

Project Boole

The Development of Small & Medium Enterprises in Senegal

Executive Summary of Final Report

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Executive Summary



Purpose of Project Boole

The small and medium enterprises (SMEs) of Senegal are often termed “the missing link” by Senegalese government officials involved in enterprise development and the international donor community. They are called this term because these enterprises lack access to long-term financial capital and the competencies needed to ensure sustainable growth. The purpose of this study was to learn about the financial and business development services (BDS) needs of SMEs in Senegal, investigate what financial institutions and BDS providers think about these enterprises, and understand how the national, regional, and international communities have responded to SMEs’ needs. My post-primary research objective was to create a strategy for sustainable SME development in Senegal, and also study best practices and innovations in enterprise development.



Findings of Project Boole

I spent roughly four and a half months (from mid September 2005 to early January 2006) in Senegal to explore its SME environment. This report consists of my findings after interviews with 25 business owners, one financial institution, 10 BDS providers, four government agencies, one regional agency, six international/donor entities, and numerous individuals who work daily in this environment.

The SMEs of Senegal, like in many other countries, are an important source of job creation and other economic development as they represent at least 90% of formal enterprises in Senegal. Their activities range from agriculture and seafood processing to providing new technology services and non-governmental social services. Many of them started as micro-enterprises, but are now at a point where they need a bridging strategy that would enable them to go beyond their current level. Their needs can be placed into five author-established categories:

- Control of internal business affairs
- Modernization of capabilities
- Expansion of capacity
- Management of external elements
- Enhancement of quality

SMEs’ current relationship with financial institutions and BDS providers fail to provide appropriate solutions for them. BDS providers believe that SMEs lack not only the funds needed to pay for business services, but also the long-term mentality that makes them value the importance of BDS. Financial institutions view SMEs as highly risky clients because these enterprises usually have either poor management or their repayment ability is questionable. If financial institutions do lend to an SME, it is a revolving credit line for working capital that carries a very high interest rate.

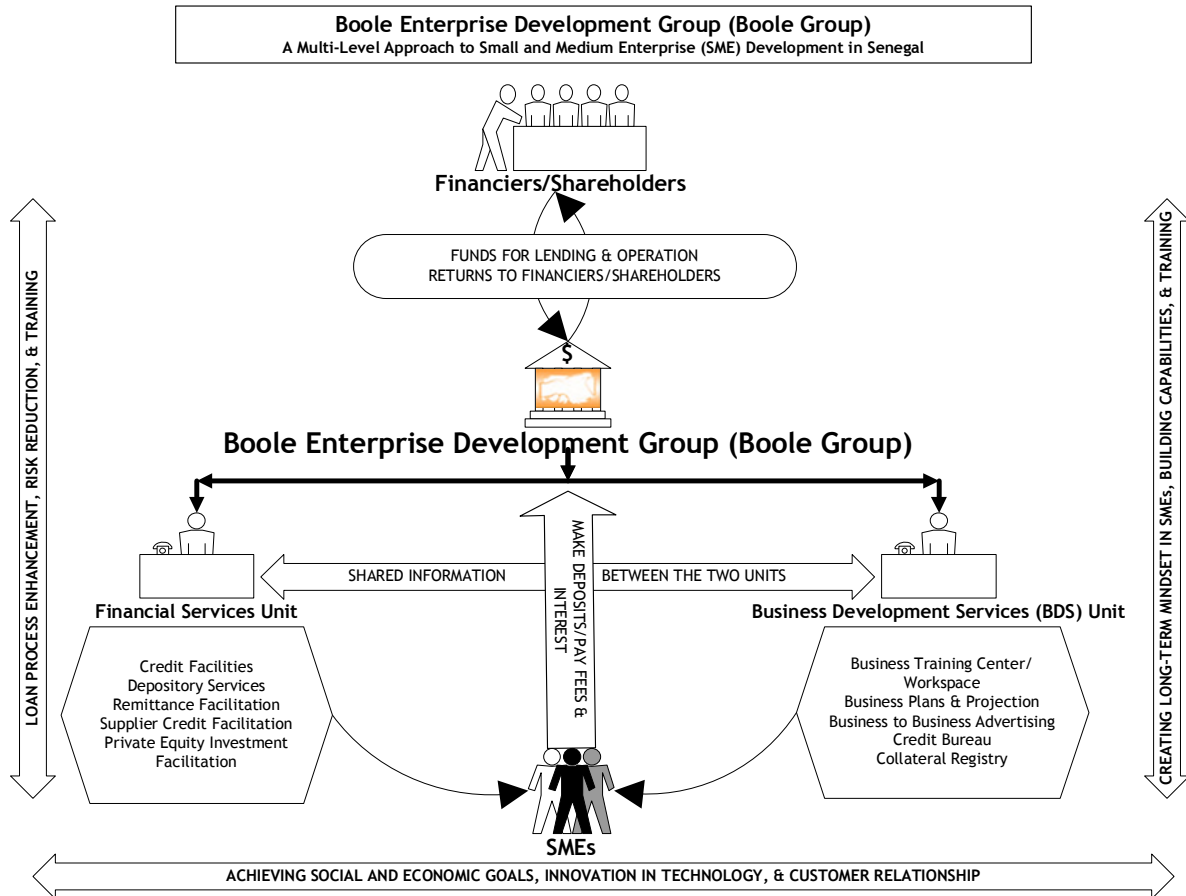
Programs such as the Bureau de Mise à Niveau (BMN) and African Development Foundation (ADF) provide grants to enterprises, but their longevity is uncertain. The United Nations Industrial Development Organization (UNIDO) has a couple of programs that aim to develop the competencies of enterprises, but focus only on those involved in industrial activities. The Senegalese government created a ministry and sub-department in 2001 to address the needs of SMEs, but its strategies are still in the development phase.



Proposed Solution: Boole Enterprise Development Group (Boole Group)

The Boole Enterprise Development Group (Boole Group) is my proposed solution for providing sustainable financing and development services to SMEs in Senegal. Boole Group will be a holding entity with separate financial services and BDS units - providing a link between SMEs, financial institutions, BDS providers, and the various other parties on SMEs’ supply chain.

This development model funds itself by providing financial and business services through an innovative and forward-thinking approach. It incorporates the concerns mentioned during interviews in Senegal and seeks to improve relationship between SMEs, financial institutions, and BDS providers.



Some major components of the model are business training center/workspace, an independent credit bureau and collateral registry, remittances management, and business-business (B2B) advertising. Several services of Boole Group will be available to non-SMEs as a means to fund credit and other products provided by Boole Group to SMEs.



Best Practices and Innovations in Enterprise Development

The research on best practices and innovations in enterprise development has yet to be complete. Preliminary research thus far has shown business plan case competitions, franchising, private equity investment, clustering, and value chain financing to be leading strategies for enterprise development. The author plans to analyze the strength and weaknesses of various models and see how they can be integrated into the model presented above.