

PHASE II

SMALL-SCALE AND INFORMAL ENTERPRISE STUDY

FINAL REPORT

June 20, 1992

Prepared for the Government of Botswana and USAID by

Stephen C. Silcox, Team Leader
Community Economics Corporation

James T. Cotter
Small Scale Enterprise Specialist
Community Economics Corporation

Peter J. Olsen, Consultant
Tsa Badiri Consultancy

Vinod K. Anand, Economist
University of Botswana

FORWARD

The consultant team for Phase Two of the Small-Scale Enterprise Study would like to thank the various members of the Reference Group for their valuable advice and guidance on this study and for their constructive criticism of the draft report. Their comments and recommendations have helped to make this a stronger report and one which the consultants hope will be of help to the Government of Botswana in determining its policies and programmes to assist the SSE sector.

The consultant team had a very limited time in which to research and draft the report. Although the study would have benefitted from more time to research and to analyze the data collected by both Phase One and Phase Two consultants, we do not believe that further research would have materially affected the findings and conclusions of the team. Furthermore, although some might have looked for a more radical approach to the development of the SSE sector, the team did not find a need for any major change in the efforts of the Government to support the sector. Much has already been done and is currently being done to support SSEs - on the part of Government, NGOs, business associations and donors - and we believe that the limited prospects for employment to increase value added productivity in the SSE sector do not warrant a major shift from the current efforts being undertaken. Rather, we have recommended changes to existing programmes and policies and some modest efforts in the direction of new programmes to improve upon current support to SSEs.

We would particularly like to thank T. Nyamadzabo and A. Boucher of the Ministry of Finance and Development Planning for their diligent work to get this study moving and for their guidance in carrying it out. We also would like to thank R. Baum and C. Culler of USAID for their help in both funding and advising the team. A special thanks to S. S. G. Tumelo for his wise counsel as Chairman of the Reference Group and for his skills in diplomacy in resolving some thorny issues in a congenial manner. We would also like to thank the various officials and representatives of the various institutions and organizations assisting the SSE sector who so generously gave of their time to help the team to better understand the dynamics of SSEs in Botswana and their efforts to support them. Finally, we would like to thank the many entrepreneurs and businesspeople interviewed for taking time away from their businesses to help us to grasp the key opportunities and constraints facing SSEs in Botswana. This study is ultimately to serve them. We hope that our efforts will play some part in helping their businesses to grow and prosper.

Stephen C. Silcox, Team Leader
Washington, DC
June 20, 1992

LIST OF ACRONYMS

AC	Administrative Committee
BDC	Botswana Development Corporation
BMA	Botswana Millowners Association
BMAP	Botswana Management Assistance Programme
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
BRIDEC	Brigades Development Centre
CORDE	Co-operation for Research, Development and Education
CSO	Central Statistics Office
DIA	Department of Industrial Affairs
EC	European Community
FAP	Financial Assistance Programme
FONSAG	Forum on Sustainable Agriculture
GOB	Government of Botswana
IDM	Institute of Development Management
IFS	Integrated Field Services
MCI	Ministry of Commerce and Industry
MFDP	Ministry of Finance and Development Planning
NDB	National Development Bank
NIR	National Institute of Research
PDC	Production Development Committee
PRICE	Pioneer Rural Industries Center
PROMAN	Professional Management Services
RIIC	Rural Industries Innovation Center
RIP/B	Rural Industries Promotions/Botswana
RSA	Republic of South Africa
SACNET	Southern Africa Co-operative Network
SC	Standard Chartered Bank of Botswana
SSEs	Small-Scale Enterprises
TST	Technical Support Team
UNDP	United Nations Development Programme
VAT	Village Artisan Training Programme
WFH	Women's Finance House
ZIMBANK	Zimbank Botswana Ltd.

TABLE OF CONTENTS

	<u>Page No.</u>
EXECUTIVE SUMMARY	v
CHAPTER I - INTRODUCTION.....	1
A. Context of the Study	
B. Focus of the Study	
C. Methodology	
CHAPTER II - REVIEW OF PHASE I SURVEY OF SMALL-SCALE ENTERPRISES.....	4
A. Description of Phase I Survey and Methodology	
B. Limitations on the Data Collected During Phase I	
C. Suggestions for Subsequent Research	
CHAPTER III CURRENT ENVIRONMENT FOR SSE ENTERPRISES IN BOTSWANA.....	7
A. Description of SSEs in Botswana	
B. Political & Regulatory Environment	
C. Economic Environment	
D. Social Environment	
CHAPTER IV A REVIEW OF THE INSTITUTIONS/PROGRAMMES WHICH CURRENTLY PROVIDE SERVICES OR SUPPORT TO THE SSE SECTOR.....	14
A. Finance	
1. Financial Assistance Programme	
2. National Development Bank	
3. Tswelelo	
4. Commercial Banks	
B. Technical Assistance and Training	
1. Ministry of Commerce and Industry/Department of Industrial Affairs/Integrated Field Services	
2. Botswana Confederation of Commerce, Industry and Manpower	
3. Women's Finance House	
4. Institute of Development Management	
5. Brigades Development Centre	
6. Rural Industries Promotions	
7. Cooperation for Research, Development and Education	
8. Botswana Millowners Association	
9. Consulting Firms	

CHAPTER V CRITICAL OPPORTUNITIES AND CONSTRAINTS FOR THE DEVELOPMENT OF THE SSE SECTOR..... 38

- A. Potential for Growth in the Sector**
 - 1. Sub-sectors with good potential for growth
 - 2. Potential for increased employment

- B. Constraints limiting Growth in the SSE Sector**
 - 1. Policy and Regulatory
 - 2. Financial
 - 3. Non-financial
 - a. Training and technical assistance/Shortage of skilled workers
 - b. Entrepreneurial attitudes
 - c. Management skills
 - d. Markets and marketing skills
 - e. Land and infrastructure
 - f. Worker productivity
 - g. Importation of raw materials and high utility costs
 - 4. Limitations on backward and forward linkages
 - 5. Limitations on the expansion of handicraft production and exports

CHAPTER VI RECOMMENDATIONS ON GOVERNMENT POLICIES AND PROGRAMMES FOR THE SSE SECTOR..... 51

- A. Programmes for Support of the Sector**
- B. Policies/Regulations**
- C. Institutional Issues**

ANNEXES

- 1 - Terms of Reference
- 2 - Workplan
- 3 - Schedule
- 4 - List of Contacts
- 5 - Bibliography
- 6 - Analysis of Constraints on Small-Scale Businesswomen in Botswana
- 7 - Tables and Figures from Phase One of Study cited in Phase Two

EXECUTIVE SUMMARY

This report provides analysis of the current situation of formal and informal small-scale enterprises in Botswana and recommendations on how the Government can improve its assistance strategy to these businesses.

This study was undertaken in two phases. The first phase was an extensive survey of SSEs in the country to develop a data base for understanding the number, size, location, type of activity and other characteristics of SSEs. The second phase analyzed this data as well as information from other studies and documents and conducted field trips and interviews to qualitatively assess the structure and environment of SSEs in Botswana.

This main body of this report consists of a review of the current environment for SSEs in Botswana, an analysis of the key institutions and organizations providing services or support for SSE development, and an analysis of the critical opportunities and constraints for the development of SSEs. It concludes with recommendations to the Government on the support of SSEs.

The principal findings of this study are the following:

- The SSE sector in Botswana has limited prospects for growth in the short-term, but should be encouraged in order to provide the economic and human resource base for development over the long-term.
- The SSE sector, formal and informal, should not be considered as a source of significant employment growth in the near term, but, with the proper support and environment, could assist in the medium to long-term.
- Government and private programs to support SSEs have been providing many services which have been helpful to the growth of the sector. However, there is a need to focus efforts on providing training, technical assistance and credit facilities for very small entrepreneurs, both formal and informal. Likewise, modifications should be made to the Financial Assistance Programme to improve the performance of that programme in assisting SSEs.
- Government policies and regulations are generally favorable to the development of both formal and informal SSEs. Changes are needed in the Community Property Law to improve the conditions for women entrepreneurs. The implementation of changes in regulations affecting SSEs should be speeded up and monitored to assure that the changes in the law are being properly enforced.

- The constraints on SSE development are considerable. Key constraints include competition from imports, shortage of skilled Batswana in the trades, lack of entrepreneurial backgrounds, weak management and marketing skills, shortage of serviced land and infrastructure, worker productivity, the need to import raw materials, and high utility costs.
- Current backward and forward linkages in the SSE sector are very limited and found only in a few sectors. The prospects for the development of these linkages in the near future is dim. However, efforts should be made by Government to encourage these linkages through its own purchasing departments and those of parastatals. Over the long-term, with continued support to SSEs, these linkages should develop.
- The potential for expansion of the handicraft subsector is limited and is based upon the development of export markets. Current production and marketing methods must be enhanced if efforts to improve this subsector are to succeed.

The recommendations to Government focus on the following:

- modifications to the Financial Assistance Programme to improve performance and extend it to the service sector,
- expansion of activities in nonformal training programmes for very small SSEs,
- assistance in the development of minimalist credit programmes to reach informal enterprises and women-run businesses,
- changes in legislation to assist women entrepreneurs and monitoring the implementation of changes in regulations to assist SSE development,
- increased support to the Integrated Field Services division of the Department of Industrial Affairs,
- expansion of the role of NGOs, business associations and consulting firms in the provision of nonformal training and technical assistance,
- encouragement of efforts by the Ministry of Education to provide business-related courses in the school system and to various institutions involved in the provision of nonformal extension services to SSEs.

CHAPTER I INTRODUCTION

A. Context of the Study

This study was commissioned by the Government of Botswana (GOB) arising out of a recommendation of the Presidential Commission on Incomes Policy. The Commission was particularly concerned with exploring the potential for the informal sector to absorb the large numbers of school leavers without formal sector employment.

The scope of the study was expanded to include formal, small-scale service and manufacturing enterprises in order to incorporate recommendations into a proposed United Nations Development Programme (UNDP) project to provide "support to small-scale industries and the manufacturing related informal sector." This project is expected to commence in late 1992 or early 1993 and to be implemented primarily by the Integrated Field Services (IFS) Division of the Ministry of Commerce and Industry (MCI)

The terms of reference defined the informal sector as, "small-scale income producing businesses that are not registered or licensed and typically do not pay taxes." It went on to describe those enterprises as follows:

Most often, these enterprises do not conform to requirements or standards of minimum pay, quality of product or service and measures to protect their employee's safety and health. Nonetheless, these activities increase national employment levels and are often a key training ground for indigenous entrepreneurs. Successful enterprises regularly "graduate" to the formal sector.

Small-Scale Enterprises (SSEs) were defined as firms with 10 or less employees.

The study has been conducted in two phases. The first phase in January and February of 1992 consisted of a survey of a large number of households throughout the country to determine the size of the small-scale enterprise sector and to ascertain key characteristics of the sector, such as location, employment, types of activity, age of enterprise and of owners, linkages to other businesses and key constraints. The second phase was conducted in May 1992 and reviewed the Phase I draft report and collected further information on the SSE sector as well as data on existing programs and services available to support the sector. This report describes the findings of the second phase and presents recommendations to the Government on a strategy and interventions to support SSE development in Botswana.

B. Focus of the Study

This study is primarily concerned with understanding the nature of both formal and informal SSEs in Botswana and the dynamics which make them succeed or fail. Findings are presented on the key constraints under which SSEs operate in Botswana, including any gender-related constraints. The study also describes the institutions and programs which provide support and services to SSEs. Finally, recommendations to the Government are made on how SSE development may be addressed in Botswana.

It is important to point out that this study does not differentiate between the problems of formal and informal SSEs. The terms of reference were very clear in that the study should concentrate on the manufacturing and service sectors. The Phase I survey and other surveys have shown that the majority of informal enterprises operate in the trading sector. Unregistered manufacturing SSEs may and do receive both financial and technical assistance from government programs. Therefore, the issue of informality is less important in the manufacturing sector. Furthermore, the survey accomplished during Phase I of the study did not differentiate between formal and informal enterprises. Consequently, it would be difficult to base any recommendations for action to specifically address the informal sector upon that survey.

On the other hand, the terms of reference requested that the consultants present information and recommendations on promoting women in business. It observed that women are thought to predominate in the retail trade and crafts areas. In order to address this important aspect of the study, the consultants have incorporated findings on women-owned businesses and recommendations on how Government might address the promotion of women in the SSE sector. Annex 6 presents an analysis of the role of women in SSEs in Botswana. However, gender concerns are mentioned throughout the report where appropriate.

Some members of the Reference Group were interested in the potential for the diversification of SSE activities. Since a very detailed study on this very issue was conducted by Economic Consultancies (Pty.) Ltd. for Government in 1985 (See Annex 5) and due to time constraints, this study did not duplicate that effort. That study should be consulted for information on the feasibility of SSE activities in various subsectors.

C. Methodology

The consultants reviewed the draft report from Phase I in collaboration with the Reference Group to determine both the type of information collected and to determine how its findings and analysis might be used in conducting Phase II of the study. A detailed description of that data and how the Phase II team will use it in this report are found in Chapter II below.

The consultants also collected and reviewed previous studies on the informal sector and small-scale enterprises in Botswana. Where appropriate findings and recommendations from those reports are cited in this report. A list of the documents reviewed are found in the bibliography in Annex 5.

The research methodology utilized for Phase II was principally through key informant interviews. The persons and agencies/organizations to be interviewed were selected in collaboration with the MFDP and were with the following categories:

- A selected sampling of small and medium-scale enterprises in various parts of the country were interviewed in-depth. Some enterprises interviewed during Phase I which were identified as either having comparatively higher growth rates or as having the potential for higher growth rates were included in the sample. Other successful or particularly interesting firms were identified by team members or IFS officers; and
- Representatives of both government agencies and nongovernmental organizations with programs providing services or support to small-scale enterprises, both formal and informal were interviewed.

The consultants visited enterprises in Gaborone, Francistown, Molepolole, Kanye, Maun, Mochudi, Thamaga, and Etsima. Interviews were open-ended so no data was collected for systematic, statistical purposes. The information collected during these interviews was to corroborate information collected during the Phase I survey or cited in other documents and interviews. The list of persons and organizations contacted and the list of enterprises visited may be found in Annex 4.

CHAPTER II REVIEW OF PHASE I SURVEY OF SMALL-SCALE ENTERPRISES

A. Description of Phase I Survey and Methodology

The Phase One survey of small-scale enterprises (10 or less workers, nonfarm) visited 10,586 households in Botswana during four weeks (Feb.-Mar., 1992) to provide data on the SSE sector. Of the households visited, 6,534 (61.7%) were interviewed and the balance were closed.

The focus of the survey included: types, sizes, composition, growth patterns, structure, problems, constraints, funding sources, formal sector and traditional agricultural linkages, female roles, employment patterns and geographical distribution.

A supplementary questionnaire was used on a subsample of 256 SSEs to determine proprietor's age, education, prior activities, experience, indications of changes in the number of workers over the years, sources of credit, constraints faced during various phases of business growth, training needs and the impact of government policies and regulations. Data was also gathered on reasons why SSEs closed and the characteristics of their owners.

The survey was conducted on a random sample of stratified sampling areas (5 urban and 3 rural) using geographically distinct localities based on a population stratum from a list of localities provided by the Central Statistics Office for the 1991 Population and Housing Census.

B. Limitations on the Data Collected During Phase I

The Reference Group met to discuss the Phase One Draft Report and expressed several questions regarding the survey's coverage, methodology and results which required clarification. Most of these issues were resolved by the response from the Phase One consultant team.

The principal concern of the Phase Two consulting team is in regard to the assumption that the 40% of households surveyed who were not at home have the same characteristics as those who were interviewed. Unfortunately, the scope of work and budget available for the study did not provide for a post enumeration follow-up study to validate the assumption that the households which were closed had the same characteristics as those interviewed.

The report's estimate that 86% of Botswana's SSE proprietors purchase their inputs using nationally produced goods seems strange judging by the general use of imports by local manufacturing firms, although the Phase II consultants have no data on which to base a contrary finding. However, it may be the result of confusion on the part of the respondents to the questionnaire as to the physical

location of local suppliers where goods are purchased and the country of origin where the goods were produced.

The report noted that the majority of SSEs in Botswana had not grown at all during their existence and identified a minority of growth-oriented firms (19%) which had grown. The Phase II consultants were concerned with the assumption that hiring additional workers is an accurate indicator of enterprise viability. It is believed that the existence of FAP can distort this indicator of enterprise viability since it provides grant funds to employers which, at least initially, substantially covers the cost of jobs created. However, the magnitude of the effect of FAP on the SSEs in general cannot be determined. The fact that only 4% of the sample studied during Phase I had received FAP assistance mitigates this concern, however.

Another limitation cited by the Reference Group was that the data does not distinguish between the characteristics of formal and informal SSEs. However, it is important to note that the terms of reference for the survey did not require such a delineation, but rather, includes both formal and informal SSEs in the survey. The Phase II consultants were also unable to differentiate between the informal and formal sector because they had to work within the definitions provided by the terms of reference. Although the original terms of reference apparently sought to study the informal sector exclusively, the terms were revised to include formal sector SSEs as well.

The Phase I Draft Report does contain much valuable information on the SSE sector in Botswana, which is the result of surveying an impressively high number of households in such a short time. This discussion of the report's perceived limitations is not meant to infer that it is not useful as input for SSE programmatic initiatives. The Phase II consultant team has found much in the Phase I survey which corroborates previous research as well as bringing new information to light.

C. Suggestions for Subsequent Research

GOB has plans to assess the contribution of the SSE sector to Botswana's GDP as a means of assessing its short and long-range effectiveness as a source of income and employment generation during a decade of somewhat diminished resource availability. This research initiative is highly recommended.

Botswana differs so significantly from traditional developing countries that it provides an opportunity to study the degree to which the viability of an informal sector development strategy depends on economic hardship within a country. Its entrepreneurial motivation to establish an informal business a factor found mainly in countries where the formal business sector has collapsed or is

this motivation found also in countries which have vibrant formal sectors? This question requires a thorough analysis of the economic opportunity structure in Botswana and a better understanding of what motivates specific types of informal sector entrepreneurs.

The underlying assumptions and cost-effectiveness potential of Botswana's rural income and employment generation strategies need to be thoroughly researched. A predisposition to assist remote area dwellers out of feelings of social justice may not be sufficient to compensate for inadequate market absorption capacity. Markets tend to be located in urban and peri-urban areas where the return on SSE development efforts will be highest. How much can a government do to counter the basic factors which lead businesses to locate in urban areas? Research should focus on whether the return on investment justifies improving non-agricultural productive capacities in remote areas with insufficient markets. Related research is also needed on how to optimize human resource development initiatives. Sustaining remote area training, technical assistance and input service delivery systems will require expensive long-term subsidies. The Government should be aware of just how extensive they are in order to plan for the future.

CHAPTER III CURRENT ENVIRONMENT FOR SMALL-SCALE ENTERPRISES IN BOTSWANA

A. Description of SSEs in Botswana

Botswana has experienced rapid economic growth (11 to 13% annual growth in real GNP) for over two decades (1966 - 1986). However, this impressive rate of growth has not provided sufficient opportunities to meet the demand for employment and the government anticipates even greater employment creation problems during the 1990's as the economy slows down.

It has been estimated that up to half of Botswana's "school leavers" will not be able to find jobs in the formal sector, which provided employment in 1990 for an estimated 32% of the country's economically active labour force (Derived from Table 1.2 "Projected Population Estimates" in the Statistical Bulletin, June 1991 and Labour Statistics 1990 - both CSO documents).

Although job creation is a priority, it is necessary to keep in mind that the standard of living in Botswana and its enviable social and educational programs have provided a "safety net" for the country's poor. Botswana's definition of what constitutes poverty (CSO/Poverty Datum Line) moves away from the more traditional ideas of "basic needs" and "basic rights" to the concept of "capabilities". The poverty datum line is now estimated on the basis of a market basket which allows for individuals to have the capability to feed and clothe themselves; to be able to work if they wish; to be housed in a manner not prejudicial to health; to be able to enjoy education; and to be able to take their place in society. This definition of "poverty" leads the report to conclude that up to 60% of Botswana's population of 1,325,000 (1991 Census - provisional estimate) may be living below the Poverty Datum Line.

Pressure for employment creation, however, is being exacerbated by rapid population growth rates (3.48% since 1981). In the last two decades (1971-1991), the population has more than doubled (Central Statistics Office). The annual growth rate (12%) in the capital city is one of the highest in the world. Almost half of the country's population (48%) are under the age of 15 (1991 Population Projections). Although Botswana has been experiencing an annual employment growth rate of over 12% during the past six years (NDP 7), it is anticipated that the economy will slow down in the 1990s.

Job creation, therefore has become a major development priority, particularly through stimulating income generating opportunities and employment in the informal and small scale sectors.

The Phase One Survey of the formal and informal small-scale enterprises covered 10,586 households and identified 1,243 SSEs (non-farm businesses with less than 10 employees). However, as

stated in Chapter II, since 40% of the households were closed at the time of the survey, the actual number of SSEs may not be known for certain.

Extrapolation carried out by the Phase One report suggests that Botswana has approximately 48,000 informal and small enterprises, employing over 88,000 people. The GOB Reference Group reviewing that report felt that this total might be too high. A 1985 review (Agrell, et. al.), for example, of Botswana's Financial Assistance Policy (FAP) estimated informal sector employment as approaching 30,000 people. There is, therefore, currently no consensus on the number of informal sector SSE enterprises and/or employees.

During Phase One, a more comprehensive study was carried out of 256 SSEs. This showed that an estimated 87% of Botswana's SSEs employ one to three workers. The average rural SSE has 1.9 workers and urban SSEs have 1.7, (the average includes the owner, trainees, unpaid family members and/or paid workers). Two thirds (66%) of the SSEs are run by the owner alone, 16% have two workers, 8% have three workers and the remaining 10% have from four to ten workers.

Most of these SSEs are not growing and generating additional employment. The majority (over three-quarters), have experienced no growth and 5.3% have become smaller. Growth has been restricted to about one-fifth (19%) of the country's SSEs, which have an average growth rate of 44%. Within this growth-oriented group, SSEs owned by women averaged 47.6% growth in the number of employees and male-owned SSEs grew at 37.5%.

The Phase One Draft Report states that SSEs are primarily full-time operations (11.5 months a year, 27.9 days per month). Sixty-nine percent of those SSEs are located in rural areas where 76% of the country's 1,325,000 people live. Approximately half (54%) of both rural and urban SSEs provide 50% or more of the household income.

According to the responses from SSEs, there are no serious government constraints or regulations such as problems with licensing, registration, taxation and/or general discouragement which may impede entry into business. In fact, almost all (92%) of the SSEs reported that GOB policies and business related regulations don't interfere with the creation of new businesses or the development of businesses. The only complaint was the amount of time spent waiting in line at GOB offices.

The most common current problems expressed by SSE entrepreneurs were finance (48%) and marketing (25%). SSEs with from one to three workers reported that finance was their main problem, while firms with four to ten workers most frequently reported marketing problems. As the size of manufacturing firms increases, financial problems tend to decrease and problems with input suppliers increase. However, the main financial constraint was not access to credit, as would be anticipated, but rather granting credit to

customers and the consequential build up of debtors.

The Phase One Draft Report's survey of SSEs proprietors, reported that 29% have no formal education and that over half (52%) had not completed primary school. Almost all (93%) of the proprietors had also not received business related training (management, technical training, bookkeeping or marketing). Over half (51%) didn't think they needed training or did not know what kind(s) of training they would like to receive in order to improve their businesses.

Very few of Botswana's SSE proprietors (11%) reported that they have ever received credit. Access to credit did not differ according to gender. Eighty nine percent of both men and women (SIAPAC 1991 study) reported they had not received credit. Loans from family and friends were the primary source of capital for their businesses. The demand for credit was reportedly for buying additional inventory (trade sector) or for buying tools and equipment (manufacturing sector).

B. Political and Regulatory Environment

Within the African context and developing countries in general, policies of the Government of Botswana are favorable to private sector development.

That favorable assessment of the country's business climate is based on several factors, including, the following:

- GOB allows foreign business firms to remit profits and dividends without constraints;
- Firms can import without foreign exchange constraints;
- Botswana has political stability and minimal corruption;
- GOB's Income Policy has eased regulation of wages and incomes and licensing;
- GOB's Financial Assistance Policy has generous incentives; and,
- Disputes are settled by an independent judiciary.

However, Botswana is not without policy-based disincentives to private sector business initiatives, which include the following:

- Delays in obtaining expatriate work permits (although this does not directly affect the SSE sector, it is said to be an overall disincentive to investment and the development of the private sector);
- Shortage of experienced and skilled citizen manpower
- Trading licenses in rural areas can take considerable time obtain, especially if there are objections from existing traders (even though the law has been changed to eliminate this obstacle);

- Electricity rates are the highest in the region and water and telecommunications rates are also high;
- GOB's Financial Assistance Policy (FAP) strongly favors labor intensive enterprises by rewarding job creation, but discourages firms which create fewer numbers of higher paid skilled labor jobs;
- Customary laws and practices affecting women such as Botswana's Community in Property law (the most common form of marriage) prohibits married women from using household property as loan collateral without their husband's written approval. This constrains the formation and/or expansion of women-owned businesses;
- National legislation can be very progressive, but it often takes considerable time for local town councils to implement those laws; and
- Acute shortage of serviced land, residential, commercial and industrial property and the consequential cost of rentals.

However, it should be noted that extensive field interviews during Phase One of the SSE Study and subsequent interviews by Phase II consultants revealed a general absence of complaints about GOB policy and regulatory policies, with the exception of the issue of credit and the community in property law for women.

Positive inputs to the private sector policy and regulatory environment are being made by the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM). This organization is an independent, private sector association working closely with GOB as an advocate, trainer and technical assistance provider for its membership's businesses.

GOB is making progress in initiating and implementing policy and regulatory reforms designed to remove constraints to private sector business development.

C. Economic Environment

Botswana's dependency on the Republic of South Africa (RSA) is one of the dominant factors shaping the national economy. Botswana is highly dependent on RSA for most raw materials, intermediate and finished goods, fuel and transport. The sole exception is electrical power.

South African products dominate the Botswana market in almost every sector, from basic food stuffs such as flour and sugar, to high priced consumer items, as well as most raw materials for construction and manufacturing activities. Many items also pass through South African ports on their way to Botswana markets, e.g., consumer electronics and textiles, which increase the price to Botswana firms and consumers.

Locally-produced products which have significant potential to be marketed competitively on the local market are cattle-based (soaps, oils, fats, leather tanning and processed beef), textiles and garment-making, horn and bone carving, button-making, some fruit and vegetable processing, wood furniture production, iron and tinsmithing, wood carving, and processing of dried mopani worms. Beer brewing, and construction materials such as bricks, roofing and floor tile manufacturing also have considerable potential for expansion.

The ability of RSA firms to dominate the Botswana market is a function of the advantages they enjoy, which include:

- Broad-based capital and trade credits;
- Superior government and private sector business services;
- A well-developed transport and communications infrastructure;
- Inexpensive power and water resources;
- A large domestic market;
- A good understanding of African consumer preferences; and
- Abundant supply of raw materials other than oil.

The response of GOB and other SADCC states equally dependent upon South Africa has been to try and reduce this dependency through inter-regional trade, economic cooperation, and exports outside the region. Botswana, for example, has preferential access to the EC for its beef as per the Lome Convention.

Botswana manufacturers enjoy duty free access to RSA, but this marketing advantage is shared by producers in Lesotho, Swaziland and Namibia. Efforts to identify subsector market niches in RSA could be potentially lucrative for Botswana producers. There may be some potential also for production of items in Botswana based on the Japanese model, i.e., government support of specific growth sectors where Botswana enjoys a particular advantage. Japan imports much of its raw materials and fuel and still is able to effectively compete in world markets, particularly in high tech products.

One positive factor is that the use of middlemen in regional markets results in 20 to 30% mark-ups, which makes RSA goods less price competitive when they reach consumers. However, Botswana has a strong consumer preference for RSA goods which tends to neutralize diminished price competitiveness.

Botswana's domestic markets are relatively small and urban based. Production enterprises in rural areas must cope with relatively high input, transport and transaction costs which decrease profitability.

Both urban and domestic small-scale enterprises share a deficiency in business management and very poor understanding of local market factors such as pricing, quality control and information about competitors. A widespread problem is extending credit to increase sales and being unable to collect out-standing debts, identified in the Phase One study as the most significant financial constraint.

D. Social Environment

There is an economic issue which is widely believed to have negative social repercussions in the form of decreased worker motivation, high absenteeism and lowered productivity. Formal sector wages in both government and the private sector have often been higher than the opportunity cost of labor. (NIR Minimum Wages in the Agricultural and Domestic Service Sectors)

Minimum wages have increased by an average of 16% per annum over the past 10 years, well ahead of the annual average rate of inflation of 10.5% (CSO: Statistical Bulletins). The motivation for these periodic wage increases may be to protect labor, but some contend that they have had the effect of untying salary levels from productivity. It is uncommon for Batswana workers to be paid on a piecework remuneration system and most have no experience with productivity-based reward systems.

Employers have told consultants in interviews that productivity is frequently low. "I'll get paid the same whether I work or don't" is reportedly a prevalent attitude. This is reinforced by the fact that skilled and semi-skilled workers are in relatively short supply and can find alternative employment.

It is also reinforced by labor legislation which makes it difficult and expensive for employers to dismiss non-productive workers. (However, BOCCIM contends that a current amendment to the Employment Act setting forth a specific list of reasons for dismissal should help in this regard.) Some employers reported difficulties with male workers' absenteeism. This results in decreased production and increased training time for new workers because of high turn-over. Employers told us that workers with this type of absenteeism are very seldom fired because the person who replaces them will often have the same problem.

A frequently heard comment is that women are more reliable and fill the majority of available jobs. An increasing number of women are being hired on construction sites doing jobs previously performed exclusively by men.

Concern over labour productivity has become a national issue, and the Government has announced its intention to make increasing productivity a focal point of its development policy.

However, the temptation to criticize the Batswana workforce for being under productive and over paid should be resisted. Research is needed to see if there is a correlation between lower turn-over and higher profitability among small firms which pay above the minimum wage as a production incentive and those which don't.

Although direct comparability in research samples would be difficult to achieve, a similar study of male vs female-staffed small scale productive enterprises may also provide useful gender-specific data. This could be informative concerning where to focus certain types of skills training programs to maximize effectiveness.

CHAPTER IV A REVIEW OF THE ORGANIZATIONS/PROGRAMMES WHICH
CURRENTLY PROVIDE SERVICES OR SUPPORT TO SSEs IN
BOTSWANA

The consultant team interviewed various organizations and agencies providing a range of finance, technical assistance and training services to SSEs in Botswana. The purpose of these interviews was to learn:

- What services these programs provide;
- What constraints the programs are experiencing;
- How implementors rate the effectiveness of their programs; and
- Their general observations on SSEs in Botswana.

These interviews were supplemented by reference materials on these organizations and insights gained in other key informant interviews. The analyses are presented below and are grouped by the type of support provided.

A. Finance

1. Financial Assistance Program (FAP)

The Financial Assistance Program was established by the Government in 1982. It's principal aims are to diversify the economy and to create productive employment. To achieve those aims, it provides grants to enterprises for both start-up and expansion costs in the manufacturing and agriculture sectors.

FAP has been evaluated twice since its inception, once in 1984 and again in 1988. It is scheduled for another evaluation in early 1993. The 1984 evaluation identified five major objectives of FAP:

- The creation of sustained employment for unskilled workers;
- Production of goods for export or import-substitution;
- Diversification of the economy to lessen its dependence on large scale mining ventures, and beef exports;
- The promotion of active citizen ownership of economic ventures; and
- Upgrading citizens skill levels through training.

FAP provides assistance to enterprises from small to medium to large-scale, through a range of grants. The Government pamphlet providing information on the program states that Government bases its determination for approving assistance upon two main criteria:

- Assistance should be given only to support those new ventures or expansions of existing ventures where the benefits to Botswana in new incomes or jobs outweigh the

cost of assistance or grants; and

- The assistance from Government should be temporary, i.e., only last for five years, at most, and the investor must contribute some money from his/her own resources to make up the total investment.

FAP has disbursed a total of nearly P70 million over its first nine years, of which P11.6 million (17%) has gone toward grants to small-scale enterprises (defined as projects that are valued at P25,000 or less in fixed investment). Grants to SSEs are available only to Botswana citizens.

SSE assistance under FAP is administered by Production Development Committees (PDCs), of which there are 13, in rural areas and Administrative Committees (ACs), of which there are 5, in urban areas. PDCs and ACs are composed of government officers and non-government members working in the area. The Integrated Field Services (IFS) Officers serve as the secretariat to the PDCs and Town Council Planning Officers serve as the secretariat to the ACs. These officers receive applications for FAP and conduct a preliminary appraisal of the projects. If their appraisal finds the projects consistent with FAP guidelines, they forward the applications to the PDCs and ACS for final approval or rejection.

FAP grant approvals are judged based upon a formula which weights various criteria. Preference is given for location in rural areas, women-owned and owner-operated businesses, and job creation potential. A grant is not permitted to exceed 95% of the total investment in the most extreme case.

The National Development Bank (NDB) administers the approved grants through their local branch. The NDB issues purchase orders, in place of cash, to the grantee. When the equipment is delivered, NDB pays the supplier directly.

There was general agreement amongst the persons contacted by the Phase II consultant team that FAP is serving a valuable function in assisting small-scale Botswana entrepreneurs to increase employment in the manufacturing sectors. Previous evaluations have suggested that FAP be extended to the service sector as well. A study was recently commissioned by Government on the topic and a draft report is under consideration. There appears to be substantial interest in supporting service enterprises, particularly those which have downstream and upstream linkages to the manufacturing sector.

Principal problems cited with FAP assistance to SSEs tend to cluster around two areas:

- Insufficient screening of applicants - particularly regarding lack of potential markets for their products, insufficient management and technical knowledge on the part of the owner,

- and lack of commitment to the business by the applicant; and
- Insufficient staff and resources for IFS officers to perform their FAP duties effectively, including the screening and monitoring functions.

2. National Development Bank (NDB)

Although the National Development Bank was established by Government in 1964 as a development finance institution to provide credit to economic activities which had limited access to finance from commercial banks, it was not until 1980 that it began lending on a large scale. Since that time, the majority of lending has been to the agricultural sector (approximately 70%). A report made for USAID in November 1990 (Lintz, et. al.) stated that during the 1989/90 period, 213 loans totalling P1.3 million were given for commercial and industrial enterprises compared to 1,554 loans totalling P7.1 million for agricultural purposes. This reflects the bias toward agricultural lending. NDB is not a depository institution and receives all of its funds from the Government as well as international donors.

In 1986, NDB established a Small Borrowers Fund to provide loans up to P20,000 to SSEs in the manufacturing, commercial and agricultural sectors. Loan terms are 10% interest with loan repayment periods of up to 3 years on commercial loans and up to 4 years on industrial loans. Many of the commercial loans are for working capital.

NDB's portfolio suffers from the heavy focus on agricultural loans. Droughts affecting southern Africa in the past few years have taken their toll on loan repayments. The Government froze all lending by the NDB two months ago, due to severe collection problems. Consideration is now being given to increasing interest rates on loans across the board to bring them closer to market rates. NDB is seen as being a "lender of last resort" by its staff. It was mentioned that Tswelelo also serves many of the same clientele but charges considerably higher interest rates.

NDB has regional branches in Gaborone, Kanye, Francistown, Selebi-Phikwe, Serowe, and Maun. A district branch in Tutume is administered out of the Francistown branch.

The consultant team visited branches in Francistown and Gaborone. Francistown provided approximately 200 loans to SSEs in 1991/92 including agricultural loans. Estimates for 1992/93 are lower with over 50 loans going to SSEs. Gaborone has a portfolio of about 350 SSE loans, mostly going for agricultural loans. It was estimated that only about 20 loans out of the total portfolio in Gaborone are for commercial or industrial purposes at any one time. The Francistown branch has one Project Officer, supplemented with two officers in the appraisal section and two in follow-up. The

Gaborone branch has two Project Officers in appraisal and one in follow-up, supplemented by one District Officer and one Field Officer.

Expressed problems with the NDB included shortage of personnel for proper follow-up and low interest rates which hamper cost-effectiveness. Expressed problems with loans to SSEs were the lack of management skills, both general and financial, on the part of small entrepreneurs. The shortage of serviced sites was also cited as hampering industrial development. In response to a question regarding loans made as part of the personal contributions of the entrepreneur toward an FAP investment, one officer stated that it was rare for such loans to be turned down, since the equipment purchase with FAP funds served as collateral for the NDB loan. One officer expressed a desire that SSEs form partnerships or groups which would permit easier monitoring of the loans and provide collective responsibility for repayment.

3. Tswelelo (Pty.) Ltd.

Tswelelo (Pty) Ltd was established in 1984 as a development finance institution to provide finance and technical consultancy services to the small and medium scale business sector in Botswana. It is jointly owned by the Botswana Development Corporation (BDC), the National Development Bank (NDB) and FMO, the development finance aid agency of the Netherlands Government. Current equity stands at P6,25 million of which 40% is held by BDC, and 30% each by NDB and FMO.

The Company's head office is in Gaborone and it has branches in Gaborone and Francistown. A third branch in Palapye is scheduled to open this year. Its has a staff of 36, of which 28 are professionals.

At the end of 1991, the value of Tswelelo's loan portfolio stood at P11,5 million (P8,4 million in mid 1990) covering 546 accounts (317 in mid 1990). In the past two years the value of the portfolio has increased by approximately 37% and the number of accounts by over 70%

The distribution of accounts across sectors is shown below:

	1990	1991
Construction	28%	14%
Trade	23%	23%
Services	18%	24%
Manufacturing	16%	26%
Transport	15%	13%

The Company's loans are divided into three categories - small scale loans of up to P10,000, and between P10 000 and P25 000 which can be authorized by a branch manager; up to P50,000 which are within the General Manager's lending limits; and over P50 000 which are approved by the Board. The maximum lending ceiling to any single borrower is fixed at 10% of the Company's net worth currently around P600,000.

Out of the 546 active accounts, 169 (31%) are in the very small loan category of under P10 000 of which 45% have been granted to women. However, within the manufacturing sector 80% of the small scale loans of under P10 000 have been given to women, mainly for textile and garment related businesses. The gender distribution of the over P10 000 loans was not available but was estimated to be in the region of 25% allocated to women.

Tswelelo works on a general 10% contribution by the borrower as a condition of extending financial facilities but this does vary. If the project is assessed as being particularly risky, then a higher percentage contribution is usually required. On the other hand, in exceptional cases, where the project is viewed as being particularly attractive, Tswelelo will consider taking out equity participation. Interest rates are high; between 20 and 24%.

The present portfolio of 546 accounts is considered to be reasonably healthy with only 10% of the accounts being technically in arrears, compared to over 20% in 1988. Accounting provision has been made, however, to cover 5% bad debts and 5% doubtful debts.

In addition to providing the full range of financial facilities - working capital, lease arrangements, overdrafts, etc - Tswelelo has also introduced a purchase order system under which clients can order from suppliers who are then paid directly by Tswelelo. The amount is then debited against the client's account.

The Company also provides extensive consultancy and technical assistance services free of charge to clients. These include assistance in preparing business plans, loan applications, cash flows and books of accounts. In the construction sector, however, which Tswelelo has identified as being a target sector for the development of citizen small and medium scale businesses, further technical assistance is provided to assist clients to run their businesses. This includes help with preparing quotations and bills of quantity, management of cash flows and supervision of accounts.

One of the problems faced by Tswelelo is current FAP procedure, where FAP borrowers are allowed to borrow their FAP contribution from other financial institutions. This means that a number of clients are only looking for money to release their FAP grants.

Tswelelo officials stated that the major problem impeding the development of the small and medium scale sector is the lack of

management skills and experience. Tswelelo branch managers process an estimated 100 loan applications a month, of which 75% are usually rejected because the applicant has no clear idea of the type of business he/she wants to enter or how to organize a business. Tswelelo officials also believe that the lack of managerial expertise and experience also impedes the development and growth of small businesses, i. e., as a business grows, managerial and financial management skills become more critical than purely technical skills.

4. Commercial Banks

a. Standard Chartered Bank of Botswana

Standard Chartered Bank of Botswana (SC) is the oldest commercial bank in Botswana with 15 branches and 10 agencies throughout the country. Although SC does not maintain separate records of financial facilities granted to small businesses, they estimate that between 15% and 20% of their corporate clients fall under the category of small businesses with under 10 employees. The vast majority of these are in the retail trade and facilities granted rarely exceed P50 000, consisting of working capital, overdraft facilities and lease financing.

Bank branch managers are given complete discretion over their portfolio within budgeted targets. Small business enterprises, therefore, have not been identified as being a particular target group by SC, and applications for financing from small scale businesses are treated in the same way as any other corporate application. They are subjected to the same lending criteria used by the bank for all its corporate customers; an assessment of the viability of the business, the experience and technical knowledge and managerial expertise of the borrower, and the security available.

Although Standard Chartered participated in the USAID funded loan guarantee scheme, and were allocated a facility of US\$500 000, only six loans (totalling US\$98 000) were granted under the scheme of which five were in the trade sector, and only one (granted this year) in the manufacturing sector. SC is in the process of closing down the scheme. One loan has been repaid in full, one business went into liquidation, and the balance on another three existing loans are covered by collateral held by SC. Only one loan of P60,000 (of which only P45,000 has been utilized), remains outstanding under the scheme.

Standard Chartered contends that one of the main reasons why it did not promote the LGF scheme was the cost to SC of administering the scheme, which had to be passed on to the borrower in the form of higher interest rates. In terms of the LGF scheme SC was required to pay 0,5% per annum on the US\$500 000 allocated, irrespective of

whether it was being utilized, and 1% per quarter on funds allocated under the scheme.

Although SC is willing to lend to the sector, and financing is available, the major problem in SC's opinion, is not a lack of security, but rather limited business knowledge and a lack of understanding of financial matters. In particular, SC asserts that many small scale borrowers do not really understand the nature of business, do not maintain proper books of accounts, adequate stock control or inventory levels, do not maintain control over debtors and do not have any overall business plan.

SC has also found that many small borrowers do not exercise financial self discipline, and when turnover begins to rise, the borrower may divert funds into self consumption.

Standard Chartered expressed the belief that there are growing opportunities for the development of small scale businesses, particularly in the service sector which is dominated by a growing number of expatriate sole traders. These include building maintenance and repair, electrical and airconditioning, welding, auto repair and other metal trades. As the economy grows, the demand for these types of services will also expand, but there are few Batswana with the necessary technical skills and experience who are entering the sector.

b. Barclays Bank of Botswana

Until mid 1991, Barclays Bank of Botswana, the largest of the commercial banks with 20 branches throughout the country, centralized its small business under a head office Small Business Unit, staffed by four managers. Applications for small business loans were processed by the Unit, whose managers also provided technical assistance and counselling services.

Barclays acknowledges that the Unit was established in part as a reflection of the bank's social responsibility programme towards the development of Botswana.

When the USAID-sponsored LGF scheme was established, responsibility for implementing the scheme fell under the Small Business Unit. However, in mid-1991, due to the high administrative costs of maintaining a special unit to serve small businesses, the decision was made to decentralize lending in this sector to the branch network. An experienced official has been designated within each branch as a Small Business Liaison Officer, with special responsibilities for assisting small business ventures, including applications for financing under the LGF scheme. At one of the main Gaborone branches, two managers coordinate applications under the LGF scheme, in addition to their branch duties

Since its inception, Barclays has granted 58 loans backed by the LGF guarantee totalling P1.48 million. Out of this amount, 19 loans have been paid back in full and 39 remain outstanding with a face value of P1.15 million. Of these, approximately one third are in the manufacturing sector, and the rest in the service and trade sectors. Approximately 50% of the loans have gone to women. Only one of the outstanding loans is thought to be have potential repayment problems.

Barclays uses the same lending criteria for small scale businesses as it does for any other corporate client - with a heavy emphasis on the commercial viability of the business, and the technical and managerial skill and experience of the borrower. The LGF scheme was only used in borderline cases, where the existence of additional collateral tipped the balance in favor of granting the facility.

The experience of Barclays with their small business loan program has been impressive in terms of repayment. However, Barclays acknowledges that this was achieved due to the limited number of loans for which each manager was responsible and through the extensive technical and counselling services provided. In the end, these proved to be too expensive, administratively.

Although Barclays Bank no longer targets small businesses as a special lending category and does not maintain separate records, branch bank managers do liaise closely with the National Development Bank, Tswelelo and staff of IFS; Barclays managers providing a limited amount of assistance in explaining how to complete loan applications to the small business borrower.

Officials at Barclays feel that the small scale sector in Botswana may be under-developed because of a general lack of knowledge of finance and the business world on the part of potential entrepreneurs. They also perceive a fear of borrowing and a reluctance to go into debt on the part of small businesspersons.

c. Zimbank Botswana Ltd.

Zimbank Botswana Ltd. (Zimbank) is a subsidiary of Zimbabwe Banking Corporation Ltd. The majority interest of the parent company is held by the Government of Zimbabwe (nearly 60% of total shares). Zimbank was established in Botswana in May 1990. Its assets increased from P13.4 million to P77.3 million over its first full fiscal year. It has a staff of 120 persons, of which 7 are professionals, with branches in Gaborone and Francistown.

Zimbank has been engaged in small business loans (they define small businesses as those with assets, excluding buildings, below P200,000) on a pilot basis, but have not launched a full-scale promotion of the program yet. They are waiting until they have

developed some experience in the field to publicize the program. They have financed 7 projects which they consider small businesses and they state that they are biased toward the productive sector. However, as can be seen below, 5 of the seven loans have been made to what is normally considered the service sector. The distribution of those loans is as follows:

- 1 - clothing manufacture
- 2 - panel beaters and auto repairs
- 1 - construction company
- 1 - hairdresser
- 2 - bus operators

The average loan size has been P150,000. The loan terms are 2% above prime interest rate with payback periods averaging 3 years. Grace periods a given, depending upon the type of business and when production will begin, but not exceeding 4 months. Most of their small business clients have worked in other countries where they received their training.

In order to reduce the costs of running this division, staff work in other divisions as well. As volume expands, the staff will spend more time in the Small Business Services Division. They have sent new staff to Zimbabwe and South Africa to look at how small business programs operate there.

Zimbank believes that one of the biggest constraints to SSE development in Botswana is the shortage of bankable projects. They believe that FAP is a good program, but that it suffers from poor monitoring of grants. Their small business clients are those who cannot wait for approval of an FAP grant and have come for a loan instead. Most of their clients are less concerned with the interest rate they pay than the access to credit when they need it. In Zimbabwe, Zimbank has provided a lot of loans to cooperatives, but they have observed a different attitude toward cooperatives in Botswana.

Zimbank is interested in providing joint financing to enterprises in conjunction with other local finance institutions. It has approached some other finance institutions in Botswana on the idea, but has not yet received a response from them. Zimbank is using this approach in Zimbabwe in collaboration with NGOs there.

B. Technical Assistance and Training

1. Ministry of Commerce and Industry (MCI)/Department of Industrial Affairs (DIA)/Integrated Field Services (IFS)

The Department of Industrial Affairs of the Ministry of Commerce and Industry is the principal government agency responsible for SSE development in the industrial sector. The overall objective of the

Department is "to promote the development of Industry and the transfer of industrial technology through a variety of public policy instruments with the aim to diversifying the economy, increasing employment opportunities, developing local entrepreneurship and increasing the participation of Batswana at all levels of industry." (O & M Review, Appendix VII)

DIA operates through four divisions - departmental management, policies and programme co-ordination, integrated field services and business management development services. IFS is the largest division with 111 (nearly 75%) of the total 151 employees allocated to the department (Establishment Register 1992/93). DIA's annual budget is approximately P10 million. It administers a training and general support fund of over P400,000 to support its training and market research activities.

IFS was established in 1988 to combine the activities of Botswana Enterprise Development Unit (BEDU), Business Advisory Services and the Rural Industrial Officers into one unit. The new IFS was designed to be the coordinating body for all government services relative to SSE development, particularly in the manufacturing sector.

IFS has 15 field stations throughout the country and is charged with fulfilling the following tasks (IFS brochure):

- To help Batswana entrepreneurs to identify and take advantage of opportunities which will generate income and employment;
- To equip potential and established entrepreneurs with the production and operating skills which are necessary to survive and compete in today's small business sector of the economy; and
- To teach and advise entrepreneurs in Botswana the development of business and marketing plans and the implementation and monitoring of these plans.

In addition to these primarily training and technical assistance functions, IFS is also charged with serving as secretariat to the Production Development Committees under FAP. This requires them to provide entrepreneurs with information about FAP, assist them in completing applications, appraising those applications and forwarding them to the PDCs, and monitor approved projects. IFS also manages the former BEDU estates which provided "incubator-type" workshops for manufacturing SSEs to develop their businesses. A concrete testing facility is also operated by IFS in Francistown.

IFS offers an extensive array of courses to entrepreneurs and trainers each year in various locations throughout the country. These courses are taught by IFS personnel, by individuals from other organizations or by resource persons with skills in a

particular area. The catalogue of training programmes and advisory services offered for 1991/92 lists over 300 courses, primarily consisting of courses for entrepreneurs in technical trades (sewing, carpentry, metalwork, bakeries, etc.) as well as courses in general business management, financial management and marketing (63) and courses for trainers or PDC members (29). The majority of the courses are taught by IFS officers or employees (206), with RIIC (55) and resource persons (37) teaching most of the rest.

IFS maintains linkages with other departments and agencies providing outreach services, e.g., RIP, BOCCIM, IDM, commercial banks, NDB, Botswana Technology Center and Botswanacraft.

Expressed constraints for IFS were transport for extension officers and accommodation problems in rural areas. IFS also has had problems filling staff positions and has used foreign volunteers to fill them when Botswana were not available. Companies in the private sector have been hiring IFS personnel in recent years and government salaries cannot compete. Some persons interviewed thought that IFS should concentrate on technical assistance and training. Concern was also noted in regard to IFS officers not having sufficient time for proper screening and monitoring of FAP grants. DIA has sent IFS staff to India and Tanzania for training as well ILO sponsored courses abroad. They also have used IDM for short courses in Botswana. Nevertheless, there is concern that IFS staff are not sufficiently trained to be trainers.

Expressed constraints for SSE development in Botswana include:

- Problems with transport of products to market,
- Competition from South Africa - difficult to compete both on quality and price,
- Access to credit is difficult for SSEs and is needed particularly for working capital,
- Low income Botswana are adverse to borrowing money from a bank, and
- Poor reputation of locally-produced products and a preference on the part of many Botswana to purchase imported goods.

2. Botswana Confederation of Commerce, Industry and Manpower (BOCCIM)

Boccim is an umbrella organization representing over 1100 employers in Botswana. Initially established to deal with purely employment related issues, BOCCIM widened its mandate in the early 1980s to cover commercial, financial and training issues and mounted a number of programmes aimed at assisting the small and medium size businesses. Out of a membership of 1177 at the end of 1991, 460 (39%) of the member companies employ 10 or less employees.

In addition to providing a wide range of advisory and technical assistance services to members, two programmes in particular are aimed at the small and medium scale sector. These are financial assistance programmes for training, and a relatively newly established Botswana Management Assistance Programme (BMAP).

Under the training programme, BOCCIM administers donor funds to provide scholarships for training in the private and parastatal sectors, mainly in Botswana, but also at regional institutions and overseas.

Most of the funds for this programme come from the USAID through the BWAST and BPED schemes, but BOCCIM also administers scholarship funds from Canada, Austria, Germany, Cyprus, Finland, the Netherlands and Norway.

During 1991, training for 343 business enterprises covering 634 participants were supported through BOCCIM administered funds. Out of the 343 businesses and organizations, 34% employed less than 10 persons and a further 29% employed less than 25 persons. In terms of recipients of scholarship funds, 50% of the 634 participants were women.

Some of the courses arranged by BOCCIM were specifically targeted at small businesses. These included courses in record keeping, customer relations, basic finance, problem solving, planning and personnel management.

The other major programme aimed at the small scale business sector is BMAP, Botswana Management Assistance Programme. This was started in 1989 and the basis of the programme is the establishment of a 'mentor' system, whereby experienced businessmen and persons (called Counsellors) with specialized expertise offer their services free of charge to assist small business enterprises.

BMAP operates out of Gaborone, and currently has only a full time manager. However, it also utilizes BOCCIM's four field officers (two in Gaborone and two in Francistown) who are engaged in the organization's Outreach Programme of technical assistance, advice and counselling services to members.

The BMAP programme, with an annual budget of P100,000, is specifically targeted at the small scale sector covering enterprises with 10 or less employees. Clients pay a nominal P50 to register under the scheme and then have continued access to the services of the BMAP manager, field officers and appropriate counsellors.

Currently, BMAP has just over 100 active clients and a core of 37 'Counsellors' mainly in the area of accounting and financial management, but also including the engineering and textile trades.

Half the client companies are in manufacturing, mainly textiles and brick making, and 80% of them are located in Gaborone. Information was not available on the number of women owned enterprises.

Most of the advice and counselling services provided by the BMAP manager (approximately 70%), and the counsellors relate to financial matters, with 30% of the time spent on providing technical advice relating to specific industries and technology. For example, a senior manager from one of Botswana's major textile factories provides technical assistance to a small garment manufacturer on such issues as pattern cutting and the type of equipment needed.

In the finance area, the clients are assisted in completing applications for loans from the commercial banks, NDB, and Tswelelo and for grants from FAP; topics covered include record keeping, cash flow statements, financial statements and reconciliation of bank accounts.

Most of the loan applications are for between P10,000 and P20,000 for working capital, to build up inventory or to lease or purchase plant and equipment. The BMAP manager estimates that only 30% of their clients are reasonably competent in English and this is one of the reasons why they require assistance when applying for financing. However, there is also a lack of understanding about business concepts, including equity participation, with many of the clients being unwilling to risk their own savings where this could be utilized to start a business. Another major problem identified by BMAP is lack of control over debtors, and an excessive willingness to grant credit.

Although there is a high demand for BOCCIM courses and the courses are often oversubscribed, the training courses available for SSEs through BOCCIM are mainly conducted in English and assume a higher level of knowledge than many small business persons possess. BOCCIM mentioned that a shortage of Setswana-speaking trainers and limitations in the training budgets provided by donors have limited their ability to provide courses in Setswana. It is currently planning to address the trainer shortage problem through a new series of training-for-trainers courses. Other problems identified by the BMAP programme include a shortage of suitable small (and affordable) factory shells and the length of time financial institutions (particularly NDB) take to process loan applications. Sometimes, potential small businesses become discouraged and abandon their projects because of bureaucratic delays in granting loans.

In its future development, BOCCIM hopes to run more courses in Setswana, and produce very simply written information booklets on a range of business and finance issues.

3. Women's Finance House (WFH)

Women's Finance House is a nongovernment organization which was established in January of 1989, but did not become fully operational until July of 1991. It has a fulltime staff of five people, two of whom are professional.

WFH is currently 96% donor funded. USAID Botswana is the primary donor (a one-year US \$75,000 for training), along with lesser amounts from Swedish SIDA and Norad. The remaining 4% comes from local fund-raising, which management plans to increase to a targeted 15 to 20% within a non-specified timeframe. WFH's operational budget for July 1991 through June 1992 is 325 thousand Pula. WFH identified funding as a major constraint because they have only been operating for one year and donors look for successful trackrecords. This is the same reason they have only been able to get funding for a one-year period.

WFH serves Gaborone and Kweneng and has provided training to 80 women. They plan to keep separate cost data on their credit and training/technical assistance programs and track contributions from donor organizations separately.

WFH will charge fees on a nominal basis, which has not been determined. They currently recover approximately 25% of their training costs and anticipate eventual full cost recovery. They have no additional income sources other than fees for services, donor funding and local fund-raising.

WFH provides SSE training activities in the following sectors - manufacturing, services, traders, retail sales, crafts, and hawkers and vendors.

WFH has established the following eligibility criteria for training, technical assistance or credit:

- Female;
- Age 21 to 55;
- Literate;
- Household assets from 0 to 500 Pula (category one);
- Household assets from 500 and above (category two);
- Good character (loans repaid, business profitable); and,
- Citizen of Botswana.

Training has been provided to both individual and group entrepreneurs during WFH's first year pilot phase of operations. However, when SSE credit is offered during the coming year it will only be available to individuals. WFH feels that "group business does not work" in Botswana because local entrepreneurs tend not to trust partnership arrangements. WFH has no plans to use a solidarity group approach to informal sector SSE credit or savings

mobilization.

When WFH begins to offer credit, it will be for working capital loans ranging from P300 to P1000 at commercial rates of interest for a period of up to six months. No collateral will be required for participation in the organization's rotating loan funds. Service fees will be charged for loan application preparation and other services not currently specified.

WFH has not experienced any GOB policy nor regulatory constraints. They have to register as a financial institution and are seeking a waiver for the one million Pula capitalization requirement. However, they feel this is generally a good law because it protects Botswana's depositors.

They are not experiencing any constraints regarding infrastructure nor the quality or quantity of available staff. However, they did report major socio-cultural attitudinal constraints. The major attitudinal constraints cited was the reluctant attitude of bankers towards women SSE operators who lack collateral, require their husband's signature for a loan and/or have difficulty filling out the required forms. Many women report that they are afraid of banks because the buildings are intimidating. They also feel that no one will be available to provide courteous service in filling out forms. Women's lack of financial protection under the community in property form of marriage was identified as a major constraint.

4. Institute of Development Management (IDM)

The Institute of Development Management was established in 1974 by the governments of Botswana, Lesotho and Swaziland as a regional management training institute. During the first ten years, IDM was supported financially and with technical assistance from a number of donor agencies, particularly CIDA.

In 1986, the operation and management of the Institute was handed over to the three Governments, and since then it has become self-financing, deriving its income from a small subvention from each Government and course fees.

Although branches of IDM exist in all three countries, the main campus and the majority of the staff and courses are held in Botswana. During the period July 1989 - March 1991, IDM mounted 174 courses attended by a total of 13 654 participants, of which 66% (9316) were from Botswana. Courses offered by IDM range from a 16 weeks Certificate in Management to a one week Introduction to Computers course.

Although most of the participants on IDM courses tend to come from Government, over the past three years intensive efforts have been

made to tailor courses to the needs of the private sector. However, the development of the Institute has been hampered by lack of space, and a new campus is being built in Gaborone funded by the Botswana Government. It is due for completion in late 1992.

In 1989, as a result of a need identified through market research, IDM introduced a programme in all three countries aimed specifically at the small business. The course, "Small Enterprise Development and Management," is an evening programme of two nights per week over five weeks. In 1989, 10 participants attended the first Botswana course (six men and four women). Because of the demand, a second course was held and attended by 24 participants (12 men and 12 women). The course content included setting up a small business, accounting and financial management, marketing, profitability and personnel management. The programme was coordinated by one of IDM's lecturers in marketing, who also provided on-going technical advice to course participants. In 1990 and 1991, however, although the course was offered by IDM, there were insufficient participants to hold the courses. The same thing happened this year when a course planned for February and March attracted only five applicants.

IDM feels that the lack of participants does not reflect a lack of demand for the course, but rather inadequacies on their part in marketing the course. They hope to re-schedule the 1992 course for later in the year. Another inhibiting factor has been the high cost of IDM's course (which are based on cost recovery rates and are currently at P540 per week on a non-residential basis) and limited availability of scholarships. IDM also feels that the courses organized and partially sponsored by BOCCIM have also reduced the level of potential participation in IDM courses.

IDM also runs special courses for Women in Management and short marketing and sales courses.

As part of IDM's five year development programme, the Institute is planning to increase the number of programmes aimed specifically at small and medium-scale businesses as well as providing a technical consultancy service. However, it appears that since IDM must be self-financing, the success of these programmes will heavily depend upon the availability of scholarship funds.

5. Brigades Development Centre (BRIDEC)

The Brigades Development Centre is a training and advisory centre to Botswana's Brigade and Development Trust movement and is a Government department within the Ministry of Education.

The concept of the Brigades was developed shortly after independence and was based on the idea of education through production. The Brigades are community-based trusts which offer

vocational training to primary and secondary school leavers in a range of skills including the building and metal trades, textiles and handicrafts.

In the mid 1970s the Brigade movement entered a period of serious financial difficulties as their productive activities could not sustain their training programmes and donor assistance was mainly available for capital rather than recurrent expenditure.

Up until this time the Brigades operated independently of Government and largely outside the educational system. When Government intervened to rescue a number of Brigades from liquidation, the movement became more integrated into the educational system, and BRIDEC was established to provide training and technical assistance. At the same time, the Brigades and community development trusts were required to separate their training activities from purely production activities. Government's financial assistance to the Brigades is based on the number of trainees undergoing formal instruction combined with practical work experience.

In 1991, there were 27 Brigades (or development trusts as some of the Brigades are called) providing employment for an estimated 1300 persons, and training for 1500 young people. Out of the 27 Brigades, 21 organize vocational training combined with productive activities in 11 different trades.

The remaining Brigades (or trusts) are mainly production enterprises and, to a limited extent, retail businesses. Some of them also do extension work in horticulture, poultry keeping and handicrafts. The operations include sorghum milling, brickmaking, baking, printing and textiles.

BRIDEC provides both the training Brigades and the production Brigades with free technical advice and runs numerous courses at the centre in Gaborone. As well as 'Trainer of Trainers' programmes, BRIDEC runs regular programmes in accounting, book-keeping, financial management, business development and others. BRIDEC also audits all the Brigades and trusts annually.

In 1990, production income from the 24 active Brigades amounted to P12,5 million generating a surplus of 4%. One of the oldest brigade centres, the Kweneng Rural Development Association in Molepolole had a production turnover of P4,1 million generating a surplus of P156,000, from building, metal work and retail activities. Some of the production Brigades, however, have achieved much higher surpluses averaging 12-15%, and reaching 21% in some cases. On the other hand, some of the Brigades are in serious financial difficulties with their production activities, mainly due to management problems and, to a lesser extent, marketing problems.

The experience of the brigade movement has shown that properly managed, community-based businesses can provide valuable employment-generating activities. However, the major question facing the brigade movement is the long term future of the production Brigades without the donor assistance which has provided substantial management assistance in the past.

6. Rural Industries Promotions/Botswana (RIP/B)

Rural Industries Promotions/Botswana is a not-for-profit company limited by guarantee which operates under the portfolio of the Ministry of Commerce and Industry. It was established in 1974 to provide and disseminate appropriate technologies and to provide training to create rural employment. RIP/B seeks "to give preference and special support to the poor and disadvantaged" and operates through three branch institutions. RIP/B has a target of 50% local content in all of its products.

RIP/B has a number of subsidiary programs. The Rural Industries Innovation Center (RIIC) began operations in 1977 in Kanye. RIIC is an appropriate technology development and dissemination center. The Pioneer Rural Industries Center (PRICE) operates a "One Stop Service Center For Agriculture" in Palapye in Botswana's Central District. PRICE provides a range of integrated agricultural services. The National Industries Promotions Company (described as in formation in the 1991 RIP/B annual report) will provide business support and consultancy services to subsidiaries and other development organizations. The Village Artisan Training Program (VAT) was established in 1980 and currently operates eight training units in bakery, blacksmithing, bone carving, carpentry, foundry, leatherwork, patchwork and tannery. The courses vary in length between two and eight weeks and are aimed at illiterate or semi-literate older villagers to help them get into business.

A micro loan program (no information was available on loan terms/conditions) is offered to provide the contribution required by trainees to qualify for a GOB start-up grants. Management support services are also provided. RIIC follow-up studies reportedly (1991 Annual Report) show that 65% of those trained are currently involved in productive enterprises.

RIIC operates a Conference Center which can provide full board and lodging to 70 trainees and outside clientele. A RIIC owned restaurant provides a food services and generates supplementary income from parties and wedding receptions.

RIIC has an integrated programming approach which contains the following service delivery components:

- Central Stores selling its technologies;
- A Design Office and Testing Unit (research and

- development design, draughting services and quality control performance testing);
- A Marketing Unit (strategic marketing plans and sales);
- A Technology Transfer Unit (decentralizing production by sub-contracting local metal shops and providing them with working capital to buy materials), an Information Unit
- An Information Unit (expanding public awareness); and,
- A Rural Extension Program (identifies needs, runs workshops and disseminates appropriate technology).

Requests for support and proposals for new projects are received from a variety of sources including; RIIC rural extension officers, GOB extension officers, GOB departments and non-government organizations. Decisions are made by the Research and Development Committee, headed by the Technical Director, which meets quarterly. Selection criteria include: level of risk; estimated costs; whether the project matches organizational resources, and operation and maintenance simplicity.

Rural technologies produced and disseminated by RIIC include, but are not limited to, the following:

- Chaff Cutter;
- Sorghum Dehuller;
- Hammermill;
- Multipurpose Thresher;
- Maize Master Rolling Mill;
- Animal Driven Water Pump;
- Biogas Digester;
- NIMRIC Windmill;
- Batch Solar Water Heaters;
- RIIC Rim Oven;
- Diamond Meshwire Fencing Machine; and,
- Lime Oxide Paints.

There are a total of 250 staff members in RIP/B's national program, of which 40% are women and 15 are expatriates. An estimated 30% of the rural clients served by the program are women.

RIP/B funds increased by 240% between 1990 and 1991. RIP/B received funds from 12 donors in 1991 for a total of P6,047,493, of which P5,171,980 (86%) came from the GOB. Of a total donor contribution of P2,506,991 in 1990, GOB funding was P1,506,540 (60%). This can be compared to the GOB contribution to RIP/B of approximately P200,000 in 1982.

RIP/B estimates that it is able to cover from 15% to 20% of its operating expenses using internally generated revenues. He explained that "technological research and development is very expensive and can never be cost covering". However, he reports that artisan training expenses have been fully covered, although the VAT micro enterprise loan fund is experiencing large-scale

write-offs on defaults.

Technical assistance services include feasibility studies, business plans, domestic and export marketing research and policy advocacy programs.

Clearly the largest constraint facing RIP/B is Botswana's proximity to the Republic of South Africa which can mass produce technological equipment "off the shelf" at highly competitive prices. However, RIP/B feels that its long term experience gives it a competitive advantage in rural agricultural areas where farmer's needs are not being fully met with imports.

Other problems mentioned were ecological concerns regarding the wide spread distribution of wood-burning bakery ovens where fire-wood gathering could potentially contribute to erosion and the clustering of production technologies (bakeries were the specific example cited) in areas where the market appears to have been saturated. Placement of these facilities should be conditioned upon market research analysis and a positive business feasibility study.

7. Co-operation for Research, Development and Education (CORDE)

Co-operation For Research, Development and Education is an indigenous, non-profit, nongovernmental organization (NGO) which was established in 1986. CORDE was originally established to assist Botswana's micro and small enterprise manufacturing sector focusing mostly on rural areas. These productive enterprises include furniture-making, printing, weaving, baking, book-binding, pottery and shoe-making. CORDE has recently expanded its sectoral focus to include services, crafts and agro-processing.

CORDE has a total staff of 14 people which includes ten professionals, three clerical employees, and one cleaner. Nine people on the staff are women (5 professional and 5 support). An estimated 450 clients are served by CORDE's training and technical assistance programs also include low-income housing, sustainable agriculture and natural resource utilization. Seventy percent of those clients are women, almost half of whom (45%) are female-headed households. CORDE's geographical program outreach covers all of Botswana, with the exception of the Northwest.

CORDE's Technical Support Team (TST) services include feasibility studies, business plans, both domestic and export market research, policy advocacy for its members and establishing linkages among national NGOs, foreign based NGOs with a similar agenda and donors. CORDE has also been instrumental in the formation of SACNET (Southern Africa Co-operative Network) and FONSAG (Forum On Sustainable Agriculture).

CORDE does not charge its 21 member groups fees for training or technical assistance fees. Internal revenue generation is limited to annual membership fees of 100 Pula (P2,100 annually), which is able to cover only an estimated two percent of the organization's operating costs. CORDE's 1992 annual budget is 1.3 million Pula, which shows a gradual increase from 1991 (P900,000) and 1990 (P808,000). Their largest donor is a Swedish development organization called HIVOS which covers approximately 80% of CORDE's operating expenses. Combined donor contributions last year were only sufficient to cover 75% of program needs. CORDE supplements its income by charging 150 Pula per day for consulting services to non-members (no revenue estimate was available). CORDE provides a two week training session for local NGOs, but no fees are charged.

CORDE now operates a loan guarantee fund at Barclays Bank, using US \$75,000 donated by HIVOS. There have been three loans made through the guarantee scheme by established group enterprises with solid profitability. The first loans was for US \$25,000, the second for US \$10,000 and the third for US \$7,000. Barclays charges commercial rates of interest on the loans and CORDE does not charge any service fee for access to the loan guarantee funds. The last loan has been paid in full and payments on the remaining two are on-time.

A CORDE representative said that budgetary constraints are a constraint hampering its operations. They are overly dependent (80%) on a single external donor and are currently waiting for a disbursement which is apparently late. There is clearly a need to up-grade the organization's internal income-generating capabilities (now 2% of costs) and to diversify donor income.

Staff quantity and quality was identified as a low-level problem. It was estimated that CORDE needs to hire from eight to ten more people (two additional trainers) within a five year period (1992-1997). There is also a need for in-house training to up-grade staff capabilities.

CORDE is not experiencing any policy and/or regulatory problems with GOB, which it praised for wanting to increase the involvement of NGOs in program coordination and implementation. The idea of establishing an NGO umbrella organization is an idea which is currently being considered by some in the community. Although CORDE feels the idea could have merit, they doesn't expect it to be implemented in the short-term future.

The only infrastructure constraints being experienced by CORDE are somewhat cramped office accommodations and the need to build a conference center to house training workshops and conferences. They currently rent these facilities and are considering building their own as a means of generating revenue.

CORDE stresses popular participation and self-management

("ownership") of enterprises operated by its member groups in order to promote self-reliance and democratic principals. They admit to have experienced some reluctance to accept this responsibility which is attributed low levels of self-esteem and self-confidence. The severity and impact of this constraint was labeled a medium level constraint, but it is considered indicative of the need for more non-formal education.

CORDE would be willing to assist in training and screening local NGOs to expand their role in providing technical assistance to promote SSE income and employment generation.

8. Botswana Millowners Association (BMA)

The Botswana Millowners Association is an NGO established in 1982 which is funded through the Botswana Development Corporation (BDC). The BMA operates nationally and has 42 clients (about half of whom are women) who mill sorghum to produce a flour which they sell to individuals, retail shops and wholesalers.

The supply is currently severely depressed due to protracted drought conditions. BMA estimated that the current reserve of sorghum is 7,000 tons, which is now being used up at a rate of 3,000 tons per month. BMA reports that from 20 to 25% of Botswana's small sorghum milling operations are currently idle.

BMA predicts that if the drought continues, about 50 percent of the country's sorghum mills will close down. However, these milling operations can be rapidly re-established when the rains come because the milling technology is already in place.

The sorghum mills are produced in Botswana by Rural Industries Promotion (RIP/B). BMA reported that the mills are "working well" as a result of RIP/Bs long-term (20 years) policy of continually adapting the machinery to fit the user's needs.

The gap in production can not be filled by the Republic of South Africa (RSA) because it has a ban on sorghum export sales. BMA reports that RSA has also been affected by the drought and is currently able to meet only 25% of its internal sorghum needs. RSA is now importing the production short-fall from Argentina.

The largest constraint faced by BMA is budgetary, which has resulted in a critical shortage of qualified staff. This was described as a high level constraint which affects the business advisor's ability to travel to remote milling operations.

At the present time, BMA is only able to cover 15 to 20% of its operating expenses from membership dues (about 300 Pula a month) and technical assistance fees (20 Pula a day for members and 30 Pula for non-members). The larger mills (one has 25 to 30 workers)

would be able to pay more for technical assistance. However, their staff has adequate managerial and technical expertise and does not require assistance from BMA.

9. Consulting Firms

(There are a number of consulting firms providing assistance and training to SSEs. The following two were contacted by the Phase II team to gain an impression of the types of activities consulting firms are engaged in relative to SSEs.)

a. PE Consulting

PE Consulting is a division of Price Waterhouse in Botswana which was established in 1988 as a management consulting firm specializing in property and investment counseling.

PE's Human Resource Department has seven trainers, all of whom are women. A total of 500 female clients have been given management training courses. Training has been provided to low income rural women and one and two person firms involved in brick-making, T-shirt production and a range of micro/small enterprises. Their clients are involved in manufacturing, services, trading, retail sales, crafts and agro-processing businesses. They receive training in bookkeeping, costing, pricing, marketing, promotion, production skills, financial management, operation and maintenance and computer information technology.

Business advisory services are provided which include: feasibility studies, business plans, marketing (both domestic and export), policy advocacy and the formation of business linkages and associations. All of the training department's revenue is from fees for services and has separate cost center accounting procedures. The firm operates under no budgetary constraints.

b. Professional Management Services (PROMAN)

Professional Management Services (PROMAN) was established in 1990 as a private sector consulting firm specializing in management training. PROMAN has a staff of three professionals and three clerical employees.

PROMAN recently held a workshop on women in business which was attended by approximately 60 women. Last year PROMAN trained an estimated 500 people and has provided services to 1000 clients (250 women) in Gaborone, Francistown and Maun. The sectors covered are manufacture and services.

PROMAN offers the following selection of two-day training:

- Improving Office Efficiency;
- Customer/Client Care;
- Telephone Selling Skills;
- Strategic Management;
- Problem Solving Techniques For Managers;
- Writing Meaningful Job Descriptions;
- Making Effective Presentations;
- Quality Control;
- Sales and Marketing;
- Production Improvement;
- Team Building;
- Negotiating To Win; and,
- Secretarial and Receptionist Training.

PROMAN uses a sliding fee scale (between 275 Pula a day to 2,000 Pula) depending on the location and type of training provided. PROMAN reports that no direct training subsidies are received and that full cost recovery has been achieved. The firm has no other sources of revenue other than training.

PROMAN is not experiencing financial, staffing, policy/regulatory nor infrastructure constraints in providing its business training programs. However, several socio-cultural and attitudinal problem areas were mentioned, which included the following:

- Many senior management people are not interested in receiving training and send junior subordinates who lack sufficient experience/education to understand and apply the subject matter;
- Most small businesses are run by people who lack management training but will not admit that they require assistance;
- There is a low demand for more sophisticated form of business training (only one response to an advertised course in strategic management techniques);
- Low productivity is a problem because many workers reportedly feel they will be paid the same whether or not they produce. Other worker problems reportedly include: high absenteeism and abuse of alcohol.
- Many trainees outside the Gaborone area do not understand English and PROMAN's trainers don't speak Setswana.

A. Potential for Growth in the Sector1. Sub-sectors with good potential for growth

The subsectors which were identified in Phase I as having good potential for growth were those of construction, transport and services.

Construction was particularly strong relative to employment with an average of 7.5 workers per enterprise, but mostly concentrated in urban areas and with growing long-term potential in rural areas. The shortage of serviced and land and housing in the urban areas of Botswana is well known and linkages exist between small and large contractors. Although employment in this area tends to be term employment, based on contracts for construction, a good contractor can maintain a sizeable workforce over time. The Phase I survey also identified the growth rate of construction firms (an annualized figure based on the increase in employees over the number of years the firm has been in business) as the highest of all SSEs - 51%. It also cited construction and transport as the only two sectors where SSEs sell a considerable part of their products/services to other firms (20% versus 6% for the other sectors).

Although most firms in this sector tend to be owned by men, the Phase II consultants found that women are being increasingly hired for jobs in construction. The Phase II team found brickmaking to have good growth prospects as well, being tied to the increase in construction. Tswelelo provides a substantial part of its financial and technical assistance in this area (approximately 30% of their portfolio). IFS also provides support to this sector in the form of courses in construction management, project planning and technical trades. It also runs a concrete testing laboratory in Francistown to support brickmaking enterprises, a related activity.

It is important to point out that Government is currently planning to diminish its capital development programmes involving large construction projects over the next few years. This will affect the growth of the construction sector overall. However, many contend that the demand for housing will continue to expand and that most of the SSEs engaged in construction are more involved in the housing subsector than other construction subsectors. Most of the large development projects are built by large contractors. Consequently, the Phase Two consultants believe that this sector will continue to be a strong growth sector for SSEs even though government spending will decrease.

Transport has good potential as well, based both on the need for

transport by enterprises to get their products to market as well as for moving people. The growth rate of transport firms was 27% in rural areas in the Phase I survey with an average number of employees of 2.5 in urban areas and 3.8 in rural areas. These figures indicate the potential for growth, particularly in rural areas. As mentioned above, it is also developing forward linkages. This sector tends to be a growth sector for SSEs in most countries, since the need for transport is an ever present need for both producers and consumers of goods. The key constraints to this sector are usually the high cost of vehicles, shortage of finance for the purchase of vehicles, or government regulation. None of these appears to be a substantially limiting factor in Botswana.

The Service Sector, in general, appears to have strong growth potential for Botswana, if one defines it in broad terms, i. e., services to manufacturing firms as well as personal services. Much of the service sector in Botswana is dominated by expatriates, due to their generally higher level of education and skill level. There appears to be much potential for service related firms in the areas of repairs, e.g., auto, machinery, air conditioning, plumbing, appliance, and in personal services such as hair salons, food preparation, and tourism-related activities. The potential for backward and forward linkages is good in the food preparation area and for forward linkages in the machinery repair subsector. The Phase I study cited the services sector as having an average of 3 employees per firm in urban areas, the third highest after construction in urban areas and transport in rural areas. The FAP evaluations and a recent study has recommended extending FAP benefits to the services sector as well. The Phase II consultants believe that this would help to upgrade this sector for Botswana-owned SSEs. It also has good potential for increasing employment of women, since many occupations in the service sector are held by women.

2. Potential for increased employment

The potential for increased employment in SSEs is limited by the types of activities in which they are currently engaged and the immediate prospects for growth. The Phase I survey and other studies have revealed that much of the employment in both formal and informal SSEs is in trading. The majority of these firms have only one or two employees, including the owner, and their prospects for growth are limited. Although the Government is mainly interested in promoting the manufacturing sector, but with some attention to the services sector, the prospects for growth are limited in those sectors as well.

Experience in other countries reveals that only a few SSEs increase in size to employ large numbers of people. Most of the programs to assist informal enterprises in other African countries have had very limited success in increasing employment to any great extent.

The result of increased access to credit in those programs has been the expansion of existing businesses to generate greater income for the owner (and, by extension, his/her family), but with little growth in size of the firm. Programs providing training and technical support have shown even less concrete results in terms of firm growth.

Even in cases where programs have concentrated on formal SSEs, the number of firms which increase employment substantially is limited. This is a result of the capitalistic phenomenon that businesses run by more astute businesspeople grow and drive competitors out of business. Thus, one must temper expectations about the potential for growth of employment in the SSE sector by these lessons from experience elsewhere.

Botswana is very unique compared to other countries in Africa. Although Botswana has benefitted from the income generated by its diamond mines and has an enviable record of financial management of its resources, it still has an economy which is substantially dependent upon resources from outside its borders. It has a developed economy, South Africa, on its doorstep which provides Botswana manufacturing firms with much of their inputs and provides consumers with much of their daily needs. South Africa has the resources and an internal market which permits economies of scale advantages in manufacturing which do not exist in Botswana. Furthermore, Botswana-based South African firms compete with local Botswana-owned firms; and much of the skilled labour is expatriate. As a result of these factors, Botswana SSEs are competing with capital-intensive, high technology firms.

This is not the case in other parts of Africa where imports from Europe or other developed economies are often prohibitive in price for general local consumption. In those cases, locally-produced, limited quality products have a substantial domestic market. Those locally-produced items can compete with lower priced goods from China or Eastern European in terms of quality, but not with higher priced goods from Europe or North America. In Botswana, locally-produced goods of limited quality may compete in rural areas, but have a difficult time competing with imported products in urban areas.

The answer to this situation is, obviously, to increase the education level of Botswana and to give them opportunities to get business experience. However, this is a long-term process and will require substantial commitment from the Government to encourage Botswana to develop their own businesses and to help them to grow. Clearly, Botswana-owned firms exist which are competing and are doing well. But the prospect for expansion of employment in the SSE sector in the near to medium-term remains limited. More people may establish SSEs out of necessity for income if formal employment options are limited. However, most of these firms will probably remain one to three-person operations due to the factors cited

above. Therefore, although SSE employment might increase in real numbers in the near-term, the value added to the products or services they make will remain limited and, consequently, they will not replace imports for either inputs or consumption to any great extent as long as Botswana maintains an open market.

B. Constraints limiting Growth in the SSE Sector

1. Policy and Regulatory

There appear to be few policy and regulatory constraints to the development of SSEs in Botswana. The Phase I survey found that almost all of the SSEs surveyed had few complaints about government policies or regulations. The Government of Botswana has been a strong supporter of the development of SSEs throughout the country, particularly in rural areas (Industrial Development Policy - 1984 and Revised National Policy on Incomes, Employment, Prices and Profits - 1990).

Most businesspersons contacted by the Phase II team found few complaints about Government policy. The only exception was the law on Community in Property which requires that women get their husband's permission prior to using jointly-owned property as collateral for a loan and which allows husbands to interfere with their wife's businesses. Women's groups have been agitating for a change in this law which would recognize their position as adults in society and reflect the changes which have occurred in Botswana society.

Some persons interviewed were concerned with the length of time it takes to implement GOB laws at the local level. The case of the law eliminating licensing for hawkers was mentioned where it took almost eight years for town councils to implement the law. The possibility for harassment of SSEs by local regulatory officials, even when laws have been changed and the regulations no longer apply was also mentioned. At issue is the potential for local regulators to protect their positions and to take advantage of ignorance on the part of poorly educated SSE owners.

2. Financial

The issue of access to finance by SSEs is one on which there is no consensus of opinion. Only 11% of the SSEs surveyed during Phase I had received credit (the same for both men and women). Furthermore, awareness of FAP and NDB was limited to 25% of the respondents. Only 4.1% of all firms had received funds from FAP and none had received any loans from NDB. The expressed need for credit was to purchase inventory in the trading sector and to purchase equipment in the manufacturing sector.

The study on the USAID Loan Guaranty Facility (Lintz, et. al.) contended that there was no lack of funds to lend to SSEs and that lack of collateral was not a problem, but rather a lack of bankable projects. This seems to be a common perception amongst the banks. It is clear that there is plenty of liquidity within the financial sector. However, businesspersons with whom the Phase II team met told of various instances of banks wanting up to 300% collateral for the amount of the loan. There appears to be little interest on the part of most of the commercial banks in Botswana to loan to SSEs, since they have other options for investment which require far less intensive management attention and which bring in a better return.

The NDB has been a lender to SSEs in the past, although mostly for agricultural purposes rather than industrial or commercial. Its current state of affairs is typical of development finance institutions (institutions set up by governments to fund projects which tend not to be funded by commercial banks, which usually have certain social development objectives and which normally do not receive deposits). Although the NDB has been serving SSE clients over the past few years, the consultant team has considerable doubts as to its effectiveness, which is reflected by the Government's decision to suspend lending until the NDB has its house in order. Experience with development finance institutions offering subsidized credit in other countries has generally been negative. The key problem involves the conflict between social development goals and financial sustainability goals. As long as governments or donors are willing to finance the programs, the problem can be papered over; but if financial sustainability is desired, these types of institutions have proven difficult to operate. It remains to be seen whether the NDB can correct its current deficiencies and become an effective player in the SSE finance scene.

Although the concept of FAP is valid, it has some problems in administration and management. Complaints were heard by the Phase II team of slowness of the application process and that many SSE owners could not understand the forms; this has supposedly limited access to the funds even though individuals might qualify to receive them. The potential for overcapitalization of funded projects was cited by the 1988 evaluation. The Phase II team viewed the evidence of the lack of screening and feasibility studies for a project during one of its field visits to SSEs. In that case, the investment of FAP of P16,000 was matched by a P5,000 loan from the NDB which resulted in a P200 personal contribution by the three persons engaged in the business. Their gross sales were about P250/month. With the loan repayment at P170/month, the enterprise was failing fast. The market for their product (which seemed overpriced) also appeared to be soft and they had little idea of how to overcome their marketing problems. Although this was only one case, it shows how FAP can be used in conjunction with NDB loans to minimize the risk capital of the entrepreneur. With

only a 1% investment in the project, the owners could walk away from the business with hardly a second glance. It would seem that a more substantial equity investment should be required on the part of the owner of the enterprise to assure the seriousness of the entrepreneur. (For example, Tswelelo stated that they require the entrepreneur contribute a minimum of 10% of the total investment.)

Current attempts by RIP/B and WFH to set up minimalist credit programs for small loans (less than P1,000) on short repayment terms to provide for working capital to finance SSE inventories are a step in the right direction to assist informal SSEs. Much experience has been gained with these programs, both in Africa and elsewhere, in the past ten years and they can be very effective in meeting the needs of traders and working capital needs of very small manufacturing SSEs (e. g., to allow a small garment maker to buy material to fill an order for overalls). Since women are very active in the informal trading sectors, this type of support can help them to generate more income for their families.

3. Non-financial

a. Training and technical assistance/Shortage of skilled workers

There appears to be a need for more effective training and technical assistance programs for SSEs. The Government recognized this need and began an accelerated program to improve technical skill training courses, both within the Ministry of Education and through various extension services, such as IFS, two years ago. Currently, many of the more advanced technical trade jobs in industry are held by expatriates from South Africa, Zimbabwe or Malawi. The Brigades has provided very basic training in technical skills, but more advanced training was needed to bring graduates up to a level necessary to hold down a job. The Phase II team heard that RIIC seems to be doing a relatively good job in technology innovation applied to SSEs.

More needs to be done in the area of general business and financial management as well. One need expressed to the Phase II team was to adapt many of the courses currently offered to SSEs to a more basic level and to use Setswana rather than English. This use of a nonformal education approach has been effectively used in Kenya and other countries to teach entrepreneurs how to manage their businesses. BOCCIM, IDM and others seem to be concentrating on business education at the upper end of the SSE spectrum - all of their courses are taught in English. If they are interested in developing special courses in Setswana which deal with those at the lower end of the spectrum, it would help to provide linkages with the larger business community. It may also be possible to put these efforts within the Ministry of Education's Nonformal Education Department or to have these efforts coordinated by IFS in

the rural areas. The Institute for Adult Education may also be a potential trainer for these purposes.

One of the lessons learned elsewhere is that businesspeople will often attend training programs if they are free, but will resist attending those which cost them money. An innovative program in Senegal has organized trade groups, e.g. tailors and bakers, and has actively involved them in the training process, including needs assessment, course design and actually training them to teach their peers. An important part of the program is to charge the persons a fee for the course. The fee does not necessarily cover the cost of the course, but it is enough to make sure that the participant is serious and wants to learn the material enough to pay for it. This is a helpful technique to be sure that the trainee actually considers the course to be of value to him/her. The Government should explore using this type of approach as part of the nonformal training suggested above.

b. Entrepreneurial attitudes

Botswana has not traditionally been an entrepreneurial society. It has a history as a pastoral, rural society up until shortly after independence when diamonds were discovered on the land. Since that time it has grown rapidly to the point where it now has a sizable urban population of 450,000. The urban population has adapted to a more modern societal structure and formal employment and enterprise development have become a principal focus of the Government.

However, entrepreneurial attitudes are not born overnight. It takes years and a generation or two to develop an entrepreneurial culture. Botswana still identify with their pastoral background and it is common for urban dwellers to spend considerable time at their "cattle posts" when they are not working.

Prior to independence, the commercial franchises of colonial traders were protected under law and tradition. Botswana were excluded with the exception of hawkers, beer brewers and shabeen operators who were peripheral to the dominant economy. The wealth of Botswana was determined by the size of their cattle herds.

Coupled with the lack of indigenous entrepreneurial talent, expatriates from nearby countries and further afield have filled the gap. The Government has been pursuing policies to utilize skills of expatriates when necessary, but, at the same time, to try to increase the education levels of Botswana to eventually take over these posts and to engender an entrepreneurial spirit within Botswana. Courses in schools need to acquaint Botswana children with entrepreneurial and basic business concepts. It will take some time to develop these capacities within individuals, but it can be accomplished with a concerted program with support from the

Government.

c. Management skills

Management problems were cited by many persons interviewed and by various studies as the key reason why SSEs fail in Botswana. This problem manifests itself in terms of co-mingling business and household revenues, failure to understand business planning, and a lack of understanding of quality control and competitive pricing as determinants of market feasibility.

Batswana who received on the job training in RSA, Zimbabwe and other African countries reported to the Phase II team that their skill level and entrepreneurial awareness increased. Some were motivated to return to Botswana and to build small businesses around the skills they had acquired. In many cases their technical skills were superior to those of Batswana who had not been exposed to the same outside influences. However, these businesses have often suffered from a lack of general business and financial management which has significantly impaired profitability.

In many cases, available technical assistance and management training was too sophisticated to meet their needs appropriately. When this has been the case, the business advice is poorly understood and is not implemented. This issue was covered above under the training a technical assistance section.

d. Markets and marketing skills

The competition from South Africa, both in product quality and price, as well as in marketing skills is a major constraint on the development of SSEs in Botswana. The high relative cost of Pula to other currencies also creates problems with exports of Botswana-made products.

The lack of adequate Botswana market absorption capacity (especially in remote rural areas), Batswana customer preferences for RSA imports and lack of marketing skills is the second most commonly cited reason why SSEs fail.

"Shortage of customers" is a commonly heard complaint of SSEs, both in Botswana and elsewhere. This usually reveals an ignorance of how markets work and how to determine if a product or service is feasible. The problem is at the conceptual level, rather than with deficiencies in packaging, presentation, customer relations, discounting and/or understanding customer preferences.

The marketing tactic used most often to attract customers is selling on credit. This often results in long term, unpaid bills which means the entrepreneur is unable to cover his/her recurring

expenses including supplier credit. This is a serious problem in Botswana. The Phase I study cited "customers not repaying credit" as the most significant finance problem mentioned by firms surveyed. The Phase II team experienced this problem during field visits to school uniform manufacturers. Prior to a year or two ago, the schools would pay the manufacturer for the uniforms when they were delivered. Now, the school must wait for the parents to pay for the uniform and this oftentimes results in either late payment or nonpayment. Meanwhile the uniform manufacturer is carrying the cost of producing the uniform. One entrepreneur interviewed by the Phase II team who owns and operates a medium-scale uniform and dressmaking business said that she nearly went out of business when the Government changed their procedures on uniforms. Since she must also depend upon supplier credit to finance the purchase of her inputs, she pays a higher price for those inputs than if she could cover them with a letter of credit from a bank.

Marketing research can be taught, but good marketing of a product or service requires both thought and inspiration. There is need to improve on the capabilities of Botswana in this regard. It can be done through courses, technical assistance, and field experience. There is a need to also develop nonformal education programs to instil marketing concepts in the minds of SSEs at the lower end of the spectrum, similar to the programs suggested above to teach general business skills.

e. Land and infrastructure

A major constraint to SSE development (as well as other development) in urban areas is the shortage of serviced plots and access to good locations from a marketing point of view. This problem is well known within Botswana and the Government has been taking steps to rectify this. However, in rural areas infrastructure such as water and electricity is problem as well as transport for their products. These problems will need to be addressed if the SSE sector is to develop.

f. Worker productivity

Complaints about worker productivity in Botswana are frequently heard, from both local and foreign investors. Some individuals interviewed by the Phase II team expressed disappointment with the lack of a strong work ethic amongst Botswana. Interestingly, this was often contrasted with the work ethic of the SSE owner him/herself in the case of those who had worked outside Botswana and received their training there. The social safety net which exists in Botswana - both from the standpoint of government policies on wages and worker benefits as well as from the standpoint of the extended family which is ready to support family

members who need it - has been faulted as causing many of these productivity problems. Others contend that it is also a management problem - if owners were stricter with their workers, the problem would be diminished. The truth probably lies somewhere in between. The Government recognizes the problem and the consultants endorse their efforts to address it.

9. Importation of raw materials and high utility costs

The shortage of local, exploitable resources (other than mineral and cattle wealth) has been cited as a major problem for the development of the manufacturing sector in Botswana. This affects SSEs as well. When a producer must import his/her raw materials, the cost of the product is inflated. This often makes Botswana-made products noncompetitive with imports. There is no easy solution to this problem, although bulk purchasing can help. This problem must be solved on an individual industry-by-industry basis since the problem is so widespread and cannot be resolved through any specific government action (although some argue that a devaluation of the Pula would help).

The high cost of utilities, particularly electricity, in Botswana is also responsible for raising the costs of production. This has caused some foreign investors to think twice before investing in Botswana. In terms of SSEs, the high utility costs can also make their products noncompetitive with imports.

4. Limitations on backward and forward linkages

The potential for backward and forward linkages is a key issue which was addressed in the Phase One Draft Report and has also been the focus of attention in the Phase II qualitative study of SSE's in Botswana.

Forward linkage, subcontracting arrangements with medium and large manufacturers is an important component of the financial viability of SSEs in both developed and some developing countries. However, the success of this approach tends to depend on certain key factors which include the following:

- The ability to meet the manufacturer's quality control standards so that the product does not malfunction due to a poorly made or improperly designed component part;
- Reliability of supply at the specified time and in the specified quantity so that adequate inventory can be maintained and orders filled promptly;
- Properly packed and transported goods so that breakage, pilferage and/or spoilage, in the case of perishables,

does not result in goods arriving in unusable condition;
and,

- The component or sub-component parts must be cost competitive with those of competing suppliers.

Experience has been that larger scale manufacturers in developing countries are reluctant to enter into subcontracting relationships with SSEs because they doubt their ability to meet one or all of those conditions. Therefore, they prefer to deal with well established, large-scale suppliers or to limit SSE subcontracting to ancillary services such as cleaning, catering, laundry, grounds keeping, security guards, uniform suppliers, etc. There is also a reluctance to subcontract trucking services because small firms often lack an adequate of spare parts or trucks which can result in delays.

Exceptions are made when critically needed raw materials are available locally and SSE firms have a comparative price or delivery time advantage. This is not the case in Botswana, which lacks many of the raw materials needed for backward linkages. For example, producers must import the following inputs for their products - leather, steel, plastics, timber and textiles). Botswana SSEs are particularly disadvantaged because of their proximity to South Africa and a customs treaty which rules out any attempts to assist them which might be considered protectionist. The comparative strength of the Pula also detracts from the viability of SSEs forming linkages with foreign companies.

The Phase One Draft Report concluded that SSEs have some comparative subcontracting advantages in construction and transport activities. These opportunities should be maximized through Government encouragement of these types of linkages through their influence with the purchasing departments of Government agencies and parastatals to mandate local-origin goods and services set-aside provisions. Although procedures are currently in place for local preference schemes, there are complaints that implementation is not accomplishing the desired result. Cost and quality considerations should not be ignored and technical assistance to off-set competitive disadvantages should be provided.

However, it is recommended that the Government should not impose similar pressures on large-scale, private sector manufacturers to purchase subcontracting inputs from SSEs. Forcing a company to purchase locally-produced, but inferior quality items will not help to improve the image of Botswana-made products. This type of pressure generates resentment and rarely succeeds.

5. Limitations on the expansion of handicraft production and exports

A member of the Phase II consulting team traveled to Maun and Etsha to conduct key informant interviews for the purpose of forming an initial impression of the economic viability of these handicrafts.

Throughout the developing world, crafts have been considered as a means of employment and income generation. However, this strategy has serious constraints which have generally reduced its effectiveness and caused governments to lower their expectations. The key obstacles to implementing this approach include:

- Failure to maintain high quality control standards, which meet the requirements of sophisticated, up-scale export markets;
- The inability to meet large scale orders on time for specific types of craft products;
- Transportation problems from the point of production to the point of sale which can incur excessive costs which make the products less cost competitive and less profitable;
- Failure to adequately estimate the return on the number of hours of labor required to produce the craft item in terms of the opportunity cost of alternative income opportunities;
- Failure to understand customer preferences in both domestic and export markets; and
- Ecological problems related to use of the raw materials needed for crafts production and/or the potentially damaging effects of certain production methods.
- Reliance on social marketing linkages which have limited sales potential and tend to put the product at the lower end of the market.

A lengthy key informant interview was held with individuals closely involved in the production and marketing of baskets in the Etsha area which has approximately 400 local artisans working on less than full-time basis, mainly at home.

There was clear consensus that quality control must be the central focus of any rural income generation strategy involving the production and marketing of baskets. This is very difficult to enforce because independent buyers are able to purchase low quality baskets directly from villagers.

Local artisans who receive training from competent instructors can significantly improve their earning potential (from 100% to 400%) by producing high and super grade baskets. However, in the Etsha area there are only three or four women who can produce consistently at that level. It was estimated that the potential for increased employment generation was about 300 women with an earning potential of P200 - 300 month, while the rest would only be able to earn about P50 month in supplementary income.

There are potentially serious ecological problems resulting from continued use of harmful reed and root bark harvesting procedures, which could reduce the supply of locally available craft inputs. This problem has been identified, but measures to correct the situation remain inadequate.

The ability to fill large export orders on time depends on the ability of buyers to maintain an adequate supply of high quality baskets which has proved to be a problem in the past. High transportation costs have decreased Botswanacraft's profits in the past to such a degree that export sales have been suspended. Adequate fax communication is not available which is an obstacle to achieving market outreach.

Botswanacraft has lost money for several years, requiring large GOB subsidies despite its established expertise in cost-effective shipment to export markets. The company is under new management and subsidies will soon be removed. However, operating without GOB subsidies may constrain the firm's outreach and marketing abilities.

BOCCIM and MCI have been making new efforts to improve on the marketing of Botswana handicrafts. A smart-looking, glossy brochure entitled "The Kalahari Collection" was recently produced by an import/export agency called Rustic Touch which was commissioned by BOCCIM, endorsed by the Department of Trade and Investment Promotion of MCI, and partially funded by USAID. It is too early to tell if these new efforts will increase handicraft exports.

Although the income generation potential of exporting high quality baskets to upscale niche markets initially appears to be attractive, it does not appear to be a viable strategy for large scale employment creation in Botswana.

CHAPTER VI RECOMMENDATIONS ON GOVERNMENT POLICIES AND
PROGRAMMES FOR THE SSE SECTOR

The Phase II consultant team submits the following recommendations in regard to the development of formal and informal SSEs in Botswana:

A. Programmes for Support of the Sector

There have been considerable efforts made to assist SSEs in Botswana over the years by the Government, donors and private organizations. Some of these programmes have been successful and some have not. The consultant team recommends that the following modifications or additions be made to improve the services available to SSEs and to improve delivery of those services.

1. Financial Assistance Programme (FAP) -
 - a. FAP should be made available to the services sector, both manufacturing-related and personal services such as plumbers, electricians, auto repair shops, etc.
 - b. An incentive or review system should be designed to improve the screening and monitoring of FAP applications and to make officials accountable for the proper performance of those functions.
 - c. A ceiling should be put on FAP grants to start-up businesses and those businesses should be monitored over a period of time to ascertain if the business is viable. If it proves viable, additional grants could be considered. (The amount of the ceiling and monitoring period should be determined according to the type of business.)
 - d. Government should determine a minimum level of risk capital to be contributed by FAP grantees (either in a fixed amount of money or percentage of investment terms) and not permit applicants to obtain loans from financial institutions to be a part of that minimal contribution.
2. Training and technical assistance programmes -
 - a. Government should continue to improve the delivery of technical skills training to Botswana and to develop more training programmes to assist in promoting general business management and marketing skills. This will help to address the two primary causes of SSE failure in Botswana.

- b. More Government resources should be put into nonformal education and training activities, either through FAP or another funding window, to provide increased training to very small-scale and informal enterprises with owners who have limited education and do not speak English well. Special training and technical assistance needs of women entrepreneurs should be addressed in these activities. This activity can also assist in screening applicants for FAP.
 - c. A series of printed material, radio shows and videos in Setswana should be prepared and widely disseminated which can assist small-scale entrepreneurs in understanding various basic concepts important to his/her business. These could include information on banking and credit, marketing, financial management, personnel policies, and costing/pricing/market relationships. They could also include information on the various services and institutions available to assist SSEs in Botswana.
3. Finance for very small SSEs and informal businesses -

Government should support organizations to develop minimalist credit programmes which provide very small loans (e.g., less than P1000) to small SSEs and informal businesses to help to meet their working capital needs. These types of programmes in other countries have been particularly helpful in assisting women entrepreneurs to overcome some of their limitations in access to credit. Encouragement should be given to programmes which link to commercial banks. Government assistance might involve financing initial operational costs for the programmes, providing revolving loan funds, providing technical assistance in setting up the funds, or funding trips to other countries to study successful minimalist programmes or to attend conferences on the subject.

B. Policies/Regulations

1. Government should strongly consider amending the law to eliminate the requirement that women receive approval from their husbands to receive a loan from a bank. Likewise, the law regarding community property that permits husbands to have control over a woman's business activities should be eliminated.
2. Government should monitor the enforcement of liberalized trading laws and other laws affecting enterprises, eg. health and fire, to assure that implementation of these laws by local officials is timely and effective.

C. Institutional Issues

1. Government should demonstrate its commitment to SSE development through increased resources to IFS to improve staffing and training of IFS officers. This should concentrate on improved screening of FAP applicants and monitoring of approved projects. Incentives should be provided to IFS officers to work in rural areas to counterbalance the more difficult conditions attached to work there.
2. IFS offices should serve as resource centers for training and financial assistance to SSEs but limit their actual training activities to the hiring and monitoring of NGOs, business associations or consulting firms providing the training. This action would recognize the limitations of government employees with limited private sector experience teaching entrepreneurs how to run businesses.
3. Government should encourage the Ministry of Education and the Efforts should be made to increase business-oriented courses in the school systems and to expand extension courses to assist SSEs within the Department of Nonformal Education. The Institute of Adult Education and other extension agencies should also be encouraged to develop special programmes in this area.

ANNEXES

Revised Terms of Reference
Study of Informal and Small-Scale Enterprises

1. Introduction

1.1 The Revised Incomes Policy (1990) requires that "A study of the scope of the existing informal sector", and its relationship to the formal sector, should be completed as a matter of urgency." The White Paper states "...that there is a considerable untapped potential in the informal sector." Many, in and out of Government, are concerned that large numbers of school leavers, especially Junior Secondary, will have to find informal sector employment, if they are to be employed. The Report on Incomes Policy had recommended that the study contain a detailed implementation plan to enable Government to develop strategies to expand informal sector employment.

1.2 These revised Terms of Reference have been expanded to include formal, small-scale service and manufacturing enterprises. Ministry of Commerce and Industry and the United Nations Development Programme are developing a project to provide "...support to small-scale industries and the manufacturing related informal sector." The main implementing agency for this project is Integrated Field Services. The project is expected to be launched in late 1992 or early 1993.

* The "informal sector" refers to small-scale income producing businesses that are not registered or licensed and typically do not pay taxes. Most often, these enterprises do not conform to requirements or standards of minimum pay, quality of product or service and measures to protect their employee's safety and health. Nonetheless, these activities increase national employment levels and are often a key training ground for indigenous entrepreneurs. Successful enterprises regularly "graduate" to the formal sector.

55

2. Background

2.1 In many countries, the informal and small-scale (formal) sectors contribute significantly to national output and employment. In Botswana, indigenous, small-scale enterprises are less well-developed. Historically, Botswana have been engaged mainly in agriculture and cattle ranching, while large numbers have sought employment in South African mines, commercial farms and households. Unfortunately, the productivity of rain-fed agriculture in most regions is poor and overgrazing is a major problem. Further, it is anticipated that most foreign mine workers in South Africa, as well as other foreign workers, will be repatriated in coming months or within very few years.

2.2 A large number of participants in the informal sector are women. This appears to be the case in retail trade and crafts, where women are believed to predominate. Information and recommendations aimed at promoting women in business is a specific area of focus of the study.

3. Design and Objectives of the Study

3.1 Essentially, a two-stage process is involved. First, a field survey will be conducted followed by an analysis of the data obtained. Second, an action program will be recommended by the consultants and Reference Group to NEMIC. Following further review by Government (in particular, within the context of the 1992 World Bank-Government of Botswana study of opportunities for industrial development), action programs will be established and assigned for implementation by the responsible Ministeries.

3.2 These Terms of Reference cover all small-scale enterprises, defined as firms with 10 or less employees. They include formal and informal enterprises as well as commerce and industry.

3.3 Survey information will cover:

- (a) Location of the enterprise;
- (b) Ownership (citizenship, age, gender).
- (c) Type of activity;
- (d) When established;
- (e) Size of enterprise (employment, gross sales);
- (f) Labour force (family, paid workers)
- (g) Measures of success (increase in labour force, growth in sales, etc.);
- (h) Linkages to other businesses;
- (i) Constraints (technical, financial, institutional).

3.4 Based on our experience with small and medium-scale Financial Assistance Policy (FAP) projects, it appears that opportunities exist for developing further informal and small scale activities in: services, mining, leather, building materials, construction, indigenous manufacturing and craft production.

3.5 The main objective of this study is to explore the opportunities available and constraints affecting the development of small-scale enterprises. Actual and potential linkages with other businesses, including large scale enterprises, will be evaluated. Specific recommendations will be made to develop these activities.

3.6 The informal and small-scale enterprise study is intended as essential background information for the proposed United Nations Development Program project to assist informal and small-scale manufacturing enterprises through the Ministry of Commerce and Industry's Integrated Field Services.

3.7 The study should serve as a useful input to the collaborative World Bank-Government of Botswana study of opportunities for industrial development. For example, one possible outcome would be a recommendation to re-orient the Financial Assistance Policy (FAP) exclusively towards citizen-owned, small enterprises. The WB-GOB study is expected to result in a revised Industrial Development Policy, following approval by Cabinet and Parliament.

4. Summary of Terms of Reference

4.1 To determine the type, number, employment and linkages to other economic activities of informal and small-scale enterprises.

4.2 To determine the reasons for success or failure of individual enterprises.

4.3 To determine what are the constraints facing small scale formal and informal enterprises (and if they are gender related).

4.4 To propose action programs for implementation to develop indigenous informal and formal small-scale enterprises.

4.5 The composition of the study team, Reference Group and time-frame for completion is as follows:

- (a) Two local experts in informal and small-scale enterprise development;
- (b) A local consulting firm experienced in carrying-out field surveys of this type;
- (c) Two outside consultants: a Team Leader experienced in small enterprise development in other developing countries and one technician who will participate in questionnaire design, field work and assuring the reliability of the collected data;
- (d) A Reference Group is to be established, composed of representatives from: Ministry of Finance and Development Planning; Ministry of Commerce and Industry; Ministry of Local Government and Lands; Bank of Botswana; University of Botswana; Botswana Confederation of Commerce, Industry and Manpower; Botswana Federation of Trade Unions; United States Agency for International Development; and United Nations Development Programme. The Reference Group will assist the consultants in the design of the survey, including selecting target areas and groups. Most importantly, the Reference Group will participate with the consultants in drafting recommendations to NEMIC for programs to develop informal and small-scale enterprise businesses.
- (e) The Secretariat will be provided by the Employment Policy Unit in the Ministry of Finance and Development Planning; and finally
- (f) The study is to begin in mid-January 1992 and the report to NEMIC is to be completed by the end of June 1992.

Employment Policy Unit
Ministry of Finance and Development Planning

24/10/91

- 58 -

ANNEX 2

WORKPLAN

PHASE II

BOTSWANA SMALL-SCALE ENTERPRISE SECTOR STUDY

Background

This workplan has been prepared to implement the second phase of the Botswana Small-Scale Enterprise Sector Study mandated by the Revised Incomes Policy in 1990. The Report on Incomes Policy recommended that the study contain a detailed implementation plan to enable Government to develop strategies to expand informal sector employment. The Revised Terms of Reference for the Study of Informal and Small-Scale Enterprises set forth the context and the work to be performed by the consultants implementing the study. Those terms of reference call for a two-stage process - a field survey with analysis of the data obtained followed by the development of an action plan to be presented to the Reference Group appointed by NEMIC. This second phase of the study will provide the recommendations for an action plan to the Reference Group.

The terms of reference cover all small-scale enterprises, defined as firms with 10 or less employees and include formal and informal enterprises. The main objective of the study is to explore the opportunities available and constraints affecting the development of small-scale enterprises. It is intended that this study provide essential background information for the proposed UNDP project to assist informal and small-scale manufacturing enterprises as well as serve as a useful input to the collaborative World Bank-GOB study of opportunities for industrial development.

Principal Requirements of the Terms of Reference

The terms of reference require that the following activities be conducted by the consultants:

1. To determine the type, number, employment and linkages to other economic activities of informal and small-scale enterprises;
2. To determine the reasons for success or failure of individual enterprises;
3. To determine what are the constraints facing small scale formal and informal enterprises (and if they are gender related); and

4. To propose action programs for implementation to develop indigenous informal and formal small-scale enterprises.

Phase I of the study was essentially a quantitative, data collection exercise and consisted of an extensive survey of small-scale enterprises throughout Botswana. It substantially completed number one and collected limited data on numbers two and three. Phase II will be a largely qualitative, strategy formulation exercise and will complete the remaining analysis of the first three items and will propose the action programs in number four.

Methodology

The consultants will review the draft report from Phase I and determine any data gaps. If any remain, a determination will be made of the feasibility of collecting this data either during the period of time available for Phase II or as part of a separate study.

The consultants will also collect and review previous studies on the informal sector and small-scale enterprises in Botswana for incorporation of appropriate ideas or data into the report for Phase II.

The research methodology to be utilized for Phase II will be principally through key informant interviews. The persons and agencies/organizations to be interviewed will be selected in collaboration with the MFDP and will be with the following categories of people :

- A selected sampling of small-scale enterprises in various parts of the country will be interviewed in-depth. Some enterprises interviewed during Phase I which were identified as either having comparatively higher growth rates or as having the potential for higher growth rates will be included in the sample of enterprises interviewed;
- Representatives of both government agencies and nongovernmental organizations with programs which are providing services or support to small-scale enterprises, both formal and informal;
- Businesspeople in formal, small, medium and large-scale enterprises will be interviewed who can provide information and insights on either existing linkages, or potential linkages, with small-scale enterprises in selected sectors of activity.

The sample of small-scale enterprises visited by the consultants will be selected in collaboration with the Ministry of Finance and Development Planning.

Timing and Schedule

The external consultants provided through USAID arrived in Botswana on May 4, 1992 and began work on May 5. They will be in Botswana for four weeks. The local consultants hired by the GOB will work closely and collaboratively with the external consultants so that all consultants may contribute their talents and specialties to the research and final report of the consultant team. The schedule for the team will be as follows:

- Week 1 Preliminary meetings will be held with officials at the MFDP and USAID and amongst the consultants to clarify issues regarding the terms of reference, research to be conducted and reporting. Agreement will be reached with the MFDP and USAID on a workplan by the end of the first week so that logistical arrangements may be made for transportation and other consultant/research needs during the next two - three weeks. The draft report from Phase I will be reviewed and a determination made as to further research needs. A list of enterprises and officials/representatives to be interviewed shall be prepared in collaboration with the MFDP. An interview format for each type of key informant category will be prepared to use as a guideline for in-depth, open-ended interviews.
- Week 2 Field research and interviews will commence. Collection and review of other relevant documents will be done.
- Week 3 Meet with the Reference Group to discuss preliminary work to date and to receive guidance on research to be conducted within the time remaining. Continue research.
- Week 4 Prepare draft report and submit to the Reference Committee by May 26, 1992. (May 28th is a holiday in Botswana.) The consultant team will discuss the report on June 1, 1992 prior to the departure of the external consultants from Botswana.

Content of the Consultants' Report

The Consultants' Report will address the following issues:

- a. Alternative strategies for mobilizing the productive and service sectors of small-scale enterprises, with particular attention to the informal sector to increase the potential for absorption of the large number of school leavers and returnees from South Africa into productive, income-generating activities;

- b. Types, level and extent of financial and non-financial assistance (e.g., training and technical assistance) through which Government may promote existing activities in the informal sector, with attention given to the different needs of men and women. This will include a review of existing programs and institutions with an analysis of their strengths and weaknesses;
- c. The extent to which Government policies and regulations hinder the development of the informal sector and small-scale enterprises, with attention given to gender issues. Recommendations will be made on how policies and regulations could be modified or new ones developed to better promote the activities of the informal sector and small-scale enterprises; and
- d. An institutional framework for the programs and interventions suggested will be proposed.

ANNEX 3

INFORMAL SECTOR STUDY - PHASE II

CONSULTANT TEAM SCHEDULE

Week of Sunday, 3 May - Saturday, 9 May

Mon., 5 May - External consultants, arrive in Botswana

Tues., 6 May - First meeting of full consultant team with T. Nyamadzabo & A. Boucher from MFDP to discuss terms of reference and approach to study.

External consultants meeting with USAID officials to discuss scope of work.

External consultants meeting with SIAPAC to discuss Phase I Survey.

Weds., 7 May - Consultant team meeting regarding possible sources of information and documents on Botswana informal sector

Document search by consultants

Thurs., 8 May - Meeting of external consultants with S. S. G. Tumelo, T. Nyamadzabo and A. Boucher of MFDP and with R. Baum and C. Culler of USAID to discuss terms of reference and relationships among members of the consultant team.

Consultant team meeting to determine information required from enterprises and potential agencies/organizations to be interviewed.

Preparation of draft workplan.

Fri., 9 May - Review and discussion of workplan by consultants with T. Nyamadzabo and A. Boucher of MFDP.

Collection and review of documents.

Week of Sunday, 10 May - Saturday, 16 May

Sun., 10 May - Review Documents

Mon., 11 May - Consultants and T. Nyamadzabo finalize sites to visit, organizations to contact, field trip

schedule and make logistical arrangements.

Tues., 12 May - Mochudi and Pilane enterprise visits

Weds., 13 May - Francistown enterprise visits

Thurs., 14 May - Kanye enterprise visits

Fri., 15 May - Gaborone enterprise visits
Maun enterprise visits

Sat., 16 May - Maun enterprise visits

Week of Sunday, 17 May - Saturday, 23 May

Mon., 18 May - Morning - Interviews with officials and
representatives of organizations

Afternoon - Field Trip to Molepolole for visits to
enterprises

Tues., 19 May - Morning - Interviews

Afternoon - Reference Group Meeting

Weds., 20 May - Fri., 22 May - Interviews

Sat. 23 May - Write Draft Report

Week of Sunday, 24 May - Friday, 29 May

Sun. 24 May - Thursday 28 May - Write Draft Report

Fri. 29 May - Submit Draft Report to MFDP

Week of Sunday, 31 May - Friday, June 6

Mon. 1 June - MFDP distributes Draft Report to Reference Group

Tues. June 2 - Thurs., 4 June - Reference Group members review
Draft Report

Fri., 5 June - Consultant Team Debriefing and Discussion of Draft
Report with Reference Group. External consultants
depart Botswana

(S. Silcox, Team Leader, to complete final report in Washington
upon receipt of written comments from the Reference Group.)

ANNEX 4

LIST OF PERSONS AND ORGANIZATIONS CONTACTED

**GOVERNMENT AGENCIES/PARASTATALS, ORGANIZATIONS AND COMPANIES
PROVIDING SUPPORT OR SERVICES TO SMALL SCALE ENTERPRISES**

Ministry of Finance and Development Planning (MFDP)
Taufila Nyamadzabo, Employment Coordinator
Armand Boucher, Deputy Employment Coordinator

Ministry of Commerce and Industry
Vincent K. Selato, Director, Dept. of Industrial Affairs

Botswana Development Corporation (BDC)
John Disele, Project Manager
Charles St. Clair, Commercial/Industrial Division

Financial Assistance Program (FAP)
Lebani N. Cephas, Senior Economist, FAP, MFDP

National Development Bank
George Modukanele, Project Officer, Gab. Region
Phemelo Makodi, Project Officer, Gab. Region
Victor Bogatsu, Regional Manager

Barclays Bank of Botswana
Esther Lemo, Small Business Manager

Standard Chartered Bank of Botswana
Joseph Marsh, Commercial Credit Manager

Zimbank Botswana Limited
Israel Chasasa, Sr. Manager, Credit & Risk Management Dept.

Tswelelo (Pty) Ltd.
H. B. Mahloane, General Manager
Ludger Buscher, Corporate Development Manager

Integrated Field Services (IFS)
Sinini Sibanda, Coordinator Northern Region (Francistown)
David Okullo, Sr. Industrial Officer, Lekgaba Pottery Center
Olive Sephuma, Rural Industrial Officer, Maun
Lucas Stshukudu, FAP Officer, Maun

Institute of Development Management (IDM)
Joe Lisindi, Country Director
Georalalwe Seloilwe, Lecturer, Marketing

Botswana Confederation of Commerce, Industry and Manpower (BOCCIM)
Dichaba Molobe, BMAP Program Manager

Rural Industries Promotion (RIP)
David Inger, Managing Director

Botswana Mill Owners Association
Jose Hoogervorst, Business Advisor

Brigades Development Center (BRIDEC)
Susanna Spaulding, Senior Officer, Mgt. Development & Production

Women's Finance House
Victoria Masenya, Director
Haris Chotani, Training Manager

CORDE
Simon Thaga, Management Education Coordinator

Business Development Consultants/African Development Foundation
Babutsi Beauty Selabe

PE Consulting Group
Tim Sheperd, Asst. Mgr., Information Technology

PROMAN
Carolyn Wilson, Marketing Officer

Economic Consultants/Maendelelo Development
Brian Egner

United Nations Development Program (UNDP)
Anni Blasten, UNIDO Program Officer

University of Botswana Law School/Women in Law in Southern Africa
Athaliah Malokomme

Private Consultant
Elsie Alexander

ENTERPRISES VISITED

As per the consultants workplanplan (See Annex 2), the enterprises visited included both small-scale enterprises as well as medium and large-scale businesses which could provide information on potential linkages between SSEs and larger businesses. These larger businesses were also contacted since they had often grown from small-scale businesses and the consultants desired to learn more about the dynamics of that growth in order to determine their perceptions about the opportunities and constraints to growth for SSEs in Botswana. Likewise, some NGO-run enterprises were contacted to determine their specific problems as well as to assess how they benefitted from subventions and to compare them to SSEs without the same advantages.

Gaborone

Botakga Hand Knits - M. Glickman & D. Effah, owners
Mmala Paints - K. Kasale, Admin. Officer
Arona Gemstones and Bone Carving - Mrs. Ncube, owner
Dressmaker shop, African Mall - G. Motsumi, owner

Mochudi/Pilane Estate

Pilane Klogs Manufacturing - Joyce Jacobs, Asst. Mgr.
Setlhatlha le Majwe (dressmaking company) - Mmule Kolobe, owner
Dressmaker shop, Pilane estate - Ellen Disswae, owner

Kanye

R. T.'s Metal Workshop - R. Thakadu, owner
Kanye Potteries - T. Tokonyane, co-owner
Letsele Fashion World - C. Jobson, pattern designer

Thamaga

Thamaga Potteries - D. Sejabodile, Acting Mgr.

Molepolole

Botswana Uniform Agency - M. Keerate, Gen. Mgr.
Mafenyatlata Hotel - O. A. Falebita, Manager

Francistown

Concrete Brick & Block Products Ltd. - X. Mathambo, Managing Dir.
Goldmine Bottle Store - Paphani Mphusu, owner
School Uniform/dressmaking firm

Maun

Bo's Bakery - Bommo Fella, owner
Kagiso Bakery - D. Bojosi, owner

Etsha

Dutch Reformed Church - Rev. Christopher and Annette Weys (market baskets and brickmaking operation)

ANNEX 5

BIBLIOGRAPHY

- Alexander, E., et. al., "Informal Sector Businesses in Four Botswana Communities," MFDP, October, 1983.
- Chilisa, E. & Kgathi, D. L., "The Development of Small Scale Industries in Botswana", ILO/SATEP, 1987.
- Chr. Michelsen Institute, "Report on Evaluation of FAP," MFDP, April 1984.
- Economic Consultancies (Pty) Ltd., "Prospects for Diversification of the Small Scale Enterprise Sector in Botswana", GOB, January 1985.
- Fisseha, Yacob & Lisa Daniels, "Draft Report - Micro and Small-Scale Enterprises in Botswana: Results of a Nation-Wide Survey", May 1992.
- Gay, John & Nomtuse Mbere, "Preliminary Report on the Informal Sector Study", MFDP & MLGL, April 1983.
- Gay, John, et. al., "Informal Sector Businesses in Four Botswana Communities", MFDP, Oct., 1983.
- Hagglblade, Steve, "Rural Industrial Officer's Handbook", MCI, 1982.
- Hunter, John, et. al., "Ideas for Small Enterprises", IDM, December 1976.
- Integrated Field Services, "Catalogue of Training Programmes and Advisory Services, 1991/1992, MCI, 1991.
- Kann, Ulla, "Botswana's Informal Sector: A State-of-Knowledge Review", University of Botswana, July 1989.
- Lintz, Randall, et. al., "Strategic Assessment of the Availability of Commercial Financing for Small and Medium-Scale Enterprises in Botswana and Evaluation of the Bureau for Private Enterprise's Loan Guaranty Facility", Management Systems International/USAID, November 1990.
- Mogae, The Honorable F. G., "Budget Speech - 1992," Ministry of Finance and Development Planning, 1992.
- Molokomme, Imelda M., "Draft Report - FAP Service Sector Study" Integrated Consultancies and Resource Center/Ministry of Finance and Development Planning, March 1992.

- Molokomme, Imelda M., "Final Report on Small Enterprise Training Needs Assessment and Training Programme Development," Women's Finance House, December 1991.
- Morapedi, N.T. & E. Jones-Dube, "Final Report - Evaluation of the Financial Assistance Policy: Background Information on Small Scale Enterprises", MFDP, Nov. 1988.
- Narayan-Parker, Deepa, "Factors Affecting Small Scale Production in Rural Botswana", RIIC & MCI, March 1982.
- Otero, Maria, "Gender Issues in Small Scale Enterprise", USAID, July 1987.
- Republic of Botswana, "Publicity Material for the Scheme to Assist Citizen Building Contractors and Road Contractors, Ministry of Commerce and Industry, February 1989.
- Republic of Botswana, "Financial Assistance Policy - Small Scale FAP Pamphlet & Medium and Large Scale FAP Pamphlet (Revised 1989), Government Printer, 1989.
- Republic of Botswana, "Industrial Development Policy," Government Printer, October 1984.
- Republic of Botswana, "Industrial Development Act, 1988," Botswana Government Gazette, November 1988
- Rural Industries Promotions, "1990 Annual Report", RIP(B), 1991.
- SIAPAC, "Final Report for the Micro and Small Scale Enterprise Survey Project Field Implementation", MFDP, March 1992.
- SIAPAC, "Report of a Conference on Incorporating Women into the Economic Mainstream", Women's Finance House, July 1991.
- SIAPAC, "The Effects of Gender on Access to Credit and Grants in Botswana", Ministry of Agriculture & Ministry of Labour and Home Affairs, September 1991.
- Smith, Cameron, "Management Assistance to the Private Sector: Analysis and Preliminary Plan", USAID, July 1988.
- Smith, Cameron, et. al., "Final Report - Evaluation of the Financial Assistance Policy: FAP and its Role in Botswana Business Development," MFDP, May 1988.
- Somolekae, Gloria, ed., "Proceedings of a National Seminar on The Informal Sector and Small-Scale Enterprise Development in Botswana," NIR/USAID, July 1989.

Terry, M. E., "A Survey of Basketmakers - Etsha, Ngamiland, Botswana", Botswanacraft Marketing Company (Pty) Ltd. & MCI, September 1984.

UNIDO, "Botswana Enterprises Development Units of the Ministry of Commerce and Industry - Final Report", UNDP/Botswana, 1981.

UNDP, "Report of the Joint ILO-ITC-UNIDO Employment Generation Programming Mission," UNDP/Botswana, October 1990.

Urdaneta-Ferran, Lourdes, "Draft Working Paper - Measuring and Valuing Women's Participation in the Informal Sector of the Economy", International Research and Training Institute for the Advancement of Women & United Nations Statistical Office, August 1986.

USAID, "Project Paper - Botswana Enterprise Development Project", USAID, December 1990.

Valdelin, Jan, "A Longer View: Evaluation Report, The Small-Scale Industry Programme in Botswana", SIDA, February 1988.

World Bank, "Botswana: Financial Policies for Diversified Growth," World Bank, August 1989.

Zimbank, "Group Annual Report - 1991," Zimbabwe Banking Corporation Limited, 1991.

ANNEX 6

ANALYSIS OF CONSTRAINTS ON SMALL-SCALE BUSINESSWOMEN IN BOTSWANA

Background

Women comprise slightly over half (53%) of the country's population, which has one of the highest proportions of female-headed households in the world. Almost half (48%) of the rural households and one-third (33%) of urban households are headed by women. An ILO/UNDP study in 1989 estimated that of the active age group between 15 - 49 years, 90% live and work in rural areas and 80% are engaged full-time in subsistence agriculture, cattle farming and marginal cash cropping (earning less than P65 per week).

The Phase One SSE Study (February-March 1992) estimated that 75% of Botswana's micro and small enterprise proprietors are women. This is consistent with previous survey data. A study in 1983 (Marshall, et. al.) reported that 75% of the informal sector businesses in Naledi were owned and operated by women. 1982-83 studies of nine districts for the Ministry of Local Government and Lands gave estimates ranging from 53% to 60%. Women's participation in the national labor market in 1991 was estimated to be 40%, compared to 57% for men.

A 1989 UNICEF study on the role of women in Botswana reported that women are more likely to be unemployed (especially in urban areas) and more likely to earn their living in the informal sector. It estimated that 40% of the female urban, employed population and 11% of the female rural population work in the informal business sector.

Constraints on Women-Owned Businesses

Constraints on women-owned business constitute two forms - legal and informal. The key legal constraint on women-owned businesses which was consistently raised by persons interviewed is the effect of the Community-in-Property Law. Over 80 percent of the women in Botswana are subject to the community in property law which gives their husbands the final decision-making power over family assets. The man can sell all of these assets without consulting his wife. A husband's signature is also required if a woman applies for a loan, since women are treated as minors under the law. Also, under this form of marriage the wife receives 50% of all family assets in the event of death or divorce.

It is possible to be married outside the community in property law if the intention is stated prior to the marriage vows. However, there is general resistance to taking this action because it is often seen as casting doubt on the seriousness of the marriage commitment.

Women who go into business can be exempted under the "public traders" provision of community in property marriages if their husband gives his permission for her to form contracts. She is then able to sign all contracts pertaining only to her business. He can withdraw his permission at any time, but this rarely happens.

Many of the female clients of a legal clinic operated by the University of Botswana complain of a related problem. They state that their husbands have sold off common assets before a divorce is granted. It is possible to get an court injunction prohibiting the husband from doing this. However, the courts are backlogged and it may take from three to nine months to process the injunction request. By that time, the assets may have already been sold.

The second legal constraint to women-owned businesses is the requirement that a husband must also sign any loan application for credit made by his wife. This has meant that if a husband is unwilling to sign the loan papers, a woman is unable to receive credit from any formal financial institution. This requirement has been cited by many men and women as limiting a woman's ability to run a business as she desires. In cases where the husband is not agreeable, this legal requirement has kept women from receiving loans even when she might qualify for the loan on her own right. There has been much movement by women's groups and others to have this law changed.

Although it has been noted that women-owned businesses have many of the same problems as businesses owned by men. e.g., lack of management, financial, marketing, and technical skills, women have some particular problems which need to be addressed. These include the following (Somolekae, NIR Seminar on Women in Business, 1989):

- Most women-owned businesses are relatively young, compared to men-owned businesses, in general.
- Women tend to concentrate in certain traditional businesses, such as sewing, knitting, beer-brewing and food preparation.
- Women are expected to continue to perform their household duties, e.g., cooking, taking care of the children, cleaning the house, even when they are engaged in a business outside the home.
- Due to these household responsibilities, women are often limited in the time they have and their ability to travel to take advantage of courses and other programmes which could help them improve their businesses.

Although some programmes, such as FAP, attempt to give special attention to the specific problems of women-owned businesses, more needs to be done to address their problems. One chief complaint mentioned was that women are often not taken seriously by extension agents or by loan officers at banks.

Organizations Providing Support to Small-Scale Businesswomen

The Women In Business Association (WIBA) was recently formed under the Small Business Division of BOCCIM to assist women entrepreneurs gain increased access to resources and information to assist their business enterprises. It may adopt an active advocacy position and seek legal reforms. At the present time, the organization is too new to accurately assess its potential impact on Botswana's female entrepreneurs. A consultant from USAID is currently looking at ways in which this organization could be assisted and how it could tailor its services to address problems of female entrepreneurs.

The Women's Finance House Botswana (WFH), an affiliate of Women's World Banking, was recently established as an NGO to provide finance, training and advocacy for women in enterprise development. It became operational in July of 1991 and is currently 96% donor funded. It currently serves Gaborone and Kweneng and has provided training to 80 women. Women's Finance House plans to offer noncollateralized credit to women for working capital loans ranging from P300 to P1000 at commercial rates of interest for a period of up to six months. Its short history also makes it difficult to assess its chances for success.

These organizations, although fledgling, do show an awareness of the special needs of female entrepreneurs and show a commitment, in some quarters, to address those needs. The Phase II consultants believe that these efforts should be supported by Government, business associations, and donors. Some of the recommendations in Chapter 6 of this report address these issues.

ANNEX 7

TABLES AND FIGURES FROM PHASE I RELEVANT TO PHASE II

Table 4
Sectoral Distribution of MSEs
Botswana, 1992

Sector	Urban Areas	Rural Areas	Total
Manufacturing Total			
Food, Beverage, Tobacco Production	35.4%	44.1%	41.1%
Textile, Wearing Apparel and Leather	9.1%	16.7%	14.3%
Wood and Wood Processing	6.0%	10.0%	8.8%
Non-Metallic Mineral Processing	0.8%	1.4%	1.2%
Fabricated Metal Production	1.9%	1.1%	1.4%
Other Manufacturing	0.6%	0.7%	0.7%
Construction	1.6%	.8%	1.0%
Trade Total	0.2%	0%	.1%
Wholesale Trade	50.9%	53.4%	52.6%
Retail Trade	0.1%	.7%	.5%
Restaurant, Hotels, and Bars	51.4%	46.8%	48.2%
Transportation	15.0%	19.3%	18.0%
Finance, Real Estate, and Business	2.2%	0.3%	0.9%
Services	7.1%	.5%	2.5%
TOTAL, ALL SECTORS	4.3%	1.8%	2.6%
	100.0%	100.0%	100.0%

Table 5
Average Number of Workers Per MSE
Botswana, 1991

Sector	Urban	Rural	Total
Manufacturing	1.6	2.1	2.0
Construction	7.5	.	7.5
Wholesale and Retail Trade	1.7	1.7	1.7
Transport	2.5	3.8	2.8
Finance, Real Estate and Business	1.2	1.8	1.3
Services	3.0	1.9	2.5
TOTAL	1.7	1.9	1.8

* No observations found.

15

Table 6
Labor Force Composition in MSEs
Botswana, 1992

A. Worker Composition

Worker Type	Urban Areas		Rural Areas		Total	
	Avg. Nbr. per MSE	% of Total	Avg. Nbr. per MSE	% of Total	Avg. Nbr. per MSE	% of Total
Proprietors	1.0	55.3%	1.0	50.8%	1.0	52.2%
Unpaid Family	0.2	14.0%	0.2	8.4%	0.2	10.1%
Hired	0.5	29.5%	0.6	33.6%	0.6	32.4%
Trainees	.	1.1%	0.1	7.2%	0.1	5.4%
TOTAL	1.7	100.0%	1.9	100.0%	1.8	100.0%

* Less than .1 workers

B. Other Worker Characteristics (Percent of Total Work Force)

Worker Type	Urban Areas	Rural Areas	TOTAL
Females	67.8%	73.3%	71.7%
Children	3.7%	1.1%	1.9%
Part-time	7.8%	3.9%	5.1%

76

Table 11
Average Number of Workers Per Firm
Botswana, 1992

Gender of Proprietor(s)	Urban Areas	Rural Areas	TOTAL
Female	1.5	1.6	1.6
Male	2.2	2.4	2.3
Mixed Gender	2.5	4.1	3.4
TOTAL	1.7	1.9	1.8

Table 13
Perceived Problems of MSEs
Botswana, 1992

Problem	At Start-Up	During Growth	Currently
Finance	53.2%	23.5%	47.8%
Market Problems	17.3%	23.5%	24.5%
Inputs	3.6%	19.1%	8.7%
Transport	6.5%	7.4%	7.6%
Labor	4.3%	4.4%	3.3%
Miscellaneous	7.9%	5.9%	3.3%
Tools/Machinery	2.2%	5.9%	2.2%
Shop/Rental Space	0.7%	2.9%	2.2%
Utilities	2.2%	1.5%	0.5%
Technical	1.4%	4.4%	0.0%
Government Policy	0.7%	1.5%	0.0%

11

Figure 3
Size Distribution of Botswana MSEs

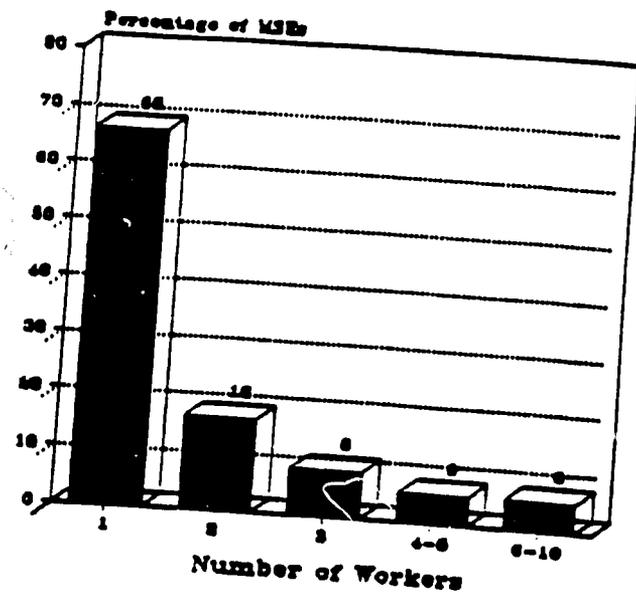
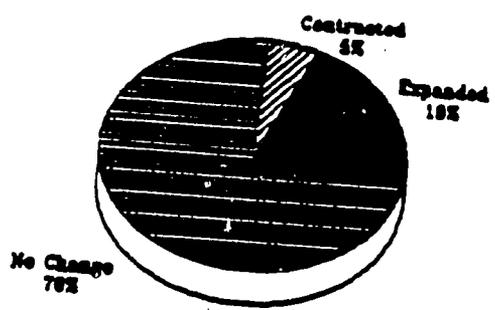


Figure 4
Change in Number of Workers Since Birth
Of Existing Enterprises
Botswana, 1992



18