

# Project Boole

The Development of Small & Medium Enterprises in Senegal

## Mid-Term Report - November 2005

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## Quick Reference Guide for Mid-Term Report

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### SME Profiles:

Pencum Sénégal  
 GINA  
 Jàngoon Wér  
 Bijouterie Universelle  
 Jawal Gerte  
 Maria Distribution  
 LMDB  
 Première IT  
 Galerie Arte  
 MERChasseur  
 Sénégal-Hivet Fruit  
 Collé Sow Ardo



### Government Responses:

Direction des PME  
 ADEPME  
 APROSI  
 APIX



### Regional Responses:

FPE



### International Responses:

PAPES  
 BNSTP-S



### BDS Profiles:

Cabinet Thiaw  
 DCGNET  
 IMCG  
 Sahel 3000  
 SPIE  
 Albatros  
 REMIX

## Acronyms and Abbreviations

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<b>ACEP</b>	Alliance de Crédit et d'Épargne pour la Production
<b>ADEPME</b>	Agence de Développement et d'Encadrement des Petites et Moyennes Entreprises
<b>ADF</b>	African Development Foundation
<b>AFD</b>	Agence Française de Développement
<b>AFDB</b>	African Development Bank
<b>APIX</b>	Agence de Promotion de l'Investissement et des Grands Travaux
<b>APROSI</b>	Agence d'Aménagement et de Promotion des Sites Industriels
<b>BCEAO</b>	Banque Centrale des États de l'Afrique de l'Ouest
<b>BDS</b>	Business Development Services
<b>BMN</b>	Bureau de Mise à Niveau
<b>BNSTP-S</b>	Bourse Nationale de Sous-traitance et de Partenariat du Sénégal
<b>CMS</b>	Crédit Mutuel du Sénégal
<b>DFI</b>	Digital Freedom Initiative
<b>FCFA</b>	Francs de Communauté Financière Africaine
<b>FPE</b>	Fonds de Promotion Économique
<b>GDP</b>	Gross Domestic Product
<b>GIE</b>	Groupement d'Intérêt Économique
<b>HACCP</b>	Hazard Analysis Critical Control Points
<b>ICT</b>	Information Technology
<b>IMCG</b>	Ingenierie Management Consulting Group
<b>IT&amp;C</b>	Information Technology and Communication
<b>LMDB</b>	Lobbou Mame Diarra Bousso
<b>MCC</b>	Millennium Challenge Corporation
<b>NGO</b>	Non-Governmental Organization
<b>PAMECAS</b>	Union des Mutuelles de Partenariat pour la Mobilisation de l'Épargne et du Crédit au Sénégal
<b>PAPES</b>	Projet d'Appui aux Petites Entreprises du Sénégal
<b>PME</b>	Petites et Moyennes Entreprises
<b>RECEC</b>	Réseau des Caisses d'Épargne et de Crédit
<b>RTS</b>	Radio Télévision Sénégal
<b>SBA</b>	Small Business Administration
<b>SME</b>	Small and Medium Enterprises
<b>SODIDA</b>	Société de Gestion du Domaine Industriel de Dakar
<b>SODIDA II</b>	Société de Gestion du Domaine Industriel de Diamniadio
<b>SODISA</b>	Société de Gestion du Domaine Industriel de Saint Louis
<b>SODIZI</b>	Société de Gestion du Domaine Industriel de Ziguinchor
<b>SONEPI</b>	Société Nationale d'Étude et de Promotion Industrielle
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>USAID</b>	United States Agency for International Development
<b>USD</b>	United States Dollars

## Introduction

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### Purpose of Project

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As outlined in the **project plan**, this self-funded project is an evaluation of the **financing and business development services needs** of small and medium enterprises (SMEs) in the Republic of Senegal. In the final report, I hope to develop a method to fulfill these needs and also effectively link SMEs with financial institutions and business development services (BDS) providers. In Wolof, the word for this type of linkage is **boole** (pronounced “bo-lay”) - thus the name of the project.

I hope to accomplish the following with this project:

- Encourage the further development of SME in Senegal
- Highlight successful SME in Senegal and some of the opportunities available
- Build upon my skill set in SME development that would hopefully aid me in post-MBA job search
- Promote at Thunderbird an alternative for integrating the business environment of African countries into the School’s curriculum



### Approach

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Most of the findings in this report were derived from interviews that began in September 2005. Face-to-face interviews in Senegal will continue until January 2006. Information taken from secondary sources will be referenced accordingly in footnotes.

The main subjects of this report are SMEs, BDS providers, financial institutions and government agencies. For this study, an SME is defined as an enterprise in Senegal fulfilling the following criteria:

TABLE M-1: Criteria for SME Selection

<i>Criteria</i>	<i>Threshold</i>
Minimum number of years in business	2
Number of employees	5 - 150
Minimum annual revenue	25,000,000 FCFA (approximately 50,000 USD) <sup>1</sup>

Other entities [e.g. NGOs (non-governmental organizations) and international donors] were interviewed as an attempt to provide a well-rounded analysis of the SME environment in Senegal and the programs currently in place.

As this is just a mid-term report, I will withhold a more detailed breakdown of numerical information on SMEs, BDS providers, and financial institutions until the final report. I hope to include in the final report also mechanisms for improving the manner in which SMEs receive financing and use business development services.



### Layout

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This report is best read electronically, as it is not in a linear format. Topics of interest to the reader can be selected using the hyperlinks found throughout the document. These hyperlinks are colored in **orange** and in bold. Interview subjects are grouped according to the need that is being sought.

<sup>1</sup> Throughout this report, conversion of FCFA (Francs de Communauté Financière Africaine) to United States dollars (USD) will be at the rate of 500 FCFA : 1 USD.

This mid-term report only focuses on the needs of SMEs, provides information on some of the support programs, and highlights the BDS providers interviewed thus far. Each main heading of the report begins with “NEED...” as outlined in the [table of contents](#). Though almost all of the enterprises profiled are in need of money, the “NEED” separation is based on the proposed use of the funds. Under these main headings are also applicable or somewhat related responses from the government and international organizations, and profiles of related BDS providers.

The [table of contents](#) is also interactive, and the [quick reference guide](#) lists all the profiles of this report. I hope that this layout makes for a more interesting and expeditious reading.

## NEED: Understanding of the SME Environment in Senegal

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### Activities of SMEs in Senegal

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The SMEs in Senegal are involved in all economic and social sectors. The Senegalese tend to be very entrepreneurial - from teenage merchants to seasoned business people. Agriculture, and its multiple by-products, is the most dominant activity in Senegal. The report focuses on agri-business sector, along with new technologies, tourism, textile (and its by-products), arts and crafts, social services (those started and run by social entrepreneurs), and fishing/aquaculture.

With 1/5 of the country’s population and its status as the capital, Dakar is home to most of the SMEs in Senegal, followed by Thies, the second most populous city. Both are in regions named after them. Together, the two regions house about 82% of Senegal’s enterprises.

In discussions with government officials, the term value-added was mentioned often. The government’s current focus is on sectors seen as strong contributors to the Republic’s gross domestic product (GDP) and exports. Virtually all of these sectors are industrial/manufacturing related, and include such segments as “chemicals, textiles, agro-processing, leather goods, metalworking and mechanical industries.”<sup>2</sup>

Textiles and food-processing benefit from domestic resources.<sup>3</sup> Until recently, the government had paid little attention to the tourism potential of Senegal’s beaches and other scenic areas. Tourism is now expected to make a major contribution to the economy. Programs to stimulate the sector are now being implemented, including new airport near Saly-Portudal, a major tourist area.



### SMEs Contribution to the Senegalese Economy

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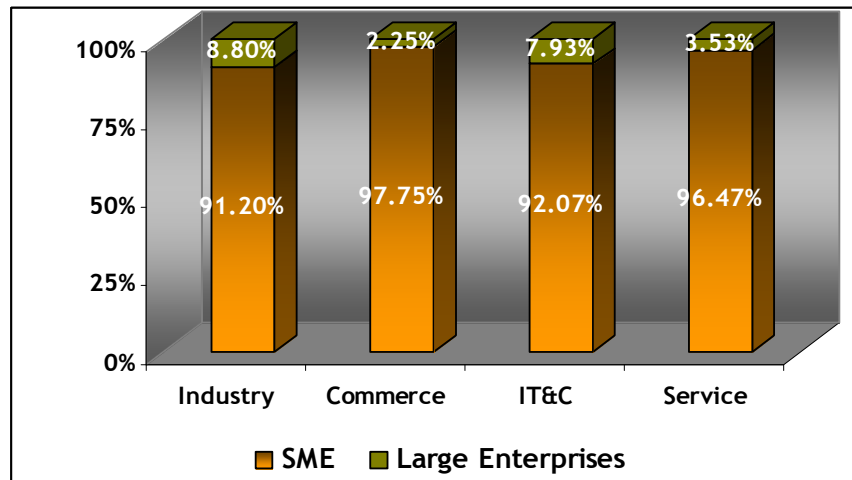
According to an unpublished study by the [Direction des PME \(Petites et Moyennes Entreprises\)](#), SMEs represent at least 90% of enterprises in Senegal.<sup>4</sup> The study looked at four areas of economic activity [industries, commerce, information technology and communication (IT&C), and service]. The graph below shows the preliminary results of the study:

<sup>2</sup> *Senegal: Country Profile 2004*. The Economist Intelligence Unit. IBIC, Thunderbird, The Garvin School of International Management. 01 August 2005. [http://portal.eiu.com.ezproxy.t-bird.edu/report\\_dl.asp?issue\\_id=1247183124&mode=pdf](http://portal.eiu.com.ezproxy.t-bird.edu/report_dl.asp?issue_id=1247183124&mode=pdf)

<sup>3</sup> Ibid.

<sup>4</sup> *Performance des Petites et Moyennes Entreprises au Sénégal*. Directions des Petites et Moyennes Entreprises. Ministère des Petites et Moyennes Entreprises, de l’Entrepreneuriat Féminin et de la Microfinance. République du Sénégal. Juillet 2005. Unpublished.

GRAPH M-1: SME and Large Enterprises Percentage in Senegal



The study found that though most of the enterprises in Senegal are SMEs, their employees represent only 42% of the employed in the country. This figure is questionable, as the study failed to take into account the enormous informal sector made up of many self-employed individuals (micro-entrepreneurs). The many unregistered peddlers that clog the streets of Senegal each day could easily make up a high percentage of Senegal's employed.



### Common Concerns of Small and Medium Entrepreneurs in Senegal

According to Ibrahima Diouf, the director of the **Direction des PME**, the preliminary results of the study<sup>5</sup> conducted by his department show that 52% of SMEs selected financing as their primary need. The lack of financing (issue "a") was noted as the foremost impediment to growth for SMEs in Senegal. Four other issues were identified: (b) lack of quality human resources, (c) lack of access to economic and financial information, (d) high cost of production, and (e) bureaucracy which artificially lengthens the time to perform basic activities.

In my initial set of interviews with SMEs, the only issue that failed to emerge was (c) - lack of access to economic and financial information. The lack of financing and the high cost of production, on the other hand, were frequently mentioned. Though they believe that access to financing is a major concern, those who work with enterprises on non-financial matters contend that the problem usually is either poor presentation of competencies, poor tracking of activities, no business strategy, or poor management.



### SMEs Relationship with Financial Institutions in Senegal

In the findings of Dyna Entreprise's 2003 study of the Dakar Women's Savings and Loan Network (RECEC - Réseau des Caisses d'Épargne et de Crédit), the authors stated that "the majority of Senegalese have never set foot in a bank." Commercial banks prefer to deal with large enterprises and households that generate high income. For others, the "conditions for a loan included a period of observation, proven profitability of the enterprise and numerous guaranties, including collateral and pledging of business assets." In addition, enterprises are required to deposit no less than 500 000 FCFA (1,000 USD) in a savings account with the bank.<sup>6</sup>

A majority of the interview subjects for **Project Boole** stated that SMEs lack the capacity necessary to meet the requirements of financial institutions. One interviewee revealed that banks have little trust or

<sup>5</sup> Ibid.

<sup>6</sup> *Case Study N°003: Dakar Women's Savings & Loan Network (RECEC)*. Chemonics International, Inc. United States Agency for International Development (USAID). Project No. 685-C-00-00-00002-00. May 2003. [http://pdf.dec.org/pdf\\_docs/PNACU386.pdf](http://pdf.dec.org/pdf_docs/PNACU386.pdf)

confidence in SMEs. Like most for-profit institutions, banks direct their resources to profitable projects that possess minimal risk. This is one reason why there are hundreds of many microfinance institutions in Senegal. Micro-enterprises are considered less risky, as their funding is mainly for trade activities, and there are often subsidies from donors. The microfinance institutions in Senegal were also helped immensely by the Dyna Entreprise program which provided training to the institutions to improve loan underwriting and customer service.

The three microfinance institutions in Senegal that cater to SMEs are ACEP (Alliance de Crédit et d'Épargne pour la Production), CMS (Crédit Mutuel du Sénégal), and PAMECAS (Union des Mutuelles du Partenariat pour la Mobilisation de l'Épargne et du Crédit au Sénégal). They provide only revolving credit and each recently created an office specifically for SME financing, but lack any real strategy or real model for SMEs. The only apparent distinction for the SME loan office (guichet PME) is the higher credit provided. These offices finance both micro-enterprises and SMEs that request above 10 000 000 FCFA (20,000 USD). Usually, the maximum is 20 000 000 FCFA (40,000 USD) to 25 000 000 FCFA (50,000 USD). The amount may be higher in very special cases.

Lending to SMEs involves many risks that need to be mitigated. In addition, SMEs lack the means to find financial partners willing to invest in their future. One hears stories about entrepreneurs who absconded with investors' money. Then there are comments about Senegalese, who after years of government assistance and free money from donors, tend to think of credit as grants. One interviewee noted that in Senegal, if you have money, you must display it; an entrepreneur is more likely to spend money on an expensive car, house or family vacation than reinvest the profits back into the business. I have yet to meet an entrepreneur who stated that reinvestment into the firm was less than 100% of profits. As access to SMEs' financial statements is outside the scope of this report, I can neither deny nor support those claims and views.



### **SMEs Relationship with Business Development Services Providers in Senegal**

Business development services to SMEs in Senegal are usually offered through a program that is fully funded or subsidized by the government or international donor agencies, and provided through a professional association. These programs have a fixed duration; once they are over, SMEs generally cease to use the BDS. Except for accounting and auditing, usually required by financial institutions and the government, BDS such as marketing, human resource development, strategy development, and information technology development are often overlooked by SMEs for two main reasons: insufficient funds to pay for the service and the perception of not enough activity to justify the service.

Some BDS providers think that SMEs prefer to use funds to buy tangible goods like raw materials and equipment, rather than go into an investment that may take time to produce results. This seems to support the argument in financial circles - that many Senegalese entrepreneurs lack a long-term mentality. Interviewed entrepreneurs who recognized the need for a BDS revealed that a quality product requires more money than they are willing to spend. This may lead an SME to engage unprofessional and low quality BDS providers. The negative results of these experiences have given SMEs a negative perception of BDS and BDS providers. A prime example of this is found in technology services like website design and management, with low-cost developers producing useless or unflattering websites of poor quality.

A government official told me that current BDS providers fail to offer products and prices that address the needs of SMEs. Even after the Dyna Entreprise program upgraded the capabilities of many BDS providers, the same official feels that many services are still of poor quality or focus only on large enterprises.



### **GOVERNMENT RESPONSE: Direction des PME (Direction des Petites et Moyennes Entreprises)**

The Management of Small and Medium Enterprises (Direction des PME) shares its office in the Fenetre Mermoz quarter of Dakar with the other three management offices/sub-departments of the Department of Small and Medium Enterprises, Female Entrepreneurs, and Microfinance (**Ministère des Petites et Moyennes Entreprises, de l'Entreprenariat Féminin et de la Micro-finance**). The ministry and its sub-

departments were created in 2001 to address the concerns of SMEs in Senegal. The purpose of the Direction des PME is to promote SMEs and to provide a strategy for the development of this economic segment. It aims to generate a favorable environment for SME through better control of the judicial, financial, and regulatory aspects of the segment.

On the second floor of this joint headquarters, one finds Ibrahima Diouf, the director of Direction des PME. Mr. Diouf is very excited about his department's mission to "show the importance of SME in the economic development of the country," and displayed this excitement throughout our conversation. He directed my attention to Senegal's Charter on Small and Medium Enterprises ([Charte des Petites et Moyennes Entreprises du Sénégal](#)), which I had read prior to my project plan.

The Direction des PME constructed the final draft of the Charter in December 2003, and expects it to become law at the end of 2005 or early 2006. If ratified, the following will be the official classification of enterprises in Senegal as defined by the Charter<sup>7</sup>:

TABLE M-2: Future Classification of SME in Senegal

Enterprise Size	Criteria
Small Enterprises (includes also micro-enterprises)	<ul style="list-style-type: none"> <li>• Employees: 1 to 20</li> <li>• Annual revenue maximum: 50 million FCFA (100,000 USD) for industrial enterprises 25 million FCFA (50,000 USD) for service enterprises 50 million FCFA (100,000 USD) for industrial/service mix enterprises</li> <li>• Financial statements audited by a recognized accounting firm in Senegal</li> </ul>
Medium Enterprises	<ul style="list-style-type: none"> <li>• Employees: less than 250</li> <li>• Annual revenue: between maximum for small enterprises and 15 billion FCFA (30 million USD)</li> <li>• Financial statements audited by a member of the Ordre National des Experts Comptables et Comptables Agréés</li> <li>• Net investment less than or equal to one billion FCFA (two million USD)</li> </ul>

The Charter includes an extensive list of programs that the Direction des PME hopes to implement. Only firms recognized by the Charter will benefit from them. The advantages for those who adhere to the Charter include access to the public market, finance, land, exemptions from taxes and other government fees for a limited time, and export support.<sup>8</sup> The bureau is working in conjunction with [ADEPME \(Agence de développement et d'encadrement des petites et moyennes entreprises\)](#) to improve the capacity of enterprises.

One of the programs to be implemented is a regional stock exchange and guarantee fund (Bourse Régionale de Valeurs Mobilières). Through the exchange, firms will be able to raise equity capital for investment projects. The guarantee fund will be similar to the [SBA \(Small Business Administration\)](#) loan programs in the United States, where the government guarantees a percentage of a bank's loan to an SME. Considering that the Charter currently stipulates a government guarantee of 75%, Mr. Diouf emphasized that both of these programs have yet to be fully configured.

Last year, the Direction des PME launched an SME caravan (Caravane des PME) program to ensure that other regions than Dakar and Thies benefited from its services. The caravan visited Saint Louis (in the northwest) and Ziguinchor (in the southwest) in 2004, and Matam (in the northeast) in 2005. Some of the

<sup>7</sup> *Charte des Petites et Moyennes Entreprises du Sénégal*. Ministère des Petites et Moyennes Entreprises et de la Micro-Finance. République du Sénégal. Décembre 2003. <http://www.izf.net/izf/Guide/Senegal/ChartePMEdec03.pdf>

<sup>8</sup> *Le Point de l'ADEPME*. N° 01. Agence de Développement et d'Encadrement des Petites et Moyennes Entreprises. Février 2004.

caravans' tasks included performing financial and management diagnosis of some SMEs in each area, promoting entrepreneurship, and encouraging informal enterprises to register with the government. The office also took the program to Italy to study and better mobilize the remittances of Senegalese living there.<sup>9</sup>

## NEED: Enhancement in Control of Business Affairs



### SME Profile: Pencum Sénégal

From the headquarters of Pencum Sénégal in Pikine, an outer suburb of Dakar, you can see the Ile de Gorée and the Dakar skyline. You can also see many varieties of fish and other marine delicacies fermenting on dozens of drying racks around the buildings. Pencum Sénégal sells fermented and sun-dried fish and other ocean products to individuals and restaurants that come each day to its on-site store.

Pencum Sénégal is as old as the Republic, but its current location is fairly recent. Electricity, running water and other basic services is still lacking, making it hard for Pencum Sénégal to achieve its top goal: establish an in-house credit union for its employees.

Pencum Sénégal is the trading name and holding entity for the non-profit association (GIE -Groupement d'Intérêt Economique) called Fenetram. The members of Fenetram, who are also employees of Pencum Sénégal, have personal accounts at several banks. Each member purchases raw materials individually and receives individual revolving credit from these different banks. There is no group savings mechanism. The interest rate on the bank credit is 14%. MBathio Niang, Pencum Sénégal's president, hopes her credit union will lower the interest rate on revolving credit for GIE members to 5%, and also make it easier for members to purchase raw materials. To do this, Mrs. Niang needs a BDS provider who can help design and implement the credit union.

Mrs. Niang is a grandmotherly figure who during our meeting made no hesitation to break off pieces of bread to share with me and others attending the meeting. She proudly showed me a book about the enterprise - written in Italian by a Senegalese-Italian researcher. The book helped attract funds for training of the GIE members.



NGOs and other donors have helped with past expansions. The Senegalese government and Italian benefactors recently donated some new tables for drying. On the grounds of Pencum Sénégal are three empty buildings that Mrs. Niang hopes will one day become a nursery, an administrative office, and the office of the credit union. Pencum Sénégal also needs new materials for processing its products. It wants to change the concrete bins used for cleaning the fish to plastic bins with covers. The plastic bins are supposed to help improve the quality of the products - and are much easier to clean.



### SME Profile: GINA

Moufid Fazah believes he is a good judge of the West African market for bread, croissants, madeleines, pastries and other bakery products. GINA makes pastries and other bakery items for sale to shops and

<sup>9</sup> *Projet de la Caravane des Petites et Moyennes Entreprises (PME)*. Direction des Petites et Moyennes Entreprises. Ministère des PME, de l'Entreprenariat Féminin et de la Micro Finance. République du Sénégal.

restaurants. Mr. Fazah also owns three other enterprises that imports and exports various types of industrial bakery machinery.

So far, except for using an outside accountant, he has yet to approach BDS providers. Like other entrepreneurs I interviewed, he believes that the size and activities of his enterprises fail to justify the need for other BDS. Mr. Fazah would like to find a competent and effective manager that would be able to lead GINA and the three other enterprises. Though an educated man, his background is chemical engineering. He lacks the business management skills required to merge the resources of the four enterprises. He held up four checkbooks and told me that his life would be much better if he only had one for all four companies.

Mr. Fazah described his success as “medium plus.” In addition to better production control and improved efficiency, he wishes to introduce new product lines and continuously improve customer service. He has contacted **APIX (Agence de Promotion de l'Investissement et des Grands Travaux )** to assist with finding investment partners. He stated that the agency is helpful, but until he can find someone willing to take the risks involved in funding his enterprises, he has to depend on personal funds and suppliers' credit to continue his business.



### SME Profile: Jàngoon Wér

Senegal has one of the lowest HIV/AIDS infection rates among African countries, and Jàngoon Wér is one of the organizations responsible for achieving that. For several years, Jàngoon Wér has taken an interactive and participatory approach to providing reproductive health information to families in Senegal. It works with numerous agencies and government entities to build grass-roots programs for better health. With a wealth of knowledge on HIV/AIDS prevention, it is a key player in this area.

Jàngoon Wér would like to consolidate its activities into one location to ensure better management, but needs funding to achieve that. The firm refuses to think of itself as a stereotypical not-for-profit that must always depend on donors for funds, and has taken several steps to make this a reality. One is diversification into fee-based services, eliminating the need for donor funds. A recently installed information management system is helping the firm to delve more into future plans. After further review of the strategies now being considered, Jàngoon Wér will be able to better communicate its needs to financial institutions and social initiative investors.



### GOVERNMENT RESPONSE: ADEPME (Agence de Développement et d'Encadrement des Petites et Moyennes Entreprises)

While the **Direction des PME** is promoting the SME environment, its sub-entity, **ADEPME**, is working to ensure that the enterprises in this segment of the economy possess the non-financial capabilities required to succeed. The agency's four principal areas of activity are the creation of new businesses, the reinforcement of enterprises' management and structure, the upgrading of enterprises' status, and the management of enterprises in difficulties.

ADEPME has helped several enterprises (some included in this research) construct business plans for presentation to financial institutions. Another ADEPME achievement was the creation of accounting software for artisans. The World Bank, AFD (Agence Française de Développement), and the European Union stipulated the mechanisms used by ADEPME to aid the in growth of SMEs and the reinforcement of their competitiveness.

According to the **Senegal SME Charter**, ADEPME will also be “in charge of the follow up of SME commitment in terms of training, job creation, credit repayment and compliance with the various

standards”<sup>10</sup> of the Charter. The primary sectors of concern for the agency are agro-business, engineering, metallurgy, building, new technologies, tourism and culture, and textiles.<sup>11</sup>

The **BMN (Bureau de Mise à Niveau)** is an ADEPME program that uses the skills and experience of local BDS providers to get SMEs to the point where they can make a proper request for credit. BDS providers can apply via the Bureau’s **website** for consideration as a consultant. When an SME submits a request for assistance, BMN performs a diagnosis of the firm’s operation and management to fully understand its needs. The follow-up is then either a business plan or some other type of non-financial assistance.



## GOVERNMENT RESPONSE: BMN (Bureau de Mise à Niveau)

This organization will be discussed in the next update, as I have yet to interview a representative.



### BDS Profile: Cabinet Thiaw

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Cabinet Thiaw provides finance and accounting expertise focused on increasing revenue and reducing tax payment. A representative of the firm believes that most SMEs have yet to approach Cabinet Thiaw because at this stage in their development, tax liability is a minor issue for the SMEs. Of its 15 clients, Cabinet Thiaw thinks only about three or four could be considered SMEs. Its definition of an SME is a firm with revenue of at least 15 000 000 FCFA (30,000 USD), but no maximum figure was given during the interview. Cabinet Thiaw’s current SME clients contribute 8-15% to the firm’s annual revenue.

Currently, most of Cabinet Thiaw’s clients are industrial fishery firms, marketing firms, and microfinance institutions. The firm guesses that it receives only three to four requests per year from SMEs for its services, but hopes that the new industrial park at **Diarniadio** will change that.



### BDS Profile: DGCNET

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**DGCNET**, a designer, manager, and promoter of internet sites, claims SMEs as the majority of its clients. Unlike most of the other BDS providers mentioned in this report, DGCNET works directly with all clients. Aside from SMEs, DGCNET’s clients include NGO, universities, and **DFI (Digital Freedom Initiative)**. DFI is a United States-sponsored program, in collaboration with the Senegalese government, which aims to improve “Senegalese small business through information technology (ICT) and volunteer experience.”<sup>12</sup>

DGCNET markets itself to enterprises that are involved in services or products that could lend themselves to web advertising, enterprises that have international commerce, and banks that conduct online activities. Most of its revenue comes from large enterprises that tend to use more services over a long period of time. With SME, it is usually a one-time affair.

Daouda Guindo, the head of DGCNET, believes that most SMEs have a negative perception of new technology. He explained that this mainly happens when an SME uses an unprofessional, unqualified provider as a way to save money. But as more activities move to the internet, Mr. Guindo sees SMEs perception changing for the better.

<sup>10</sup> *Charte des Petites et Moyennes Entreprises du Sénégal*. Ministère des Petites et Moyennes Entreprises et de la Micro-Finance. République du Sénégal. Décembre 2003. <http://www.izf.net/izf/Guide/Senegal/ChartePMEdec03.pdf>

<sup>11</sup> *Le Point de l’ADEPME*. N° 01. Agence de Développement et d’Encadrement des Petites et Moyennes Entreprises. Février 2004.

<sup>12</sup> *Programme DFI Senegal*. Information pamphlet.

## NEED: Modernization of Production Capability

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### SME Profile: Bijouterie Universelle

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Adama Niang is a young woman set on building a more expansive jewelry enterprise than that of her father. Though she dressed in traditional Senegalese Muslim attire during our meeting, she is not the western stereotype of a Muslim wife. To help further her goal, Mrs. Niang enrolled in an MBA program to learn about business management. As we strolled from Dakar's version of Geneva's Jet d'Eau to her store in Liberté 2, she informed me that her husband makes the jewelry while she manages the business aspects of the firm.

Bijouterie Universelle is a one-machine industrial jeweler, not the type of enterprise that you will find in **SODIDA (Société de Gestion du Domaine Industriel de Dakar)**, the industrial park in Dakar. Mrs. Niang would like to purchase another machine that would allow her to produce more designs and deliver the capacity necessary to export to the Middle East. She used **ADEPME** to help put together a business plan, and is working with a bank for financing.

Past funding for Bijouterie Universelle has been a mix of the reinvestment of profits and family interest-free loans. Like many Senegalese business people, Mrs. Niang dislikes personal guarantee, or the request for what she considers high personal contribution. For her, the loan process is too long and requires too much paperwork.

When we talked about her use of BDS, Mrs. Niang stated she is not considering any at this time. For now, the priorities of Bijouterie Universelle are its clients and obtaining funds for the new machine. She revealed an unpleasant experience with a website designer who failed to finish the firm's website and took off with her pre-payment.



### SME Profile: Jawal Gerte

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Jawal Gerte would definitely like a unit at the new industrial park at **Diamniadio**. A location there would help improve the firm's peanut production and ability to export. Jawal Gerte transforms, dries, and packages peanuts for sale to supermarkets and other retailers.

Khadijah Kone and Fatou Mbaye, the managers of Jawal Gerte, described themselves as "very ambitious" and unsatisfied with their current level of business activity. They describe their success thus far as medium. Now dependent on small production sites in several locations, Jawal Gerte would prefer to consolidate them all in one place.

Ms. Kone and Ms. Mbaye consider the presentation and range of Jawal Gerte's products, and its brand name their competitive advantage. Currently, the enterprise has a revolving credit line, but believes that using only the raw material as collateral for loans is sufficient. Though the managers stated that 100% of profits are reinvested into the firm, the firm makes no projection of future activities.



### SME Profile: Maria Distribution

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When the firm to which Mariama Diouf devoted 20 years of her life folded a few years ago, she decided to create an enterprise that would provide her with some income. She received training from a UNIDO (United Nations Industrial Development Organization) sponsored program in the processing of fruits and vegetables, and then established a GIE with other attendees. Today, the GIE remains in existence, and its members are



Source: Maria Distribution

also employees of **Maria Distribution**.

Maria Distribution's activities include the processing, producing, and distributing of products for juices and jams. The firm makes flour from the fruit of the baobab, and uses bissap as the main ingredient in most of its products.

Mrs. Diouf thinks she has a good knowledge of the Senegal market, but the lack of modern technology limits her penetration of the market. She needs new machines to extend the shelf life of the products. She is seeking a loan to modernize and expand production, and purchase the additional space needed to house the new machine.

Like **Bijouterie Universelle** and **Jawal Gerte**, **ADEPME** has worked with Maria Distribution to draw up a business plan. **ADEPME** also created an accounting program for the firm. Mrs. Diouf lacks the personal contribution required by the bank for an investment loan, so she hopes that an intervention from the **ADF (African Development Foundation)** will support her.

Mrs. Diouf stated that the brand logo seen in this report has made the firm a leader in its field. Maria Distribution retains a consultant from HACCP (Hazard Analysis Critical Control Points), the international food quality control organization, to improve its production capability and quality standards. Mrs. Diouf hopes that **ADEPME** can help to reduce the cost of packaging, now 34% of production cost.



Source: Maria Distribution



## GOVERNMENT RESPONSE: **APROSI (Agence d'Aménagement et de Promotion des Sites Industriels)**

Prior to the creation of **APROSI**, the Senegalese government, with partial funding from Germany, had built three industrial parks in Dakar (**SODIDA**), Saint Louis (**SODISA - Société de Gestion du Domaine Industriel de Saint Louis**), and Ziguinchor (**SODIZI - Société de Gestion du Domaine Industriel de Ziguinchor**). These industrial parks thus far have served less than 5% of the SMEs for which they were established.



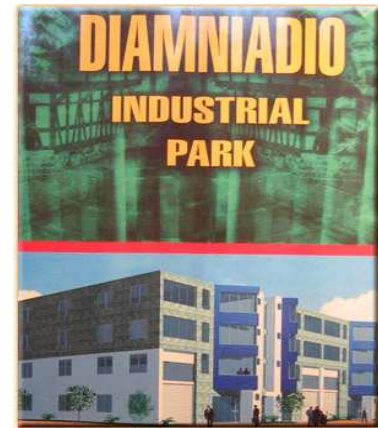
**SODIDA** had good initial results (55 of the 67 units occupied), but ran out of space. Only four of the current 15 units at **SODIZI** are now occupied; many businesses fled the area during the civil conflict between the Casamance region and the national government. The 10 units in **SODISA** are currently used as vehicle repair shops - a purpose far from what was originally intended.

The government created **APROSI** to unify and manage the formerly independent industrial parks, and promote the development of industrial land. It complements **ADEPME** and **APIX** as another agency for SMEs development in Senegal.

With assistance from the Taiwanese government, a **SODIDA II** is now planned at Diamniadio. The Diamniadio industrial estate will be part of the new **SONEPI (Société Nationale d'Etude et de Promotion**

Industrielle) project for which the Senegalese government requested funding from **MCC (Millennium Challenge Corporation)**. SODIDA II and all other future industrial sites will be for SMEs involved only in industrial activities.

Unlike the concrete buildings of SODIDA (shown at the beginning of this profile) and of other estates, the new units will be pre-fabricated buildings. Fatou Barry Mbengue, the Marketing Director of APROSI, stated that though the buildings are better than the previous structures, she believes that Senegalese are not used to this type of construction. In addition, the new buildings will be smaller than the current ones. She anticipates a short-term challenge to convince Senegalese industrial entrepreneurs to accept this change.



There will be one enterprise for each unit. To own a unit, an enterprise must have growth potential, be registered with the Chamber of Commerce, and be involved in the conversion of a valued-added industrial product. The initial upfront cost to secure a unit is 20 000 000 FCFA (40,000 USD). Table M-3 below gives a breakdown of the current and planned units for each location.<sup>13</sup>

**TABLE M-3: Units for Industrial Sites**

Location	Number of Current Units	Planned Number of Total Units
Dakar	67	67
Saint Louis	10	20
Ziguinchor	15	25
Diamniadio		270
Darou		25
Kaolack		25
<b>Total</b>		<b>92</b>



**INTERNATIONAL RESPONSE: ADP (African Development Foundation)**

This organization will be discussed in the next update, as I have yet to interview a representative.

**NEED: Expansion of Production Capacity**

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**SME Profile: LMBDB (Lobbou Mame Diarra Bousso)**

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LMBDB sits just off the Route de Rufisque at kilometer 16. A high gate barely protects from incessant flow of traffic exhaust fumes and noise. When you enter the gate, the first things that catch your attention are a stack of gasoline cans and the company mosque. LMBDB packages and sells gasoline to retailers who then sell them to individuals.

Aliou Lô, the company’s friendly and hospitable leader, believes in making life better for his employees. At the top of the first building on the lot is a restaurant that serves breakfast (typically French bread and butter and Nescafé) and other meals.

During my tour of the facilities, Mr. Lô pointed out his main rival

<sup>13</sup> APROSI Pamphlet.

whose factory is less than 500 feet away. The demand for gas in Senegal is so high (30,000 to 40,000 tons according to Mr. Lô) that his competitor would like LMDB to expand. The demand is well above the available supply.

With only 150 tons currently available with LMDB's two tanks, Mr. Lô wants to boost capacity to 1,800 tons to help meet consumer demand and support a new LMDB operation - gas tank installation in some of the residences under construction in Dakar.

LMDB has a revolving credit with one financial institution to support working capital needs, and a loan with another that funded its diversion into residential gas tank installation.

Mr. Lô is looking for partners to help him fund the firm's expansion. He stated that in spite of his good rapport with

both of his current banks, it is still difficult for LMDB to obtain additional loans as, it is not a Shell or a Total.



### GOVERNMENT RESPONSE: APIX (Agence de Promotion de l'Investissement et des Grands Travaux)

APIX reports directly to Senegal's president, Abdoulaye Wade, and is one of the agencies through which he hopes to lure foreign investment into Senegal. The mission of APIX is to improve the investment environment in Senegal by making it less cumbersome to form partnerships and other forms of business ventures. Located on the first floor of its headquarters in downtown Dakar are information kiosks with several representatives who help investors and local entrepreneurs with questions regarding the services of the agency and the filing of documents (available in French and English). Marketing officers travel to other regions of Senegal to educate entrepreneurs about APIX.

The agency offers incentives to investors who aim to support the growth of all enterprises in Senegal. It oversees the agreement between investors and local enterprises, but local enterprises are required to perform most of the initial work in finding investors. Once an application is submitted, APIX visits the local enterprise to verify its existence and examine its management. This has no bearing on project financing: APIX offers none. The timeline for review and approval of applications are clearly spelled out to applicants and generally followed.

The primary economic sectors for APIX are agri-business, new technologies, tourism, textiles, fishing aquaculture, and mines and geology.<sup>14</sup> The agency considers these the most advantageous long-term growth areas of the Senegalese economy. Though not mentioned on its [website](#), social programs and services (assembling, industrial equipment maintenance and tele-services) are also listed in APIX's brochure. To obtain incentives for investment in agri-business, aquaculture, social programs and service sector, APIX requires a minimum investment of 15 million FCFA (30,000 USD). The other sectors require a minimum investment of 100 million FCFA (200,000 USD).<sup>15</sup>



### BDS Profile: IMCG (Ingenierie & Management Consulting Group)

During almost one year in service, IMCG has worked with [ADEPME](#) to conceive business plans for six SMEs. Ibrahima Diaw, one of IMCG's principals, formerly worked with the Dyna Entreprise project which assisted the development of microfinance institutions and BDS providers. At IMCG, Mr. Diaw works with programs, such as [APIX](#), that seek to draw investors to the country. IMCG consults with APIX on how to improve investment conditions.

<sup>14</sup> Agence de Promotion de l'Investissement et des Grands Travaux. [www.investinsenegal.com](http://www.investinsenegal.com)

<sup>15</sup> Investment Code Summary. Agence National Chargée de la Promotion de l'Investissement et des Grands Travaux.

The other principals of IMCG include a lawyer who provides Senegal-specific legal advice, and an engineer for logistical and engineer counseling. The firm also conducts market studies - focusing on emerging and uncharted markets in Senegal. A current study is a program on the reconstruction of the Casamance region which suffered a decline in commercial activities during the past civil conflicts. As part of this study, IMCG was a member of the “**Caravane des PME**” Ziguinchor team.

Mr. Diaw explained that his firm receives one request per month from an SME. Most of the time, nothing comes of it because either IMCG’s price is unacceptable by the SME, or IMCG lacks the expertise or knowledge that the SME requires.



### BDS Profile: Sahel 3000

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Sahel 3000 is an NGO that serves as an intermediary between donors and their beneficiaries in various microfinance enhancement and social programs. The firm conceives the projects, works on management plans, implements the projects, and provides social marketing services such as HIV/AIDS awareness.

Sahel 3000 services to SME are provided usually through a government-sponsored program. The relationship with SMEs ceases to continue after programs end because SMEs cannot pay for Sahel 3000 services without subsidies. Recently, the firm consulted with **BMN** to organize seminars on business development. The **ADF** is also one of Sahel 3000’s clients.

## NEED: Improvement of Economic Market

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### SME Profile: Première IT

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The well-educated owners of Première IT went into business after conducting a study of the potential for their product. Results so far are less than they expected. Première IT provides information technology services such as server management to various entities in Dakar.

As with many new technology firms, financial institutions have hesitated to fund Première IT. Financing itself through sales is difficult: suppliers often demand payment well before most of Première IT’s clients pay their bills. The Government is the slowest to pay, and happens to be Première IT’s top customer, as is the case with many Senegalese companies in the service sector.

Investors who have supported the firm since inception have yet to see any profit. Première IT has used **APIX** in the past to obtain tax exemption incentives, and is currently exploring other possible sources for funding.



### SME Profile: Galerie Arte

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**Galerie Arte** has a beautiful downtown Dakar showroom displaying its furniture, home and office decorating accessories, and paintings. They are made by Galerie Arte at its production facility off Route de Rufisque, or imported from other sub-Saharan countries. Most customers are foreign visitors and expatriates. Some Senegalese are beginning to buy as well.

Galerie Arte complains that mass-produced foreign furniture is taking over a share of the market. To make up for the shrinking domestic market, Galerie Arte would like to start exporting.

Foreign-made furniture is obvious on RTS (Radio Télévision Sénégal) news programs of government activities, or when one visits government offices. When I mentioned this to Mrs. Sylva at Galerie Arte, and asked if it is because foreign furniture is cheaper, she said that is not the case. She added that local products are more robust and more durable, and wished the government would use them in support of local industry.

So far, personal funds and family contributions have provided the funds for Galerie Arte. Now, with export in mind, the company is looking for partners willing to invest.



### SME Profile: MERChasseur

What I liked about MERChasseur was its water cooler. What a relief it was to gulp down three cups of cool water after walking in the hot and stifling streets of Dakar.

MERChasseur is in the business of exporting large fish, an industry where there is little opportunity for product differentiation. Success comes down to how you can negotiate with the fishermen. MERChasseur's main problem is something beyond the company's control - the price of fuel; the higher the cost, the lower the profits available for reinvestment. Mamadou Diallo and Soulemayne Gaye, MERChasseur owners, stated that with the price of gas continuing to increase, they are looking at diversification.

Mr. Diallo and Mr. Gaye were the first entrepreneurs I visited who had no problem providing personal guarantees in order to obtain credit. The combination of bank credit and personal financing is what has made the business grow. The owners stated that banks failed to provide an appropriate program for its type of business, but they are usually satisfied with the terms that they work out with banks.



### SME Profile: Sénégal-Hivet Fruit

Absa Fall and the other members of the GIE Sénégal-Hivet Fruit produce jams, juices and syrup in a one-level house located off the main street of downtown Mbour. Having no funds to purchase machinery, all the fruit processing is done by hand. During high production times, fruits are mashed in a large, deep wooden mortar by two individuals wielding long pestles.

Mrs. Fall said that foreigners are the main consumers of Sénégal-Hivet Fruit products. While the firm's main market is the neighboring resort of Saly-Portudal, Mrs. Fall seeks more. She has her eye on the market beyond her immediate surroundings and Dakar. She confessed that her knowledge of the market is limited and that she may hire a consultant to conduct a market research when the funding is available.

Fruit is abundant in Senegal, but Mrs. Fall says that most Senegalese have yet to fully accept jams as a condiment. They prefer hot spices like the blended and seasoned pepper that usually accompanies Senegalese cuisine. The Senegalese accepts the juices and syrups, but there are too many competitors in that area.

Sénégal-Hivet Fruit is not happy with its current packaging, which was designed by a partner. The type of packaging used masks the look of the jam, an attribute that hurts the products' marketability. Jam producers all seem to buy glass container from the same supplier who also exports them. When the supplier is out of inventory, it is difficult to find an alternate source.





## REGIONAL RESPONSE: FPE (Fonds de Promotion Economique)

Senegal banks still remember the financial crisis caused by loan defaults in the late 1980s. The crisis caused a major overhaul of the banking sector by **BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest)**, the central bank of francophone West Africa. Together with **AFDB (African Development Bank)**, BCEAO created **FPE** to fund the refinancing of loans.

The two main features of FPE are the refinancing and the guarantee funds. On refinancing, FPE works directly with financial institutions provided they are approved by BCEAO. The FPE guarantee fund works directly with enterprises, but only for loan refinancing. FPE makes no direct loans to individuals or non-financial institutions.

The FPE representative that I interviewed said FPE lacks a formal application process. Each financial institution seeking funds, or an entrepreneur seeking a guarantee, only needs to accompany a loan request with a dossier containing financial statements. It takes FPE 10 days to respond.



## INTERNATIONAL RESPONSE: PAPES (Projet d'Appui aux Petites Entreprises du Sénégal)

PAPES is the French acronym for Small Enterprises Support Project of Senegal. Senegal is one of the few countries that benefit from the **UNIDO Private Sector Development Branch's "Development of Clusters and Networks of [SME]" program**. The purpose of this three-year program is to help SMEs "become more competitive by fostering inter-enterprise linkages as well as collaborative relations with local support institutions. It aims at helping [SMEs combine] their strengths and jointly take advantage of market opportunities or solve common problems with a combined effort."<sup>16</sup>

In Senegal, the project is based in Dakar, Thies, and Saint Louis, and covers five sectors. As this is a UNIDO project, the focus is on enterprises that are involved in industrial activities. Malick Sy, the program director in Senegal, described the project as a macro-economic level intervention; programs are targeted at professional associations, not individual enterprises. He said that although the SMEs of Senegal are in a good position at this time in terms of government programs, the country's laws and policies need to be adapted to fit SMEs needs.

PAPES at present provides institutional development assistance to 30 professional associations. Assistance includes management training and linking the organizations with BDS providers. PAPES hopes to put permanent managers in each professional association. Most of them are now run by entrepreneurs who cannot commit to the association on a full-time basis.

Since the enterprises that are members of the professional organizations are competitors, PAPES has to emphasize common bonds through collective projects such as marketing and exporting. Mr. Sy admits that the groupings are not always successful. PAPES works with other organizations such as **ADEPME** and **APIX** when their particular skills and experience are needed.



## INTERNATIONAL RESPONSE: BNSTP-S (Bourse Nationale de Sous-traitance et de Partenariat du Sénégal)

**BNSTP-S** is an association that tries to connect prime contractors with sub-contractors. Like **PAPES**, **BNSTP-S** is a UNIDO project and thus focuses mainly on the development of the industrial sector. Created in 2001, **BNSTP-S** had the Dyna Entreprise program as one of its sponsors.

<sup>16</sup> *SME Cluster and Networking Development*. United Nations International Development Organization (UNIDO). <http://www.unido.org/doc/29111>

To register, a subcontractor must provide a description of its competencies and manpower availability. There is a 50 000 FCFA (100 USD) upfront fee that both subcontractors and prime contractors must pay. The annual membership renewal fee is 100 000 FCFA (200 USD) for subcontractors. For prime contractors the renewal fee depends on the size of the firm as defined by the **SME charter**: (a) 100 000 FCFA (200 USD) for small and micro-enterprises, (b) 200 000 FCFA (400 USD) for medium enterprises, and (c) 500 000 FCFA (1,000 USD) for large enterprises.

There is no obligation that a prime contractor uses subcontractors found in the database of BNSTP-S. Fatou Ba, who manages the database, said that request for subcontractors have decreased from 20 a month at the program's inception, to 10 a month currently. She believes that once the prime contractor and sub-contractor establish a rapport with one another, they no longer need to work through the association.

BNSTP-S membership consists of 50 prime contractors and 100 subcontractors, but over 500 enterprises are registered with the program. Non-members are not authorized to receive work through the association, but they are invited to training seminars. When asked why so many registered firms are not members, Mrs. Ba said that it was an issue of firms' interest and firms' ability to pay. She added that during the early years of the program, the government subsidized the membership cost for some enterprises. Now that BNSTP-S must fund itself, many enterprises have dropped out.



### **BDS Profile: SPIE**

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SPIE provides services to SMEs, microfinance institutions and professional organizations, mainly through government projects. The firm organizes SME seminars focused on marketing, export, human resource management and organization management, and performs market research and feasibility studies for investment projects.

SPIE also implements control structures, such as accounting systems, to manage development projects. Amadou N'Diaye, SPIE's president, explained that the firm has no direct work with SME, since they often lack the funds to pay for SPIE's service. SPIE instead receives most of its revenue from NGO that request services for SMEs.



### **BDS Profile: Albatros**

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Albatros could also be an SME subject for this report. Issa Nabede, an Albatros principal, continuously reiterated the firm's lack of financing during our meeting. For him, a bigger budget would make it possible to attract large enterprises. For now, Mr. Nabede can only depend on the few loyal SMEs that are clients.

Albatros is a graphic design firm that makes mainly calendars, brochures, and t-shirts. Mr. Nabede cheerfully recalled the Dyna Entreprise program as it provided many opportunities for the firm. Albatros worked with Dyna Entreprise on the promotion of credit unions in the Casamance region.

Mr. Nabede said that there are many competitors in his field, and some have purchased printing machines to improve their competitiveness and remove their dependency on print shops. Albatros has no funds to do so, and its attempts at marketing fail to deliver results. Mr. Nabede explained that it is better to advertise as a graphic designer in the yellow pages, but the producer of the book puts him under marketing. He thinks that SMEs avoid the "marketing" section of the yellow pages, as they perceive that service to be very expensive.

## NEED: Realization of Vision for Senegal

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### SME Profile: Collé Sow Ardo

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Collé Sow Ardo, a boutique in downtown Dakar which carries the same name as its proprietor, fabricates and sells Senegal-made fashion apparels and accessories. With SIRA Vision, Mrs. Ardo envisions Dakar as Africa's fashion capital, and provided a folder that outlined her plans to achieve this. For two years now, the SIRA Vision fashion show has been attended by Senegal's first family, and has shown the work of fashion designers from around the continent.

In the insert of the SIRA Vision's information packet, the slogan is "au service du développement." SIRA Vision encompasses several ideas: creation of a better rapport between fashion designers in Senegal, promotion and encouragement of young designers, diversification of the fashion products of the nation, and expansion of production and enhancement of training for raw material providers in the Dakar, Diourbel and Kaolack regions.

Mrs. Sow said that she has talked a lot about her vision, and hopes to receive assistance from the government. She has applied for assistance from **ADEPME**.



### REGIONAL RESPONSE: BRS (Banque Régionale de Solidarité)

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This organization will be discussed in the next update, as I have yet to interview a representative.



### BDS Profile: REMIX

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Mr. Hamet Ndour believes that grouping enterprises by size is a useless exercise, as all businesses have the same goal - to sell a product - and are thus equal. As head of REMIX, he considers all his business clients as SME - from Coca-Cola to a mom-and-pop shop.

REMI services include diagnostics, business strategy development, feasibility studies, and financing research. REMIX works with **ADEPME** in designing business plans for SMEs. Mr. Ndour said he gets many requests from entrepreneurs seeking business advice. He offers it freely. Most of the time, the free sessions involve helping the entrepreneur build a better relationship with a financial institution. REMIX also supports microfinance programs, and performs economic studies that aim to strengthen development strategies.

## Photo Acknowledgements

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- Senegal flag image used for "Government Response" was found at Spiritan (<http://www.spiritane.org/worldwide/sen.html>). It was altered to suit author's needs.
- Globe image used for "International Response" was found at Finest Golf Resorts ([http://www.finestgolfresorts.com/resorts/arabia\\_and\\_africa/intro.htm](http://www.finestgolfresorts.com/resorts/arabia_and_africa/intro.htm)). It was altered to suit author's needs.
- BCEAO logo image used for "Regional Response" was found at Inside Airports (<http://www.insideairports.com/currencies/xof.asp>). It was altered to suit author's needs.