

**Deloitte Touche
Tohmatsu**



**Deloitte Touche Tohmatsu
ILA Group Ltd.**
Suite 350N
1001 Pennsylvania Avenue, N.W.
Washington, DC 20004-2594, USA

Telephone: (202) 879-5600
Facsimile: (202) 879-5607

February 2, 1996

Ms. Marcia Musisi-Nkambwe
BPED Project Manager
USAID/Botswana
3rd Floor, Barclays House
Khama Crescent
Gaborone, Botswana

Re: Botswana Private Enterprise Development Project (BPED) -- Final Report

Dear Ms. Musisi-Nkambwe:

Deloitte Touche Tohmatsu ILA Group Ltd. is pleased to deliver our final report as prime contractor on the Botswana Private Enterprise Development (BPED) Project to the U.S. Agency for International Development (USAID). We are proud of the BPED Project's accomplishments and our role in meeting project goals.

If you need additional information regarding the project or this report, please do not hesitate to contact me at (202) 879-5656.

Sincerely,

Robert J.F. McPhail
Managing Director

Enclosure

**Deloitte Touche
Tohmatsu
International**

BOTSWANA PRIVATE ENTERPRISE DEVELOPMENT PROJECT (BPED)

Contract No.: 623-0253-C-00-2014-00

FINAL REPORT

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List of Abbreviations con't.

PRU	Project Research Unit, Department of Industrial Affairs, Ministry of Commerce and Industry
RCSA	USAID Regional Center for Southern Africa
SACU(A)	Southern Africa Customs Union (Agreement)
SEPROT	Small Enterprise Promotion Trust
TIPA	Trade and Investment Promotion Agency, Ministry of Commerce and Industry
UB	University of Botswana
UK	United Kingdom
US	United States
USAID	United States Agency for International Development

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APPENDIX

Long and Short-Term International Training Participants and Programs/Courses

List of Abbreviations

ABC	American Business Council
AIDS	Acquired Immune Deficiency Syndrome
BASE	Botswana Association of Small Enterprises
BDC	Botswana Development Corporation
BEC	USAID Basic Education Consolidation Project
BMAP	Botswana Management Assistance Program
BoB	Bank of Botswana
BOCCIM	Botswana Confederation of Commerce Industry and Manpower
BPC	Botswana Power Corporation
BPED	USAID Botswana Private Enterprise Development Project
BTC	Botswana Telecommunications Corporation
BWAST	USAID Botswana Workforce and Skills Training Project
COP	Chief of Party/Technical Coordinator
D&T	Deloitte & Touche
DA	Development Associates, Inc.
DAI	Development Alternatives, Inc.
DFI	Development Finance Institution
DIA	Department of Industrial Affairs, Ministry of Commerce and Industry
ERU	Economic Research Unit, BOCCIM
FCA	Foreign Currency Account
GDP	Gross Domestic Product
GoB	Government of Botswana
HLCC	High Level Consultative Council
IESC	International Executive Service Corps
IFS	Integrated Field Services, Ministry of Commerce and Industry
IFSC	International Financial Services Center
ILA Group	Deloitte Touche Tohmatsu ILA Group Ltd.
IPU	Investment Promotion Unit, Botswana Development Corporation
ISA	USAID Initiative for Southern Africa
LPS	Local Preference Scheme
MCI	Ministry of Commerce and Industry
MFDP	Ministry of Finance and Development Planning
MIGA	Multilateral Investment Guarantee Agency
MIS	Management Information Systems
MLGL	Ministry of Local Government and Lands
MoE	Ministry of Education
NEMIC	National Employment Manpower and Incomes Commission
NRMP	USAID Natural Resources Development Project
PACD	Project Assistance Completion Date
PIC	Project Implementation Committee

I. Executive Summary

This report summarizes the activities and achievements of the Botswana Private Enterprise Development (BPED) Project under the USAID prime contract No. 623-0253-C-00-2014-00. The document also highlights the constraints encountered in project implementation and lessons learned over the course of the project.

A. Overview

1. Background and Description

The BPED Project builds upon the Botswana Workforce and Skills Training Projects (BWAST) I and II. The BWAST I Project assisted the Government of Botswana (GoB) to alleviate shortages of skilled manpower through training and temporary placement of expatriates in positions requiring specialized technical skills. BWAST II concentrated on increased placement of trained citizens in positions that fostered employment generation and continuing technical assistance and training to the public and private sector. Recommendations from BWAST II included continuation of training programs, improvement of the policy environment for private sector growth, and promotion of employment-generating and investment-generating activities.

The primary goal of the BPED Project is to strengthen the enabling environment for private sector growth in Botswana. The key project objectives are to improve effectiveness of policy dialogue between the private and public sectors on issues affecting private sector-led growth, broaden economic opportunities for citizen entrepreneurs, and increase domestic and foreign private investment in non-mineral sectors of the of the Botswana economy. Accordingly, the principal activities of the BPED Project are policy development and implementation, management and entrepreneurial development, and investment promotion and support.

2. Target of Opportunity, Impact Indicators, and Outputs

The project target of opportunity is to enhance the enabling environment for increased private investment and enterprise growth in non-mineral sectors of the Botswana economy. Indicators of successful impact include increased private investment and increased private sector employment in the non-mineral sectors of the economy attributable to BPED activities, including jobs saved. Consequently, key outputs for the project are: increased effectiveness of policy dialogue between the public and private sectors in support of private sector-led growth, strengthened human capital resources to support private sector development, and strengthened local capacity to promote domestic and foreign investment in the private sector.

3. Project Agreements, Prime Contract, and Project Implementation Committee

The BPED Project Grant Agreement between the Government of Botswana and USAID was authorized on May 14, 1991. Subsidiary project grant agreements were made with the Botswana Development Corporation (BDC), Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), and International Executive Service Corps (IESC).

The prime contract was awarded to Deloitte Touche Tohmatsu ILA Group Ltd. (ILA Group), with Development Alternatives Inc. (DAI) and Development Associates, Inc. (DA) as subcontractors.

The Project Implementation Committee (PIC), a review and approval body, consists of voting representatives of each participating agency, USAID, and the BPED Project Chief of Party (COP).

The consortium provided the following long-term advisors to the project:

- . Richard Wolfe -- Policy Advisor, Department of Industrial Affairs, Ministry of Commerce and Industry (MCI)
- . Charles St. Clair -- Business Management Advisor, Industrial Division, BDC
- . L. James Eaton -- Special Projects Advisor, Projects Division, BDC
- . Millard Arnold/Ann McDermott -- Policy Advisor, Policy Unit, BOCCIM
- . H. Wayne Meyer -- Business Development Advisor, Outreach (Membership Services) Department, BOCCIM
- . Brendon McConville -- Training Advisor, Training Department, BOCCIM
- . Robert P. Wood -- Divestiture Advisor, Corporate Finance and Divestments Division, BDC
- . John Barton -- MIS Consultant, Department of Industrial Affairs and Trade and Investment Promotion Agency (TIPA), MCI

B. Project Inputs, Outputs, and Impact

In line with the project goals and objectives outlined above, BPED activities centered on policy formulation, management and entrepreneurial development, investment promotion, and financial sector development. Project management input was also essential to the success of these activities. The project achieved significant results in all of these areas.

1. Policy Formulation

a) Inputs/Activities

The BPED Project conducted major studies to review current policies and/or recommend new policies to enhance the enabling environment for private sector growth and investment. These studies included:

- . Construction Sector Study and Review of Citizen Contract Scheme
- . Foreign Exchange Control Liberalization Study
- . Export Incentives and Design Study
- . Divestiture Strategy Studies for Botswana Development Corporation (BDC)
- . International Financial Services Center Feasibility Study
- . Southern Africa Customs Union Study
- . Credit Needs of Female Entrepreneurs
- . AIDS in the Workplace Pilot Study.

The BPED Policy Advisor at MCI also had substantial input into the development of the GoB White Paper for Industrial Policy, which focused on export-oriented industrialization, small-scale enterprise development and entrepreneurship, graduation and linking of small scale enterprises, general incentives for all industrial enterprises, and implementation of recommendations. The MCI Policy Advisor made significant contributions to policy initiatives that formed the basis of the White Paper, including:

- . Third Evaluation of the Financial Assistance Policy
- . Review of the Citizen Reservation Policy
- . Electricity Tariffs and Generation Policy Document
- . Review of the Local Preference Scheme and development of a Procurement Set-Aside Scheme for Manufacturers
- . Mid-Term Review on the Seventh National Development Plan

The project established a number of fora and mechanisms for ongoing public/private sector policy dialogue, as well as structures to build and strengthen agency capacity to formulate and defend policies that facilitate business development. Examples include:

- . BPED Project response to the GoB Mid-Term Review of National Development Plan VII
- . BOCCIM workshop on Inflation and Recession in October 1992, attended by over 100 private and public sector representatives
- . 1993 BOCCIM seminar on the Competitive Advantage of Botswana

- . BOCCIM-sponsored Third Private Sector Conference in Francistown, May 1994, which led to development of a High Level Consultative Council (HLCC)
- . BOCCIM recommendations to the GoB 1995 Budget Speech for company tax cuts, which were implemented
- . BOCCIM manufacturing sector recommendations to the GoB
- . BOCCIM presentation to the Ministry of Commerce and Industry (MCI) of private sector recommendations for renegotiation of the SACU Agreement
- . Continuous BOCCIM representation of the private sector on GoB inter-ministerial committees, including the HLCC
- . BOCCIM's successful lobbying for reduction in company utility tariffs in 1995

b) Capacity Building

In addition to the capacity-building activities listed above, the BPED Policy Advisor at MCI's Department of Industrial Affairs (DIA) assisted in the establishment of a Project Research Unit (PRU) to strengthen MCI capacity to formulate and defend policies which facilitate business development. A Policy Unit was also established at BOCCIM; the unit performed an Industrial Sector Survey that was published and distributed to public and private sector officials. The BOCCIM Policy Committee was formed and now meets quarterly to monitor the status of policy recommendations. With project support, BOCCIM, MCI, and DIA staff received training in Influencing Public Policy (IPP), policy writing, private sector policy development, marketing, financial restructuring, and database training.

c) Outputs/Impact

Some key examples of project outputs in the policy formulation area are:

- . BPED support enabled BOCCIM to secure GoB commitment for a High Level Consultative Council (HLCC), chaired by the President and attended by representatives of the GoB and private sector. The first HLCC meeting was held in July 1995.
- . The GoB cited the BPED Liberalization of Foreign Exchange Study as a major contributor to its decision to implement sequenced liberalization of exchange controls.
- . Based on recommendations of the BOCCIM Policy Advisor, BOCCIM Tax Committee, and BPED-sponsored reports, company taxes were reduced to 25%, with manufacturing at 15%.

- . The MCI Policy Advisor was involved in the review of the Local Preference Scheme (LPS) and in the design of a Set-Aside Scheme to replace the old scheme.
- . Using information gathered with BPED support, the MCI successfully lobbied the BPC and Ministry of Water and Mineral resources to delay new power plant construction (which would increase business rates) and reduce business utility tariffs.
- . BPED sponsored participation in regional trade fairs and supported regional development corporation activities.
- . BPED made a major contribution to strategy and implementation of a divestment plan for the Botswana Development Corporation (BDC).

2. Management/Entrepreneurial Development

a) Inputs/Activities

The BDC Management Advisor provided assistance to over 100 businesses during his tenure at the BDC Industrial Division. BOCCIM's Secretariat staff, particularly the Outreach/Services Department and the BPED Business Development Advisor at BOCCIM, provided direct management assistance to hundreds of businesses in the areas of industrial relations, marketing, management practices, financial management, and small enterprise development.

BPED is a strong advocate of training and human resources development in the context of beneficiary agencies. With project support, BOCCIM conducted a national training needs assessment. The BOCCIM Training Department and the BPED long-term advisor to this department played a very active training advocate role on various human resource committees, and collaborates with the Ministry of Health in an AIDS awareness program for the private sector. BPED supported long-term degree training for 14 participants at U.S. universities and utilized regional and non U.S. training institutions.

b. Capacity Building

BPED contributions toward building BOCCIM and BDC institutional capacity in the area of management and entrepreneurship include:

- . In 1994, the project was commissioned to perform a comprehensive strategy review of BOCCIM operations for the agency Secretariat and Executive Council, with a view toward increasing financial

sustainability in light of the potential loss of donor funding. The review resulted in a set of restructuring recommendations and a five-year operating plan that is now being implemented.

- . The BPED Business Development Advisor contributed substantial assistance in advancing the BOCCIM Small Business Division and in the creation of 11 business councils throughout Botswana.
- . The project supported a short-term MIS consultant at BOCCIM who developed new database systems, and upgraded existing systems and equipment.
- . BPED worked with divisions of the BDC and its Human Resources Department to identify relevant training courses that could be financially supported by the project. BPED also supported the initial creation of a framework for a regional employee exchange between development corporations.
- . To enhance the Industrial Division's capacity to perform management assistance functions for its portfolio, BPED provided two consultants to assist in compiling a manual of Portfolio Management Guidelines.

c) **Outputs/Impact**

Significant project outputs and impact in management and entrepreneurial development are:

- . Over 100 businesses received assistance from the BDC Management Advisor during his tenure at the Industrial Division.
- . BOCCIM, particularly the Outreach/Membership Services Department, provided direct management assistance to hundreds of businesses.
- . Over 2,000 citizen entrepreneurs benefited from in-country and regional training activities facilitated by the project.
- . A 1994 BPED-sponsored national training needs assessment was conducted by BOCCIM. The study was published and formed the basis for BOCCIM's 1994 and 1995 training calendars.
- . Five BOCCIM training courses in 1994 and seven in 1995 included 30-minute sessions on HIV/AIDS in the workplace.

BPED supported long-term degree training for 14 participants at U.S. universities and utilized regional and non U.S. training institutions. A total of 132 individuals received short-term technical academic training in areas related to private sector-led growth.

Over 80% of respondents to the BOCCIM Evaluation of Training Impact at participant and supervisory levels cited increased efficiency as a result of courses taken.

The skills transfer provided by BPED-sponsored advisors to their host country counterparts resulted in substantial professional development for the majority of counterparts.

3. **Investment Promotion**

a) **Inputs/Activities**

BPED assisted the BDC to achieve increased local capacity to identify new projects and investors. With project support, a new Investment Promotion Unit (IPU) was created within the BDC. BPED provided two consultants to the IPU who surveyed 50 U.S. companies to determine the feasibility of developing the key identified areas of potential investment. The consultants also developed a mailing list of over 300 additional American companies for investment promotion. The project contracted a local public relations firm to update marketing materials for the Trade Investment Promotion Agency at the Ministry of Commerce (TIPA).

Three trade and investment missions were undertaken with support from BPED -- two to Zimbabwe and Zambia by BOCCIM staff and one by potential American investors. BPED enabled BDC representatives to attend trade fairs in the U.S., Swaziland, and South Africa.

BPED assisted in the promotion of citizen investment in Botswana. A pilot study was completed to survey the economic environment and identify relevant potential investment opportunities in two villages, Tsabong and Kasane. The project sponsored consultant seminars and compiled a manual on opportunities for investment in the tourism industry, and sponsored a feasibility study for establishing an investment advisory service for tourism projects. The project also assisted the BDC in divesting some of its holdings to citizen investors.

The Multilateral Investment Guarantee Agency (MIGA) sponsored an investment promotion conference during May 1993. In preparation, BPED sponsored a one-day workshop in training needs assessment and project profile development, which provided delegates with an understanding of what foreign

investors were looking for. The Business Development Advisor at BOCCIM and his counterpart spearheaded the organization of the Francistown Trade Fair in 1994 and 1995.

b) Capacity Building

The Investment Promotion Unit (IPU) established within the BDC directly strengthened BDC capacity to promote foreign and domestic investment and facilitated greater cooperation with TIPPA and MCI. BPED undertook an ambitious staff training effort in the IPU to prepare for transfer of management responsibility to counterparts.

BOCCIM and its members are developing the capacity to increase investment through project-supported activities such as the "Buy Botswana" campaign, trade fairs, and business training.

The BPED COP and BDC Special Projects Advisor participated on the Project Implementation Steering Committee for the Trade Expansion Project of the Trade and Investment Promotion Agency (TIPA). The project Management Assistance Advisor was instrumental in establishing an American Business Council, the first such U.S. Chamber presence in Botswana.

C. Outputs/Impact

Key project outputs and impact in the area of investment promotion include:

- . 50 American companies were surveyed by the newly established IPU at BDC for investment potential; the IPU compiled a mailing list of 300 American companies for investment promotion
- . BPED assisted in the upgrading of marketing materials for TIPA
- . BPED sponsored a workshop to prepare participants for a major investment promotion conference in 1993 (MIGA conference)
- . Project support enabled representatives of the BDC, BOCCIM, and TIPA to attend international trade fairs in the U.S., Swaziland, and South Africa
- . As a result of lobbying by the GoB and BOCCIM, a Commonwealth of Virginia Trade office was established in Botswana; BPED provided support for one investment mission by the Commonwealth

- . With project assistance, BDC developed 25 pre-production courses during 1994-95 for its portfolio companies
- . BPED was instrumental in BOCCIM's sponsorship of the successful Francistown Trade Fair
- . A short list of statistics indicate the impact of BPED support to the BDC in the area of investment promotion:
 - .. 12 feasibility studies and 19 business expansion studies completed during 1995
 - .. 216 contacts with foreign investors during January-June 1995
 - .. 32 companies received management assistance during January-June 1995
 - .. \$182m LOP new and expanded private investment
 - .. Almost 11,500 jobs created or saved LOP, more than half of them belonging to women.

4. Financial Sector Development

a) Inputs/Activities

In response to an MFDP request, BPED assisted the BDC in obtaining qualified consultants for a feasibility study on the potential development of Botswana as an international financial services center (IFSC). It was determined that Botswana has many of the attributes required for an IFSC and would not need to make a major capital investment to establish the framework. The report outlined a plan of action to make the IFSC operational within a year.

BPED advisors assisted the BDC in establishing the groundwork for a company to provide credit insurance for industrialists for export and domestic sales.

The project conducted a study in 1993 to determine the benefits and costs of removing foreign exchange controls in Botswana; the study was presented to the MFDP in 1994. Project advisors assisted the BDC in an investigation to determine the need and feasibility of a domestic venture capital fund.

BDC requested that BPED fund a divestiture strategy study of its entire portfolio in 1994. The initial study focused on Industrial, Financial, Services, and Agricultural Divisions, and was accepted and adopted by the BDC Board in June 1994. BPED provided additional funds for an intermittent technical advisor to assist the Corporate Finance and Divestments Division.

b) Capacity Building

Great progress was made in strengthening the capacity of the BDC to continue as a leading institution in financial sector development and enhancing its ability to work closely with the Ministry of Finance and Development Planning (MFDP). The BPED Special Projects and Business Management Advisors broadened the scope of their work to include financial sector development in BDC. With BPED assistance, BDC established a Corporate Finance and Divestments Division to oversee the financial institutions portfolio, the divestments of BDC holdings in various portfolios, and other financial sector development activities. BPED provided technical advisory assistance to the Corporate Finance and Divestments Manager.

c) Outputs/Impact

Important project outputs and impact on financial sector development include:

- . The BPED International Financial Services Center (IFSC) study was accepted by the Vice President and the MFDP for review and implementation. The study clearly established the potential benefits of an IFSC to Botswana.
- . As of September 1995, BDC had fully divested eight companies, with divestiture negotiations for another 16 companies underway
- . The Bank of Botswana implemented a sweeping series of foreign exchange control reforms in 1994 and cited the influence of the BPED-funded report in its announcement of the reforms.

5. **Project Management**

The Project Implementation Committee (PIC) was the structure used to build consensus between implementing agencies, USAID, and the BPED Project Office, as well as a transparent mechanism for authorizing the use of grant funds under the project. The PIC was restructured in 1994 into sub-committees for each technical area covered by the project, with the entire committee meeting only as needed. The new structure included activity coordinators responsible for on-going or proposed activities "from cradle to grave."

The BPED Project Office consisted of the Chief of Party (COP) and three local staff: bookkeeper/training coordinator, secretary, and clerk/messenger.

The project effectively utilized the global resources of the prime contractor, Deloitte Touche Tohmatsu ILA Group Ltd. The ILA Group facilitated identification of qualified consultants for BPED activities through what became known as "the Deloitte Touche Tohmatsu network." For example, consultants were resourced from over 15 Deloitte Touche Tohmatsu national practices in the areas of privatization and divestiture, financial markets, financial services, insurance, management information systems, and so on. Home office support was provided by the ILA Group in the areas of research, publications, and program development.

Development Associates utilized its resource database to identify appropriate long- and short-term U.S.-based training programs for participants. Development Alternatives was an excellent source of information and publications on training and small enterprise development. Whenever possible, an effort was made to utilize local resources from within Botswana or the region.

Monitoring and evaluation systems were designed to provide data to USAID on a regular basis. Specific systems were established to monitor grant expenditures and host country contributions. All project activities were assessed on a quarterly basis; recommendations for changes or alterations were made at that time.

6. Long and Short-term Technical Assistance

The BPED Project utilized eight long-term, intermittent, and part-time advisors with counterparts, and no less than 50 short-term consultants.

C. Key Issues and Constraints

Constraints and issues faced by the project include:

- . Ramifications of the USAID/Botswana Mission closure and subsequent contract modifications
- . The changing economic environment of the country from that of remarkable growth to recession and industry closure, necessitating that some project job-creation activities become "job-saving" activities
- . Transfer of some counterparts to other agencies after skills transfer had taken place; unavailability of some agency staff for training, even short-term
- . An initial lack of clarity as to whether the project should address microenterprises as well as SMEs

- . Lack of coordination and/or institutional capacity of implementing agencies
- . The effect of PD-20 legislation, which discourages persuasion of U.S. firms to relocate abroad.

D. Lessons Learned

Many important lessons were learned over the four-year course of the project. The advisor role, in the particular context of the BPED Project, demanded not only fulfilment of advisory responsibilities, but day-to-day operational involvement in the departments and agencies where advisors were placed. While it is preferable for an advisor to have a single counterpart, one BPED advisor transferred skills to many counterparts, eventually stretching his responsibilities too thin to render adequate attention to all individuals and interests.

The project implementation team learned about the importance of flexibility in a changing environment through dealing with the uncertainties caused by a year-long transition to USAID phase-out in Botswana. The prime contractor did everything possible to ensure a smooth transition of the project to the host country entity, BOCCIM, who is managing the project during its final year.

The opening of South Africa brings possible increased use of regional training institutions for quality private sector development training. Customized training programs can be extremely beneficial to participants, since instructors can adapt curricula to the Botswana situation and applicable knowledge and skills may be gained.

Institutional capacity-building, in terms of organization, management, and financial self-sustainability, must be built into a project from the start. The project focused heavily on these issues at BOCCIM during 1995.

It was important to ensure that the decision-making framework set in place for the project strongly adhered to a consensus-building methodology, particularly given Botswana's culture and its "kgotla" system. Utilizing a Project Implementation Committee mechanism and altering it to increase individual and stakeholder participation and contributions through the use of Reference Groups, Task Forces, Evaluation Committees and other committees, provided credibility to the project and enhanced sustainability of institutional mechanisms, dialogue, and activities.

The use of an independent contractor helped to create a "neutral ground" in the project -- a context where each host country entity could make its case with assurance of no special interests or conflicts of interest. Host country entities appreciated the BPED Project Office as a neutral party that could ensure transparency and equity.

Finally, it would be useful to have a management information system developed at the beginning of the project. An up-and-running MIS system would allow for baseline data to be more easily collected and make regular reporting requirements less complicated.

A

II. OVERVIEW

A. Background and Project Description

While Botswana experienced remarkable economic growth over the last 20 years, the Government of Botswana (GoB) recognized the need to diversify economic activity into non-mining sectors and to expand employment and investment opportunities in the country, particularly for citizens. The GoB requested USAID assistance to address these needs.

The Botswana Private Enterprise Development (BPED) Project consequently builds upon the efforts of earlier USAID/Botswana projects, particularly the Botswana Workforce and Skills Training Projects (BWAST) I and II. The BWAST I Project was designed to assist the GoB to alleviate shortages of skilled manpower, primarily through long- and short-term training of citizens and temporary attachments of expatriates in positions requiring specialized technical skills. The BWAST II Project continued to expand upon the efforts undertaken through BWAST I, but concentrated upon increasing the number of trained Botswana in positions which foster employment generation and through technical assistance and training for both public and private sectors. The key follow-on recommendations which emerged from the BWAST II final report suggested the continuation of training programs which enhance citizen skills, improvement of the policy environment for private sector growth, and promotion of employment-generating and investment-generating activities.

The BPED Project aims to strengthen the enabling environment for private sector growth in Botswana. To achieve this purpose, the project has three main objectives:

- . Improve the effectiveness of policy dialogue between the private and public sectors on issues affecting private sector-led growth
- . Broaden economic opportunities for citizen entrepreneurs
- . Increase domestic and foreign private investment in non-mineral sectors of the Botswana economy.

Project implementation has thus focused on three principal elements:

- . **Policy Development and Implementation:** This component aims to strengthen the capacity of the Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM) and the private sector to identify and analyze priority policy issues and concerns affecting business expansion, and to advocate effectively for necessary changes to the policy environment. In the public sector, BPED is strengthening GoB capacity to develop and implement effective policies to support private sector development.

- . Management and Entrepreneurial Development: This component enables citizen entrepreneurs to identify, develop, and benefit directly from profitable investment opportunities, especially in the non-mineral sectors of the economy.
- . Investment Promotion and Support: This component assists in developing and strengthening Botswana's business linkages within the region and internationally. Particular emphasis is placed on developing closer trade and investment linkages between Botswana and both the U.S. and the Southern Africa region.

Through these primary elements, BPED has been able to take a multifaceted approach to strengthening the enabling environment for private sector growth in Botswana.

B. Target of Opportunity, Impact Indicators, and Outputs

USAID/Botswana's program goal has been to *enhance conditions necessary to support sustained improvement of the economic and social well-being of the average Botswana household*. One of the targets of opportunity to achieve this goal is to *enhance the enabling environment for increased private investment and enterprise growth in non-mineral sectors of the economy*. The impact indicators for achieving this target of opportunity are:

- . Increased private investment in non-mineral sectors of the economy attributable to BPED activities
- . Increased private sector employment in the non-mineral sectors of the economy attributable to BPED (including jobs saved).

Consequently, key outputs for the BPED Project are:

- . Increased effectiveness of policy dialogue between public and private sectors in support of private sector-led growth
- . Strengthened human capital resources to support private sector development
- . Strengthened local capacity to promote domestic and foreign investment in the private sector.

C. BPED Project Agreements, Prime Contract, and the Project Implementation Committee

The BPED Project Grant Agreement between the GoB and USAID was authorized on May 14, 1991, with an original PACD of March 1997. As a result of the USAID/Botswana Mission closure on September 30, 1995, the Project Assistance Completion Date (PACD) has been revised to September 30, 1996. In addition to the agreement with GoB, subsidiary

grant agreements were signed with the Botswana Development Corporation (BDC), BOCCIM, and International Executive Service Corps (IESC). The GoB Ministry of Commerce and Industry (MCI), BDC, and BOCCIM have been the key implementing entities for the project, as well as the key institutional beneficiaries.

Deloitte Touche Tohmatsu ILA Group Ltd. (ILA Group) was awarded the BPED prime contract on February 3, 1992, with an original project duration of three years. A no-cost extension amended the prime contract completion date to September 30, 1995. BOCCIM will implement the BPED Project through a Cooperative Agreement with USAID for the final year of the project.

Under the prime contract, the ILA Group was responsible for:

- . Identification, recruitment, and provision of administrative and coordination support for a total of six long-term advisors and numerous short-term and intermittent advisors and consultants
- . Management of the foreign exchange costs of the implementing entities (BOCCIM, BDC, and MCI), including long- and short-term participant training, business linkage trips, and other consulting services, as requested by these implementing entities and approved by the Project Implementation Committee (PIC)
- . Coordination of reporting required by USAID.

The subcontractors to ILA Group included Development Alternatives, Inc. (DAI), which provided one long-term advisor, and Development Associates, Inc. (DA), which coordinated all long- and short-term U.S.-based training.

The consortium provided the following long-term advisors to the project:

- . Richard Wolfe -- Policy Advisor, Department of Industrial Affairs, Ministry of Commerce and Industry (MCI)
- . Charles St. Clair -- Business Management Advisor, Industrial Division, BDC
- . L. James Eaton -- Special Projects Advisor, Projects Division, BDC
- . Millard Arnold/Ann McDermott -- Policy Advisor, Policy Unit, BOCCIM
- . H. Wayne Meyer -- Business Development Advisor, Outreach (Membership Services) Department, BOCCIM
- . Brendon McConville -- Training Advisor, Training Department, BOCCIM
- . Robert P. Wood -- Divestiture Advisor, Corporate Finance and Divestments Division, BDC
- . John Barton -- MIS Consultant, Department of Industrial Affairs and Trade and Investment Promotion Agency (TIPA), MCI

The BPED team structure was driven by a PIC, which consisted of voting representatives from each implementing entity, USAID, and the BPED Technical Coordinator (COP), and was chaired by the Managing Director of BOCCIM. Most BPED-funded activities (with the exception of most long-term advisory activities and BOCCIM-contracted training/scholarships) were reviewed and approved by the PIC. This committee and its subcommittees also played a planning and monitoring role. For greater discussion of the PIC, see **Section VII. Project Management.**

D. Economic Environment - Then and Now

1. Then - The BPED Project was designed in a Botswana economic environment that experienced remarkable growth over the previous 20 years. Diamond revenues not only resulted in Botswana having one of the world's highest GDP growth rates and months of coverage in foreign exchange reserves, but had also enabled the country to maintain an ambitious, yet conservative, fiscal policy to develop the physical infrastructure necessary to integrate the country into the world economy. The civil service, mining, and construction sectors were the key employers.

Dependence on diamonds as the single largest exportable commodity and a gradual decline in diamond revenues prompted the GoB to push more strongly for economic diversification and to underscore the need for a broader export base to ensure sustainable development in all sectors of the economy. Empowering the private sector and broadening opportunities for citizen entrepreneurs to fill the anticipated employment and revenue gap caused by declining mineral revenues became a key component of the Seventh National Development Plan.

Despite these concerns of the GoB during the design phase of BPED, the private sector had confidence that the economy would continue to diversify, investments would continue to increase, and that incremental increases in employment opportunities were challenges that could be overcome. This confidence was supported by the following factors:

- . A strong foreign exchange position, a stable democratic government, and a recent history of strong growth made Botswana an attractive investment destination
- . Economic sanctions and civil unrest in South Africa were strangling the South African economy, giving Botswana an opportunity to expand its economy to fill in the gaps.

Consequently, BPED Project designers set ambitious targets for investment and jobs created, as well as for local capacity to support feasibility studies and new enterprises, such as franchises and joint ventures.

2. Now - The economic environment in which the BPED Project has been working during the past four years has created challenges which may not have been fully anticipated in the design phase. For example:

- . An economic recession has now hit Botswana. The GDP per capita growth rate has levelled off, with hopes to maintain it at approximately 3%. Diamond revenues continue to be unpredictable, particularly with new players such as the republics of the former Soviet Union joining the international market.
- . The construction sector, once a major employer of both male and female unskilled labor, has shrunk considerably. New competitors, such as Chinese construction companies, have "upset" the established expatriate and citizen market. The GoB has been perceived as insensitive to citizen contractors.
- . The manufacturing sector is being shut down by increasing costs for inputs, increasing competition, a small local market, and, for some, a limited regional market.
- . South Africa's democratic elections have opened up an incredibly strong competitor in both the regional and international markets. Botswana risks being overlooked by potential investors, as well as stymied by the protectionism of its southern neighbor. Some of Botswana's skilled workforce is emigrating to South Africa in search of better job opportunities.
- . AIDS, while late in manifesting itself relative to some of the other African countries, is beginning to take its toll on the precious skilled citizen labor force, as well as creating costs to the overall economy that are difficult to plan for.
- . The financial sector, once secure in a relatively stable market, is facing new competitors, the need to cut costs, and a more complex investment environment.

These factors present new and greater challenges for the BPED Project, as well as important opportunities. All of those involved in the BPED Project should take great satisfaction in the in its significant achievements that will enable the project and the GoB to meet future challenges.

III. POLICY FORMULATION

A. Introduction

Success in the formulation of policies which create an enabling environment for private sector development can best be seen in the longer-term impact of changes implemented as a result of those policies. The increased effectiveness of policy dialogue between Botswana's public and private sectors in support of private sector-led growth has been quite dramatic over the last four years. The GoB's intensive lobbying for and ultimate continuation of the BPED Project for an additional year beyond Mission closure was a strong indicator of the project's success in institutionalizing that dialogue process.

B. Implementation of Project Activities and Key Accomplishments

1. Studies

The BPED Project sponsored several major studies to review current policies and/or recommend new policies that would enhance the enabling environment for private sector growth and investment in Botswana:

a. Construction Sector Study and Review of Citizen Contractor Scheme

The Construction Sector Study, completed in 1992, focused primarily on the GoB procurement policy for the construction industry, as well as on the general health and development of Botswana-based manufacturers of building materials and contractors. Special emphasis was given to citizen-owned companies. The results of this study were utilized for policy dialogue through BOCCIM with the GoB for changes in procurement policies and incentive schemes benefiting citizen contractors. A second study reviewed the Citizen Contractor Scheme, an incentive scheme for citizen construction and road contractors, to make recommendations regarding its scope and implementation. The recommendations of the study are now being incorporated into the White Paper on Industrial Development and are being consulted in response to a recent agreement by the Office of the President to set up a task force to investigate the potential for establishing a revolving loan fund for citizen contractors.

b. Foreign Exchange Control Liberalization Study

This study provided a detailed phasing plan for liberalization of Botswana's foreign exchange control regime. It formed the basis for the GoB's subsequent announcement to gradually lift exchange controls. The plan is currently being implemented and monitored to determine how further liberalization measures should be completed. This study is discussed in greater detail in **Section VI. Financial Sector Development.**

c. Export Incentives and Design Study

This study reviewed current export incentives schemes in Botswana and other countries, and recommended additional schemes and/or measures to be taken by the GoB in order to enhance export development. These recommendations are being incorporated into the White Paper on Industrial Development, and the MCI has created a new department within the Trade and Investment Promotion Agency to promote export development in the country.

d. Divestiture Strategy Studies for Botswana Development Corporation (BDC)

Two divestiture strategy studies for the various holdings of the BDC were carried out by BPED. The first study strategy was approved by the BDC Board and is being implemented. The second study was completed at the end of September. Its recommendations are under consideration by BDC at this time. More detail on the results of the divestiture activities are provided in **Section VII. Financial Sector Development**.

e. International Financial Services Center Feasibility Study

This study was one of the most important studies completed by BPED and could have major economic implications for developing a 'new engine of growth' for Botswana, as well as for revitalizing a faltering financial sector in the country. More detail on this study is found in **Section VII. Financial Sector Development**.

g. Southern Africa Customs Union Study

This study reviewed other trade agreements to identify the various options used by other countries to promote industrial development in small or developing members of trading blocks. The results and recommendations of the study were submitted to MCI and Botswana's SACU Re-negotiating Team, in order to help the team develop a position for Botswana that was favorable to private sector development. The study was well-accepted by the GoB, and dialogue between the Re-negotiating Team and BOCCIM is continuing through what is expected to be a rather long negotiating process.

h. Credit Needs of Female Entrepreneurs

A Reference Group of top businesswomen in Botswana was created to develop the terms of reference for a study to address the perceived problem of access to credit for female entrepreneurs. Subsequent research showed that the problem of access to credit is a problem for all Botswana, men and women, and that there was not a strong need to study the issue as it particularly related to women. MCI is very anxious,

however, to look at the issue of constraints to access of credit to all members of the population and plans to submit a proposal to BPED for a study during the next year.

i. AIDS in the Workplace Pilot Study

A pilot study surveyed several large companies in Botswana to determine the potential impact of AIDS on human resource development costs in the workplace, as well as the management response to this problem. While it was extremely difficult for companies to provide the information the consultants required and the methodology was not the best for the Botswana situation, there was an indication that human resources costs to companies might be as high as 25% in some sectors. An additional study was completed with USAID (not BPED) funding to further analyze the data retrieved from the consultants' survey.

2. White Paper for Industrial Policy

The GoB considers industrial development to be the most important long-term strategy for the future development of Botswana. As such, the GoB gave high priority to the development and articulation of a revised Industrial Development Policy which would integrate most of the other policies relevant to industrial development.

The BPED Project has, from the onset, been involved in the development of this paper, from the initial response paper to The World Bank *Study on the Industrial Sector in Botswana*, to which the BPED Policy Advisor to MCI contributed significantly. In addition, the Policy Advisor had significant input to:

- . Third Evaluation of the Financial Assistance Policy
- . Review of the Citizen Reservation Policy
- . Electricity Tariffs and Generation Policy Document
- . Review of the Local Preference Scheme and development of a Procurement Set-Aside Scheme for Manufacturers
- . Mid-Term Review on the Seventh National Development Plan.

All reports form the basis of the Industrial Policy document. Other BPED-sponsored studies which are also incorporated into the White Paper are:

- . Export Incentives Design Study
- . Review of Citizen Contractor Scheme
- . SACU Study.

The areas of focus for the revised Industrial Policy include:

- . Export-oriented industrialization
- . Small-scale enterprise development and indigenous entrepreneurship

- . Graduation and linking of small-scale enterprises
- . General incentives which affect all industrial enterprises
- . Implementation.

The GoB is now reviewing a final draft of the White Paper which should be ready for parliamentary approval in the next several months.

3. Policy Dialogue

Policy dialogue has developed through a number of fora/mechanisms which have been either established under BWAST/BPED or supported through BPED activities:

- . BOCCIM was asked by the GoB to prepare a response for the Mid-term Review of National Development Plan VII and has now been invited to contribute to the National Development Plan VIII.
- . A BOCCIM workshop on Inflation and Recession held in October 1992 brought together approximately 100 private and public sector representatives to discuss issues critical to the growth and expansion of the economy. The subsequent report was submitted to the GoB as input to the 1993 Budget Speech.
- . In 1993, BOCCIM conducted a seminar for high-level officials on the Competitive Advantage of Botswana. The seminar was based on well-known microeconomist Michael Porter's tape, **The Competitive Advantage of Nations**, and provided the theme for BOCCIM's submission to the 1994 Budget Speech and the 1994 Private Sector Conference in Francistown. In late 1994, BOCCIM conducted a second Competitive Advantage Seminar in partnership with the Botswana Institute of Accountants. Recommendations from this seminar were submitted to the GoB for further consideration.
- . The BOCCIM-sponsored Third Private Sector Conference in Francistown in May 1994 drew a large audience of senior representatives from the public and private sectors and prompted the establishment of a High Level Consultative Council (HLCC), chaired by the President. This HLCC will institutionalize a national forum for public/private sector dialogue. Other recommendations from the conference formed the basis for BOCCIM's policy agenda at the first meeting of the HLCC and are highlighted later in this section.
- . BOCCIM recommended a company tax cut in its submission to the GoB for the 1995 Budget Speech. The Vice President requested BOCCIM to develop the recommendation further, and the BPED Policy Advisor at BOCCIM worked with the BOCCIM Tax Committee to draft a more detailed position paper on taxes. In response, the GoB reduced effective company tax rates to

25% in July 1995, and the effective rate for manufacturing entities (except for companies engaged only in blending, packaging, assembling, or bottling) was reduced to 15%.

- . BOCCIM's manufacturing sector submitted policy recommendations to the Minister of MCI for consideration, and the Minister responded by letter in July 1995. A delegation from the BOCCIM Secretariat and Small Business Division submitted small enterprise policy recommendations to the Minister of MCI in June 1995. The Minister intends to call a special conference during 1996 to continue the dialogue on small enterprise policy.
- . As a result of BOCCIM's presentation of private sector recommendations with respect to the renegotiation of the SACU Agreement, MCI informed BOCCIM in writing that it will continue to confer with the private sector on the progress of the negotiations. The BOCCIM President was invited to present the private sector recommendations on SACUA to President Mandela during Mandela's state visit to Botswana in September 1995.
- . The BOCCIM Training Department submitted recommendations to the National Commission on Education, advocating greater emphasis on competency-based technical and vocational training, and these recommendations were subsequently adopted. A syllabus for testing in three subjects will have been developed by the end of 1995.
- . BOCCIM continues to represent the private sector on a number of GoB inter-ministerial committees, including: the Labour Advisory Board; the National Employment, Manpower and Incomes Commission (NEMIC); the Incomes and Manpower Sub-committees of NEMIC; the Medium Wages Advisory Board; the Apprenticeship and Industry Training Board; the Factories Advisory Board; the Central Bursaries Committee; the Regulations Review Committee; and the National Conservation Strategy Board.
- . The inaugural meeting of the HLCC was held on July 27, 1995 in the Office of the President. GoB representatives included the President, Vice President, several Ministers and Assistant Ministers, Permanent Secretaries and Deputy Permanent Secretaries, and other high-level GoB and parastatal officials. The private sector was represented by the BOCCIM President, one of the BOCCIM Vice Presidents, the BOCCIM Director and Policy Analyst, the BOCCIM Parastatal Sector Chairman, and several prominent business persons who were selected because of their expertise in the issues on the agenda. The BOCCIM President presented an overview of issues of concern to the private sector. Various private sector representatives followed with more detailed presentations on specific issues, and appropriate GoB representatives responded. Generally, both sides were well prepared and the discussions were

quite focused. A number of issues were referred to responsible Ministries for further review or action, and BOCCIM was encouraged to follow up with appropriate officials prior to the next meeting. BOCCIM has already followed up with the Ministry of Local Government and Lands (MLGL) regarding land servicing, the Central Tender Board regarding the tender process, and the Bank of Botswana (BoB) regarding interest rates. During September 1995, interest rates were reduced by .5% to 13.5%.

- . BOCCIM has consistently lobbied for a reduction in utilities tariffs and raised the issue at the HLCC meeting in July 1995. In October 1995, the Botswana Power Corporation reduced tariffs by 10% and declared that future increases will be kept within 50% of inflation. In October 1995, Botswana Telecommunications Corporation announced up to 60% reductions in some international telephone tariffs and equipment rentals.

C. Capacity Building

1. Project Research Unit at Department of Industrial Affairs, MCI

The BPED Policy Advisor at MCI's Department of Industrial Affairs (DIA) assisted in the establishment of a Project Research Unit (PRU) which would be responsible for policy research/analysis to strengthen the Ministry's capacity to formulate and defend policies which facilitate business development. The Policy Advisor provided skills transfer and training to his counterpart, the Head of the PRU, and assisted in establishing a number of databases which would facilitate policy analysis. Subsequently, BPED funded a MIS consultant on an intermittent basis for approximately 15 months to further assist DIA to develop and maintain the databases. In addition, the MIS consultant provided appropriate training to departmental staff responsible for maintaining these databases. The key databases on which the consultant focused were: the Industrial Licensing database, which maintains basic information on each company that is licensed in Botswana; and the two Financial Assistance Policy (FAP) databases, which monitor FAP loans.

The PRU's capacity to influence policy is shown in the following example:

After a Botswana Power Commission (BPC) study argued for construction of a new power plant which could lead to higher rates for industrial users and, therefore, discourage investment, MCI used some of the databases developed under BPED to criticize the methodology of the study and lobbied vigorously with BPC and the Ministry of Water and Mineral Resources to reject the findings and conclusions of the study, and to defer any decision to build a new plant until it was clear that such an action was warranted. BPC has accepted this recommendation and will defer plans to expand capacity at Morupule plant until 2007 or when such plans would become economically feasible. BPC subsequently lowered tariffs by 10%.

2. Policy Unit at BOCCIM

The Policy Unit was established during the BPED Project with the assistance of the BOCCIM Policy Advisor, who identified and recruited a BoB research staffer as Chief Economist for the unit. This person has received intensive on-the-job training from the Policy Advisors, as well as some coursework to assist her in developing this unit. The key BPED activity to develop systems to support the unit has been a nine-month consultancy to establish an Economic Research Unit (ERU) within the Policy Unit, which has the ability to assist in macro and microeconomic analysis of relevant topics to Botswana and assist in developing policy positions. This ERU is a complex system which utilized statistical software and requires intensive maintenance. It is questionable whether BOCCIM has the funds or the human resources to maintain such a system and whether its benefits will outweigh these costs. In his submission of the final documentation, the consultant reiterated that a staff of at least three individuals would be required to maintain the system properly. To date, there is only one continuous staff member, the Chief Economist, to perform all responsibilities for the ERU in addition to the other duties of the Policy Unit.

From the data gathered with the ERU, the Policy Unit performed an Industrial Sector Survey of Botswana. Analysis of this data was presented to a small group of public and private sector individuals, and publication of the analysis and expectations is available for sale from BOCCIM. It is hoped that publications such as this can assist to generate income for the Unit to support the ERU.

The Policy Unit will continue to have the assistance of a long-term advisor during the final year of BPED to provide further skills transfer and strengthen the Unit's capacity to advocate policy.

3. BOCCIM Policy Committee

The BOCCIM Policy Committee, consisting of BOCCIM members from key private sector and parastatal entities, meets quarterly to monitor the status of recommendations from the BOCCIM policy agenda and formulate new recommendations as conditions evolve. The committee drafted the agenda for the first meeting of the HLCC and continues to be the coordinating body between HLCC and private sector. At a quarterly meeting after the HLCC meeting, the committee made recommendations for topics to be discussed at the next HLCC meeting.

4. Staff Development at MCI

Several management staff at MCI attended Influencing Public Policy (IPP) courses in the U.S., as well as a Policy Writing course. Other DIA staff have taken courses in Marketing, Financial Restructuring, and dBase. The MIS Consultant has completed substantial on-the-job training for DIA staff on database management.

5. Staff Development at BOCCIM

The BOCCIM Chief Economist has taken two courses to increase her skills in policy advocacy: *Policy Writing* and *Policies for Private Sector Development*. She and the BOCCIM Policy Advisor toured the Southern African region to investigate how other organizations set up Economic Research Units. In addition, several Secretariat staff/BOCCIM members have participated in two IPP courses in the U.S. The skills gained from the IPP courses were evident in the successful lobbying for the extension of the BPED Project and in the appointment of a course participant, former BOCCIM President George Kgoroba, as Minister of Commerce and Industry.

D. Issues/Constraints

There are very few extraordinary issues to mention regarding BPED's policy development initiatives, as one generally expects that patience, dialogue, and persistence are required over a long period of time before those working on policy formulation and reform see the wheels slowly start to move. However, the Project suffered a disappointment when the counterpart to the MCI Policy Advisor, with whom BPED worked very closely throughout the project and whose performance and leadership were exceptional, was transferred out of the PRU of DIA a few months before the project ended. Another key departure from that unit occurred shortly thereafter. We hope that DIA will continue to recognize the importance of the PRU in collecting and maintaining data and conducting the analysis and dialogue that is required to make appropriate policy decisions.

E. **Impact: Increased effectiveness of policy dialogue between public and private sectors in support of private sector-led growth**

In addition to the impact already illustrated in the previous pages, the impact of BPED's efforts to address the key recommendations which came out of the Private Sector Conference in May 1994 are recapped below:

- . Create a High-Level Consultative Council - With BPED support, BOCCIM generated commitment from the GoB to proceed with development of HLCC. The first meeting was held in July 1995. Follow-up with relevant ministries/entities are underway and major policy changes have already been announced.
- . Eliminate the Remaining Foreign Exchange Controls - The BPED Liberalization of Foreign Exchange Study was referred to by GoB as being a major contributor to the sequenced liberalization of exchange controls. Recommendations are currently under implementation.
- . Reduce Company and Personal Taxes - Based on the recommendations of the BOCCIM Policy Advisor and BOCCIM Tax Committee, and recommendations

in several BPED-sponsored reports, company taxes have been reduced to 25%, with manufacturing at 15%.

- . Strengthen TIPA - While another donor agency is providing assistance to TIPA, BPED funded a consultancy to update TIPA's investment promotion materials and fostered dialogue between BDC and TIPA through a number of BPED-sponsored activities.
- . Study the Provision of Venture Capital, Long-Term Finance and Export Finance - BPED's BDC Special Projects Advisor and Divestiture Advisor have contributed to a BDC-sponsored study to investigate the feasibility of providing domestic venture capital. BDC intends to propose, for BPED funding, a further study to investigate the feasibility of a regional venture capital facility. The Divestiture Advisor and BDC have assisted in the establishment of an export credit insurance and guarantee facility.
- . Review and Enforce the Implementation of the Local Preference Scheme (LPS) - The MCI Policy Advisor was very involved in the review of the LPS and in the design of a Set-Aside Scheme to replace the old scheme. While several implementation issues are outstanding, this new scheme should be submitted to Parliament as part of the White Paper on Industrial Policy.
- . Reduce Utilities Costs and Hook-up Delays - MCI used some of the database developed under BPED to lobby with BPC and the Ministry of Water and Mineral Resources to defer any decision to build a new plant until it is clear that such an action is warranted, due to the inability of neighboring countries to supply power reliably and less expensively. BPC has accepted this recommendation and will defer plans to expand capacity at Morupule until 2007, or until such time as the plans become economically feasible. BOCCIM has consistently lobbied for a reduction in tariffs and raised the issue at the HLCC meeting in July 1995. The BPC announced in September 1995 that it will reduce tariffs by 10% from October 1, 1995, and that future increases will be kept within 50% of inflation. In October 1995, Botswana Telecommunications Corporation announced a dramatic change in its telephone rates, with some of the reductions being up to 62% on certain long distance bands. In addition to reducing most long distance rates, installation fees and rental fees were reduced by 20%.
- . Promote 'Hiving Off' of some Public Services - While BPED had no direct involvement as of the end of the prime contract, BOCCIM intends to pursue this area during the final year of BPED. BOCCIM hopes to utilize the regional USAID Telecommunications Project to investigate the feasibility of privatizing certain parts of the telecommunications industry.

- . Expedite the Provision of Serviced Land - BPED has supported the lobbying effort in this area through BOCCIM. The BOCCIM Policy Committee is currently addressing this issue as a result of the HLCC.
- . Be Selective in Industrial Promotion Actions - The development of the White Paper on Industrial Policy will assist the GoB to focus its industrial promotion activities.
- . Promote Productivity-Enhancing Policies - There was no direct BPED involvement with this recommendation, except through its work with a variety of incentive schemes, such as set-aside, FAP, and export promotion.
- . Address the Growing Problem of Alcohol Abuse - There was no direct BPED involvement with this recommendation.
- . Rationalise BDC - BPED has been a major contributor to the development of a strategy and implementation to divest BDC holdings in the industrial, financial, real estate, services, and agricultural divisions. Divestiture over the last 18 months is valued at approximately P83 million.
- . Strengthen Regional Trade and Investment Linkages - BPED has sponsored participation in trade fairs at the regional level and supported activities with regional development corporations, such as the development of an employee exchange program. In addition, several trade and investment missions were undertaken with BPED support, and the SACU Study provided major input to MCI on private sector recommendations for the renegotiation of the agreement.
- . Articulate a National Vision - BPED's involvement in all of the above policy issues confirms the project's significant contribution to the articulation of a national vision for private sector development in Botswana. BOCCIM has been requested to make recommendations to the GoB for incorporation into the Eighth National Development Plan.

IV. MANAGEMENT TRAINING/ENTREPRENEURIAL DEVELOPMENT

A. Introduction

Management/entrepreneurial development is the most complex of the areas in which BPED worked because of the great number of activities undertaken in training, skills development, management assistance, and local institutional development.

B. Implementation of Project Activities and Key Accomplishments

1. Management Assistance

The BDC Business Management Advisor provided assistance to over 100 businesses during his tenure at the Industrial Division of BDC. He worked at the management and board levels of these companies in such areas as financial systems, organization management, restructuring, and joint venture negotiation. While some of the Advisor's efforts were to create new jobs, in the gradually declining economic environment of Botswana, much of the management assistance became an effort to *save* existing jobs. In fact, the advisor's regularly reported impact indicators separated jobs saved from jobs created. Restructuring became a major management assistance recommendation. In an effort to save jobs at one woman-owned company that employed 25 women, BPED supported rapid assessment of business operations with a view to identifying the areas where the company could make improvements, decrease costs, and increase revenues. The company is currently implementing these recommendations.

BOCCIM's Secretariat staff, particularly the Outreach/Membership Services Department and the BPED Business Development Advisor, provided direct management assistance to hundreds of businesses in the areas of industrial relations, marketing, management practices, financial management, and small enterprise development. Under the Business Management Assistance Program (BMAP), to which USAID provided a grant for 50% of the costs and Swedecorp provided an advisor, BOCCIM and private sector companies developed a partnership to provide management assistance to small businesses. During the last year of the project, BMAP was gradually phased out and replaced with Business Councils which could be trained/guided by BOCCIM to resource local management assistance in their own regions. BOCCIM sector groups, such as the Small Business Division (SBD) and the Manufacturing Sector, were particularly active in assisting businesses within their own sectors.

2. BOCCIM In-Country and Regional Training

BOCCIM managed BPED training funds to support training courses relevant to the current needs of citizen entrepreneurs, managers, and employees. BOCCIM attempted to utilize local training providers who either have existing courses or are willing to develop new courses on such topics as financial management, credit control, how to win a tender, market

research, stress management, and customer relations. BOCCIM encouraged the use of training courses already available from training providers in Botswana, when appropriate, and offered BPED-financed scholarships when members requested and were eligible to receive such assistance. To meet the need for training that was not yet available in Botswana, the Training Department negotiated contracts with local training organizations to provide customized special seminars for a flat fee. Alternatively, BOCCIM offered scholarships with regional institutions to some participants. (This specific program was phased down during 1995). The Training Department is now beginning to offer in-house training courses and seminars to generate income. These in-house courses have been well-received to date. Overall, over 2,000 citizen entrepreneurs have benefited from the above programs.

3. BOCCIM's Advocacy Role in Support of Training and Human Resources Development

While some of the achievements in this area are discussed in **Section III. Policy Development** and **Section VIII. Long- and short-term Technical Assistance**, it is important to mention in the context of entrepreneurial development that the BOCCIM Training Department and the BPED long-term advisor to this department were very active on a number of committees to advocate training and human resources development in Botswana.

Additionally, the Training Advisor helped to focus the Training Department on training impacts and the need to link training with economic growth. A national training needs assessment was carried out with BPED funding and published in 1994 under the title *Training Needs for Business Growth*. The assessment report formed the basis for BOCCIM's 1994 and 1995 training calendars. Using data from the survey, BOCCIM presented a paper entitled *Enhancing Human Resources for Business Growth with integrated Donor Support* at a regional conference on European Economic Integration and its Impact on Africa, where the BPED project was specifically cited. The School of Accounting and Management at the University of Botswana subsequently published the paper.

The BOCCIM Training Department collaborates with the Ministry of Health in an AIDS awareness program in the private sector. Five BOCCIM training courses in 1994 and seven courses in 1995 included 30-minute sessions on HIV/AIDS in the workplace.

BOCCIM lobbied the Ministry of Education (MoE) to more actively monitor private sector training institutions and assisted the MoE in developing a questionnaire for collecting information on local training institutions. BOCCIM also presented a paper on "Accreditation of Information Technology Institutions." This accreditation issue was addressed in the MoE White Paper which recommended that a national committee look at all training institutions.

4. International Training

BPED supported long-term degree training for 14 participants at U.S. universities, which was administered by Development Associates (DA). While most of these participants were from the BPED implementing entities, several were individuals selected during the predecessor BWAST II Project and were from ministries or entities other than those with which BPED worked. Short-term international training in the U.S. or by U.S. training institutions on site in Botswana was also administered through DA. A list of long-term and short-term training participants and their courses/programs are attached as an Appendix.

Additionally, BPED utilized regional and non-U.S. international training institutions in South Africa, Cote d'Ivoire, Zimbabwe, the U.K., Malaysia, Zambia, and Kenya for courses in investment promotion, small enterprise development, corporate finance, joint ventures, marketing, treasury management, project management, public relations, graphic design, computer studies, and greenhouse operations.

A total of 132 individuals received short-term technical academic training in areas affecting private sector-led growth.

C. Capacity Building

1. BOCCIM Organization Restructuring

BOCCIM has grown enormously during the last eight years, particularly with assistance from USAID through the BWAST and BPED Projects. The potential "drying up" of donor funding, member dissatisfaction (most evident in non-payment of membership subscriptions and member surveys), and a changing socio-economic environment required BOCCIM to take a hard look at its environment, structure, and operations, and develop a strategy for BOCCIM to follow in the future. One small consultancy by an IESC volunteer was completed to look specifically at financial self-sustainability issues, but was not widely distributed. Then, in September 1994, a consultancy was commissioned to perform a comprehensive strategy review for the BOCCIM Secretariat and the Executive Council which would develop a set of recommendations on how BOCCIM should restructure itself. After a series of workshops, the consultants developed several scenarios for BOCCIM and made a recommendation for the best scenario. After the Executive Council approved the new structure, the consultants developed a five-year operating plan to serve as a road map for BOCCIM to follow in order to become financial self-sustainable, to be more responsive to membership, and to continue to project itself as a credible voice of the private sector in Botswana. The final operating plan was submitted to BOCCIM at the end of June. By the end of July, each "new" department was implementing its part of the operating plan and assessing the progress. Over the last quarter of the prime contract, there was striking evidence that major structural, strategic, and attitudinal change had taken place. It is hoped

that the final year of the BPED Project will be utilized to keep this momentum going and strengthen BOCCIM's management of change.

2. BOCCIM Small Business Division

One of the most active sectoral groups from BOCCIM membership is the Small Business Division, which received considerable assistance from the BOCCIM Business Development Advisor. Since 1994, the division has had its own annual workplans, the objectives of which are to improve linkages between small businesses and Government, set up financial assistance programs for small businesses, enhance the information networks for members, and develop income-generating opportunities for itself and its members. Participation by the division in events such as Small Business Week, Buy Botswana seminars, the Flea Market, and a presentation to the Minister of Commerce and Industry on Small Business Policy shows the extent of this division's effectiveness and energy. Dialogue with the GoB and donors continues on the possibility of establishing either a revolving loan fund or a loan guarantee scheme. Soon a Debt Collection handbook will be published and sold by the division. The local leader of this division is excellent; he was given a seat on the BOCCIM Executive Council late last year. Membership of the SBD in the Small Enterprise Promotion Trust (SEPROT) is pending.

3. BOCCIM Business Councils

To spread BOCCIM activities and dialogue among the membership, as well as assist local business communities to address their own problems, the BOCCIM Secretariat, with the assistance of the Business Development Advisor, has established local business councils in 11 locations throughout Botswana. Half of these councils are active and thriving, although all of them continue to require nurturing from the Secretariat in organization development. In May 1995, an organization workshop held for Business Council representatives showed that there is indeed potential for business council development and grassroots response to local business issues. These councils will be further developed through a five-year SIDA-funded project which commenced just prior to the prime contractor's completion date.

4. MIS Consultant at BOCCIM

BPED supported a consultant to work with BOCCIM over a period of five months to maintain existing database systems and develop/rework new systems for each department (except Policy). In addition to systems development and documentation work, she provided training to departmental staff. Finally, she performed a needs assessment for hardware and an inventory of existing hardware. BOCCIM will be addressing the consultant's recommendations during the last year of BPED.

5. Staff Development at BDC

BDC's Human Resources Department is well developed. It works with each division to ensure that appropriate training opportunities are identified for their staff and that career growth for all staff is promoted. BPED worked with both divisions and the Human Resources Department to identify the relevant courses that could be supported with BPED funding. Courses in investment promotion, project development skills, financial restructuring, small enterprise development, corporate finance, and influencing public policy were a few of the courses BPED supported.

BPED also supported the initial creation of a framework for a regional employee exchange between development corporations. This exchange would help to build relationships between development corporations as well as enhance the capacity of staff through learning about other development corporation operations. After an initial meeting of regional development corporations in mid-1995 at BDC, there was great enthusiasm for establishing this mechanism, defining roles, and soliciting financial assistance. A second meeting a month later resulted in a workplan which is now being implemented. BDC has been extremely active in ensuring that this exchange program becomes a reality, and it will be an exciting development to track over the next few years.

6. Industrial Division Systems Development

To enhance the Industrial Division's capacity to perform the management assistance functions for its portfolio, BPED provided two consultants who worked with Industrial Division staff to compile a manual of Portfolio Management Guidelines. This manual covers all areas of portfolio management, from identifying troubled companies to interfacing with other BDC departments. This manual has been accepted by the Industrial Division and will likely be used as a prototype for development of a similar manual for other divisions once funds become available. In addition, a portfolio management database was developed to assist project officers to monitor company performance.

7. Staff Development at MCI

Courses taken by MCI staff and counterpart development are mentioned in other sections of the report.

8. Staff Development at BOCCIM

Courses taken by BOCCIM staff and counterpart development are mentioned in other sections of the report.

D. Issues/Constraints

Several issues constrained the project's Management/Entrepreneurial Development component:

1. Availability of Staff for Training

While BDC made its staff available for training, both MCI and BOCCIM had human resource constraints that made it difficult for staff members to get away, even a few days, for a training course. On-the-job training had to be utilized to the maximum extent. For the final year of BPED, BOCCIM should make every effort to avail its staff of training, even though operations may be interrupted and other staff may need to do "double duty."

2. Closure of the USAID/Botswana Mission

The closure of the USAID Mission in Botswana places constraints on the long-term training component, as all long-term trainees had to return to Botswana by September 30, 1995. While the goal for the project was 20 MA-level trainees, the project completed only 14. BOCCIM was not able to take advantage of any of the degree training.

3. Economic Environment

As discussed in **Section I. Overview**, the economic environment changed significantly over the course of the project, impacting management assistance effectiveness and the ability of companies to participate in training courses supported through BPED. Jobs saved became as important as jobs created. It is also found that, in a recessionary environment, businesses tend to drop training costs first.

4. Organization Strategy Study

The Organization Strategy Study Final Recommendations details the organizational challenges experienced by BOCCIM in terms of its environment, stakeholders' expectations, organization and management, and the financial self-sustainability of the organization. Some of these challenges were also constraints to project implementation.

5. SME vs. Microenterprises

The confusion over whether the BPED Project would work with microenterprises initially created some confusion in project implementation with MCI. USAID/Botswana initially expressed that the project should not specifically address microenterprises. As it is extremely difficult to avoid microenterprises in Botswana, which make up a significant portion of the country's businesses, inclusion of microenterprise development in the project became unavoidable.

E. Impact: Strengthened human capital resources to support private sector development

In this section, we briefly discuss the results of the Evaluation of Training Impact of BOCCIM-contracted training courses, special seminars, and scholarship program recipients. The evaluation completed an assessment of change in behavior back at work (increases in efficiency and effectiveness as a result of training) and an assessment of effects of behavior change (contribution to profitability as a result of training). Over 80% of respondents at participant and supervisory levels cited increased effectiveness and efficiency as a result of the course taken. Respondents were unable to state whether the courses had an impact on profitability. Where reinforcement occurred back at the workplace, impact was greater. Courses were not taught with the intention on inculcating into the participants how they might contribute to profitability. It was therefore suggested that more focused topics be offered on profitability and enhancing effectiveness.

Additional recommendations included:

- . Screen applicants to ensure similar levels and sizes of organizations. Provide follow-up training and more informative brochures.
- . Provide more effective marketing of courses.
- . Provide a Log Book System for monitoring follow-up/reinforcement by the supervisor/manager after training.
- . If there is to be an assessment of profitability in the future, explicitly teach the profitability contribution. Teach trainees how to assess their own contribution over time after training objectively. The contribution needs to be relatively easy to measure.
- . When there resources from companies for training are more scarce, BOCCIM should be prepared to advise companies on what specific training would make the best use of these limited resources.

V. INVESTMENT PROMOTION

A. Introduction

Through the support of the BPED Project, the BDC has achieved increased local capacity to identify new projects and attract new investors. This process has been very exciting. BDC has taken full advantage of the project -- through long-term technical assistance, short-term technical assistance, and training -- to develop a promising capacity within the new Investment Promotion Unit (IPU) and the entire Marketing Department. Thus, BDC (aside from TIPA) has become the key mover and shaker for attracting investment to Botswana.

B. Implementation of Project Activities and Key Accomplishments

1. Investment Location Study and Direct Mail Campaign

BPED assisted the IPU at BDC by providing two consultants who determined key areas for potential investment in Botswana. The consultants then surveyed 50 American companies that were already investing in Africa, to determine the feasibility of developing the key identified areas of potential investment. With this information, BDC now intends to work with TIPA to develop marketing plans for drawing international investors to Botswana. Key areas for potential investment include leather processing, food processing, chemical production, and parts manufacturing.

BPED also assisted the IPU to develop a mailing list of approximately 300 American companies to whom BDC could promote investment in Botswana enterprises. This mailing list is being consolidated with other mailing lists for Europe, Asia, and Africa, particularly Southern Africa. BDC intends to share its list with TIPA so that they may better coordinate their marketing efforts.

2. TIPA Investment Promotion Materials

BPED contracted a local public relations/publications firm to update TIPA's main marketing brochure and to develop scripts and a photo library for later production of slides, posters, and an audio-visual presentation. The new brochure contains up-to-date information for the potential investor, including the recent changes in utility rates, investment incentive schemes, tax rates, and foreign exchange liberalization. TIPA intends to spend over P400,000 to mass produce these materials for distribution before the end of 1995.

3. MIGA Conference

The Multilateral Investment Guarantee Agency (MIGA) sponsored an investment promotion conference, Botswana: New Opportunities in a Changing Southern Africa, during 23-28 May 1993. In preparation for the conference, BPED undertook a one-day workshop on training needs assessment and development of project profiles. The program was divided into two

parts. The topics discussed in the first part were basic training in business planning skills, such as market analysis and project evaluation, and understanding the business process. The second part was spent reviewing case studies to show the construction of project profiles and manipulation of data. Special attention was given to providing the delegates with an understanding of what foreign investors were looking for. Approximately 60 project profiles were completed.

4. Citizen Participation

BPED investment promotion activities were not only directed at international investment, but, more importantly, at increased *citizen* investment in Botswana enterprises. The project has several key accomplishments in this area:

- . Village Opportunities - A pilot study was completed to survey the economic environment and identify relevant potential investment opportunities for local investors in two villages, Tsabong and Kasane. While the citizen consultants who performed the study did identify potential investment opportunities, time constraints prevented them from completing detailed financial information to support the feasibility of the activities or providing a potential investor with information on costs and potential returns. If BOCCIM chooses to expand this study to other villages, more time would be required to ensure that adequate financials are analyzed and provided.
- . Tourism Promotion - BPED sponsored two tourism promotion consultants to present a series of seminars to the different stakeholders on opportunities for investment in tourism in Botswana. The wealth of information uncovered during these seminars and through direct interviews with stakeholders was compiled into a manual and several accompanying booklets on how to undertake a tourism enterprise in Botswana. In addition, the consultants developed a feasibility study for establishing an investment advisory service for tourism projects within the Hotel and Tourism Association of Botswana (HATAB). HATAB will disseminate the manual and booklets for a fee and assist potential investors as possible. The seminars generated considerable enthusiasm among citizen investors and they are eager to access the manual. The seminars in communities were supported with a grant from another USAID project (NRMP), which is working with communities on enterprise development in natural resources management; it is hoped that this project may be able to follow up on some of the interest and potential projects already generated in the communities.
- . Divestiture at Botswana Development Corporation - BDC's mandate for divestiture places great importance on divesting BDC holdings to as many citizen investors as possible. While long-term financing continues to be a major constraint for citizen investors and BDC is often required to first offer

its holding to any other existing shareholders, BDC's current divestiture program has been successful in divesting some of its holdings to citizens. These divestitures are discussed in greater detail in **Section VI. Financial Sector Development.**

5. Business Linkages

A number of business linkage activities were undertaken by the project:

- . Trade and Investment Missions - The project design had envisioned considerable support by BPED in trade and investment missions by Botswana to the U.S., as well as by potential investors to Botswana. Only three trade and investment missions were undertaken, to Zimbabwe and Zambia by BOCCIM Secretariat staff and by potential American investors through the Virginia Trade Office. Constraints to this component are discussed later in this section.
- . International Trade Fairs - BDC received support from BPED to attend trade fairs in the US, Swaziland, and South Africa. While there has not been an overwhelming response as a result of BDC's participation in these trade fairs, there was a visit last year from a porcelain manufacturer in Virginia, and an exhibitor at the Made in USA show in 1994 realized sales of over P100,000 as a result of the contacts he made at the show. Additionally, the fairs have been an excellent training ground for the staff of BDC's Investment Promotion Unit, BOCCIM members, and TIPPA staff on how other countries market themselves and how Botswana should be marketing itself.
- . Virginia Trade Office - The GoB, supported by BOCCIM, successfully lobbied for the establishment of a Commonwealth of Virginia Trade Office in Botswana. BPED provided per diem for one investment mission to Botswana in October 1994. The future of the office will be clarified during the next six months, as the State of Virginia has since established an office in South Africa as well.

6. Feasibility and Business Expansion Studies

While feasibility studies and business expansion studies were planned in the original project design, only one business expansion study and two feasibility studies were proposed to the PIC. One proposal was turned down and the other two proposals were accepted in principle, provided the investors could contribute 50% of the cost of the study. As the investors could not contribute, neither study took place. BDC, however, with its own resources, supported 31 feasibility/expansion studies during 1994-1995 alone. These studies will be discussed later in this section.

7. BDC Business Management Advisory Services

The BDC Business Management Advisor, through his general responsibilities, provided analytic basis and managerial support for expansion of existing business enterprises. He provided assistance to 41 companies in 1994 alone. After his departure in January 1995, his counterpart and Industrial Division staff provided this assistance to 32 companies during the first half of 1995.

8. Pre-Production Training

In an effort for BDC to strengthen its capacity to manage on-site training programs and provide effective management advice, BDC assisted its portfolio companies to develop pre-production training courses. A total of 25 courses were developed during 1994-95 alone. As BDC was utilizing its own resources for these activities, BPED funds for this component were reprogrammed into another area.

9. Francistown Trade Fair

The Francistown Trade Fair, held first in 1994 and then again in 1995, has been an excellent collaborative effort by BOCCIM, its members, and the Francistown business community. The Fair attracted 61 exhibitors in 1994 and 68 exhibitors in 1995 from within and outside of Botswana. Spearheaded by the BOCCIM Business Development Advisor and one of his counterparts, this investment promotion activity has shown great potential for increasing investment in northern Botswana and environs. One exhibitor during the 1995 fair gained over 100 new customers, totalling approximately P200,000 in sales. Land in Francistown has now been allocated for a trade fairground and plans for the 1996 trade fair are well underway, with an ambitious marketing plan aimed at the Central and Southern Africa regions.

C. Capacity Building

1. BDC Investment Promotion Unit

- . Set-up - The establishment of an Investment Promotion Unit by the BPED Special Projects Advisor within BDC has directly strengthened the capacity of the corporation to promote domestic and foreign investment, to the point that BDC is now one of the key players in trade and investment promotion for Botswana. BDC's work in this area has helped to bridge the gap with the public sector through greater cooperation with TIPA and MCI.
- . Staff Development - Due mainly to the establishment of the IPU, an ambitious training effort was undertaken under BPED to develop staff for the unit and prepare for localization of the management position. The courses supported by BPED include: investment promotion, joint venture negotiation, marketing

research, marketing management, project analysis, project development, and financial restructuring.

2. BOCCIM

The GoB-initiated "Buy Botswana" campaign was one of the key initiatives in which BOCCIM and its members participated. BOCCIM and its membership are developing the capacity to increase investment, both locally and regionally, through a number of BPED-supported activities, such as the Francistown Trade Fair, other trade fairs, and a series of "Buy Botswana" workshops held throughout the country. These workshops focus on marketing, quality control, and business management, in order to make Botswana products more marketable.

3. Trade and Investment Promotion Agency

The BPED Chief of Party (COP) and BDC Special Projects Advisor participated on the Project Implementation Steering Committee for the Trade Expansion Project at TIPA, supported by the International Trade Centre (ITC). The objective of the project was to enhance the capacity of TIPA to act as the link between the GoB and the private sector in export development and export-oriented investment promotion. As this project finished, TIPA established an Export Promotion Department, and the ITC Project Steering Committee is being asked to re-form as a special advisory committee to the Export Promotion Department Head in order to continue the dialogue started during the project.

In addition, the MIS consultant's work with TIPA on the development of an Investor Tracking database will enhance TIPA's capacity to take a more proactive position on investment promotion and coordinate with BDC on investment promotion efforts.

4. American Business Council

The BPED Management Assistance Advisor was instrumental in establishing an American Business Council, the first such U.S. Chamber presence in Botswana. As president of the council, he convened the first meeting in September 1995, with the Minister of Commerce, the Honorable George Kgoroba, as guest speaker. The Council is very keen on following the example of BPED to promote American investment in Botswana and increase business cooperation between the two countries.

D. Issues/Constraints

1. PD-20 Legislation

Section 547 of PD-20 draws a distinction between promoting US foreign investment and persuading U.S. firms to relocate abroad, particularly when such relocation results in a reduction of existing jobs in the U.S. The intent of the legislation is not to prohibit all

activities that could indirectly result in the loss of U.S. investments that may also involve a relocation overseas. However, the U.S. Mission in Botswana chose to prevent any potential misrepresentation of project activities due to misinterpretation of this law. As a result, investment promotion activities that might even indirectly result in a loss of jobs in the U.S. through business relocation were kept to a minimum.

2. Feasibility and Business Expansion Studies

The host country contribution requirements for local businesses and potential investors was a key constraint to BPED in carrying through any feasibility and business expansion studies. Economic recession, perhaps combined with some lack of understanding of the process, prevented companies from being willing or able to make this contribution. Additionally, the scrutiny that each proposal that was sent to the PIC received and the apparent hostility of some PIC members towards individual companies receiving direct assistance from BPED in this way, discouraged further proposals.

3. Working with TIPA

While BPED was mandated to work with MCI as one of the implementing agencies, its work focused more on DIA. As more constraints were placed on the project, it became more difficult to draw TIPA into the breadth of investment promotion activities being undertaken by BPED. More effort should have been made by the project to keep TIPA as a key player in the PIC and the project throughout its course, particularly for the purpose of strengthening the dialogue and relationship between TIPA and BDC.

4. Time

Time is always a constraint for a project. The Investment Promotion component could have benefited from more time to complete the localization process for the Investment Promotion Unit at BDC and to further strengthen the relationship between TIPA and BDC.

E. Impact: Strengthened local capacity to promote domestic and foreign investment in the private sector

A small set of figures show how BPED support to BDC alone has helped to strengthen local capacity to promote investment in the private sector:

- . 12 feasibility studies completed during 1995
- . 19 business expansion studies completed during 1995
- . 216 contacts with foreign investors during January-June 1995
- . 14 staff trained in project analysis/investment promotion in 1995
- . 32 companies received management assistance from Industrial Division during first half of 1995
- . 10 business linkage missions conducted in 1995

- . \$182m LOP new and expanded private investment
- . Almost 11,500 jobs created or saved (salvage operations) LOP, more than half of them women.

VI. FINANCIAL SECTOR DEVELOPMENT

A. Introduction

Although the financial sector is not specifically defined as one of the areas of focus for the BPED Project, several BPED-funded activities initiated over the past few years to increase domestic and foreign private investment in non-mineral sectors of the economy have pointed to the financial sector (i.e., capital markets) as a potential engine of growth which could increase employment opportunities as well as inject much needed new investment, both citizen and external, into the economy. Botswana has many of the characteristics required to develop capital markets: a stable, democratic, free market economy; a stable currency and movement towards liberalization of a number of restrictions which might inhibit investment; a stable labor force; excellent foreign exchange reserves position; and good infrastructure. Botswana's location, in the European time zone and adjacent to the most active financial market in Africa, is considered a comparative advantage.

BPED considers its progress in financial sector development one of the key successes of the project, with potential for some of the greatest impact on the Botswana economy in terms of investment, employment, and economic growth.

B. Implementation of Project Activities and Key Accomplishments

There are five activities which BPED has supported in the area of financial sector development: International Financial Services Center Feasibility Study and Collective Investments Undertakings legislation; Credit Insurance and Guarantee Company; foreign exchange liberalization; venture capital; and, because of some of the linkages to financial sector development, divestiture of some of BDC's portfolio of companies.

1. International Financial Services Center Feasibility Study and Collective Investments Undertakings Legislation

During the last two years, the GoB and the BoB have expressed an interest in developing Botswana as an international financial services center. At the request of MFDP, BDC commissioned a study to determine the feasibility of developing Botswana as an international financial services center (IFSC), looking at the tax, foreign exchange, legislative, marketing, human resources, facilities, and investment and revenue implications of the establishment of such a center. The study also looked at the most appropriate products which Botswana might develop within an IFSC. The findings by the consultants, all of whom were from IFSCs around the world, were very encouraging. It was determined that Botswana has many of the attributes required for an IFSC and would not need to make a major capital investment to set up the framework. The direct and indirect revenue implications to Government and the private sector, as well as the possibilities for employment generation and increased investment in a number of sectors besides the financial sector, were very significant. The report outlined a plan of action to make an IFSC operational within the next year. The

report was then formally handed over to the Vice President and MFDP for review and implementation. The Ministry will establish a task force to take charge of implementation measures. Additionally, initial legislation could be passed as early as November 1995.

A similar team of consultants was commissioned by BDC to actually draw up the legislation and recommend the regulatory framework for one of the likely IFSC products, Collective Investments Undertakings (including Unit Trusts). The report was completed in August 1994 and formally presented to the Vice President and Minister of MFDP in May 1995. The Vice President has expressed his commitment to ensure that this legislation is passed in November 1995.

It is hoped that a final piece of legislation for an International Business Companies Act will be drawn up during the next six months for possible presentation to Parliament in March 1996. A proposal to BPED under the BOCCIM Cooperative Agreement will be presented for funding before the end of 1995.

2. Credit Insurance and Guarantee Company

While not specifically a PIC-approved activity, BPED advisors at BDC assisted in the groundwork for the establishment of a company in Botswana to provide credit insurance to industrialists for export and domestic sales. Pre- and post-shipment guarantees will also be made available in due course. Negotiations are now in process with potential local shareholders, with government for its role in underwriting political risks, and with a technical partner. A skilled and experienced general manager is being sought for this new project, which will be an integral part of an export and manufacturing policy for Botswana.

3. Foreign Exchange Liberalization

A study commissioned in early 1993 determined the benefits and costs of removing foreign exchange controls in Botswana and provided recommendations on whether or not controls should be phased out over an extended period of time and in what order. The study was completed in January 1994 and was subsequently submitted to the MFDP for review, approval, and implementation. As soon as February 1994, in the Budget Speech, the Vice President announced plans to accede to Article VIII status. In December of 1994, the BoB announced a sweeping series of reforms of the controls on current and capital account transactions by businesses and individuals. In August 1995, foreign exchange accounts for individuals were authorized. In its press release announcing the reforms, the Bank cited the BPED-funded report on exchange control liberalization as having been instrumental in bringing about the liberalization. The BoB will conduct a bi-annual assessment of the implementation of the liberalization measures to determine the pace of further liberalization. From an implementation standpoint, commercial banks have found it difficult to manage the paper requirements from BoB to monitor these liberalization measures, and only one bank has opened foreign currency accounts to individuals. Additionally, non-resident businesses

are not likely to transfer funds from overseas accounts into foreign currency accounts (FCAs) because these funds would then be subject to tax.

4. Venture Capital

BDC advisors assisted in an investigation to determine the need and feasibility of establishing a domestic venture capital fund. The objectives of the fund would be to promote economic activity and entrepreneurship in Botswana; target investments in small to medium companies requiring financial assistance and managerial advice for expansion; and be self-sustaining by generating sufficient profits to re-invest and cover operating costs of the fund and the management company. Several donor agencies have approached BDC to participate in such a fund.

Complementary to the above investigation is a market survey to determine the feasibility of a regional venture capital fund to support regional investment activities. BDC is looking at the development of the regional fund because the financial sectors and money and capital markets are unevenly developed in the various countries of the East and Southern African region. The development of a venture capital fund designed to provide equity finance to small to medium-size enterprises would appear to be highly desirable. The BDC has been approached by several private funds to discuss such a possibility. The PIC approved funding for a regional venture capital fund market survey in July; however, because of the heavy load of BPED-funded activities being implemented by BDC during the last months of the contract, BDC decided to postpone implementation of the survey and propose it for approval again under the BOCCIM Cooperative Agreement after October 1995.

5. Divestiture of BDC Holdings

The purpose of a development corporation is to assist in developing and expanding businesses until they are "mature" and can stand on their own. For a variety of economic, political, and social reasons, BDC had retained both equity and capital interest over its 25 years in a large number of companies which should have been divested to enable BDC to initiate new investments. The recessionary economic environment, the repeated re-financing of distressed businesses, and the need for BDC to take a more commercialized approach to its investments resulted in a request from BDC for BPED to fund a divestiture strategy study of its entire portfolio. The initial study in April 1994 focused on the Industrial, Financial, Services, and Agricultural Divisions, and was accepted and adopted by the BDC Board in June 1994. Although some divestiture was already underway, this study provided a five-year sequenced plan for divesting either part or all of BDC's interests from subsidiary and loan companies. BPED provided additional funds for an intermittent technical advisor to assist the Corporate Finance and Divestments Division. The advisor's role was to further refine the divestiture implementation plan and document policies and procedures for the divestiture program, provide guidelines for coordination between the different BDC divisions/departments, and add transparency to the divestiture process for the public.

Furthermore, the advisor provided skills transfer for determining optimal financial structures for restructuring, negotiation techniques and strategies, management of public listings, and division of departmental staff responsibilities and accountabilities. As of September 1995, all deliverables had been completed and BDC had fully divested 8 companies, with divestiture negotiations for a further 16 companies underway. Five of the companies were divested through the share market (public offerings) and three through private treaties. One company is now 100% citizen-owned. Holdings divested total P83m over the last 18 months.

An additional divestiture strategy study for the properties portfolio was completed in September and provides recommendations for implementation of the divestment of hotel, industrial, residential, and retail holdings. The study also recommends an institutional framework for managing the properties portfolio in the future. Implementation of the recommendations is under consideration.

C. Capacity Building

Both the Special Projects and Business Management Advisors broadened the scope of their work to include development of the financial sector in Botswana, as BDC was a premier institution to take a lead in this area and had a good working relationship with the MFDP. The commitment of BDC to financial sector development was serious enough to establish a Corporate Finance and Divestments Division which would oversee not only the financial institutions portfolio, but also the divestment of holdings in BDC's various portfolios and any BDC activities to further financial sector development in Botswana. In order to strengthen the capacity of the division and to ensure that the momentum that had been achieved would continue, BPED provided intermittent technical advisory assistance to the Corporate Finance and Divestments Manager. In addition to updating an implementation plan for divestiture based on the recommendations of the Divestiture Strategy Study of April 1994, the Advisor drew up guidelines for interdepartmental management of the divestiture process and for documented procedures to be followed while divesting a company, in order to ensure transparency of the process. As mentioned in **Section VIII. Long-Term and Short-Term Technical Assistance**, great progress has been made in strengthening BDC's capacity to continue as a leading institution in financial sector development. The project was also successful in increasing BDC's ability to work hand-in-hand with the MFDP in developing a financial sector that will increase domestic and foreign investment and provide a possible new engine of growth to Botswana.

D. Issues/Constraints

The development of the financial sector of Botswana requires strong support and collaboration with the MFDP. Many of the activities BPED pursued in this area were implemented with a concerted effort to respond to the concerns of MFDP and to fully educate all players on the complex issues surrounding some of the concepts discussed. The positive reception BPED activities have received within the Ministry are encouraging, and we hope that there will be continued collaboration between BPED, BDC, MFDP, and other

relevant Botswana entities to push forward the recommendations and plans set forth over the last two years.

E. Impact: Strengthened local capacity to promote domestic and foreign investment in the private sector

The strengthened local capacity to promote domestic and foreign investment in the private sector has already been mentioned. At this point, it may be more appropriate to discuss the *potential* for increased domestic and foreign investment in the private sector as a result of the financial sector development initiatives which are currently underway in the country.

With regard to the establishment of Botswana as an International Financial Services Center, a model of the costs and benefits developed by the consultants suggests that over 400 new jobs and over P200m (in 1995 Pula) may be directly generated over five years. P41m may be collected in local taxes and license fees directly on IFSC activities. Even after paying the costs of the IFSC start-up and a 50% share in the marketing budget, local new tax and licence revenues on Botswana-based activities could become significantly positive after the second year. Including the multiplier effects, this will boost the growth rate of GDP for the period from an expected 3.5% p.a. to 4.1% p.a., an increase of 16%. The side-effects to the domestic economy include a much-needed boost to the existing Botswana banking sector and numerous backward and forward linkages as part of the day-to-day operations of an IFSC.

VII. PROJECT MANAGEMENT

A. Project Implementation Committee

The Project Implementation Committee (PIC) provided the project with the framework it required to build consensus among the different implementing agencies, USAID, and the BPED Project Office, as well as a transparent mechanism for authorizing the use of grant funds under the project. As such, the PIC became the key decision maker for determining the direction of the BPED Project. The PIC mechanism consisted of key representatives from each implementing agency, USAID, and the BPED Project, with the Managing Director of BOCCIM as its Chair. The committee met quarterly to monitor on-going activities, consider proposals for new activities, and review work plans from each implementing agency.

The original structure of the PIC mechanism included an Operating Committee consisting of representatives from each implementing agency, chaired by the Deputy Director of BOCCIM, which met prior to the PIC Meeting to review the meeting materials. This process not only became laborious, unwieldy (with too many members), and duplicative, but the planning and the decision-making processes had become so centralized that most participating members did not feel that they could/should really contribute to the project. The sense of *ownership* had become diluted, having a negative impact on the implementation of some BPED activities and on local capacity-building efforts. Additionally, the PIC meetings became platforms for special interests, diverting attention from the task at hand.

A revised PIC mechanism was conceived and pre-designed prior to the BPED Retreat of October 1994 and was fleshed out during the retreat. This revised process decentralized decision-making, requiring that implementing agencies be more active in both the planning and monitoring of BPED-funded activities. It devolved responsibilities to those who actually had to implement and live with the consequences of the activities, creating more ownership. Finally, it reduced the forum for the special interests. In short, the revised guidelines included:

- . Technical sub-committees in each technical area covered under BPED (Policy Development, Management/Entrepreneurial Development, Investment Promotion, Financial Sector Development), each consisting of one member from each implementing entity, the USAID Project Manager, and the BPED COP. On-going activities were monitored and proposed activities reviewed by the relevant technical sub-committees on a quarterly basis and recommendations made to the PIC.
- . The PIC, which meets only as necessary to review and accept the recommendations of the technical sub-committees, or to discuss broader BPED policy/implementation issues.

- . Each proposed/on-going activity has an activity coordinator who assumes responsibility for that activity "from cradle to grave."

The revised PIC mechanism has generally been a success. It has accomplished all we had hoped for and created a valuable framework for BPED as it continues for an additional year as a host country contract. The mechanism also provided a framework which may be of value to its participants in continuing dialogue and consensus building post-project.

B. Project Office

The BPED Project Office, consisting of a COP and three local staff, managed project implementation in regards to long- and short-term technical assistance, international training, business linkages, and other activities completed with the foreign exchange portion of the BPED budget, as well as the bulk of reporting. The office was the link between USAID, the BPED implementing entities (beneficiaries), and the Secretary to the PIC. Overall, the BPED Project office provided a neutral ground through which implementing agencies and USAID could work.

- . Chief of Party (Technical Coordinator)

The COP was the Secretary to the PIC, participating on all committees, sub-committees, and reference groups, and managing the foreign exchange budget. In addition, she provided technical guidance on terms of reference, resourcing consultants, and development of activities which were appropriate within BPED's overall objectives and scope. She also coordinated all subcontracting.

- . Bookkeeper/Training Coordinator

The bookkeeper/training coordinator maintained the local accounts for the project, and coordinated all international training activities. She liaised with USAID and the prime contract's training contractor in the U.S., Development Associates, to handle all matters related to training, from registration and payment to transfer of transcripts and certificates. The training component was not the key focus of the project, as with BWAST, but was an important input to achieve BPED objectives. The smooth coordination between USAID and DA enabled BPED to exceed most of its training targets, in spite of the early close-down of the contract and the restrictions placed on training during the final year of the USAID/Botswana Mission's operations.

In addition, there was a secretary and a clerk/messenger to handle the heavy paperwork and communications traffic required by the project.

C. Utilization of Resources

The use of what came to be known as the "Deloitte Touche Tohmatsu network" greatly facilitated identification of appropriate consultants to undertake BPED activities.

1. Contracting

The network was extremely effective at global resourcing of potential contractors for project activities. The ILA Group alone resourced consultants from approximately 15 different national practices around the world in the areas of privatization/divestiture, financial markets, financial services, insurance, management information systems, human resources development, organizational development, and strategic planning. In addition, the ILA Group utilized its international consultant database and roster of international consulting companies to identify consultants in export promotion, investment promotion, divestiture, management information systems, financial sector development, law, public relations, trade, and economics.

2. ILA Group Home Office Support

The ILA Group home office provided additional assistance in the area of research, publications, and program development outside of its normal administrative and financial duties. For example, when MCI wanted to design a set-aside program similar to that in the U.S., an ILA Group home office staff member collected the information on U.S. set-aside programs from the Small Business Administration in Washington, including application forms for companies, and so on. When DA was putting together a customized course on Influencing Public Policy (both in 1993 and 1994), ILA Group home office staff assisted in identifying speakers, setting up interviews and presentations, and providing support to the participants.

3. Key Subcontractors

Development Associates utilized its resource database to identify appropriate U.S.-based long-term programs and short-term courses for BPED training participants. They also contracted out several customized courses which focused on specialized topics such as project analysis, financial restructuring, policy writing, and influencing public policy, all of which were well received.

The second subcontractor, Development Alternatives, provided the long-term Policy Advisor position at BOCCIM and was an excellent resource for information and publications on training and small enterprise development.

4. Local Resources in Botswana/Region

Wherever possible, an effort was made to utilize local resources from within Botswana or within the region in order to keep costs down and assist in developing local capacity for technical assistance and training in the specific areas we dealt with. In some cases, local resources were essential to ensuring that the recommendations of the consultants were appropriate in the context of the Botswana socio-economic situation.

D. Monitoring and Evaluation Systems

While not all monitoring and evaluation systems were established at the project onset, over its course a framework was established among implementing agencies, advisors, the BPED Project office, and USAID to provide data for monitoring and evaluation on a regular basis. Specific systems were established to monitor grant expenditures and host country contributions and to provide data for regular reporting to USAID, such as Project Implementation Reviews and Assessments of Project Impact. The revised PIC mechanism was designed to interface with and strengthen the existing monitoring and evaluation systems, so that all on-going project activities were assessed on a quarterly basis and recommendations for any changes or alterations were made at that time. Overall, the project monitoring systems were comprehensive and provided the project and USAID with quality information.

E. Issues and Constraints

There are a number of issues which relate to project management:

- . As discussed in **Section IX. Logframe/Contract Changes**, it was announced in November 1993 that the USAID Mission in Botswana would be closed in September 1995 and all bi-lateral projects truncated at that time. From this date to May 1995, the status of the BPED Project was in a tremendous state of flux, first in terms of its very existence after September 1995 and then in terms of impact on its structure, implementation, and coordination for an additional year to September 1996. While the project appreciated the difficulties and uncertainties with which the USAID Mission in Botswana had to contend within its own organization and with the GoB, the environment in which the contract worked for its last two years as a result of these uncertainties was extremely difficult. Project staff, advisors, and subcontractors attempted to remain flexible and open so that this environment did not keep us from the job at hand or distract project participants and stakeholders from the goals we were attempting to achieve.
- . A project of this size and complexity required a Deputy Chief of Party/Project Assistant to assist in the administrative implementation of the vast number of activities taking place at any one time. For a number of reasons a project

assistant was not hired; however, it should be noted that this hire would have enabled the COP to focus more on strategy and technical issues instead of administrative details and reporting.

- . Efforts were made to use citizen/local resources; however, the quality of local resources or the lack of specifically required expertise often precluded the use of local resources for consulting assignments. Even if these were tendered locally, responsiveness and quality could not be guaranteed. While we wanted to enhance capacity to perform consulting/training assignments, we also were ultimately responsible for the quality of the work performed.
- . MCI participation on the PIC was generally delegated too low. After the revised PIC mechanism created sub-committees, it was only the sub-committee members who participated. The representative for MCI on the PIC, the Permanent Secretary, did not participate in any of the meetings/decisions, nor did she delegate a Deputy Permanent Secretary to represent her, upsetting somewhat the mechanism for consensus that had been developed. It is fortunate that the person who did represent MCI for most important decisions was very competent and familiar with BPED, so that there was some confidence that her opinions reflected those of the Ministry.

VIII. LONG-TERM AND SHORT-TERM TECHNICAL ASSISTANCE

A. Long-Term and Part-Time Advisors

1. Policy Advisor, Department of Industrial Affairs, Ministry of Commerce and Industry
6/92-8/94, 3/95
Richard Wolfe

Mr. Wolfe was instrumental in establishing the Department's Project Research Unit which collects, analyzes, monitors and disseminates information as it relates to policy analysis and formulation for this key department within the Ministry. Mr. Wolfe made significant contributions to the development of new policies, as well as the redesign of existing policies that are the responsibility of DIA, including the Financial Assistance Policy, Citizen Reservation Policy, Local Preference Policy, trade policy for the auto industry, and the overall White Paper on Industrial Development, which will form the umbrella Industrial Policy of the GoB. Mr. Wolfe was well-placed as a "Government man," as he worked well within (and, in some cases, in spite of) the Government bureaucracy and, in his advisory capacity, became an important part of the DIA team. Upon his departure as a long-term Advisor, he completed one short-term consultancy to follow up on several of the policy issues on which he worked.

Mr. Wolfe's counterpart was head of the Project Research Unit, Mrs. Tebby Ndzingo.

2. Business Management Advisor, Industrial Division, Botswana Development Corporation, 5/92-1/95
Charles St. Clair

Mr. St. Clair served as an Operational Expert (OPEX-er)/advisor to the Industrial Division of BDC since 1987, first under the BWAST Projects and subsequently under BPED. He provided high-level management assistance to most of the companies in the Industrial Division's portfolio. While he was required to resign from the 39 board positions he held as a BWAST OPEX-er when he became an advisor under BPED, he still was very active at the board level and assisted BDC and its portfolio companies in major strategic, restructuring, and investment decisions. As the Botswana economy became more recessionary, Mr. St. Clair focused as much on saving jobs as creating jobs. He also provided one-on-one training to Industrial Division staff and subsidiary company staff. Finally, Mr. St. Clair assisted in the development of the divestiture strategy for the Industrial Division and its subsequent implementation. He was a strong supporter from the business management side of specific BPED objectives, such as the liberalization of foreign exchange, the development of a legislative and regulatory framework for Collective Investment Undertakings, and the initial conceptual work for establishment of an International Financial Services Center in Botswana.

Mr. St. Clair's counterpart was Head of the Industrial Division, Ms. Dorcas Kgosietsile.

3. Special Projects Advisor, Projects Division, Botswana Development Corporation, 5/93-8/95

L. James (Bud) Eaton

Mr. Eaton was instrumental in developing an Investment Promotion Unit at BDC, which coordinates BDC's investment activities, from research/identification of investment opportunities, to marketing BDC as a development corporation/DFI/joint venture partner, to specific project appraisal. The Unit now has three staff, all of whom have received intensive training through BPED in investment promotion strategies, negotiating joint ventures, financial restructuring, project appraisal, project development, marketing management, marketing research, and marketing of services. One staff member is now Mr. Eaton's direct counterpart and is being trained through courses and skills transfer by Mr. Eaton to become head of the unit. While considerable progress has been made in the establishment and consolidation of the Unit and the training of staff, BDC feels that additional institutional development and staff training is required before the Unit can become fully localized. BDC will, therefore, contract Mr. Eaton on its own for the next 1-2 years to fully establish the Unit. Mr. Eaton worked on several other special projects complementary to his investment promotion role. He was strongly involved in assisting in the development and implementation of a divestiture strategy for several of BDC's divisional portfolios. He has also made a significant contribution to BPED's efforts to diversify the capital markets of Botswana, including an activity to establish the feasibility of development of an IFSC in Botswana and investigations into developing both domestic and regional venture capital funds.

Mr. Eaton's original counterpart, Mr. BM Disele, is now Deputy Managing Director of BDC.

4. Policy Advisor, Policy Unit, Botswana Confederation of Commerce Industry and Manpower (BOCCIM)

Millard Arnold, 6/92-6/94

Ann McDermott, 7/94-8/95

Mr. Arnold established the Policy Unit at BOCCIM and assisted in identifying the person who is now the Unit's Chief Economist. His strength lay in initiating policy dialogue with not only the GoB, but with regional and international governments. He participated in several trade missions, including the one in which the now-former Virginia Governor declared his intent to set up a State of Virginia Trade Office in Botswana. He also laid the groundwork for the establishment of management information systems for the Unit, enabling it to gather and analyze macro and microeconomic data for the purpose of developing specific policy positions and credibility as "the voice of the private sector" in Botswana. He and his counterpart toured the region to learn how other countries were institutionalizing economic research units. Additionally, Mr. Arnold assisted in the organization of the 3rd Private Sector Conference in Francistown, where high-level private and public sector figures met to discuss issues of relevance to promoting private sector development in the country.

Upon his departure from BOCCIM, Mr. Arnold became former U.S. Secretary of Commerce Ronald Brown's Minister Councillor for Southern Africa. As a result, BOCCIM continues to interface with him in his new capacity on various U.S. trade and commerce issues as they relate to Botswana.

Ms. McDermott made substantial progress in making the Policy Unit operational and strengthening the credibility of the Unit to articulate and develop policy positions on behalf of the private sector. She identified areas for strengthening the policy analysis/writing/development skills of her counterpart and provided the necessary skills transfer. Her key successes were assisting in convening the first High Level Consultative Council as a forum for dialogue between top Government and private sector players; presentation of the findings of BOCCIM's first Industrial Sector Survey; and a major role in shaping BOCCIM's policy positions on corporate taxes, utility rates, SACU trade position, enabling environment for manufacturing sector, women and access to credit, and special incentives for small-scale entrepreneurs.

The counterpart for Mr. Millard and Ms. McDermott was the Chief Economist of the Policy Unit at BOCCIM, Ms. Pelani Siwawa-Ndai.

5. Business Development Advisor, Outreach (Membership Services) Department,
Botswana Confederation of Commerce Industry and Manpower (BOCCIM), 3/93-8/95
H. Wayne Meyer

Mr. Meyer provided direct technical assistance to BOCCIM member businesses, particularly small business, and made a significant contribution to the institutional strengthening of BOCCIM's small business and sectoral constituency. He revitalized the Small Business Division to increase its capacity to assist BOCCIM in being more responsive to its small business membership and has been instrumental in the establishment of the regional business councils concept, which has shown some potential for development in particular towns and villages. He worked very closely with the BOCCIM Northern Regional Manager to set up the annual Francistown Northern Trade Fair, which has been quite successful in drawing attention to the importance and potential of the business community in the north of Botswana. Mr. Meyer assumed "counterpart" duties to provide skills transfer to all staff in the Membership Services Department, Business Council members, Small Division members, and particular sectoral groups, such as manufacturing and textiles. He has given special consideration to critical coordination by BOCCIM with other small business interests in Botswana, such as SEPROT, BASE, the GoB's Buy Botswana Campaign, and Small Business Week. During his last couple of months with BOCCIM, Mr. Meyer focused on identifying and operationalizing several income-generating activities for the Membership Services Department.

Mr. Meyer's counterpart was the Membership Services Departmental Manager, Mr. E. Dewah.

6. Training Advisor, Training Department, Botswana Confederation of Commerce Industry and Manpower (BOCCIM), 6/93-12/94 - part-time; 2/95-9/95 - intermittent
Brendon McConville

Mr. McConville provided advisory assistance to the Department's Training Officer (Manager) in developing the department's capacity to coordinate the delivery of training courses that responded to the needs of BOCCIM's members, particularly the small business members; manage a local/regional training scholarship program on behalf of USAID; develop an advocacy role for BOCCIM in the area of adult education, business training and vocational training; and provide other membership services related to human resources development in the business community. His key accomplishments include publication of a Regional Training Providers Survey that won a production award in South Africa; development of a computerized monitoring system for scholarship grantees and BOCCIM's contracted training participants; and an increase in BOCCIM's contribution to the development of several key policy/institutional decisions regarding vocational training and bursaries. During the last nine months, Mr. McConville provided specific assistance through the design of several training courses, including customer service, retail sales, and marketing, which were then taught by the Training Officer herself, rather than contracted out. As an institutional member of BOCCIM (for Deloitte & Touche/Botswana), Mr. McConville continues to play an important advocacy role in the areas of vocational training and bursaries.

Mr. McConville's counterpart was Mrs. O.C. Masire, Training Manager of the Training Department at BOCCIM.

7. Divestiture Advisor, Corporate Finance and Divestments Division, Botswana Development Corporation, 10/94-8/95 - intermittent
Robert P. Wood

Mr. Wood, formerly on contract with BDC as a Financial Services Advisor to both BDC and the MFDP, provided intermittent advisory assistance to the newly created Corporate Finance and Divestments Division in the implementation of BDC's Divestiture Strategy. His key tasks related to divestiture included incorporating BDC's strategic plan and divestiture objectives into a five-year divestiture implementation plan; developing and documenting agreed-upon procedures for the divestiture program as they relate to organization, objectives, responsibilities, and accountabilities; skills transfer for negotiating techniques, structuring of mergers, acquisitions or other restructurings undertaken by the department; management of private as well as public offerings; and monitoring progress of the department and its staff. Additionally, Mr. Wood provided considerable advisory assistance in the general area of capital markets development, such as establishment of an export credit insurance and guarantee scheme, assisting a feasibility study for Botswana as an international financial services center, considerations for development of a venture capital fund, and the general development of financial sector infrastructure.

Mr. Wood's counterpart was the Manager of the Corporate Finance and Divestments Division, Mr. Kumbulani Munamati.

8. MIS Consultant, Department of Industrial Affairs and Trade and Investment Promotion Agency, Ministry of Commerce and Industry, 6/94-8/95 - part-time
John Barton

Mr. Barton assisted MCI in developing the database management systems required to facilitate policy formulation and investment promotion. At DIA, the proper tracking of businesses in Botswana would assist the Department in formulating and revising policies that would enhance the operating environment for existing businesses and encourage investment in new businesses. The MIS developed/revised by Mr. Barton included a Licensing Ledger System, a tracking system for FAP Medium and Large-Scale Grants, and an application system for Small-Scale FAF Grants. At TIPPA, Mr. Barton concentrated on a system to track potential investors in Botswana. In addition to assisting to develop and maintain these systems, Mr. Barton was very involved in training the relevant departmental staff. He provided one-on-one training and helped to design a dBase course for 25 participants which was appropriate to MCI and BOCCIM requirements. He also assisted the DIA in its participation on a GoB-wide Computer Committee which assessed/monitored the MIS needs of each ministry.

For this last task, Mr. Barton's counterpart was Ms. Dorothy Mpabanga, a Supervisory Officer in the Project Research Unit of the DIA, Ministry of Commerce and Industry.

B. International Executive Service Corps (IESC)

Five consultancies were undertaken through a subsidiary agreement with the IESC:

- . Botswana Agate - Resource Potential Feasibility Study, May 1993
- . Financial Feasibility on Long-Range Financial Planning of BOCCIM, October 1993
- . Handbook for Field Officers on Apparel, Leather Products, Wood Furniture, and Handicrafts Industries (incomplete), August 1993
- . Development of TOR for a Feasibility Study to determine whether BOCCIM could take over the management of the Botswana International Trade Fair (BITF), 1994
- . Facilitator for Business Councils Workshop, April 1995

All consultancies, except for the Handbook, were **completed** by the IESC consultants. The partial draft of a handbook was left to circulate between Integrated Field Service (IFS) at MCI and BOCCIM, as the consultants had neither sufficient time nor expertise in the specific industries that the handbook covered to complete the handbook.

C. Other Short-Term Technical Assistance

No less than 50 short-term consultants provided technical assistance to the implementing entities in all of the areas on which the project focused, including, but not limited to: trade policy; review of investment incentives policies/schemes; marketing; identification of investment opportunities; industrial policy; feasibility studies for growth in specific sectors; training impact; development of legislation and regulatory framework; development of management information systems; divestiture strategies; management of Private Sector Conference; impact of AIDS in the workplace; organization restructuring; policy writing; assessment of specific company performance; and strategies for increased citizen participation in specific industries.

Consultants were sourced locally, regionally, and internationally, as individuals and as companies, either through the prime contractor (referred to in this context as the "Deloitte Touche Tohmatsu network"), a limited tender by pre-qualification, or full-tender process. The majority of consultants have not only left many workable ideas, plans, and products for the entities with which they worked, but also a databank of local, regional, and international expertise that is now available for use in follow-on assistance should it be needed for the next year of BPED.

D. Issues/Constraints

The key issues and constraints of both long-term and short-term technical assistance have been typical of development projects: OPEX-er vs. advisor role; counterparts; ownership; and implementation/follow-up.

1. OPEX-er vs. Advisor Role

The purpose of an Operational Expert (OPEX-er) under the predecessor BWAST project was to replace a counterpart who was leaving or had left for long-term training and to provide on-the-job training and skills transfer to counterparts who had either recently returned from training or who were in place. While the problems with the OPEX-er role are discussed in more detail in the BWAST final report, the key issue was that the OPEX-er was often not regarded as a temporary replacement, but as a full-fledged staff member who was heavily relied upon to fill a resources/skills gap in the respective entity. Under BPED, it was hoped that reorienting long-term technical assistance to 'advisors' would cultivate less dependency on the advisor and limit his/her activities to those which facilitate or transfer skills rather than taking on responsibilities which should be those of a counterpart or another individual within the implementing entity.

This reorientation was very difficult for the implementing entities to accept. Many of the advisors ended up taking on their counterparts' duties because of a general lack of human resources in the entity (as was the case in MCI), the skills limitations of the counterparts and other staff members (as was the case at BDC and BOCCIM), or the general dependency that had developed among these entities from many years of having technical advisors in on-line positions (particularly at BOCCIM). Efforts to encourage the advisors to limit their activities to "advisory" and "skills transfer" were only moderately successful. Most advisors were put in the difficult position of understanding the inputs and outputs to be accomplished by the project and being confronted with counterparts and/or entities who were not as knowledgeable about project objectives and were, understandably, more concerned about day-to-day business activities.

This OPEX-er vs. advisor issue will continue to be a problem, regardless of how it is approached. It is really up to the individual advisor to attempt to adhere to an advisor and/or facilitator role to as great a degree as possible, to ensure that skills transfer is taking place and that counterparts and other staff are gaining confidence to take on greater and greater responsibility within their entities.

2. Counterparts

The counterpart issue follows on to the OPEX-er vs. advisor issue, in that counterparts are pivotal to ensuring that skills and knowledge remain after the advisor leaves. In all of the cases under BPED, counterparts were not leaving for long-term training. They were to work side-by-side with the advisors to ensure that maximum skills transfer took place. Only short-term training that complemented the on-the-job training was utilized. This concept generally worked better than the OPEX-er concept, as (where possible) each advisor-counterpart developed an equitable working relationship to ensure this skills transfer. In most cases, the advisors were fortunate to have the same counterparts throughout their contracts, strengthening the continuity and depth of the skills transfer.

The key constraints to the identification/use of counterparts were that, in several cases, the counterparts were either mismatched or did not accept the relationship, and the advisors were forced to identify alternate counterparts over the period of their contract so that they could at least transfer their knowledge and skills to someone. It is also discouraging, but not surprising that, after over two years of an advisor-counterpart relationship and significant skills transfer, one civil servant was transferred to another agency within the same ministry.

3. Ownership

A great number of diverse technical assistance activities rose out of the BPED project, from ideas of the implementing entities themselves, advisors, and other project personnel. While all of them were somewhat appropriate in the context of the project, some of the relevant implementing entities did not "take ownership" of some of the activities proposed by their entities, greatly diminishing any chance for sustainable results. Too many of the activities

approved by the PIC languished for over a year before a decision was made on whether to implement the activity or not. Some activities were implemented only with reluctance of key implementing entity staff involved. Implementation of some activities was confused by the fact that the activities were really for the benefit of a BOCCIM member/sector, thereby confusing who the "owner" should actually be. Sometimes an idea for an activity was poorly planned out or actual consensus within the implementing entity was not achieved prior to presentation to the PIC, yet it was passed by the PIC anyway.

During the revision of the PIC process, it was required that each proposal/on-going activity have an Activity Coordinator or "owner" who would take responsibility for the project to ensure its success and sustainability. This requirement helped to ensure that proposed projects would, in fact, have someone behind them to ensure that they were properly implemented. For on-going activities, designation of an Activity Coordinator was an attempt to get staff away from relying on the advisors and to take more responsibility for their projects.

4. Implementation/Follow-Up

All of the above-listed issues and constraints have an impact on whether actual implementation/follow-up occurs after both long- and short-term technical assistance has been completed. While dependency, complacency, and lack of human resources and expertise are perennial problems to which BPED was not immune, there is a great deal of evidence in the BPED Project to suggest that there was considerable impact left by the long- and short-term technical assistance, strengthening the chances that use of newly acquired skills, implementation of recommendations and plans, and follow-up of studies will actually take place.

E. Impact: Strengthened human capital resources to support private sector development

The impact of some of the short-term technical assistance is detailed in the previous sections. It is most interesting to note that the bulk of the counterparts were women, characterizing the increasingly important role that women are playing in both public and private sector business development.

- Mrs. Tebby Ndzinge (Mr. Richard Wolfe)- Mrs. Ndzinge, a graduate of University of Botswana (UB), has worked in MCI for almost 10 years. She spent the bulk of that time in DIA as an Officer who, showing great management potential, rose to a key supervisory position within DIA and acted as the right-hand person to the Director of Industrial Affairs. She was the logical counterpart to the long-term Policy Advisor and had the greatest capacity within DIA for working with the advisor to set up a PRU, which is essentially the arm of DIA responsible for policy analysis and formulation for industrial policy. She has benefited greatly from the advisor's skills transfer

and was in a strong position to manage the PRU on her own, as well as develop the capacity of the PRU to take on a greater policy formulation role. Until recently, Mrs. Ndzinge was representing DIA in trade talks with South Africa on the auto industry and on the SACUA renegotiation team. She also has been the organizer of the Council of African Ministers of Industry conference and a committee member for several major policy reviews. Unfortunately, Mrs. Ndzinge was recently transferred to TIPPA, where she holds the position of Assistant Director of Investment Promotion. While it is a considerable gain for TIPPA, which desperately needs the management expertise, it is a great loss for the DIA, which subsequently suffered additional staff losses within the PRU.

- . Ms. Dorcas Kgosietsile (Charles St. Clair) - Ms. Kgosietsile, a graduate of UB in Economics, Statistics, and Accounting, has been with BDC for 15 years. Starting out as an Officer in the Projects Division, she transferred after two years to the Industrial Division, where she has risen over the last 10 years to Divisional Manager, the first woman to rise to such a high management position within BDC. Her counterpart relationship with the long-term advisor (during BWAST and BPED) has lasted for seven years. She had the opportunity (under BWAST) to earn an MS degree in Management from AD Little Management Education Institute, which greatly increased her ability to address management issues within her division. Ms. Kgosietsile currently manages a portfolio of approximately Pula 100 million in more than 40 manufacturing companies located throughout Botswana, directing her staff of 8 in monitoring these investments. She is very interested in addressing business culture issues to encourage productivity and profitability and is active in divestiture, restructuring, salvage, and foreclosures, as well as in expansions of her portfolio companies. BPED has assisted Ms. Kgosietsile in streamlining the policies and procedures of her division, as well as assisting in developing a divestiture strategy for the division that meshes with BDC's overall development goals. Ms. Kgosietsile also owns her own business and was named "Businesswoman of the Year" in 1988 by the Rotary Club, in recognition of her professional skills and in tribute to her outstanding professional example.
- . Mr. B.M. Disele; Ms. Rosinah Tatedi (Bud Eaton)- Mr. Disele, with BDC for 20 years, is illustrative of the impact of longer-term technical assistance and training. He received a Masters degree from AD Little Management Education Institute under the BWAST Project and returned to the Operations Division. In 1989, he was promoted as Division Manager of the Projects Department, localizing that position. In his tenure in the position he managed the reorganization of the Department, expanding its capability from strictly project evaluation to a multi-functional marketing department. In addition, the new management structure improved the BDC's capability to respond to

potential investors and to better utilize the Corporation's resources. In July 1995, Mr. Disele was promoted to Deputy Managing Director, localizing that position as well. Although Mr. Disele was Mr. Eaton's counterpart, Mr. Eaton utilized much of his efforts in skills transfer and training to Projects Department staff, particularly for the Investment Promotion Unit. The Senior Staff member, Ms. Rosinah Tatedi, is receiving the most intensive technical and management training to prepare her to take over the Unit at the end of Mr. Eaton's contract with BDC. She has received numerous short and medium-term training opportunities under BPED and has been able to gradually take on additional management responsibilities in the Unit. She has coordinated the development of the investment promotion strategy for the department, managing the marketing program for South Africa and Africa, working with outside marketing firms, and providing support to the more junior members of the unit. She has been on several trade trips and worked closely with a South Korean producer of foam products to assist them in making their investment in Botswana. Her performance was recognized by BDC's senior management by promoting her to Assistant Investment Promotion Manager.

- . Pelani Siwawa-Ndai (Millard Arnold/Ann McDermott) - Ms. Siwawa-Ndai holds a Masters degree in Economics from the U.K. and worked for several years in the Research Department of BoB before joining BOCCIM two years ago as the Chief Economist of its new Policy Unit. She has worked closely with the advisors to develop the systems and credibility of the unit and to generate products which articulate policy positions on behalf of the private sector as well as service membership needs. While the Unit is still in the process of developing its systems and finding a niche that is also financially viable, Ms. Siwawa-Ndai has improved her organizational, analytical, and writing skills with the assistance of the long-term advisor and short-term training. The Managing Director is increasingly relying on her to coordinate fora which direct policy dialogue between the public and private sector, most notably the BOCCIM Policy Committee, the High Level Consultative Council, the Private Sector Conference, and the Follow-on Competitive Advantage Seminar. There is agreement, however, that Ms. Siwawa-Ndai and BOCCIM would benefit greatly from an additional year of technical assistance for the Policy Unit to consolidate its role and further strengthen the skills of the counterpart.
- . Mr. E. Dewah; others (Wayne Meyer) - Mr. Dewah has spent the bulk of his career in the civil service, lastly as Director of Industrial Affairs at MCI before he joined BOCCIM. He was Deputy Managing Director of BOCCIM until the recent restructuring focused his responsibilities as Manager of the Membership Services Department. While he was originally regarded as Mr. Meyer's counterpart, there has been little development of this relationship.

Mr. Meyer redirected his skills transfer and training to Membership Services staff members, as well as institutional counterparts, such as the Small Business Division, Business Councils, and other member participants of BOCCIM. Since Mr. Meyer's more directed approach of addressing the skills gaps in the Membership Services Department, there appears to be a marked improvement in the performance of staff members to take responsibility, present training workshops, counsel businesses, organize business groups such as the Small Business Division Executive Committee and business councils, and manage the Northern Trade Fair.

- . Mrs. O.C. Masire (Brendon McConville) - Mrs. Masire holds a Business degree from a U.S. university. She effectively manages a varied portfolio of duties, including mother, entrepreneur, and BOCCIM Training Manager. She is a dominant organising figure in the more significant events of the Nation's social calendar (including the First Lady's Ball) and representative on several important national boards, including the Botswana Training Authority. As a result of her OPEX-er/Advisory assistance (approximately 10 years), Mrs. Masire has grown in professional stature and is especially noted for her vision for the "new BOCCIM." Since the organization strategy study, she has been quick to cast off irrelevant duties and adapt to new challenges. She would not hesitate to ask for assistance, but is always successful in carrying out her tasks without the need for direct intervention. Additionally, she welcomes criticism; indeed, this must be noted as her most outstanding feature and is indicative of her strength and sense of purpose.

- . Mr. Kumbulani Munamati (Rob Wood) - Mr. Munamati holds a BA, Economics from UB and a Masters degree in Development Economics from Williams College in the U.S. After two years working for the Ministry of Finance and Development Planning, he joined BDC (1989) as an officer in what was then called the Financial Institutions Division. When the manager subsequently left, Mr. Munamati was appointed acting manager of that division, working closely with the new expatriate manager of the division for over two years. In 1994, the division was renamed Corporate Finance and Divestments Division, with responsibility for BDC's interests in financial services companies, capital markets development, and the divestiture of BDC portfolio companies. At this point of restructuring, Mr. Munamati was named Division Manager. His key responsibilities now include corporate finance, corporate governance, planning and budgeting, company management and evaluation of management, divestment strategy and tactics, and clarifying the role of the division in its relationships with the other BDC divisions. Mr. Munamati is very well qualified to carry on his division's mandate after three years of counterpart technical assistance (only one year funded by BPED). He now manages a staff of two professionals, shows great initiative and responsibility, and takes an interest in all matters directly or indirectly

affecting BDC activities. Mr. Munamati has had the opportunity to attend several short and medium-term courses and conferences to broaden his knowledge of capital markets and restructuring, and recently attended a conference in Mauritius on the development of financial services centers.

IX. LOGFRAME/CONTRACT CHANGES

A. USAID/Botswana Mission Closure

In November 1993, the GoB was advised that USAID/Botswana would close by September 30, 1995. During a visit to Botswana in January 1994, the USAID Administrator formally announced the Initiative for Southern Africa (ISA) and indicated that the Regional Center for Southern Africa (RCSA) would have responsibility for implementing the ISA. On February 7, 1994, USAID/Botswana submitted a Policy/Program Closeout Plan to USAID/Washington proposing the completion of the Mission's bilateral and regional projects under RCSA management. However, following a review of this closeout plan, A.I.D./Washington determined that the Basic Education Consolidation (BEC) and BPED Projects should terminate by September 30, 1995. This decision was formally transmitted to USAID/Botswana by cable on August 16, 1994.

During the week of October 17, 1994, in conjunction with a visit to Botswana by the Deputy Assistant Administrator for the Africa Bureau, the GoB was informed of the decision to locate the RCSA in Botswana and the status of individual projects with respect to the closeout of the bilateral Mission. While BPED implementing entities and concerned GoB ministries were pleased to learn that the RCSA would be located in Gaborone, the news that the BPED Project would be terminated 18 months early provoked a sharp reaction, largely caused by the concern that early termination would preclude BOCCIM from continuing to play its crucial role as the private sector 'spokesorganization' in an ongoing policy dialogue process with the GoB. There had been several major advances in the dialogue process which might lose momentum, should the institutional development work BPED had been doing with BOCCIM cease.

GoB concern over the proposed truncation of the BPED Project was expressed directly to Administrator Atwood by the then-Minister of Commerce and Industry. At the request of the Administrator, the Mission, in consultation with the BPED implementing agencies, developed a conceptual plan for continuing a scaled-down BPED Project beyond September 1995. The proposal required no additional funds beyond those which had already been obligated and presented a minimal management burden for the RCSA. The Africa Bureau, therefore, recommended approval of the proposal and, on November 14, 1994, Administrator Atwood officially approved the continuation of BPED through September 30, 1996.

B. BPED Strategic Planning Retreat

With the originally anticipated truncation of the project to September 1995, the PIC participated in a two-day retreat in late September 1994 to plan a strategy for best utilizing the remaining funds during the final year. A facilitator from the ILA Group in Washington, D.C. assisted. The major areas of attention included:

- . Review of Achievements, in terms of outputs as well as capacity building

- . Present Environment/Roles of Implementing Agencies vis-a-vis private sector development
- . Strategic Plan 1994-1995 - Revised Goals and Objectives
- . Strategic Plan 1994-1995 - Budget
- . Strategic Plan 1994-1995 - Implementation Plan, focusing both on outputs and capacity building, as well as on the decision-making processes of the PIC. Greater detail about the evolution of the PIC process can be found in **Section VII. Project Management.**

It is safe to say that the retreat had a major impact on "rethinking" the project. It assessed the many achievements to date in order to develop not only a plan for what was then thought to be the final year, but a longer-term vision for the institutional framework established under BPED. When it was subsequently learned that BPED would be extended for an additional year to September 1996, the project planning process was well prepared to identify the direction in which it would move in order to best take advantage of its **renewed lease on life.**

C. Transition/Close-Out Plan for BPED

Upon approval in November 1994 of the continuation of BPED to September 1996, USAID/Botswana drafted a Transition/Close-Out Plan for the project which outlined the changes to the project from its original design. While the goal of the BPED Project would not change, the project would be streamlined to focus on:

- . Increasing the effectiveness of policy dialogue between the private and public sectors to improve the enabling environment affecting private sector expansion
- . Broadening economic opportunities for citizen entrepreneurs.

The project would no longer focus directly on increasing domestic and foreign private investment after September 1995, but on efforts to improve the enabling environment through policy dialogue, which will ultimately lead to increased investment and employment in non-mineral sectors of the economy.

The Transition/Close-Out Plan further detailed the focus of the activities which would cease in September 1995 and the activities which would continue until September 1996, as well as the particulars of project implementation and USAID oversight. The project would be implemented by one of the host country entities, BOCCIM, as a Cooperative Agreement between BOCCIM and USAID. The prime contractor, ILA Group, would cease its implementation role on September 30, 1995. The PIC and technical sub-committees would continue their key roles as planner and decision-maker for the project.

D. Contract Modifications/ILA Group BPED Project/Office Transition Plan and BPED Project Implementation Guidelines

In anticipation of a possible continuation of BPED beyond September 1995 without an institutional contractor, the ILA Group was given additional responsibilities during the final year of its contract (to September 30, 1995):

"The contractor shall work closely with BOCCIM [and BDC] to develop the capacities of these implementing entities to receive direct USAID Grants [and to] further strengthen its [their] institutional capacity to implement donor funded activities..."

More specifically, the BPED Project Office would work with BOCCIM to transfer the systems and skills required to manage the implementation of the BPED Project from September 1995 until September 1996, without the established support of an institutional contractor. These systems and skills are particular to financial management, reporting, logistics, project planning (PIC), and to project implementation policies which are in conformance with USAID requirements of a host country grantee.

The thrust of BPED would shift significantly during the last year of the project to focus almost exclusively on activities which support policy reform and dialogue or which build the capacity of implementing agencies to operate as credible vehicles for the promotion of an enabling environment for private sector growth in Botswana. It is likely, therefore, that the number of activities requiring planning, implementing, and/or monitoring at any one time would not be nearly as great as it has been during the past several years.

The BPED Project Office Transition Plan outlined the systems and skills which would be transferred to BOCCIM, pending agreement between USAID and BOCCIM, for training, contracting procedures, financial management, reporting, filing, and PIC procedures. Documentation of the above areas were consolidated into a Project Implementation Guidelines Manual, to guide BOCCIM through nearly every aspect of project implementation. These guidelines, particularly the contracting procedures, were then approved by USAID as a deliverable by the Prime Contractor, as well as evidence that the host country grantee had the procedures in place to handle all aspects of project implementation.

The Transition Plan was implemented throughout the final six months of the Prime Contract and the Project Implementation Guidelines were delivered on September 30, 1995, after approval by USAID/Botswana.

X. LESSONS LEARNED

A. Introduction

Many lessons are learned during four years of a project which worked with three host country entities from the public, parastatal, and private sectors and literally hundreds of stakeholders, consultants, and U.S. Government personnel. Several of the more important lessons are described below.

B. Counterparts

The advisor/counterpart relationship, as mentioned in Section VIII Long- and short-term Technical Assistance, is always difficult to assess, as there are positive and negative aspects to each way of handling this relationship. The methodology depends on the situation and the project. In the case of the BPED Project, it was not realistic to define and insist that advisors take on only advisory responsibilities and not become active participants in the day-to-day operations of the departments and offices in which they worked. While the advisor's priority responsibility should be to ensure that skills transfer is taking place to a counterpart or counterparts, an advisor is most effective when he or she can also play an on-line role within the organization and actively participate in operations, without concern for alienation or conflict of interest.

It is preferable for an advisor to have a single counterpart, so that a relationship can develop that strengthens the skills transfer process; however, in some cases, it is understandable that several counterparts may benefit from skills transfer of an advisor. In the case of Wayne Meyer, the BOCCIM Business Development Advisor, it was not reasonable to assign Mr. Elias Dewah as his counterpart, given Mr. Dewah's role in BOCCIM as it was structured for the bulk of the project. Mr. Meyer's responsibilities were more suited to skills transfer to the members of the Outreach/Membership Services Department. Though at that point too late, Mr. Dewah's position under the new BOCCIM structure, Membership Services Department Manager, would have been more appropriate as a counterpart. Further, diffusing his counterpart activities to include business councils and special interest groups, such as the Small Business Division, rendered any skills transfer minimal, as Mr. Meyer became stretched too thin and could not possibly give adequate attention to so many individuals and interests.

C. Flexibility to Changing Environment

The BPED Project was able to stay true to the basic goals and objectives of the original project design, yet adjust some of the inputs and project activities with the changing economic and political environment both in Botswana and the U.S. The uncertainties of the USAID/Botswana Mission and its programs for over a year required an open mind and an ability to adapt very quickly to sudden changes in the "game plan." At the end, the institutional contractor did everything possible to ensure a smooth transition to the host

country entity, BOCCIM, who was taking over the management of the project for the final year.

D. Training

Now that South Africa has opened up, there can be much greater use of regional training institutions and the U.S. and the U.K. will not serve as the sources for all quality training in the area of private sector development. The improvements in the quality of training institutions in the region are admirable and should be taken advantage of.

Customized training programs, while extremely difficult to organize, can be extremely beneficial to the participants. The Influencing Public Policy workshops in the U.S., the AD Little training courses, and the Policy Writing course, were well worth the investment. The instructors adapted the courses/agenda to what was most appropriate for Botswana, and the participants came away with knowledge and skills that could be directly applied to the Botswana situation.

E. Institution Building/Self-Sustainability

Institution building, in terms of organization, management, and financial self-sustainability, should be built-in to a project from the very beginning. While certain aspects of BPED focused on capacity building at BOCCIM, for example, it was only during the last year of almost 10 years of USAID assistance that a serious effort was made to address major organizational, management, and financial issues to ensure sustainability.

F. Consensus Building

Botswana as a country/culture with its "kgotla" system, places great emphasis on consensus. It was therefore important that we ensure that the decision-making framework we set in place for the project, both formally and informally, strongly adhered to consensus-building as a methodology. Utilizing a project implementation committee mechanism and altering it to increase individual and stakeholder participation/contribution through the use of Reference Groups, Task Forces, Evaluation Committees, and other committees, provided credibility to the project, as well as enhanced sustainability of the institutional mechanisms, the dialogue and activities taking place. While some of the decision-making processes took longer, in most cases it proved to be the best means to an end.

G. Project Management

The use of an independent contractor, personal or institutional, in the management of a large project with multiple host country participants, helps to bring a "neutral ground" to the project -- a context where each host country entity can make its case with assurance that there are no special interests or conflicts of interest. While BOCCIM was the lead

implementing entity, both MCI and BDC appreciated their ability to work through the BPED Project office as a neutral party that could ensure transparency and equity.

H. Monitoring and Evaluation Systems

While the monitoring and evaluation systems that the BPED Project eventually developed were very good and provided USAID with sufficient data for impact analysis and other reporting requirements, it would have been useful to have a management information system developed at the beginning of the project, so that baseline data could be more easily collected and regular reporting requirements would be less complicated. The MIS system could have been something that all implementing entities and the Project Office could work with to facilitate reporting and data collection.

APPENDIX: Long and Short-term International Training Participants and Programs/Courses

September 7, 1995

BOTSWANA PRIVATE ENTREPRISE DEVELOPMENT (BPED) PROJECT

NAME	TRAINING DATES		INSTITUTION	PROGRAM	EXPENDED TO DATE
	ARRIVE	DEPART			
MOREMI, Moremi	05/26/92	06/07/93	Williams College, MA	Masters of Developm. Economics	37,672.16
PILANE, Melote Lincoln	06/02/92	09/13/93	Columbia University, NY	Masters Economic Policy Managers	45,806.61
MPHETLHE, Boniface	06/02/92	09/13/93	Columbia University, NY	Masters Economic Policy Managers	46,995.52
KGOTLELE, Losodi P.	06/18/92	05/24/94	Clark Atlanta, GA	Masters - Economics	37,766.24
GOMBALUME, Witness	06/12/92	12/18/94	Univ. District of Columbia, WDC	MBA	47,117.97
LEPEKOANE, Koinotse	06/19/92	05/24/94	Clark Atlanta, GA	Masters - Economic	37,561.25
MOJAFI, Claude Aglaang	05/11/93	12/20/94	Michigan State Univ., MI	Masters of Labor&Indust.Relations	43,896.58
TSHEKISO, Tally	07/29/92	12/05/93	University of Illinois, IL	Masters - Economics	42,705.74
MAGOGWE, Ntobogang	07/29/92	12/05/93	University of Illinois, IL	Masters - Economics	42,730.74
MAKGEKGENENE, Florence	06/01/93	06/05/94	University of Illinois, IL	M. Business Admin for Int'l Managers	39,476.61
MATENGE, Zoe Angola	06/01/93	06/05/94	University of Illinois, IL	M. Business Admin for Int'l Managers	39,591.86
MEGANO, Methusi	06/18/93	12/18/94	Carnegie Mellon Univ., PA	Masters of Public Management	54,439.70
MOLATLHEGI, Gertrude	06/01/93	06/12/94	University of Illinois, IL	M. Business Admin for Int'l Managers	41,948.34
MONYAKE, Jane	06/03/94	06/10/95	University of Illinois, IL	M. Business Admin for Int'l Managers	36,736.55
DISELE, Boikhutso	09/18/93	10/01/93	Development Associates, WDC	Influencing Public Policy I	23,711.84
BAAKANYI, Modiri	09/18/93	10/02/93	Development Associates, WDC	Influencing Public Policy I	
METI, Simon	09/18/93	10/02/93	Development Associates, WDC	Influencing Public Policy I	
NDZINGE, Tshabologo	09/18/93	10/02/93	Development Associates, WDC	Influencing Public Policy I	
CEPHAS, Lebane	09/18/93	10/01/93	Development Associates, WDC	Influencing Public Policy I	
MOTHIBATSELA, Tshipa	09/18/93	10/02/93	Development Associates, WDC	Influencing Public Policy I	
TATEDI, Rosinah Tummie	10/13/93	11/06/93	Arthur D. Little, MA	Financial Restructuring	16,262.00
GAREKWE, Dudu	10/13/93	11/06/93	Arthur D. Little, MA	Financial Restructuring	
SIWAYA, Polani	06/11/94	07/26/94	University of Pittsburgh, PA	Policies for Private Sector Development	9,255.50
KGOROA, George K.	08/11/94	09/23/94	Development Associates, WDC	Influencing Public Policy II	20,603.90
ASKENARI, Motesah	08/11/94	09/23/94	Development Associates, WDC	Influencing Public Policy II	
MOROKA, Neo D.	08/11/94	09/23/94	Development Associates, WDC	Influencing Public Policy II	
GAREKWE, Gladys	08/18/94	09/23/94	Development Associates, WDC	Influencing Public Policy II	
NYAMADZABO, Tsutlila	08/18/94	09/23/94	Development Associates, WDC	Influencing Public Policy II	
MORRIS, Kenolwe	08/18/94	09/23/94	Development Associates, WDC	Influencing Public Policy II	
TIBONE, Dorah	08/18/94	09/23/94	Development Associates, WDC	Influencing Public Policy II	
MATENGE, Zoe	NOT FUNDED		Arthur D. Little, MA	Financial Restructuring	
CHELENYANE, Pauline	04/06/95	05/06/95	Inst.for Public/Private Partnerships, WD	Small-Medium Enterprises Development	9,250.00
GABEGWE, Isang	NOT FUNDED		Inst.for Public/Private Partnerships, WD	Small-Medium Enterprises Development	
MOKOU, Polly	NOT FUNDED		US Dept. Ag., WDC	Human Resources Development	
BAATSHWANA, Modisa Jopson	05/05/95	05/20/95	Int'l. Law Institute, WDC	International Joint Ventures	4,997.25
TATEDI, Rosinah Tummie	07/08/95	08/06/95	Boston College, MA	Marketing Management	12,174.00
MOLEPHE, Tumulole Barbara	07/30/95	08/02/95	US Dept. Ag., WDC	Project Analysis	6,616.06
GABEGWE, Isang	08/08/95	08/23/95	INTRADOS, WDC	Strateg.forPromoting Small-Scale Ent.	0.00
23 - 26 Participants	04/26/93	05/07/93	Arthur D. Little, Botswana	Professional Skills Development	108,941.20
	05/24/93	06/04/93			
4 Participants	07/24/95	07/29/95	KOMEI, Botswana	Policy Writing	12,000.00

BPED Participants

Participant	Institution	Descriptions	Dates
Dorcas Sebonego	Public Relations Institute of RSA	Certificate in Public Relations	November 1992
Norman Moleele	University of Witwatersrand, RSA	Principles of Business and Management	March 22-June 11, 1993
Namedi Modisi	Graduate School of Business, RSA	Retail Distribution	May 2-15, 1993
Kolobetso Selato	Pan African Institute, Kabwe, Zambia	Project Organisation and Management	April 5-29, 1993
Henry Mphathiwa	Strathmore College, Nairobi, Kenya	Computer Studies	Jan 6-Nov 1993-incomplete
Lesang Maswabi	Design Centre - College of Design, RSA	Certificate in Higher Education - Design	Feb - December 1994
Thapelo Mathe	The GEMINI Project, Zimbabwe	Tools and Techniques for Enterprise Dev	July 18-22, 1994
Thelma Maswikiti	The GEMINI Project, Zimbabwe	Tools and Techniques for Enterprise Dev	July 18-22, 1994
Norman Moleele	The GEMINI Project, Zimbabwe	Tools and Techniques for Enterprise Dev	July 18-22, 1994
Batlang Mmualefhe	Corporate Location, Nairobi, Kenya	Attracting Foreign Investment to Africa	August 22-25, 1994
Keoagile Rafifing	Corporate Location, Nairobi, Kenya	Attracting Foreign Investment to Africa	August 22-25, 1994
Emmanuel Molefi	Corporate Location, Nairobi, Kenya	Attracting Foreign Investment to Africa	August 22-25, 1994
Moses Mooki	Euromoney Institute, South Africa	Problem Loans	October 17-19, 1994
Pauline Chelenyane	Euromoney Institute, South Africa	Applied Corporate Finance	Nov 1-4, 1994
Alfred Dlamini	Gemcon Manfactring, RSA	Greenhouse Operation	Feb 22, 1995
Rosinah Tatedi	University of Cape Town	Marketing of Services	April 23-28, 1995
Tumelo Molefhe	University of Cape Town	Marketing of Services	April 23-28, 1995
Arnold Madikwe	Euromoney Institute, South Africa	Applied Corporate Finance	May 16-19, 1995
Batlang Mmualefhe	University of Cape Town	Introduction of Marketing Research	June 8-9, 1995
Fikile Mothobi	Euromoney Institute, South Africa	Basic Treasury Management	June 5-8, 1995
Ontiretse Monagen	Malaysian Ind. Development Authority	Training Programme for Officials of	July 24 - Aug 5, 1995