to their business promotion, leaving industrial promotion to Government organizations such as OPEI and SONEPI (Senegal). It may be easier to train bankers motivated by the need for profits than government employees who have little motivation to go and seek out clients. The difficulties encountered by OPEI in finding sufficient qualified staff illustrate the point. Nevertheless, irrespective of the method recommended, it is not superfluous to stress again the importance of co-ordination of efforts by all concerned with small-scale industry development. This is why the Ivorian experience is so valuable.

On one technical aspect the conclusions reached by the mission are the same in each of the five countries visited, namely the need to have credit guarantee funds rather than credit insurance schemes. The Ivorian experience shows clearly that the fact that the guarantee is not automatic but depends on the initiative of the



that, in case of default on leases, the risk of loss due to inability to re-lease would be too great. Furthermore, commercial credit to finance the equipment would not be available. At present, neither SONEPI nor any other organization would have the means to get such a programme under way, even if it were demonstrated to be economically feasible, which it is not. Classical methods, as adopted in the Ivory Coast and Senegal, and considered for Ghana, appear to offer enough of a challenge to existing and proposed institutions not to want to try everything at once.

On several occasions mention is made in the country reports of the "Centrale des Risques" of the Central Bank for the States of West Africa - BCEAO. In effect, this "Centrale" consists of a listing of all firms subject to re-discounting by the Central Bank, together with the amount of risk which the Central Bank is prepared to accept for each firm. From these statistics, it is possible to extract some data with respect to credit assistance to small-scale industry, but the data is incomplete as only a certain type of credit is re-discountable. Nevertheless, as this "Centrale" provides the only official source of information on industrial credit in the countries served by the BCEAO, it might be possible, due to the increasing importance of adequate statistics on small-scale industry development, to use this "Centrale" for new series of statistics on the subject which, in time, will enable the various governments to gauge effective progress and determine policies for further development based on facts and not only, as is now the case, on data often far removed from reality. The Central Banks of Ghana and Nigeria might be interested in developing record-keeping centres similar to the "Centrale des Risques" which would permit comparative analysis from country to country.

Few countries have legislation specifically concerning small-scale industry development and, unfortunately, existing legislation more often than not discriminates against small-scale industries and African enterprises. A systematic study of existing legislation, particularly of the "Codes des Investissements" should be carried out and draft legislation proposed to provide incentives for small-scale enterprises to establish themselves and to grow. Attempts such as the ones in Ghana to force the Ghanaization of small-scale enterprises leave many facets open to interpretation and require further action to make the laws possible and effective.

A question which calls for general comments has to do with the mobilization and training of motivated personnel in the methods of promoting and counselling



existing and nascent industries. Within the group of countries visited, the Ivory Coast and Dahomey can be considered together along with Upper Volta, Niger and Togo comprising the Council of the Sahel, or they will eventually be served by a common promotion service - CPEI. It is evident that under CPEI, the training of staff should be centralized in order to have a unified approach to development, promotion and assistance. There are several official languages in vogue in this area, together with the vehicular French, to merit not only centralized training but multinational activities, promotion (aire de assistance) in the Fonds d'Entraide et de Garantie des Dependants du Conseil de l'Entente, and extension. Other circumstances might be more difficult, with one possible exception in the North-Western tier (Senegal, Mauritania and Mali). It should be possible to train commercial bank personnel from Nigeria and their families to provide staff, supervisor and industrial extension together with personnel from Sierra Leone in the Gambia, or those countries are served, by and large, by the same bank, so it is likely that one or the other of the larger commercial banks would be willing to offer its facilities for the training of bank staff. In addition, a programme should be developed to permit the exchange of extension staff from one country to another for relatively short periods of time thereby breaking down the language barrier between countries which limit the attainment of experience. A similar common official language may assist the break-down of official language barriers between certain non-labouring countries such as Western Nigeria and Dahomey or Senegal and Togo.

Other remarks which appear pertinent to the purpose of the mission include:

- The need to promote industrial development away from the centres to alleviate the growing unemployment problem and
- The need to reconsider existing technical training facilities to adapt them more effectively to the needs for skilled and semi-skilled labour.

Finally, we wish to express our thanks to all those who often went to great length to see that as much factual information as possible was made available for the purpose of this study.

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## IVORY COAST

### 1. Small-scale industry in the Ivory Coast

The various censuses taken and surveys made to obtain information on Ivory Coast enterprises have revealed not only the very small number of Ivory Coast entrepreneurs but also, with a few exceptions, their extremely modest participations. Thus among the 644 industrial enterprises counted in a survey carried out by the Development Survey Office in December 1968, we find:

- 3 forestry undertakings
- 1 saw-mill
- 1 enterprise for fitting out fishing vessels
- 4 joinery and cabinet-making enterprises
- 1 garage
- 3 building enterprises
- 6 carriers

or a total of only 19 enterprises managed by Ivory Coast nationals, representing no more than 3 per cent of the entrepreneurs in the country.

It is possible that the list is incomplete and that some Ivory Coast entrepreneurs have been missed, but there cannot be many such and consequently more accurate data would not alter the basic picture.

It may be concluded that all other heads of enterprises who are Ivory Coast nationals are craftsmen, or heads of very small undertakings of the handicraft type. A sample survey carried out in 1968 at Abidjan among 118 of these (joiners, cabinet-makers, carpet makers, locksmiths, iron workers, mechanics, sheet iron workers, painters, tailors, radio repairers, a printer, refrigerator mechanics and a repairer of taximeters) revealed that:

- 48 per cent were illiterate,
- 22 per cent could barely read;
- 30 per cent were clearly of primary education (C. . . .) level.

It is not surprising that these small businessmen are unfamiliar with the most basic rules regarding management and the organization of work.

## 2. Definition of small-scale industry

How are we to define small-scale industry in the Ivory Coast for the purposes of this study? Small-scale industry can be regarded as including all enterprises owned and managed by Ivory Coast nationals. The question may be raised whether the term should also cover certain enterprises managed by Africans who are not Ivory Coast nationals. The practical solution would seem to be to answer the question in the affirmative.

## 3. Government policy on the promotion of small-scale industry

The situation in the Ivory Coast can be summarized as follows: on the one side there is a mass of semi-craft-type workers, two thirds of whom are partially or completely illiterate, who are competent to a greater or lesser degree in their trades, and who usually have no reserve capital, and on the other some 20 small-scale enterprises functioning with varying degrees of efficiency.

The qualifications of the former group can be improved through training in the trade concerned, instruction in reading and writing for those who are able and willing to learn, and instruction in the elementary but essential rules of management and work organization and in the principles of marketing. It cannot reasonably be expected, however, that these craftsmen can be brought up to the level of heads of small-scale or medium-sized enterprises. They have neither the general education nor the financial means necessary and are not in a position to obtain either.

The training of the twenty or so heads of enterprises who are already able to face the competition of sovereign and well-organized foreign enterprises can be supplemented by courses of advanced training which will enable them to improve their skill in management, organization and commercial relations.

The training of further generations of Ivory Coast entrepreneurs can and should be contemplated, since the talents existing today are insufficient. Even at the present time, there ought to be at least five times as many. But it is difficult to expect the educational apparatus to train within a reasonable period of time, through the traditional system of secondary and higher education, the qualified people who are needed even now, and are certain to be needed increasingly urgently in the immediate future. To secure the required result, the Ivory Coast must be able to find among its population a pool of potential candidates either within the civil service or in the private sector, recognize the potential of becoming heads of enterprises, and to give them appropriate training.

When a survey is carried out, whether it is a technical or economic survey, the compiling and utilization of the information thus made available leads progressively to the formulation of the basic data to be expected from the survey itself. At this stage a real or theoretical "model" is produced, to serve as a basis for the hypotheses adopted. This is what makes possible the study and formulation of policy regarding promotion. Little by little the "model" is formed and, if it is to be coherent, its elements must be co-ordinated among themselves, while at the same time each enjoying a certain independence.

Training heads of enterprises, providing advanced training for others who are already at work, and helping some whose activities are about to take on new dimensions to improve their skills, is not possible unless the "economic background" to their activities has first been explored and worked on by economists who are responsible for studies.

There will be no assurance that the entrepreneurs trained and set up in new or transformed enterprises will be in a position to cope with the difficulties involved in their work and satisfactorily to solve the thousand and one everyday problems that face an enterprise unless they can have the benefit of technical assistance from discerning, competent and devoted specialists.

Thus, as the promotion policy has been developed, its basic instruments have been defined in the light of its goals: economic studies, basic and advanced training for entrepreneurs, and technical assistance to back them up.<sup>1/</sup>

#### 4. Services for small-scale industry

The principle that special services are needed for small-scale industry is set forth in the Economic, Social and Cultural Development Planning Act for the years 1967-1970, Act No. 67,302 of 10 July 1967. This Act establishes a National Office for the Promotion of Small-Scale and Medium-Sized Ivory Coast Enterprises (Office national de promotion de la petite et moyenne entreprise ivoirienne, OPEI), a body corporate enjoying financial autonomy.

<sup>1/</sup> Sections 1 and 3 are largely based on a recent report prepared by the expert from the International Labour Office seconded to the Office for the Promotion of Ivory Coast Enterprises (OPEI).

OPEI, which is intended to help Ivory Coast entrepreneurs to improve their skills, can base its organizational structure on the goals enumerated:

- A studies department with the task of carrying out general and sectoral studies which may lead to projects of definite economic value and on a small enough scale to be within the reach of Ivory Coast nationals. The department would also, however, have the additional task of assisting entrepreneurs already installed by providing evaluations, feasibility or marketing studies and economic data which are hard to obtain or highly specialized.
- A basic and advanced training department for instructing future heads of enterprises, giving them an awareness of management problems, and educating and training them; it would also be responsible for organizing for them and for others such sources, in any form which has proved satisfactory in practice, as might enable them to manage their enterprises more efficiently and productively. The department would likewise have the task of ensuring, at the level of the enterprise itself, the proper assimilation of the instruction received by the head of the enterprise, and the satisfactory, rational application of this instruction, and, where necessary, providing the essential additional instruction, in the form of assistance on the job, to enable the head of the enterprise to cope with practical problems. A request has been submitted to the Special Fund for assistance to make possible the operation of this department.
- Finally, the technical assistance department, which keeps in touch with the day-to-day life of enterprises and deals only with precise problems confronting the entrepreneurs as the result of economic trends, of a kind that can be solved economically by OPEI thanks to its contacts, its competence and its authority.

All the departments will work more effectively if their activities are integrated in an overall, clearly defined programme. Here also choices need to be made between alternative courses of action, since there is so much to be done in the field of production that if efforts are not directed towards the points at which the best results can be expected a large part of the activities of OPEI will represent a total waste. A multiplicity of uncoordinated but independent measures do not make up an integrated programme of work. Only if efforts are co-ordinated within a carefully prepared general programme can the assistance offered be effective.

In August 1969, OPEI had a staff of around 40, half of them Ivory Coast nationals and the other half foreign experts and volunteers. The budget for 1969 was 60 million CFA francs (240,000). The budget for 1970 provides for a sum of 100 million CFA francs (370,000) at the new rate for the CFA franc.

The plan of organization for OPEI appears in annex I.

At their meeting on 24 June 1969, the Presidents of the countries belonging to the Council of the Entente decided to regionalize OPEI "eventually". The OPEI management believes that such a measure could reinforce the role of the Office in the Ivory Coast itself, rather than weakening it as might be feared.<sup>2/</sup>

The Société d'assistance comptable (SAC) (Corporation for Accountancy Assistance)

This body, set up by the Ivory Coast banks, has an industrial extension task. For a fee, but a nominal one, it helps Ivory Coast nationals who are clients of the banks which participate (all except the Banque internationale de l'Afrique de l'Ouest) to keep their accounts and ensure that transactions are properly recorded during the period of a given loan, both for the benefit of the client and for the benefit of the participating bank, to which SAC submits periodic reports. Thus the activities of SAC supplement those of OPEI. Owing to its independence, SAC feels that it is capable of greater objectivity than it would be if it had to work within the actual framework of OPEI, a government organ.

SAC is already considering, within the context of the declaration made by the five Presidents of the countries belonging to the Council of the Entente on 24 June 1969 concerning the eventual regionalization of OPEI, the possibility of following a similar course itself. For the moment, SAC is directed by a delegate of the French company for accountancy assistance, the Fiduciaire de France. He is assisted by two Ivory Coast accountants and he is endeavouring to expand his staff.

Training of personnel for the promotion of small-scale industry

The training programme for the Ivory Coast personnel of OPEI will require about 20 hours of courses and 45 hours of visits to enterprises (see the programme in annex II) (the details of some of the lectures still have to be fixed).

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This solution was discussed at Abidjan with Mr. Langlois, the expert responsible for this problem from the United States Agency for International Development (USAID).

The training programme has been reinforced as a result of the proposed opening by OPEI, in October 1970, of three regional centres in the interior of the country (Baloa, Souaké, Man) in order to decentralize the activities of the Office in the rural areas. Other centres will be opened subsequently in the other regions. These centres will be placed in the care of regional centre directors who will be trained at OPEI within the scope of course envisaged on the basis of four hours of courses per week and six or seven hours of visits per month. The lectures will be given partly by experts from the International Labour Office and partly by technicians from private enterprises established at Abidjan.

#### 6. Credit for small-scale industry

The financial institutions in the Ivory Coast whose activities affect small-scale industry are the following:

##### Establishments:

<u>Public:</u>	Central Bank for the States of West Africa (BCOAO) Guaranteed Fund for Credits to Ivory Coast Enterprises
<u>Semi-public:</u>	Ivory Coast Industrial Development Bank (BIDI) (credits from 10 million to 200 million CFA francs) Crédit de la Côte d'Ivoire (CCI) (credits of less than 10 million CFA francs)
<u>Private:</u>	Banque internationale pour le commerce et l'industrie de la Côte d'Ivoire (BICICI) Société Générale de banque en Côte d'Ivoire (SGB) Société ivoirienne de banque (SIB) Banque internationale de l'Afrique de l'Ouest (BIAO)

The initiative of submitting a request for credit to a bank is generally taken by OPEI, which may approach either BIDI, CCI or one of the commercial banks on behalf of the enterprise needing credit. OPEI submits a complete study of the project.

From that point on, the procedure is as follows:

-- In the cases submitted to BIDI, which is equipped with its own team of financial analysts, the project is analysed in detail by the bank itself;

In the cases submitted to commercial banks, the request is referred to the Société d'assistance comptable (SAC), a company organized and supported by the banks themselves, so that it can make a thorough study of the financial situation of the enterprise requesting the credits.

On the basis of the reports of OPEI and SAC, the bank takes its decision regarding the request. Depending on the case, the bank may appeal to the Guarantee Fund for a guarantee covering anything from 30 per cent to 80 per cent of the amount of the credit.

The credits may be short-term or medium-term (five years) in the case of commercial banks, and medium term or long-term where BIDI is concerned. In the latter case, BIDI, which can also take out shares, seeks to establish co-operation with the client's commercial bank to ensure that short-term credit is also available.

The interest rate varies according to the conditions of the loan. For example, BICEI applies the following scale:

Short-term loans.

1. Discountable <sup>3/</sup> with BCBAO		5½ per cent (3½ + 2)
Not rediscountable	less than 5 million CFA francs	7 per cent
	more than 5 million CFA francs	8 per cent

Medium-term loans:

1. Discountable and guaranteed	for more than 50 per cent	5¼ per cent
	for less than 50 per cent	5½ per cent
Not rediscountable, with a guarantee		8 per cent
Discountable	without a guarantee	6 to 6½ per cent
Not rediscountable	without a guarantee	9 per cent

All the rates include the commission for waiting-time, the commission for commitment and the guarantee commission.

On the request of a bank, BCBAO gives the clients of this bank a rediscount rate, within the limits of a rediscount ceiling representing the difference between utilization and the resources of the bank. BCBAO has a register of 400 to 500 rediscount rates.



All the banks have a supervised credit policy; it is supervised at the time of payment to ensure that it is used for the purposes indicated, and also later, during the period of the credit, so that the development of the client enterprise can be followed. While the commercial banks have a tacit arrangement with OPEI regarding the technical assistance which that office will continue to render to the small-scale enterprise, BIDI makes this assistance a condition of its loan agreements, insisting that the enterprise must accept this assistance and the recommendations of the OPEI experts. There is thus complete institutional separation between industrial extension and credit facilities, but close co-ordination between the two. In fact, the OPEI officials often collect the repayments due on behalf of the banks.

The following table indicates, by way of example, BIDI's portfolio of credits to small-scale industry as on 28 January 1969. The reference is to enterprises managed by Ivory Coast nationals.

Capital of the enterprise	% of the capital in hands of Ivory Coast nationals	Amount of the loan
40 million CFA francs	100	20 million CFA francs
50	100	40
7	51	3
35	75	18.5
180	89	140
-	100	13.4
120	100	42.5
5	100	3.5
30	100	26
-	100	2.8
30	100	20
405	35	18.8
10	100	25
	13 enterprises	375.5 million CFA francs

This portfolio represents about 15 per cent in both number and value of the loans granted by BIDI. The three loans of less than 10 million CFA francs are an exception to the rule, representing tied USAID funds. Normally these loans should have been the responsibility of CCI.

7. "Pre-bankable" financing

In order to allow the development of enterprises which are still in an embryonic state and not able, even with the guarantee offered by technical assistance, to obtain bank financing immediately, the Minister of Finance has allocated 50 million CFA francs to the recently formed association for the formation of small-scale enterprises in the Ivory Coast. The form in which the association and OPEI are to co-operate has not yet been decided. This fund, however, supplements the range of services offered to small-scale industry.

#### CONCLUSIONS

The organization of services for small-scale industry in the Ivory Coast may be summed up as follows:

Promotion and industrial extension - OPEI

Pre-bankable financing - the APMECI fund

Bank financing - commercial banks - BIDI

Guarantees - the Guarantee Fund - the text of the decree concerning the organization of the Guarantee Fund appears in annex III

Rediscouinting - BCEAO

Technical assistance - OPEI

SAC

These various institutions take up a well-constructed system, which, apart from the APMECI fund, is already in operation at the present time.

OPEI, the key to the system, already has some Ivory Coast personnel in the process of being trained. There remains a problem, however, not only of finding enough qualified Ivory Coast nationals, but of giving them adequate motives for leaving their offices in order to undertake extension work among small-scale enterprises. The Special Fund request, if it is accepted, will give OPEI a little more time to find the basic personnel required and to give them the necessary training.

In view of the decision of the members of the Council of the Entente to extend the activities of OPEI to all the member countries, an increase in multilateral assistance for OPEI becomes increasingly urgent. It would also be useful to take up once again the idea of establishing an industrial estate which could, at the same time, perform the function of a centre for vocational training and research on products capable of being manufactured by industries in the Ivory Coast or other countries of the Entente.

It is doubtful whether the Centre for the Development of Small-Scale Industries expected to be set up at Accra, Ghana, can perform this role on behalf of the countries of the Entente, in view of the difficulties resulting both from the lack of a common vehicular language and from differences in the concept of an enterprise in the French-speaking and English-speaking countries. An exchange of experts between an Ivory Coast centre and the planned centre in Ghana would, however, be considered.

As financial assistance is available, it is technical assistance that must be further developed within the framework of the existing programme.

So that the progress of the development programme can be followed, it has been suggested that BOBAG should begin to break down the statistics of its "Centrale des Risques" by separating Ivory Coast enterprises (defined perhaps as those managed by Ivory Coast nationals and having a minimum of 33 per cent of their capital in the hands of Ivory Coast nationals) from foreign enterprises.<sup>4/</sup>

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<sup>4/</sup> The definition of an Ivory Coast enterprise for the purposes of the Guarantee Fund requires that at least 50 per cent of the capital of the enterprise must be held by Ivory Coast nationals.

The operation of the "Centrale des Risques" is described on page 32.

IVORY COAST

Abbreviations

ADB	African Development Bank
APPMECI	Association for the formation of small-scale and medium-scale Ivory Coast enterprises (Association pour la formation des petites et moyennes entreprises de la Côte d'Ivoire)
BCEAO	Central Bank for the States of West Africa
BIAO	Banque internationale de l'Afrique de l'Ouest
BICICI	Banque internationale pour le commerce et l'industrie de la Côte d'Ivoire
BIDI	Ivory Coast Industrial Development Bank (Banque ivoirienne de développement industriel)
CCI	Crédit de la Côte d'Ivoire
C.E.P.E.	<u>Certificat d'études primaires élémentaires</u>
FG	Guarantee Fund for Credits to Ivory Coast Enterprises (Fonds de garantie des crédits aux entreprises ivoiriennes)
OPEI	Office for the Promotion of Small-Scale and Medium-Scale Enterprises (Office de promotion de la petite et moyenne entreprise ivoirienne)
SAC	Société d'assistance comptable S.A.
SGB	Société générale de banque en Côte d'Ivoire
SIB	Société ivoirienne de banque
AMES	Société africaine de gestion, d'études et de service

Contacts made in the Ivory Coast

UNDP	Mr. Henri Chremastyle, Resident Representative
USAID	Miss Marcella Christopher, AID Officer Mr. Langlois, adviser on the regional development of small-scale industry
BICI	Mr. Roland Charbonnel, Deputy Director Mr. J. Richmond, fully authorized agent
ADB	Mr. Guerin, Loans Department Mr. Donald Crawford, ADB expert
BIDI	Mr. Alphonse Bity, Deputy Director-General
IBRD	Mr. Francis Laboff, Regional Representative
SAC	Mr. Galeries, Director
OPEI	Mr. Aldon Doumaie, Director for Industrial Development, Ministry of Planning
Fonds d'entraide et de garantie des emprunts du Conseil de l'Entente	Mr. Paul Coge, Secretary-General
BCEAO	Mr. Charpentier, Director
CCI	Mr. Amicula, Director-General
Guarantee Fund	Mr. Francis
AGES	Mrs. Sylla, President and Treasurer of APMECI

GHANA

1. Small-scale industry in Ghana

The latest authoritative figures on small-scale industry in Ghana are those which are contained in the 1962 Industrial Census and the 1963 Sample Survey of Small Manufacturing Establishments, and appear below:

<u>No. of persons employed</u>	<u>No. of establishments</u>
1	62,500
2-4	37,000
5-9	4,600
<hr/>	<hr/>
10-19	1,500
20-29	250
30-49	150
	<hr/>
	106,000

These establishments were engaged in the following types of industries:

Food and beverages	40,000
Textiles and footwear	35,000
Wood and furniture	13,500
Metal and machinery	10,500
Miscellaneous	7,000
	<hr/>
	106,000

It was estimated that these enterprises employed about 250,000 persons.

According to various sources who have investigated Ghana's small-scale industry sector, Ghana does not lack in entrepreneurs. On occasions, it may even have too many of them, leading to disastrous competition and a weakening of the enterprises, while strengthening and growth are necessary. As compared with the Ivory Coast, the problem in Ghana is not so much to seek out and develop entrepreneurs as to provide them with the necessary technical assistance for effective progress.

Much of this information was brought out in the course of a consultative meeting on the development of Ghanaian small enterprises held in December 1967, under the sponsorship of UNDP and ILO.

## 2. Definition of small-scale industry in Ghana

Within the context of this survey, there are several ways of defining a small-scale industry in Ghana. First, the definition agreed upon at the All African Technical Experts Meeting organized by UNCTAD in Addis Ababa in December 1966, namely enterprises conducted on a whole-time basis and for the purpose of profit and employing 50 persons or less, could be applied in view of the prevalence of such enterprises in the country. Second, the definition of the Ghanaian Enterprises Decree, 1968, reserving all enterprises employing 30 persons or less, requiring simple production or operational techniques, or with a capital of NG100,000 (100,000) or less - defined as small-scale enterprises - to Ghanaian ownership might reasonably be considered. However, it is felt that the broader definition suggested for the Ivory Coast might also be applied to Ghana.

## 3. Government policy on the promotion of small-scale industries

The only existing policy for the promotion of small-scale industries is that expressed in the National Liberation Council Decree 323 of 30 December 1968, entitled Ghanaian Enterprises Decree, 1968, reserving for Ghanaian ownership and management all small-scale enterprises as defined in the decree (see preceding paragraph).

This decree establishes a Ghanaian Enterprise Committee to, among other duties, ensure the efficient implementation of the decree. Severe penalties are provided for infringements of the provisions of the decree. Many other policies are being considered within the general framework of the 1968-69 Two-year Plan, and of the Five-year Plan which is now being drafted, which provide for incentives for the promotion of industries.

The principal proposals include:

- A special fund for the financing of small-scale enterprises, which might be created with counterpart funds from American aid to Ghana;
- A centre for training and development of small-scale industries, having at its disposal equipment offered by the Government of India;
- A credit insurance scheme along the pattern of the small-scale industry credit insurance scheme of the Government of India.

4. Services for small-scale industry

Except for the Management Development and Productivity Institute which is operating with the assistance of a Special Fund grant, with the ILO as executing agency, there are not now any organizations specially dedicated to providing services to small-scale industry. Only one institution, the National Investment Bank - NIB - has indicated its desire to expand its normal lending to include an accelerated programme of studying a number of small and medium-scale industrial projects, which would be available for implementation by Ghanaians with NIB financial assistance and technical advice. The assistance of UNIDO experts is being sought for this action. It appears however that NIB would require a noticeable change in its approach to lending and in its management policies, to become an effective instrument of service to small-scale industry. The same applies to NIB's Development Service Institute - DSI - which is so geared towards broad feasibility studies that it could hardly be expected, in its present form, to serve as the nucleus for an effective small-scale industry extension service.

5. Training and development of industrial extension agents

For the time being, there are no programmes to train industrial extension agents. However, facilities exist at both the Management Development and Productivity Institute and at the Institute of Public Administration which could be expanded to include intensive courses for extension agents, with probably but few additional experts required. This would be particularly true of IDPI. The Institute of Public Administration stands ready to organize the programme required.

6. Credit to small-scale industry

The financial institutions which are now or might become involved in credit to small-scale industry in Ghana include:

<u>Public:</u>	The Bank of Ghana - BG
	The Ghana Commercial Bank - GCB
<u>Private:</u>	National Investment Bank - NIB
	Barclay's D.C. a.o.
	Standard Bank of West Africa - SBWA



So far, only the three commercial banks are extending some credit to small-scale industrial enterprises. However, for lack of adequate support for this type of enterprise, credit is very limited. It has not been possible to obtain data on the volume of small-scale industry lending.

In order to make it more attractive for the commercial banks to accept loan-requests from small-scale enterprises, the Bank of Ghana is now studying the possibility of establishing a credit insurance scheme under which would-be borrowers could obtain an insurance policy which in turn would be used as collateral for the loan. BG has requested the advice and assistance of an expert from India where this form of insurance is being used.

It would appear however that the much simpler method of a Guarantee Fund under which the banker appraises the loan request himself and applies for a guaranty from the Fund only as a matter of last recourse to share his risk, could be better indicated. The experience of the Ivory Coast would perhaps be used as a model.

NIB is limited in its ability to extend credit to small-scale industries both by the term of the loans it can make (minimum of three years) and by the amount of the loans (minimum NC10,000). Furthermore, NIB as the development bank of Ghana envisages its function as that of a promoter of industrial projects, providing consultancy services for a fee to those requesting such services.

However, credit to small-scale industries results from promotional activities of enterprises, which often must be bought out, which are in need of extension services in the broadest sense of the term, and which are not generally in a position to pay for the services.

Further to these two categories of small-scale enterprises, there exists a third category comprising those small-scale enterprises now in the hands of expatriates and which must pass under Ghanaian control under the terms of Decree 323 of 1968. The problems involved, including both the financing of the purchase of the enterprise by Ghanaian interests and the training of the new owners in the management of the enterprise must be considered in a different context. One of the commercial banks has evolved a scheme under which it would train Ghanaian would-be purchasers of small-scale trading enterprises in management, guaranteeing to the expatriate owner full payment

for his enterprise in transferable currency at the time of purchase, namely when the new owner is ready to take over. Ford Foundation support has been requested for this programme. It may well be that similar schemes could be developed for the smooth transfer of small-scale industrial enterprises from expatriate to Ghanaian ownership.

As is the case in the Ivory Coast, there are, within the group of small-scale industries to be assisted by the extension service, a large number of enterprises which are not yet at a stage where even with technical assistance, they could be considered bankable risk. For this purpose, a Special Revolving Loan Fund (SKLF) should be established, preferably to be managed by the GCB, from which the small loans required by small-scale enterprises assisted by the extension service would be made on the basis of the extension service's recommendation. GCB would assume only a minimum of risk. This type of credit, in support of extension service activities would be fully supervised by the UNIDO Centre. GCB would receive a commission for disbursing and collecting the loans. GCB is suggested rather than NIB because of its many branches and agencies throughout the country.

### CONCLUSIONS

Much thought has been given in Ghana to the elaboration of a system of services to promote the development of small-scale enterprises, equated in this context - to Ghanaian enterprises. So far, however, there exist only some of the elements necessary for an integrated system, and because they are isolated, their functions are not always clearly understood and their effectiveness is perhaps reduced by their lack of co-ordination.

There is however a broad basis of agreement among interested personalities in Ghana for the establishment of a system which would include the following elements:

1. Training of managers and some advisory services in management provided by the Management Development and Productivity Institute - MDPI.
2. The UNIDO/ECA-sponsored Centre for the Development and Training of Small-scale Industries would provide extension services and would facilitate financing.

3. When financial needs are determined, the Centre would direct the small-scale enterprises to:

- (a) The Special Revolving Fund which could be set-up by the Government within the Ghana Commercial Bank when the project is still in a pre-bankable stage. GCB would underwrite the loan recommended by the Centre, assuming only a minimum of risk, and would receive a commission to manage and collect the loan which would be supervised by the Centre.
- (b) A commercial bank of GIP (provided both term and minimum amount requirements are met), or both in short or long term financing are required. As an incentive to liberalizing their lending policies, the banks will have, in addition to the guarantee represented by the work of the Centre's agents with the clients, access to:

4. The Guarantee Fund, set up by the Bank of Ghana. The experience of the Ivory Coast would indicate that a system of guarantees under which a bank would have the choice of calling upon the Fund to cover part of its risk - let us say from a minimum of 30 per cent to a maximum of 50 per cent, or to assume the full risk itself, would tend to bring the banks to be more liberal in their consideration of loan requests than would be the case under a Credit Insurance Scheme, Indian style.

5. The Bank of Ghana could effect the volume of resources made available to the system by applying a favourable discount policy for loans to small-scale industries. The Bank of Ghana could also establish a system of controls of credit (perhaps akin to the "Centrale des Risques" of the Banque Centrale des Etats de l'Afrique de l'Ouest), which should permit to gauge consistently the progress achieved in developing small-scale industries, since so far, banks do not distinguish either between Ghanaian and expatriate enterprises, or between enterprises financed according to their type.

As to the respective roles to be played by the Small Industry Centre and DSI, their spheres of activities could be broadly defined as follows:

DSI:

- (a) Promotes industrial projects together with the technical assistance, on an onerous basis, required to implement the projects, and
- (b) Offers consultancy services to clients requesting them, on a fee basis.

Small Industry Centre:

Promotes industrial enterprises, within pre-determined sectors if so desired, in order to help them, free of charge, to develop themselves until such time as they can pay for consulting services if still needed.

All credits made with the recommendation of the Centre would be supervised:

- (a) At the disbursement stage, by the bank having made the loan;
- (b) At the execution stage, by the Centre to ensure that its recommendations and the purposes of the loan are being implemented;
- (c) During the life of the loan, by the Centre and by the bank to ensure that the enterprise remains fully viable and prosperous.

For purposes of definition, the term "extension services" is meant to include not only technical, administrative, financial and marketing - purchasing and selling - services, but also bookkeeping and simple accounting and contracts.

Within the framework of this scheme, the Centre's first task would be to seek qualified and motivated Ghanaians to be trained as industrial extension agents by the existing staff of the Centre and by expatriate experts specialized in the matter.

The cost of the Centre's expanded activities in the field of industrial extension services should normally be borne by Government from budgetary appropriations. It can be expected that the benefits of the programme to the country would ultimately more than compensate for the cost.

GHANA

Abbreviations

MDPI	Management Development and Productivity Institute
DSI	Development Service Institute
NIB	National Investment Bank
BG	Bank of Ghana
GCB	Ghana Commercial Bank
GMA	Ghana Manufacturers Association
GBA	Ghanaian Businessmen's Association
GTA	Ghana Employers Association
SBA	Standard Bank of West Africa Ltd.
GIHC	Ghana Industrial Holding Corporation

Contacts made in Ghana

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Mr. D. Dibble, Industrial Adviser

Ministry of Economic Affairs  
Mr. B. K. Mensah, Principal Secretary

GIHC Mr. Aekem Mensah, Managing Director  
Mr. Fred Guendet, Opex adviser  
Mr. Storsveen, Opex adviser

NIB Mr. Odame-Labi, General Manager

MDPI Mr. C. C. K. Harlley, Director  
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SBWA Mr. O. P. Johnson, Executive Director

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## NIGERIA

### 1. Small-scale industry in Nigeria

No attempt has been made to obtain quantitative data on the structure of the indigenous small-scale industry sector in Nigeria. Subjective evidence indicates that this sector is quite large, and distributed in many centres of the country outside of Lagos. It is a sector which tends to be ignored by the banks - official and private - except in cases, with some noticeable exceptions, sufficient structure to offer the guarantees required.

Nevertheless, it is a sector which has received wide recognition, at the Federal, regional and state levels, the reports varying from that on the Economic Development of Nigeria, prepared under the sponsorship of the World Bank to that prepared by a Stanford Research Institute team with wide experience in India, on behalf of the Ford Foundation. Several projects have been developed and carried out with varying measures of success. Some had to be abandoned because of the hostility in the Eastern part of the country. Nevertheless, the Nigerian experience in certain methods of approach to the problems of small-scale industry development are noteworthy as being unique of their type in West Africa.

### 2. Definition of small-scale industry in Nigeria

The Federal Government presently defines a small-scale industry, for operational purposes, as one with a capital not exceeding ₦10,000 (\$28,000) and which is wholly owned and managed by Nigerians. However, within the basic aim of the Government to Nigerianize all small-scale industry, the broader concept of equating small-scale industry with indigenous industry may be considered. There are already now some noticeable exceptions, but they rather confirm the rule than make it inapplicable.

The fact, for instance, that the Nigerian Industrial Development Bank - NIDB - will make loans to small-scale industries, provided that the amount is not less than ₦10,000 illustrates the point.

### 3. Government policy on the promotion of small-scale industry

As mentioned in the preceding paragraph, it is the aim of the Federal Government to Nigerianize small-scale industry. The Federal Government is in the

course of preparing a policy paper which ultimately would bring forth the realization of this aim. Basically, the responsibility for the promotion of indigenous industries would rest with the Government of the 12 States. The Federal Government would however promote the establishment of regional Industrial Development Centres in addition to the one already in existence in the North, and it would match State resources for small-scale industrial credit schemes such as the one which existed in the Northern Region prior to the political reorganization of the country. Further, the States would be responsible for the organization of industrial estates and for the setting-up of industrial extension services. Finally, the Federal Government is considering, as part of its policy, the establishment of a Federal Industrial Consultancy Service which could be available to the States and to the three regional industrial development centres when needed.

In summary, the proposed Federal Government policy would include:

- (a) The organization or reinforcement of three regional industrial development centres at:
  - Zaria to serve five of the six Northern States;
  - Ibadan to serve the three Western States and the sixth Northern State;
  - Owerri to serve the three Eastern States.
- Each centre would have a certain degree of specialization to meet the particular needs of the region it would serve.
- (b) The organization of small-scale industry credit schemes in each State, with resources from the States, matched by federal funds.
- (c) The establishment of a small-scale industry section within the Ministry of Industries.
- (d) The establishment of new industrial estates in the various States, in addition to the one in Yaba, Lagos State.
- (e) The promotion of greater participation by the private banks in the financing of small-scale industries.



This proposed policy fails however to provide incentives to the private banks to liberalize their lending as it does not include provisions for either a small-scale industry credit guarantee fund or alternatively a credit insurance scheme. It also fails to provide specifically for the organization of industrial extension services, a prerequisite for the dynamic promotion of small-scale industries, and a necessary complement to the industrial development centres and industrial estates being considered. Finally, the policy fails to provide pioneer enterprises benefits similar to those generally available for new foreign investments.

4. Services for small-scale industry.

Today, services to small-scale industry include:

- (a) An Industrial Development Centre - IDC - at Zaria, established under the sponsorship of USAID.

The aims of this IDC are: to assist in the development of an institution capable of providing comprehensive practical assistance and encouragement to promising private entrepreneurs active in small and medium scale industry in Northern Nigeria through:

1. Help in the identification of investment opportunities by assisting prospective Nigerian investors either to enlarge or improve their current operation or, in the case of the investor-entrepreneur not currently in business to begin operations. Optimum use of indigenous raw materials in perfecting existing products or introducing new products is a primary objective. This assistance may take the form of supplying technical advice on the organization of planning, or operation of an industrial project; or advice to an investor-sponsor on source of financing and preparation of an application/prospectus for project financing.
2. Help in the preparation of all necessary documents for loan applications through the Northern River Credit Fund and in the processing of these applications through granting of the loans. After the loan has been approved, assistance will also be extended to the Nigerian entrepreneur in purchasing the required tools and designing of plant layout.

3. Help in resolving organization, financial and operation problems by the provision of technical assistance to Nigerian entrepreneurs in both management and technical fields.
4. Help in upgrading small and medium level supervisory personnel and management, through technical assistance and demonstrations at the IDC and in the field, relating to effective utilization and upgrading of available materials in the production process.
5. Help in the training of the Central Nigerian staff to ensure continuity of the above services when United States and third-country assistance is terminated.

The eight direct hire experts of the IDC have given much attention to product development. They have provided and have organized many management seminars which have been followed-up by staff visits to the enterprises. The workshops have been available for training some of the workers from participating enterprises.

(b) A Small Industry Credit Scheme in the six Northern States, at Kaduna, established under the sponsorship of the Ford Foundation. This scheme is now nearly at a standstill following the division of the Northern Region which financed it, into six states without the necessary co-ordination of financing for the support service. During the two-year period ending 31 March 1967, approximately 1/3 of the change in the political structure of Nigeria, the scheme contracted 15 loans to small industrialists in the North, for a total financial obligation of about N5 98,000 (\$275,000).

The loans went to industries such as:

- Printing shops
- Poultry farms
- Furniture making
- Auto repair shops
- Corn, rice and gari mills
- Metalworking shops
- Shoe manufacturing

- 1 -

- Leather tanning
- Bakeries
- Cement block making
- Blacksmithing
- Knitwear and tailoring.

The States of the former Northern Region have taken steps to create State loan funds, but the resources (N£ 10,000 per state) will be inadequate until the Federal Government can assist them.

Further, a Stanford Research Mission team which reviewed this scheme in the fall of 1968 concluded:

'No successful supervised credit programme for small industry, anywhere in the world, has been able to operate without certain essential ingredients which are beyond the present capabilities of the six Northern States. These include:

- (a) A policy-making and training centre for small industry officers, employed in the state programmes;
- (b) A small industry consulting service to provide management advice, machine advice, and product and marketing advice, to small industry managers. This is necessary for loan appraisal, and for successful expenditure of the loan;
- (c) A governmental unit, devoted to helping small industry, to which foreign aid agencies can seek their assistance, and as its official sponsor in Nigeria.

The first two of these requirements are beyond the physical resources and capability of the six Northern States, and the foreign aid agencies find themselves unable to create six separate aid services, one for each State.

A common service is required.

(c) Industrial Estate, Yaba, Lagos

This Industrial Estate for small-scale enterprises was created in 1958 on a 2 3/4 acre plot. It houses 22 enterprises in 28 basic units, several enterprises occupying more than one unit. Since the inception of the estate, 23 enterprises have left, 9 because they had outgrown the Estate and 14 because of failure, mainly due to poor selectivity. Two of the present occupants are ready to move out, as soon as they can find new facilities and the necessary financing.

The industries in the Estate include:

- Printing shops
- Electrical and radio, TV repair shops
- Tire retreading plants
- Pharmaceutical products packaging
- Popular art co-operatives
- Automobile body workshops
- Surgical dressing and sanitary pads manufacturing
- Ladies wear
- Uniform factories
- Toy manufacturing
- Men's underwear
- Shoemaker
- Aluminium frames

and even artificial poppy making, to be sold each year on November 11. The estate offers working space, at subsidized rates during the early stage of an enterprise, utilities and telephone service, as well as accounting and central mechanical and carpentry workshop.

The estate is too small, but cannot expand beyond its present boundaries. There is a long waiting list of entrepreneurs wishing to avail themselves of the estate's facilities.

5. Training and Development of Industrial extension agents

As mentioned in 3, above, there are no industrial extension services as such in Nigeria, with the exception of occasional extension work being carried out by the staff of the Zaria IDC. There do not seem to be any plans in existence now for the establishment of industrial extension services, either at the State or at the Federal Government levels, even though at least the Northern States and the Federal Government have, or are in the course of appointing Small Industries secretaries who might take the initiative of promoting the establishment of such services and of training agents to provide the services.

6. Credit to small-scale industry

With the exception of the Small Industries Credit Scheme in the North, there are, to all interest and purposes, no credit facilities available to small-scale industry in Nigeria, at least from the organized banking system.

To alleviate this situation, the Central Bank of Nigeria has issued a directive to the private banks to be more liberal in their lending to small-scale enterprises. They have been asked to show separately in their periodic reports to the Central Bank, credits to expatriate firms and credits to indigenous firms. It is the intention of the Central Bank to require that the percentage of loans to indigenous firms be increased over given periods of time. So far however, the Central Bank has not considered the possibility of establishing a Guarantee Fund which could provide a considerable inducement for the private banks to increase their loans to small-scale industries.

As regards the semi-public banks, including the Nigerian Industrial Development Bank, they are concerned with larger enterprises and therefore serve only the upper part of the small-scale industry sector. NIDB has indicated its willingness to manage a special fund for small-scale industry loans, were it to be provided from special sources.

The commercial banks could increase the volume of their small-scale industry loans if the necessary collaterals or guarantees could be obtained, as they find themselves with excess liquidity following Central Bank decisions to exclude them from lending to the Marketing Boards, and to limit, due to the war, remittances abroad. This has resulted in greatly increased deposits.

The creation of a Guarantee Fund, as well as the promotion of the idea that the commercial banks might develop some simple form of industrial extension services themselves instead of merely promoting business, might both result in a material increase in the volume of credit available to small-scale industries.

A description of the Nigerian banking system is attached.

7. Pending requests for technical assistance

- (a) to UNDP, for assistance in the establishment and implementation of a project for the development of small enterprises in the Western State of Nigeria, prepared with assistance from ILO, dated July 1969.

- (b) to UNIDO, for assistance in the formulation of a request to UNDP concerning the establishment of a Federal Industrial Consultancy Service, prepared with assistance from UNIDO, dated August 1969.

#### CONCLUSIONS

Recent political events in Nigeria have seriously affected the orderly development of services to small-scale industry. Many of the institutions and programmes initiated several years ago have either failed to serve their purpose or had to close down because of the war. Nevertheless, the experience gained makes it possible for the Federal Government to consider now a co-ordinated programme for the promotion of Nigerian industries in co-ordination with the various State governments. It should be the first task of the proposed Small Industries section in the Ministry of Industries to review the various requests for foreign technical assistance for small-scale industry development presented by several States in order to co-ordinate them with the proposed system of industrial development centres.

It is evident that the mere size of Nigeria, as well as the diversities which exist between the States and groups of States warrant the consideration of a decentralized Nigerian industrial promotion system. Nevertheless while there are undoubtedly areas of specialization in each region, there are many other areas which overlap, and for which centralized expertise could be provided by the Federal Government. The concept of the proposed Federal Industrial Consultancy Service could be widened to this effect.

As regards small-scale industry extension services, they are essential for the implementation of the Government's aim to nigerianize small-scale enterprises. However, rather than try to establish either a centralized service, or services in each State, it could be best to attempt first to convince the commercial banks of the advantages to them, within the directives of the Central Bank to increase lending to indigenous enterprises, of developing their own extension services as part of their usual business promotion. A training course for commercial bank industrial extension agents could be organized under UNIDO and Central Bank sponsorship, to which the commercial banks would be invited to send some of their field managers dealing with Nigerian enterprises.

NIGERIA

The credit system:

- Public:
- Central Bank of Nigeria - CBN
  - New Nigeria Development Co. - NNDC  
owned by the Northern States; it is mainly concerned with industrial development. It is the successor to the Northern Region Development Corp.
  - Northern Nigeria Investment Ltd - NNI  
owned 50% by NNDC and 50% by CDC.  
It is the successor to the Northern Development (Nigeria) Ltd.
  - Both the Western Nigeria Development Corporation and the Western Region Finance Corporation are reported very sick.
  - As for the Eastern Nigeria Development Corporation and the Industrial and Agricultural Co. Ltd, their operations have been suspended by the war.
- Private:
- Nigeria Industrial Development Banks - NIB  
successor to Investment Company of Nigeria, Ltd.
  - All commercial banks, which are now registered Nigerian companies.

Contacts made in Nigeria

- Mr. Hugh Christie, UNDP resident representative
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  - Mr. C. A. Egbunu, Director, Planning Unit, Ministry of Industry
  - Mr. Harry A. Ochu, Planning Unit, Ministry of Industry
  - Mr. I. A. Olowu, Head, Industrial Division, Ministry of Industry and Director, Yewa Industrial Estate
  - Mr. C. H. Ison, Governor, Central Bank of Nigeria
  - Mr. S. M. Danjuma, General Manager, Nigerian Industrial Development Bank Ltd.
  - Mr. E. J. Conley, Assistant General Manager, Barclay's Bank of Nigeria, Ltd.
  - Mr. K. A. Gantey, Director, ILO area office in Lagos
  - Mr. Blake Holcomb, Deputy Chief, Industry Division USAID
  - Mr. Haldore Jensen, Ford Foundation representative for West Africa
  - Mr. Fritz Rod, Ambassador of Switzerland
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## DAHOMY

### 1. Small-scale industry in Dahomey.

A survey carried out by the Ministry of Labour shows that there are 150 structured enterprises (industry, services and trade) employing 10,000 wage-earners in Dahomey. Of these enterprises fifty-five, including twenty owned by Dahomeans, are industrial.

The same survey shows that there are 10,500 unstructured handicraft industries (excluding trade) employing 52,000 workers.

A considerable number of these handicraft enterprises employ more workers than many structured enterprises. This is due to the apprenticeship system in Dahomey, under which registered master craftsmen may employ a large number of apprentices who not only are unpaid, but must themselves pay an apprenticeship fee to the master employing them. At the end of two or three years of apprenticeship, the former apprentice often fails to find a job and continues serving the master without a fixed salary, but in return for possible gratuities. These perpetual apprentices sometime even take charge of the enterprise, while the registered master contents himself with collecting the proceeds. This system is made possible by the popular tradition that all the members of the family must be supported out of the income of the breadwinner whether that be the wife, a civil servant or a wage earner, or else out of the income from very small retail businesses or services.

Apart from apprenticeship, there is another source of qualified labour for small scale industry. This is the technical college, which trains young people in manual skills. Young graduates, however, have difficulty in finding jobs, firstly because training continues to be patterned on the French model and fails to take account of actual conditions in Dahomey and, secondly because the graduates have exaggerated aspirations.

The history of the small-scale enterprise in Dahomey is not encouraging, because the foreign enterprises purchased by Dahomeans have generally gone bankrupt for lack of management ability. It would seem that Dahomean tradition involves an exaggerated large administrative staff and a difficulty in distinguishing between receipts and profits. Furthermore, tax evasion is a very serious problem and prejudices the development of structured enterprises.

However, several economic sectors can be considered conducive to small-scale enterprise. These include, in particular:

- Vegetable oil extraction
- Manufacture of cigarettes
- Distilling
- Truck bodies
- Detergent production
- Canning - tomatoes, fish
- Match production
- Refrigeration
- Cashew nuts
- Made-up clothing
- Agricultural implements
- Aluminium sheeting

2. Definition of small-scale industry in Dahomey

There is no official definition of small-scale industry. The general definition of small-scale industry is valid for Dahomean enterprises.

3. Government policy on the promotion of small-scale industry

Government policy on the promotion of small-scale industry is laid down primarily by the Investment Code, whose application is supervised by the Investment Commission, under the chairmanship of a representative of the Ministry of Development and Planning. The fact, however, that this Ministry is not directed by a Minister, but by a Secretary-General, places it in a position slightly inferior to the other Ministries represented on the Commission. The Investment Code makes no distinction between Dahomean and foreign enterprises. In practice, however, the Ministry of Planning has established, with the assistance of a UNIDO expert, an embryo industrial development centre for the purpose of developing Dahomean industries.

4. Services for small-scale industry

In Dahomey, there are no services specially intended for small-scale industry. However, the declaration of 24 June 1969 by the Presidents of the five countries of the Council of the Entente calling for "eventual" regionalization of the services provided by the Office de promotion des entreprises ivoiriennes (Office for the

Promotion of Ivory Coast Enterprises) (OPEI) gives reason to think that similar services will be made available in Dahomey. The following form could be envisaged for the expansion of OPEI services: <sup>5/</sup>

(a) A branch of OPEI would be opened in each of the other countries of the Council of the Entente with a minimum permanent national staff, which would be assisted by one or more experts specialized in fields of interest to the countries concerned.

(b) A mobile centre equipped to carry out general expert tasks supplementing those of the branches would carry out the function of encouraging the appointment of industrial extension officers in each country and drafting feasibility studies and specific projects.

The experts attached to the Ministry of Planning consider that qualified persons are available in Dahomey and would be prepared to form an industrial extension team. Most of those concerned would be civil servants wishing to use their talents to bet advantage.

#### 5. Credit for small-scale industry

Credit for small-scale industry is organized as follows:

(a) The Central Bank for the States of West Africa (BCEAO) discounts part of the revolving credits of commercial banks and some medium-term credits on the basis of the eligibility of loans as part of a fixed potential. Less than half this potential is at present used, owing to lack of actual demand for credit.

(b) The Banque dahoméenne de développement (Dahomey Development Bank) (BDD), public body in which the Caisse centrale de coopération économique (Central Economic Co-operation Bank) (CCC) has a financial interest, specializes in loans of all types in particular real estate loans.

This bank's position is very difficult and the balance sheet needs to be cleaned up. Accumulated losses amount to more than 50 per cent of its capital of 300 million CFA francs. It has been possible to stave off liquidation, which appeared imminent several months ago. The most important task is to succeed in limiting general expenditure for the BDD has sixty-four employees to deal with an average of 100 files a year. The political problem of employment in Dahomey makes it difficult to achieve that limitation.

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<sup>5/</sup> This solution was discussed at Abidjan with Mr. Langlois, the US.AID expert responsible for studying the problem.

In an attempt to find a remedy for these chronic losses, the Government plans to authorize the BDD to participate with the three commercial banks in the highly profitable credits for the cotton and ground-nut crops. This is meeting with opposition from the commercial banks, which find few opportunities to use their capital and are reluctant to share these credits with the BDD.

The BDD has received an offer of a credit of 120 million CFA francs (\$440,000) for small-scale industry from the Kreditanstalt für Wiederaufbau. In view of the lack of small-scale enterprises needing credit, action has not yet been taken on this offer.

(c) The commercial banks, i.e.:

The Société dahoméenne de banque (SDB),

The Banque nationale de Paris (BNP), and

The Banque internationale pour l'Afrique de l'Ouest (BIAO)

make available revolving credits, usually to commerce, but also to small-scale industry when the requisite guarantees can be obtained. These take the form of mortgage guarantees, life insurance on the borrower and guarantees on goods when warrantage from a third party can be obtained.

Commercial banks would, however, be prepared to envisage granting medium-term credits to small-scale industry on the basis of a guarantee offered by technical assistance, an industrial extension service or an industrial promotion centre, together with a lien on the enterprise's equipment and on a lease contract for suitable premises in an industrial estate.

#### CONCLUSIONS

Despite the difficult situation in which Dahomean industry now finds itself, it is possible to envisage setting up a form of organization that would promote the creation of a Dahomean industrial sector. Some elements are already fully developed and others have been suggested. The problem must now be considered as a whole in order to avoid repeating the failures that resulted from partial efforts.

In view of the structure of industry, industrial promotion can be considered at two separate levels; firstly at that of the unstructured handicraft enterprise, where the International Labour Office is already carrying out activity which is to be expanded by the arrival of an expert on small-scale industry, and secondly, at that of the structured enterprise, where two UNIDO experts have started implementing an industrial promotion programme. The system that seems right for Dahomey is based on these two elements and on prospects for the regionalization of the Ivory Coast's OPEI. This system should include:

(a) An industrial extension programme specially focussed on the unstructured handicraft enterprise to identify the enterprises to be promoted and their needs. This programme should be operated from an office for the promotion of Dahomean enterprises set up as part of the regional service provided for by the decision of 24 June 1969 of the Presidents of the member States of the Council of the Entente, and to be organized essentially in the context of the Ivory Coast's OPEI, an ILO project.

(b) An industrial promotion centre established as part of an industrial estate for the structured small-scale industry. The centre's function would be to obtain the necessary assistance in the following fields for small-scale enterprises leasing premises in the industrial estate and for other structured industries:

- Administrative and financial management,
- Book-keeping;
- Technical management;
- Commercial management, purchasing and sales.

In addition, the centre would make use of the industrial estate's facilities, particularly the maintenance and repair workshop, for demonstrations and further vocational training.

The centre would also offer services relating to the identification of products and their processing, and also to standardization.

(c) An industrial estate affording small-scale industries that already exist or are being established the possibility of renting suitable premises, with water, electricity, sewage and telephone services laid on, as well as the services of a central maintenance and repair workshop. This estate should preferably avoid erecting

permanent buildings, with the exception of the administration premises, in order to allow maximum flexibility in the allotment of premises to lessees in accordance with their needs.

In order to implement this programme, the Dahomean authorities propose:

- (a) To establish direct contact between the ILO expert responsible for the OPEI project in the Ivory Coast and the ILO small-scale industry expert, who is expected to arrive shortly, in order to ensure that the Dahomean branch of OPEI develops in accordance with the regional plan;
- (b) To submit to the United Nations Special Fund a request for financing of the industrial promotion centre project, under the auspices of UNIDO. The UNIDO expert assigned to the Ministry of Planning has prepared the draft of that request.
- (c) To submit to UNIDO a request for technical assistance to determine the specific features of the planned industrial estate;
- (d) To explore with the German (and Danish) authorities the possibility of obtaining the funds needed to establish the industrial estate from the credits offered to Dahomey for small-scale industry.

The complex formed by the industrial estate and the industrial promotion centre should be autonomous, and be placed under the Ministry of Planning. The financial arrangements could be made through the Banque dahoméenne de développement (BDD), with the guarantee of either the Republic of Dahomey or the Guarantee Fund of the Council of the Entente, or both, and the bank would receive a commission for its services.

The financing of small-scale enterprises should in principle come from commercial banks, with guarantees afforded by the establishment of the enterprise in the industrial estate. It would, however, be useful also to investigate the possibility of setting up a guarantee fund at the Central Bank to which commercial banks could transfer part of their risks.

Lastly, since the Government of Dahomey attaches great importance to producers' co-operatives and is assisted by Swiss technical co-operation in this field, it should be possible to consider such co-operatives as tenants in the industrial estate on the same footing as private enterprises. In this regard, experience with the Yaba Industrial Estate in Nigeria is conclusive.

Contacts made in Dahomey

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Ministry of Labour and Administrative Reform  
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Ministry of Planning and Surveys  
Mr. Tagoua, Secretary-General  
Caisse centrale de coopération économique (CCCE)  
Mr. Pierray, Director  
Société dahoméenne de banque (SDB)  
Mr. I. B. Lema, Administrative Director-General  
Banque dahoméenne d'investissement (BDI)  
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UNIDO Mr. Alexis Lappartient, expert, Ministry of Planning  
Mr. Ihab Ascar, expert, Ministry of Economic Affairs  
ILO Mr. Jean Servonnat, expert, Ministry of Labour  
Swiss Technical Co-operation  
Mr. Jacques Berney

## SENEGAL

### A. Small-scale industry in Senegal

The last census of industry in Senegal dates from 1962. At that time, there were 165 industrial enterprises, including fifty-five bakeries. Apart from the bakeries, ninety-three of these enterprises were located at Cap-Vert (Dakar), nine at Thiès and the last eight in five other localities. Owing to Dakar's history as the capital of West Africa and to the existence of a large hinterland, the industrial structure of Senegal - Cap-Vert was at the time of the census more uniform than that of any other area of West Africa and, disregarding agriculture, was able to meet 37 per cent of the country's requirements.

In 1962, the management and higher-level staff of enterprises were in almost every case non-African, so the centres of decision usually lay outside the country. The situation has changed little in the past seven years. The number of Senegalese enterprises is very small. However, there is a large sector of unstructured small-scale enterprises, a number of which could become structured enterprises.

### B. Definition of small-scale industry in Senegal

The only official definition of small-scale industry is that laid down in the Investment Code, which limits the application of benefits to enterprises investing 10 million CFA francs or providing employment for forty persons in Cap-Vert, and 20 million CFA francs and employment for twenty persons elsewhere. The third Four-Year Plan, for 1970-1974, deals with the goals to be achieved in the development of small-scale industry, but does not cover the methods required for its development.

A broader and more realistic definition must therefore be found. This definition might be the following: an indigenous, structured enterprise run by and with Senegalese capital, having its decision-making centre in Senegal.

### C. Government policy for the promotion of small-scale industry

Legislative acts do not cover small-scale industry, except perhaps in a negative sense. The Investment Code provides that, for growing enterprises, there shall be allowances and no tax deductions for the import of equipment, raw materials or semi-manufactured products. Taxes on these products are, in fact, equal to or higher than those on finished products.



In addition, the tax system provides for a minimum tax of 300,000 CFA francs on enterprises, thereby encouraging tax evasion and delaying the structuring and development of enterprises.

On the positive side, the Government took part in the creation, in January 1969, of the Société nationale d'études de promotion industrielle (National Industrial Research and Promotion Corporation) (SONEPI) a semi-public body designed to promote the development and encourage the implementation of industrial projects.

SONEPI, a private law joint stock company, must finance itself through the work it performs for the State and the private sector, and this enables it to remain independent since it thereby avoids the danger of becoming a purely administrative service. It has a capital of 45,000,000 CFA francs, of which 50.27 per cent represent the contribution of the State and of the Banque nationale de développement du Sénégal (National Development Bank of Senegal) (NDBS). The remainder of the capital was provided by private banks and by the Senegalese and non-Senegalese private sector.

The reasons for the creation of SONEPI and the aims pursued are described in Annex IV, drawn from the June 1969 request by the Ministry of Planning and Industry to the United Nations Development Programme and UNIDO.

In addition, the Government has decided to encourage the establishment of industrial estates for small-scale industry. The first estate was established at Kaolack in July 1968 by the allotment of ground and premises. From that time until the spring of 1969 nothing happened, but the basis for development with SONEPI assistance is now in place. The Government has also decided to establish another industrial estate in the Cap-Haut region by 1970 and to investigate the possibility of setting up estates in other Senegalese localities, including Ziguinchor, St. Louis and other places.

#### 4. Services for small-scale industry

##### (a) Handieries (Association des Artisans et Organisation for Handieries Industriels, A.O.H.I.)

A handierie industry is defined as in France, i.e. an enterprise employing no more than five workers and a small amount of mechanical equipment. To these workers

the experience of one country to be considered in another. They indicate that a combination of institutions is required for an effective development of indigenous enterprises, from a specialized department in the appropriate ministry to promotion centres, extension services and industrial estates, even if the latter are really no more than clusters of industrialists. They require related financing facilities from prebankable participations and credits to regular commercial and investment financing with appropriate provisions for guarantees so that the private as well as the development banking system can contribute to the development process.

The following chart attempts to compare the various countries, using as a gauge the most comprehensive approach to small-scale industry development, which is found in the Ivory Coast. The services which are listed are often incipient or exist only on a limited or provincial basis. Certain services may exist on paper in some countries but have never been implemented. The following information should, therefore, not be taken in absolute terms.

Services to small-scale industry	Ivory Coast	Ghana	Nigeria	Dahomey	Senegal
Legal basis for services	x	x	-	-	x and -
Promotion services	x	-	-	-	x
Management development centres	x	x	-	-	x
Extension services	x	-	-	-	x
Consulting services	x	-	-	-	x
Development financing	x	-	x	-	x
Private bank financing	x	x	?	?	x
Supervised credit	x	-	x	-	-
Guarantee fund	x	-	-	-	-
Rediscounting facilities	x	x	-	?	x
Small-scale industry association	x	-	-	-	-
Pre-bankable financing	x	-	-	-	-
Industrial estates	-	-	x	-	x

Nowhere, except in the Ivory Coast, is there at present an understanding between all the institutions which might be called upon to provide services to small-scale industry, to co-ordinate their efforts. Even in the Ivory Coast where small-scale industry is at best nascent, it is evident that the services are

may be added the members of the family. OSA takes a census of handicraft workers and issues them handicraft-worker cards which confer considerable benefits in the form of loans to finance orders, the supply of certain raw materials, including precious metals, and in some cases, rent. OSA operates on a geographical and sectoral basis. In practice, the situation of the handicraft workers is very difficult to handle, since they are often outside any system of control. This is a matter of concern to OSA leadership.

In this mass of small-scale enterprises, which have hitherto been little affected by industrialization, there is a considerable number of small entrepreneurs who, if trained, could become one of the sources for the establishment of industrial enterprises. OSA, in collaboration with SONEPI, has now undertaken action along those lines.

In practice, OSA collaborates with SONEPI in discovering these small entrepreneurs and SONEPI is then responsible for:

- 1. Management training of the persons concerned, by means of seminars;
- 2. Study and finalization of their projects;
- 3. The various activities leading to the actual starting of production line manufacture.

(b) Société nationale d'études et de promotion industrielle (National Industrial Research and Promotion Corporation) (SONEPI)

The reasons for the establishment of SONEPI and the aims pursued are given in paragraph IV mentioned above, together with an organizational chart and a description of the tasks carried out by its various services. At present, SONEPI's staff consists of the following:

- 1. Senegalese Director-General;
- 2. Senegalese engineers and economists;
- 3. Foreign experts (5 from UNIDO and 1 from PAC);
- 4. Senegalese accountant;
- 5. Senegalese office and service employees.

The Special Fund project provides for an increase of staff to:

- 12 Senegalese engineers and economists, and
- 6 Foreign experts, at least, including 5 from UNIDO.

(c) Services to enterprises - Consulting Services

At Dakar, there are a number of services to enterprises at very variable levels, including:

2 research institutions, one of which is Senegalese and the other - under the Compagnie d'électricité de l'Ouest africain (West African Electric Company (EOA) - primarily European;

research laboratories at the University;

several large industrial firms and the arsenal of the French Navy;

one engineering firm, - Harault Engineering;

a number of enterprises active in accounting, legal counselling, management, etc., one of which, the Etudes de l'Industrie France-Afrique-Sénégal, appears, according to financial institutions, to be quite competent;

foreign trade auxiliaries - import, export and transit;

CIFPDES, a selection, training and refresher-training institution attached to the Fédération française des industries métallurgiques et mécaniques (French Federation of Metallurgical and Mechanical Engineering Industries) (SONEPI turned to this institution for the first training seminar for small entrepreneurs);

data processing centre equipped with a computer at the Office of the Director of Statistics;

SOCOTEC (Securities), a quality control service.

(d) Vocational Training

The structure for the technical training of labour at various levels in Senegal is provided by the Institut universitaire technologique, the technical colleges and the formation professionnelle accélérée (Accelerated vocational training). What is missing is a business training centre for owners or heads of enterprises or high-level staff designed to give them fuller training in management problems as a whole.

(e) Industrial estate at Thiès

An industrial estate is being established at Thiès on a plot with an area of 11,000 square metres, which could be extended to 27,000 square metres, formerly belonging to a military installation. The estate has at its disposal buildings left on the plot, including large halls suitable to the establishment of small-scale industries. This industrial estate, on which the following have been or are being installed:

- an aluminium foundry;
- a saw-mill and cabinet-making and carpentry shop;
- a body-building shop;
- a joiner's and metal construction shop;
- a plumber's shop;
- an electrician's shop;
- a general mechanical workshop;
- a soft-drink producer;
- an upholstering and harness-making shop and
- a tannery and tawery,

is serving as a pilot project in a city which formerly depended entirely on the military base and the maintenance and repair centre for the Senegalese railways. The development of small-scale industry depends very much on the possibility of sub-contracting for the State Railways and for government supplies. The proximity of Dakar (70 km) is as much an advantage as a disadvantage: an advantage as regards the procurement of raw materials and a disadvantage as regards competition both from import firms and from other enterprises established in the Cap-Vert region. It would appear, however, that the critical point has been passed and that, thanks to the co-operation of the State Railways, which have assigned one of their workshop supervisors to the estate to serve as its director, future development can take place without too many difficulties. The technical assistance provided by SONTPI in the organization of the estate is essential, and may even need to be increased in order to ensure maximum prospect of success for the pilot project.

#### 2. Credit to small-scale industry

The financial institutions in Senegal whose activities affect small-scale industry are the following:

- Public: Central Bank of the States of West Africa - BCEAO
- Semi-public: Banque nationale de Développement du Sénégal (National Development Bank of Senegal) (BNDG)
- Private: Banque internationale pour le commerce et l'industrie du Sénégal (International Bank for Senegalese Trade and Industry) - BICIS

Banque internationale de l'Afrique de l'Ouest (International Bank of West Africa) - BIAO

Union sénégalaise de Banque (Union Bank of Senegal) - USB, with Government participation

Société générale de Banque au Sénégal (Senegalese General Banking Corporation) - SGBS

Foreign: Banque centrale de coopération économique (Central economic co-operation Bank) CCEB

There is in addition a considerable amount of non-bank credit provided by marabouts, Moors and Lebanese which may contribute to the flow of financing, especially as regards financing of primary sector, and small unstructured enterprises.

The terms on which BCEAO will grant credit to small-scale industry are the same in all the countries belonging to the Union Monétaire-Centrale des Risques, as is the discount rate of 4 1/2 per cent. Such credits are approved only in respect of enterprises whose own capital amounts to at least 10 per cent of commitments, whose statements are balanced and which have a real net operating capital amounting to at least 5 per cent of assets. When bank credits to an enterprise exceed the level of one million CFA francs, it appears in the Centrale des Risques listing. If the amount falls short of that level, the credit appears in a general list. Owing to the existence of non-bank financing (credit or self-financing), neither the Centrale des Risques, nor even the general list (if it were possible to differentiate between foreign and Senegalese enterprises) would give a precise idea of the structure of the Senegalese small-scale financing sector or of the way in which its requirements are met. The main reasons for this situation are the desire to avoid the interference of outsiders in industrial financing, and tax evasion. This is true in particular of transport, building and public works enterprises.

Another factor limiting the BCEAO's granting of credit is the lack of guarantees provided by the enterprise itself. Very often, the industrial entrepreneur has no other income outside his enterprise in real estate, buildings, rentals, etc. The BCEAO's policy is not to accept this property outside the enterprise as a guarantee, and to require it to be liquidated and ploughed back into the enterprise. This policy of finance encounters strong resistance from

entrepreneurs. A less rigid approach should be found, taking account of the present situation and allowing these additional guarantees to be used nevertheless for making the grant of credit easier.

The granting of credit by BNDS is at present very limited, since the bank is fully committed. Theoretically, it could take up shares and extend medium and long-term credit, but it does not have the means to do so. A reorganization of the BNDS, involving the dismissal of 200 employees who had become superfluous, is under way. The necessary step of excluding political influence from the BNDS is not, however, envisaged.

The economic slump through which Senegal is now passing would make it difficult to liberalize bank credit, even if there existed a guaranteed fund for credit to small-scale industry. The Government therefore envisages the establishment of an Equity Participation Fund for Small-Scale Industrial Enterprises, with an initial capital of 75 million CFA francs. Participation would be limited to 40 per cent, or a maximum of 3 per cent of the Fund's capital per participation and would be allotted on the basis of feasibility studies by SONEPI, after attendance by the entrepreneur at a SONEPI management seminar. The participation would be limited to existing branches or enterprises. Similarly, the entrepreneur would undertake to buy out the participator when he repaid the bank credit made possible by the Fund's participation. It is possible that, on this basis, the Government could negotiate a long-term loan from the CCB in order to increase the Fund's resources if the first transactions proved conclusive. Participation by the USB up to an amount of 20 per cent in the enterprises supported by SONEPI and the Equity Participation Fund might also be envisaged. The USB envisages the creation of an investment department which would employ international resources in private Senegalese projects. Since the USB is a share-holder in SONEPI, it is possible to envisage close collaboration between the two institutions, with the latter preparing feasibility studies and also accepting responsibility for any technical assistance that enterprises might require in the course of carrying out the projects.

## CONCLUSIONS

Assistance to Senegalese small-scale industry may be considered in a global context (legislation, market, Government policy, tradition, protectionism, etc.), which should in all events comprise:

- an idea of the product;
- a potential market;
- a head of enterprise trained for management;
- capital, the enterprise's own or other;
- workers trained to apply the processes used.

Institutions which are required to achieve these conditions should include, in an industrial environment, services for the identification of products capable of being manufactured by Senegalese industry and of manufacturing processes and, secondly, services to find and select potential entrepreneurs.

In this connexion, SONEPI plays a double role, first seeking out ideas and then making its services available for implementing these ideas as well as others of foreign origin.

SONEPI's specific function in Senegal requires that it should have constant access to sources of technological information - which hitherto it has had only to some extent - by recourse to foreign research institutions and the UNIDO information centre.

Useful as these two sources are, they lack a steady acquaintance with the environment, and this sometimes gives rise to ill-adjusted replies to that environment. The solution might lie in the establishment of one or more regional bodies that would supplement and expand the action of the UNIDO documentation service from the practical standpoint of achievement, making it possible to adapt the documentation, which should take into account, for the solution of each national problem, the experience of other countries.

In the particular case of the development of Senegalese small-scale industry, priority action must be taken on these fronts:



(a) Management training by the continuation of the management seminars already organized and by the establishment of a business training centre at a much higher level. This action could be supplemented by the preparation of industrial extension leaders, whose task would be to follow the development of enterprises both inside and outside the industrial estates.

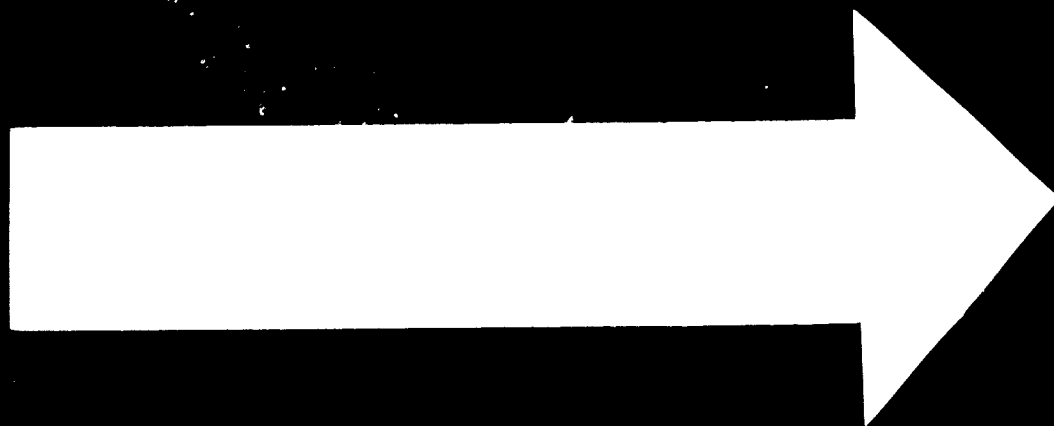
(b) Establishment of an Equity Participation and Guarantee Fund enabling small-scale entrepreneurs to have access to medium-term bank-credit (see Annex V). It is important that any bank-credit system for small-scale industry that might be set up should be closely linked both to the preparation feasibility files and also to technical supervision of project implementation by industrial extension officers, assisted by specialists.

(c) Establishment of industrial estates to facilitate the continuous training of entrepreneurs, the conclusion of sub-contracting agreements among themselves and with outsiders, and the training of a regional skilled labour force. In Senegal, it would appear necessary to establish at least one industrial estate in each large city.

The first two types of action, i.e. training, and the establishment of an Equity Participation Fund, can probably be carried out by SONEPI, particularly if it receives the assistance requested under the UNIDO/Special Fund project. As regards the establishment of industrial estates, on the other hand, the project described above can do no more than lay the groundwork, (with the exception of the estate at Thiès, which can be completed under this project). In view of the number and geographical distribution of the other estates, one must think in terms of a larger amount of assistance, which might take the form of a new Special Fund project to be set on foot before the end of 1971.

The assistance provided by UNIDO to specific projects such as the aluminium foundry (SAPAL) is fully justified and deserves to be continued, or even intensified since such projects can influence the development of the region.

Lastly, the legal provisions governing the establishment of small-scale industry must be reconsidered, both from the point of view of exemptions provided for in the Investment Code and of taxation on the import of equipment, raw materials and semi-manufactured products, and also in respect of minimum taxes.

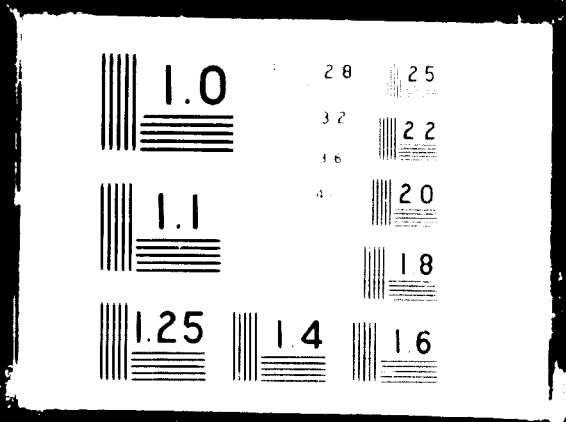


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Contacts made in Senegal

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SONEPI         Mr. Alexandrino, President and Director-General

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                 Mr. Louis Moscker, UNIDO expert

                 Mr. Guirrice, UNIDO expert

BCEAO         Mr. Eude, Director

CCGE          Mr. Ngri, Director

Ministry of Planning and Industry

                 Mr. Gustave Seck, Directeur de Cabinet (Director of the Departmental Staff)

                 Mr. Fall M., Director for Industry

Secretariat of State for Co-operation

                 Mr. Gays, Directeur de Cabinet (Director of the Departmental Staff)

BNDS          Mr. Ahmad Diop, Director-General

USB          Mr. Amadou Sow, Director-General

USAID         Mr. Sherwin

                 Mr. Stanley Harrison, Deputy Director of the Regional Office

ORGATEC      Mr. Guaya, Director

Economic Groups

                 Mr. Abdoulaye Dion



The Research Department:

- Collects economic information which may interest or concern Ivory Coast entrepreneurs;
- Makes viability studies in respect of enterprises which it is desired to establish, enlarge or modify and gives its opinion (stating the grounds therefor) on the type and amount of assistance which such enterprises should be given;
- Provides Ivory Coast entrepreneurs who so request with economic, legal and accounting information.
- Organizes and gives or arranges for the giving of commercial management courses, when such courses are considered necessary for the promotion of certain enterprises;
- Determines on a medium- and long-term basis the fields of the economy which are to be developed and for which the training of Ivory Coast heads of enterprises should be planned and undertaken.

The Assistance Division:

- Collects technical information on working methods, machinery and equipment, and machinery and equipment suppliers;
- Helps Ivory Coast entrepreneurs to determine their production costs and to prepare tenders;
- Helps Ivory Coast entrepreneurs with the design and launching of new models;
- Maintains liaison between enterprises and public agencies and between enterprises and banking establishments.
- Helps Ivory Coast heads of enterprises with all technical and financial questions directly connected with the functioning of the enterprise, such as bank credit, production costs, tenders, budgeting, equipment, raw materials, production programmes, etc.

The Training Division:

- Formulates, organizes, and gives or arranges for the giving of courses for Ivory Coast heads of enterprises on the scientific organization of work and on management;
- Organizes and directs or arranges for the direction of seminars on all questions concerning the management of enterprises and invites the Ivory Coast entrepreneurs concerned to attend them;
- Ensures that the methods of organization of work and management methods taught on these courses are properly applied in the enterprises;
- Organizes conferences and meetings to which Ivory Coast public service officials and employees from the private sector are invited so that they can be informed about the various aspects of the management of enterprises, its problems and its special concerns, and also about training and upgrading programmes organized by OPEI, with the aim of arousing interest in entrepreneurship as a career;
- Organizes, gives or arranges for the giving of evening or full-day courses for upper-level employees who wish to achieve management of an enterprise;
- Maintains liaison with the Centres de Formation Professionnelle (Professional Training Centres), the Office National de Formation et de Perfectionnement du Personnel d'Encadrement (National Office for the Training and Upgrading of Cadres), the University Institute of Technology, and any other bodies concerned with the training and upgrading of management cadres.

The Department of Finance and Administration:

- Makes advance estimates of income and expenditure;
- Prepares the draft budget;
- Keeps accounts of liabilities;
- Prepares bills of income and expenditure;
- Maintains liaison with the (Government) accounting office and the Ivory Coast or foreign financial bodies participating in the financing of the OPEI or of the operations controlled by it;

- Prepares cost estimates for operations - especially those concerned with the training and upgrading of Ivory Coast heads of enterprises - included in the action programmes of OPEI.
- Prepares financing agreements in respect of such operations;
- Handles personnel management matters for OPEI and carries out the liaison activities called for in connexion with the recruitment of personnel;
- Calculates the cost of training or upgrading carried out at courses or seminars organized wholly by OPEI.



ANNEX II

TRAINING COURSE FOR PERSONNEL OF THE OFFICE FOR THE PROMOTION  
OF IVORY COAST ENTERPRISES

Draft programme

1. METHODOLOGY
  - 1.1 The five questions
  - 1.2 Surveys
  - 1.3 Studies
  - 1.4 Classification
  - 1.5 Choices
  - 1.6 Reports
  
2. TECHNOLOGY
  - 2.1 Metals:
    - 2.1.1 Ferrous metals (forging, boiler making, welding)
    - 2.1.2 Non-ferrous metals (foundry, welding)
    - 2.1.3 Precious metals, jewellery (assaying, hallmarks)
  
  - 2.2 Wood:
    - 2.2.1 The common varieties - uses
    - 2.2.2 Reconstitutes wood:
      - 2.2.2.1: glued
      - 2.2.2.2: agglomerated
    - 2.2.3 Carving
  
  - 2.3 Leather:
    - 2.3.1 Collection and preservation
    - 2.3.2 Treatment
    - 2.3.3 Use
  
  - 2.4 Textiles:
    - 2.4.1 Cotton (cultivation, spinning, weaving)
    - 2.4.2 Power looms

- 2.4.3 Hand looms
- 2.4.4 Making up of garments
- 2.4.5 Dyeing and printing

2.5 Artificial and natural plastic materials:

- 2.5.1 Artificial materials: 2.5.1.1: The various families  
2.5.1.2: Processes: injection  
extrusion
- 2.5.2 Natural materials: natural rubber

2.6 Glass

2.7 Engineering industries:

- 2.7.1 Equipment and products
- 2.7.2 Equipment for the bush (decorticators)
- 2.7.3 Refrigeration supplies

2.8 Engines:

- 2.8.1 Petrol engines: two-stroke and four-stroke
- 2.8.2 Diesel engines
- 2.8.3 Electric motors

2.9 Construction:

- 2.9.1 building: 2.9.1.1: Foundations and main walls  
2.9.1.2: Secondary work
- 2.9.2 Power lines
- 2.9.3 Radio and electricity

2.0 Miscellaneous:

- 2.0.1 Printing
- 2.0.2 Photography
- 2.0.3 Co-operatives
- 2.0.4 Standardization

3. ECONOMY

3.1 The primary and the tertiary sectors in the Ivory Coast economy; the role of production, processing of raw materials, distribution, trade services; added value.

3.2 Saving and credit

3.3 The study of the market

3.4 The feasibility study

3.5 The enterprise diagnosis

4. FINANCE: Financial management and accounting

5. LEGISLATION

5.1 Company law

5.2 Labour code

5.3 Safety and health

5.4 Markets and specifications

6. MARKETING AND COMMERCIAL MANAGEMENT

6.1 Supplies and management of stocks

6.2 Stock accounting

6.3 Margins and calculation of prices

6.4 Advertising and publicity sales

6.5 Public relations

6.6 Supplier credit and customer credit

7. MANAGEMENT AND BUSINESS ENTERPRISE

7.1 The enterprise and the entrepreneur

7.2 Staff and staff psychology

7.3 Equipment: wear and utilization

7.4 Management:

- 7.4.1 Analysis, conception
- 7.4.2 Programming, planning
- 7.4.3 Organization, co-ordination, execution
- 7.4.5 Supervision, readjustments
- 7.4.6 Responsibility

8. SCIENTIFIC ORGANIZATION OF WORK

Job analysis; lay-out, movement, simultaneous activities, time measurement, preparation of work, simplification of work.

9. EDUCATION AND TEACHING METHODS

- 9.1 The traditional methods
- 9.2 Programmed teaching

This course represents about 120 hours of instruction and 40 hours of visits to enterprises for illustration and demonstration purposes.

ANNEX III

OFFICIAL JOURNAL OF THE REPUBLIC OF THE IVORY COAST, 21 November 1968

MINISTRY OF ECONOMIC AND FINANCIAL AFFAIRS

Decree No. 68-508 of 26 October 1968, for the organization of the  
Guarantee Fund for Credits to Ivory Coast Enterprises.

The President of the Republic,

On a report from the Ministry of Economic and Financial Affairs,

Taking into account Act No. 68-346 of 29 July 1968 establishing the Guarantee Fund for Credits to Ivory Coast Enterprises, and, in particular, article 5 of that Act;

Having consulted the Council of Ministers,

Decreases the following:

Art. 1. The purpose of the present decree is to define the organization, forms of action and conditions of operation of the Guarantee Fund for Credits to Ivory Coast Enterprises, a public institution, having the character of a corporate body and possessing financial autonomy, established by Act No. 68-346 of 29 July 1968.

Art. 2. The Fund is intended to guarantee credits granted by banking institutions to Ivory Coast nationals, or Ivory Coast companies of whose capital more than 50 per cent is held by Ivory Coast nationals. It shall also give counter-guarantees to undertakings signed by banking institutions in favour of Ivory Coast enterprises.

The borrower must finance, out of his own resources, a share of the operation on which the request for bank credit is based. This percentage of self-financing shall be fixed in each case by the banker, but shall be not less than 10 per cent.

Art. 3. The resources of the Fund shall be deposited with the Caisse autonome d'amortissement; these deposits shall bear interest.

Art. 4. The Fund shall be administered by a Committee of Management composed of:

The Minister for Economic and Financial Affairs or his representative, as Chairman;

The Minister of Planning or his representative;

The Director of CENAM;

The Director of the Caisse autonome d'amortissement;

The Director for External Finance and Credit;

A representative of the National Assembly;

A representative of the Economic and Social Council;

The Director of the National Office for the Promotion of Ivory Coast Enterprises;

A person to be appointed by the Minister for Economic and Financial Affairs in view of his competence in economic and financial matters.

The Committee of Management shall be convened by its Chairman as often as the operations of the Fund require; the Committee of Management shall be alone empowered to grant the Fund's guarantee in response to requests submitted to it by lending bankers.

Art. 5. Secretariat services for the Committee of Management shall be provided by the Caisse autonome d'amortissement.

Art. 6. Accounts of the operations shall be kept and the administrative management of the Fund ensured by the Director of the Caisse autonome d'amortissement, who shall see that the decisions of the Committee of Management are carried out and shall represent the Fund in relations both with the administrators and with third parties.

Each year, the secretariat shall publish a report on the activities of the Fund during the financial year ending on 30 September, together with a statement of the position at the date showing the resources of the Fund and the total of current guarantees granted, including the proportion of them applying to debts which have been recognized by the Committee of Management as bad debts.

Art. 7. Request for guarantees shall be preliminarily examined and submitted to the Committee of Management by the Caisse autonome d'amortissement.

Art. 8. The total amount of the guarantees granted by the Fund shall not exceed five times its total liquid resources. For the determination of this ceiling, the total of the guarantees issued, less the amortization effected, shall be considered.

Art. 9. The Fund's guarantee shall not exceed 80 per cent of the amount of loans granted. Throughout the period of credits, this guaranteed share shall remain proportionately the same and shall be amortized at the same rate as the part not covered by the guarantee.

Art. 10. Projects submitted to the Committee of Management for its examination shall be supported by technical and financial studies carried out, where required, by specialized bodies such as the National Office for the Promotion of Ivory Coast Enterprises. These specialized bodies may also carry out any control and supervisory missions which may prove necessary subsequent to the granting of credits.

Credits shall be granted subject to **express** acceptance of this control by the borrowers.

Art. 11. The lending bankers shall have an obligation to make certain that the credits are made in accordance with the conditions fixed by the Committee of Management.

Art. 12. The borrowers must formally undertake to have no more than one bank account in a single, local, commercial bank and to pass through this account all operations relating to their activities.

Art. 13. The Fund's guarantee can only come into play after recourse has been had to the usual legal channels and the realization of other guarantees by which the credits may be covered. The lending banker may, however, have the Fund's guarantee come into play six months after the debtor is shown to have defaulted.

Art. 14. After the guarantee is realized, the Fund shall be subrogated, to the due extent, to all the rights of the lending banker.

Art. 15. In the event of dissolution of the Fund, its liquid resources shall revert to the Treasury.

Art. 16. The Minister for Economic and Financial Affairs shall be entrusted with the carrying out of the present decree, which shall be published in the Official Journal of the Republic of the Ivory Coast.

Done at Abidjan, 26 October 1968.

Félix Houphouët-Boigny



ANNEX IV

EXCERPTS FROM THE REQUEST BY THE GOVERNMENT OF THE REPUBLIC OF SENEGAL  
TO THE UNITED NATIONS DEVELOPMENT PROGRAMME/SPECIAL FUND AND  
THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION  
FOR ASSISTANCE TO THE SOCIÉTÉ NATIONALE D'ÉTUDES ET DE  
PROMOTION INDUSTRIELLE (National Industrial Research  
and Promotion Corporation) (SONEPI)

Dakar, June 1969

2.2.1. Reasons for the establishment of SONEPI and the aims pursued

Experience in all the developed countries shows that the promotion of a domestic industry is one of the prerequisites for the formation of an active middle class. It is well known how much Senegal needs this class of realistic, enterprising, wealth-creating men.

Furthermore, while Senegalese agriculture can be expected to remain the main source of employment for many years to come, urban growth (which is accelerating despite all the restraints that can be placed upon it) will necessitate the creation in the next few years of tens of thousands of new jobs in industry and services.

These two imperatives: creating a middle class and creating employment, were behind the establishment of SONEPI.

Industrial development requires the existence, side by side with a strong Administration, of an instrument which, while not neglecting restraint in the common interest, can operate with the flexibility and speed of a private concern.

SONEPI constitutes such a body. Combining private and public interests, it is the natural auxiliary of investors, small or large, domestic or foreign, who wish to limit their risks through objective information, serious project studies and effective assistance at the implementation stage.

In order to achieve such a goal, it might have been tempting to envisage, from the outset, a body endowed with ample funds. But that would have entailed obvious risks. It appeared wiser to think in terms of a modest instrument that would call upon fresh resources only in accordance with the needs expressed by its public and private customers.

...f. Links between SONEFI and other organizations in the industrial field

With regard to methods, SONEFI considers that it neither could nor should pretend to do everything and, above all, to do it alone. It therefore made a point of creating or strengthening links at several levels, i.e.:

- With the private sector (industry, his business, and credit institutions);
- With the Government and the various Senegalese Government departments;
- With other research institutions;
- With bilateral, multilateral and international aid organizations.

(a) The links with the private sector are to be permanent, since SONEFI must keep in touch with the requirements of industrial enterprises in Senegal and maintain, through professional organizations representing Senegalese or foreign industry, contacts with whom it can discuss and put into final shape whatever action it plans to take.

Regular meetings are already being organized with industrialists (UNIGES, COPEGES). In addition, SONEFI makes its economic study facilities available to the banking sector.

This does not mean, of course, usurping the place of the big credit institutions in the examination of files, but only assisting these institutions with objective economic studies so as to enable them to limit their risks, while making more allowance for market prospects in their evaluation of the industrial projects submitted to them.

(b) In its relations with the State, SONEFI's methods are prompted by the role assigned to it by the Government, since it is responsible for studying and promoting industrial activity, and in particular for the Senegalization of industry, SONEFI is at the heart of affairs which, for one reason or another, are of fundamental importance to Senegalese Government departments.

It has therefore endeavoured to establish reliable and close contacts with all the Government agencies. In the second stage, it hopes to get every department concerned with economics to appoint a high-level correspondent, so that the replies to be given to potential investors can be agreed upon at any time.

The links now being established with some big agencies (e.g. the Office senegalais de l'artisanat (Senegalese Handicraft Office) (CSA) and the Directorate for Industry) augur well for the continuation and final success of the action being taken.

(c) SONEPI's method of carrying in the activities of other research institutions in Senegal and abroad is as follows:

SONEPI has screened and selected a number of research institutions whose experience, technical knowledge and specialization appeared particularly valuable for the study of specific industrial problems in Senegal.

After the first selection had been made, SONEPI considered which items in its study programme could be contracted out.

At the same time, it examined the study proposals made by foreign research institutions for 1962 and, in the light of its own projects, requested a fairly large number of changes in the projects envisaged.

The final aim of this working method is to submit, both to the Government of Senegal and to foreign aid funds, a coherent study programme centred on the investigation of practical problems to which concrete solutions can be applied.

(d) For foreign aid and co-operation organizations, SONEPI, by its very character, is the main contact; but it must specify what it expects of them so that requests can be submitted in due form and in good time.

SONEPI has therefore been concerned to:

Define its needs in regard to documentation from abroad and expert assistance; and  
Establish direct contact with aid and co-operation organizations for the purpose of considering to what extent each of them could meet its specific requests (documentation and commercial information from Commercial Counsellors, technical or expert studies by multinational organizations, financial assistance for the laying out of industrial estates, etc.).

All these preliminary analyses and programme decisions, then participation, reflect the three main areas of concern which influence SONEPI's methods of work, i.e.:

To prepare detailed documents enabling discussion to take place on practical issues;

To consult, in the preparation of industrial projects, all who can provide constructive criticism or co-operation; and

To participate in the implementation of the projects it has studied, taking care never to take the place of the promoters, who, in the final analysis, must make their own decisions and be responsible for carrying them out.

### 2.2.3. Work programme for 1969-1972

This programme takes into account the contracts for studies already concluded with the Government and several private firms for 1969 (see Annex I) and of the studies that will probably be requested in 1970, 1971 and 1972.

The programme has several components, i.e.:

- Information activity designed to make available to domestic or foreign investors all the technical, economic and financial data they require in order to work out their industrial projects in Senegal, including quantitative and qualitative data on potential markets, trade flows, profitability studies, wages, the cost of factors of production, prospects for medium and long-term loans, benefits granted to new enterprises, and the choice of sites for setting up industrial plant;
- Industrialization activity as such, aimed both at the restructuring of some existing branches of industry and the promotion of new Senegalese processing industries, the aim being to establish some fifty small-scale industrial enterprises within a period of five years.

SONEPI attaches special importance to such promotion, since the task is to create, starting with small promoters, usually handicraft workers, the nucleus of a manufacturing industry which will be genuinely Senegalese because it will have its origin and centres of decision in Senegal.

Three basic problems must be settled as from 1970, i.e.:

Firstly, the actual setting up of small-scale enterprises,

Secondly, access to medium-term credit for the purchasing of materials and financing of stocks;

Thirdly, additional training for the management of small-scale industrial enterprises.

(a) The workshops of handicraft workers are usually located in urban areas, and for that reason cannot be expanded; consequently, it is impossible to organize any kind of mass production. New industrial sites with modern equipment or, better still, industrial estates, must therefore be placed at their disposal.

(b) In addition, the development of handicrafts into small-scale industries calls for the mobilization of medium-term capital for the purchase of production goods. However, in the absence of real estate guarantees, or invested capital permitting the rediscounting of loans, the medium-term capital market is at present closed to Senegalese small-scale enterprises.

(c) Lastly, it is essential, whenever necessary, to be able to give future industrialists additional training on management techniques.

The work programme prepared in 1970-1972 takes into account the various problems described above.

#### 2.2.4. Internal organization and present resources of SONEPI

SONEPI has already organized its management along modern lines, endeavouring not to use its capital (provided by the State and the private sector) to cover operating costs.

This meant that the Office of the Director-General had to be in a position to know, at all times:

What resources were needed for carrying out contracts concluded with SONEPI's "customers";

The headway made on study contracts and activities in progress (supervision of activities, invoicing, etc.).

(a) For these purposes SONEPI has introduced:

Forecast planning for purposes of budget supervision;

An analytical accounting system covering the working time of every SONEPI employee.

(b) SONEPI's current resources (collaborators assigned to research or to activities in progress, excluding the Office of the Director-General) are as follows:

An UNIDO expert in industry in general, and his counterpart;

An UNIDO expert in industrial estates, and his counterpart; and

A Senegalese specialist in accounting.

Beginning in July, two additional production officers, namely, an UNIDO market survey expert and his counterpart, will be added.

Beginning in September, a French technical assistance expert (high-level engineer) and a Senegalese engineer will be added.

By the end of 1977, therefore, SONEPI will have at its disposal four experts (including three from UNIDO) and five counterparts.

(c) With regard to material resources, SONEPI has:

2 secretaries and 2 typists,

4 office workers,

an official car, and

a number of office machines (photo-copy, roneo machine for running off blue prints, etc.).

ORGANIZATION OF SONEPI IN OUTLINE

- A. Office of the Director-General
  - Relations with the Government and the supervisory Ministry
  - Public relations
  - Determination of SONEPI's aims
  - Approval of programmes and methods
  - Allotment of tasks
  - Budget policy
  - Recruitment and personnel management
  
- B. Three Service Departments
  - 1. Department of Administration and Finance
    - 1.1 Financial studies
    - 1.2 Preparation of the budget and contracts
    - 1.3 Planning and analytical accounting
    - 1.4 Personnel administration
    - 1.5 Accounting
  - 2. Industrial Information
    - 2.1 Collection, analysis, organization (in card indexes) and dissemination of information within and outside SONEPI (preparation of publicity material such as brochures, etc.).
    - 2.2 Organization and management of the industrial, economic and financial library.

3. Market Surveys and Marketing Studies

3.1 General studies as requested by the Office of the Director-General.

3.2 Specific studies requested by the operational services (teamwork).

C. Three operational Departments

1. Industrial Projects

1.1 Technical, economic and financial studies of important industrial projects suitable for recommending to domestic or foreign investors.

1.2 Sectoral studies and relations with outside research institutions.

1.3 Assistance to foreign investors (relations with Senegalese Government agencies, arrangements for visits in Senegal, utilization of results of visits, etc.).

2. Assistance to Small-Scale and Medium-Sized Enterprises in Senegal

2.1 Feasibility studies on small and medium-sized projects originating in or intended for Senegal.

2.2 Studies on credit facilities for small and medium-sized enterprises (in collaboration with the financial section).



- 2.3 Assistance of every kind in the implementation of small and medium-sized projects (preparation of files for the Government and banks, finding share-takers, finding industrial premises, etc.).
  - 2.4 Finding Government contracts for heads of small enterprises.
  - 2.5 Additional training of heads of small enterprises.
3. Industrial Estates and Zones
- 3.1 Project studies (technical, economic, financial).
  - 3.2 Finding share-takers and forming equipment and management firms.
  - 3.3 Reception of enterprises to be set up on estates.
  - 3.4 Organization of the administration and management of industrial estates.
  - 3.5 Organization of technical and management assistance to enterprises on the estates.

This general outline of SONEFI's functions is only an indication. Its main purpose is to make it easier to appoint the person who will be responsible to the Office of the Director-General for each of SONEFI's studies and activities (the criterion being that the chief is the person who obviously has most to do with the work).

It is of course understood that teamwork must remain the fixed rule and that several different functions or activities may be assigned to a single person.



ANNEX V

SUBJECT: EQUITY PARTICIPATION FUND FOR SMALL-SCALE  
AND MEDIUM-SIZED INDUSTRIAL ENTERPRISES

1. Nature of the problem

The experience of the last few years has shown that the position occupied by small-scale industry in the economy of Senegal has remained relatively insignificant.

The Ministry of Planning therefore asked SONEPI to investigate the reasons for this unsatisfactory state of affairs and to suggest remedial action.

SONEPI's conclusions may be summarized as follows:

1.1 Contrary to a widely-held belief, there are a number of heads of small enterprises in the Senegalese handicraft industry and business who have all the qualities needed to become industrial promoters.

It therefore appears to be "technically" possible to develop a system of small enterprises which could later form the basis for larger-scale industrial developments.

1.2 Study of the industrial ventures made in the past reveals that failures have generally been due to the following causes, often all present simultaneously:

- Lack of elementary training in management methods;
- Lack of previous study of the industrial projects concerned;
- Impossibility of obtaining medium-term bank credit to cover the tying up of capital which is essential for all handicraft enterprises wishing to progress to the stage of small-scale or medium-sized industrial enterprises, particularly as regards:
  - Purchase of ground and construction of a workshop (this is usually necessary because most handicraft enterprises are located in urban areas where there is no room for expansion);

- Acquisition of the additional equipment needed in order to undertake mass production;
- Financing of permanent stocks.

1.3 The activities already undertaken by SONEPI (feasibility studies and organization of seminars for training heads of enterprises) will enable at least partial solutions to be found for the first two problems (lack of training in the management of enterprises and lack of previous study of projects).

Rediscountable medium-term bank credit, on the other hand, remains practically out of the reach of small Senegalese enterprises because of the conditions imposed on the granting of it, in particular: that the enterprise must have a recognized legal status or that accounts for the periods prior to the loan application must be produced; that real estate guarantees should be provided; and, above all, that applicants must contribute funds of their own equal to at least 35 per cent of the total loan requested.

## 2. Proposed solutions

2.1 It would be idle to hope that, at the small enterprise level, a solution might be found in the grouping-together of enterprises or in mutual security arrangements.

SONEPI therefore proposes the establishment of an Equity Participation Fund to provide part of the capital of the small- and medium-scale enterprises to be set up.

Entrepreneurs would thus have at their disposal "own capital" which would enable the banks to grant them rediscountable medium-term loans.

2.2 In order to avoid any risk of misuse, access to the Equity Participation Fund would be subject to several conditions:

- Business success of the applicant in his previous activities;
- A feasibility study on the project (this would be one of the contributions made by SONEPI);

- A commitment to convert the applicant enterprise into a limited company (or give it some other specific legal status), to keep proper accounts, and to sign up with a firm of chartered accountants acceptable to the lender bank;
- Participation in a seminar for training heads of enterprises, organized by SONEPI, and dealing with modern management methods;
- The Equity Participation Fund's investment in the capital of the new enterprise must not exceed 3 per cent of the Fund's total holdings nor 40 per cent of the loan requested;
- Finally, SONEPI has proposed that enterprises benefiting from equity participation by the Fund should be under an obligation to buy out this participation on completion of repayment of the medium-term bank loan.

Thus, at the end of the operation, the private nature of the new Senegalese enterprise would be secured and it would simultaneously qualify for introduction to conventional banking circles.

It should be noted that, quite apart from the obvious advantage the State would derive from the point of view of the promotion of Senegalese industry, the fact of putting the accounting methods of enterprises on sound lines would result in a by no means negligible contribution to public finance.

### 2.3 Total resources of the Equity Participation Fund

SONEPI has tried to estimate how much money the Equity Participation Fund should have at its disposal. In the light of experience acquired in the course of the first operations financed by the Fund, it would appear that not less than about 75 million CFA francs would be needed to permit the establishment of fifty or so small-scale Senegalese enterprises during the Third Plan.

It is planned to ask the Caisse Centrale de Coopération Economique (Central Economic Co-operation Bank) to grant the State of Senegal a loan of this amount. This loan, which would be on a long-term basis and at a reduced rate of interest, would be allocated to the Equity Participation Fund on a permanent and non-repayable basis.

3. The legal status of the Fund

Several possibilities have been envisaged:

- Establishment of a new semi-public agency responsible for managing the Fund;
- Incorporation of the Fund in a credit institution (the Fund would then take the form of a deposit made by the Government of Senegal in an investment bank);
- Incorporation of the Fund in SONEPI, with the transfer to the latter of a sum corresponding to the amount of the loan granted by the Caisse Centrale de Coopération to the Government of Senegal.

On consideration of these various possibilities, it would seem that the idea of establishing a new agency should be avoided, at any rate during the opening stage of the Fund's operation.

Likewise, it does not appear desirable to entrust the financial management of the Fund to a single credit institution.

The third solution (incorporation in SONEPI) appears to be the most advantageous in the light of the aims pursued. If this solution is adopted, SONEPI would propose to accompany the incorporation with a number of provisions that are dealt with below.

4. Management of the Fund

4.1 A department called the "Equity Participation Fund Department" would be set up within SONEPI. This new department would have its own accounts, separate from those of SONEPI.

4.2 This department would be assisted and supervised by an "Equity Participation Fund Management Committee", whose decisions it would execute under the responsibility of the Director-General of SONEPI. The membership of this Committee would be as follows:

- The Minister of Planning and Industry or his representative;
- The Minister of Finance or his representative;
- The Chairman/Director-General of SONEPI;
- The Director of the Caisse Centrale de Coopération Economique;

- The Director of the Banque Centrale des Etats de l'Afrique de l'Ouest;
- The Directors of the BNDS, the USI, the BICIS, the BIAO and the Société Générale de Banques.--

The Committee would establish its own rules of procedure and elect its Chairman. Each of its members would be entitled to speak and vote.

The Committee's decisions would be taken by majority vote. In the event of a tie, the Chairman would have the casting vote.

All changes in the rules of procedure or the operating regulations of the Fund would require the unanimous vote of the Committee members.

The Committee could be assisted by a rapporteur, possibly the administrative head of the Fund, who would not have the right to speak or vote.

4.3 The use made of the Fund's resources would be the subject of quarterly reports drawn up by an accounting office to be appointed by the Committee.

4.4 The Committee would have two main functions:

- Examining applications for Fund participation and deciding whether to grant or refuse them;
- Supervising the management of the Fund on the basis of the documents submitted to it.

## 5. Rules for participation

5.1 The Fund would participate solely for the carrying out of industrial investment programmes (manufacturing industries) requiring medium-term bank credit and submitted by Senegalese entrepreneurs wishing to establish new activities or expand existing ones (there does not appear to be any need to define "small- and medium-scale enterprises", as evaluation of this factor would be left to the Management Committee).

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1/ Another solution might be envisaged: the Committee would consist of the five permanent members of the Fund, and the directors of the local banks would only attend Committee meetings when their banks were concerned with the medium-term loans accompanying requests for Fund participation and being considered at the Committee meeting in question.

5.2 Since the Fund would have no status as a legal entity in its own right, equity participations would be subscribed by SONEPI.

5.3 Equity participation by the Fund in industrial enterprises would be subject to the granting of the medium-term bank credit justifying such participation.

Under no circumstances would participation by the Fund in any single applicant enterprise be allowed to exceed 3 per cent of the Fund's total resources (i.e., 3 per cent of 75 million CFA francs).

The recipient would have to sign a contract with SONEPI to buy out the Fund's participation in his enterprise within a maximum of two years of the last repayment due on the medium-term loan obtained from the banking establishment.

5.4 The conditions governing access of enterprises to the Fund would be as indicated above (see section 2.2).

## 6. Dealings of the Fund and SONEPI with credit institutions

6.1 The total resources of the Fund (75 million CFA francs) would be distributed among the main credit institutions of Senegal as follows:

BNDS	. . . per cent
USB	. . . per cent
BIAO	. . . per cent
BICIS	. . . per cent
SGBS	. . . per cent

The Caisse Centrale de Coopération would retain 20 per cent of the Fund's resources in order to replenish the quotas of the various banks in proportion as they are used up for the first operations.

6.2 SONEPI would be responsible for carrying out the following functions:

- before a decision to participate is taken: preparation of a feasibility study for submission to the Management Committee whenever a request for participation by the Fund is made. A copy of this report would be sent to the bank chosen by the applicant for the granting of the medium-term credit;



- - -
- After a decision to participate is taken: supervision of the operations connected with the utilization of the amounts obtained from the Fund and of the accompanying medium-term loans;
  - To this end, SONEPI would receive each month from the bank granting the medium-term loan a record of movements in the recipient's bank account and would, if necessary, consult the bank with regard to action to be taken on the basis of this information.

The purpose of this supervision would be to eliminate as far as possible any misuse of the Fund's participations or of the bank loans granted, and, in any event, to enable prompt action to be taken against defaulters.

#### 7. Income of the Fund

This income would be derived from two sources:

- (a) The buying out of the Fund's equity participations. This buying-out transaction would take place upon completion of the repayment of the bank loans and would be for the purpose of replenishing the Fund's capital.

Assuming that the average number of participation transactions carried out by the Fund each year will be about ten, that the duration of the medium-term loans is unlikely to exceed four years, and that the average participation in each case will be about 1.5 million francs, the renewal of the Fund's resources can be regarded as certain.

- (b) Interest on loans:

Fixed interest (at the rate of, say, 5 per cent) would be charged on the amounts contributed by the Fund to the capital of small enterprises.

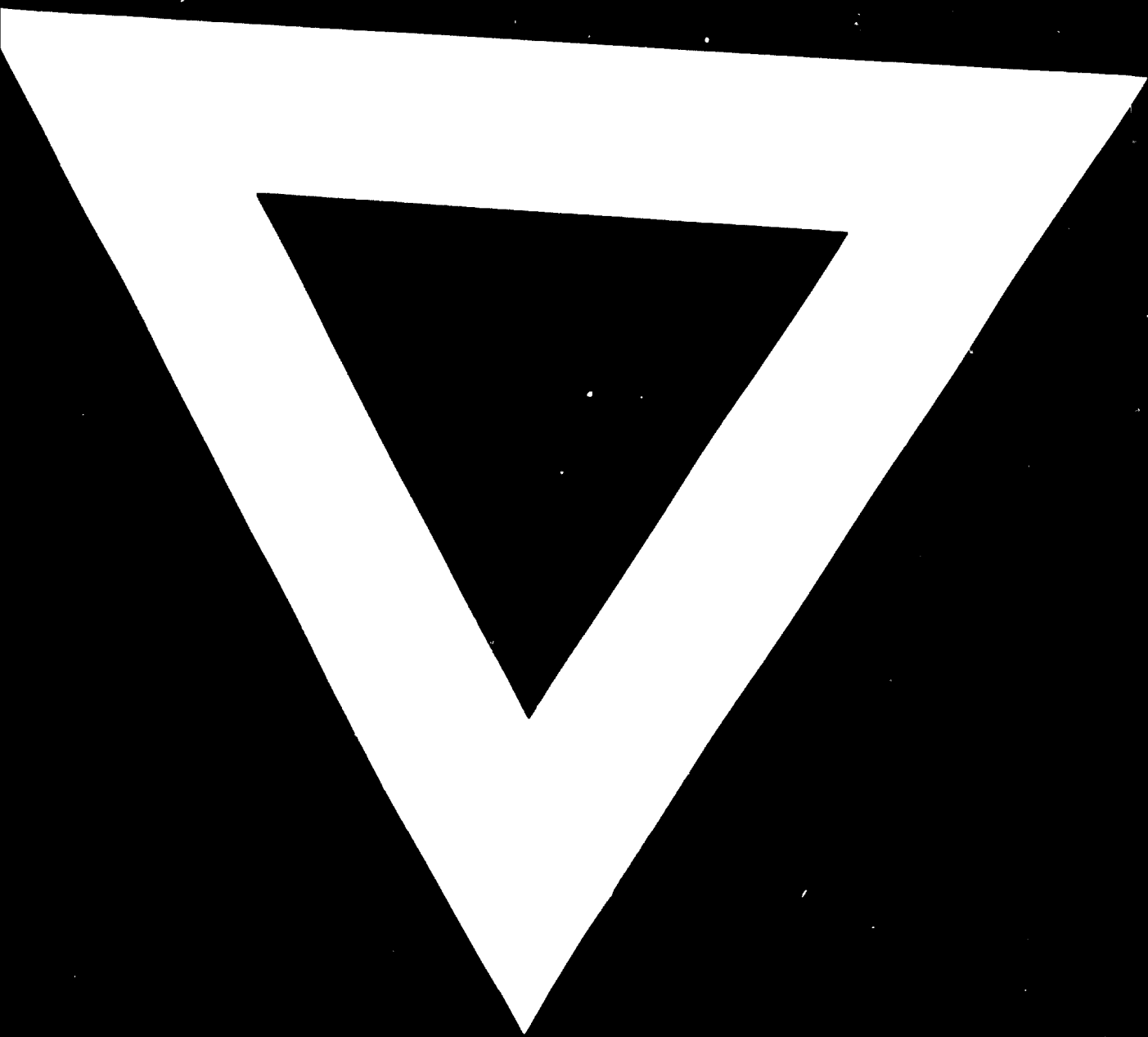
This 5 per cent interest could be broken down as follows: 3 per cent to the Caisse Centrale, through the Government of Senegal, and 2 per cent to SONEPI against the sums provided by it (the remuneration of the banks would be in accordance with their charges for the medium-term loans granted).

This document is obviously no more than a preliminary draft whose only purpose is to permit discussion of the proposal.

SOMBEF would like their proposal to be considered by the authorities concerned, particularly the Ministry of Finance of Senegal and the Centre Central de Coopération Economique, before the end of November 1969 so that a draft loan request could be submitted to the Senegalese Government before the end of the year.

This would make it possible to set up, from the beginning of 1970, the Equity Participation Fund, which, in the view of its promoters, must form one of the essential bases for the promotion of small-scale and medium-sized manufacturing industries in Senegal.





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