

**FINAL EVALUATION OF THE BOTSWANA
PRIVATE ENTERPRISE DEVELOPMENT
PROJECT**

Final Report

U.S. Agency for International Development

Prepared for: USAID Regional Center for Southern Africa

Prepared by: Coopers & Lybrand, L.L.P.

**Sponsored by: Private Enterprise Development
Support Project III
Contract No. PCE-0026-Q-00-3031-00
Delivery Order No. 59
Prime Contractor: Coopers & Lybrand, L.L.P.**

September 30, 1996

**Coopers
& Lybrand**

**FINAL EVALUATION OF THE BOTSWANA
PRIVATE ENTERPRISE DEVELOPMENT
PROJECT**

Final Report

U.S. Agency for International Development

Prepared for: USAID Regional Center for Southern Africa

**Prepared by: Lynne Manrique, C&L
Benjamin Hardy, consultant to C&L
Frank Lusby, consultant to C&L
Dennis Smyth, C&L**

**Sponsored by: Private Enterprise Development
Support Project III
Contract No. PCE-0026-Q-00-3031-00
Delivery Order No. 59
Prime Contractor: Coopers & Lybrand, L.L.P.**

September 30, 1996

**Coopers
&Lybrand**

TABLE OF CONTENTS

Executive Summary	i
Abbreviations	x
I. <u>INTRODUCTION</u>	1
A. Overview of the Botswana Private Enterprise Development Project	1
B. USAID Context and the BPED Project	2
C. Purpose, Methodology, and Organization of the Evaluation	3
D. Economic Context	4
II. <u>POLICY DEVELOPMENT, IMPLEMENTATION, AND DIALOGUE</u>	6
A. Industrial Development Policy	6
1. Review of Local Preference Scheme and Development of Local Procurement Program	6
2. New Industrial Development Policy White Paper and National Seminar on the New Industrial Development Policy	7
B. Trade and Investment Policy	9
1. TIPA Investment Promotion Materials	9
2. Citizen Investment Opportunities	9
3. Tourism Investment Promotion	10
C. Financial Sector Development	11
1. Foreign Exchange Liberalization	11
2. Collective Investment Undertakings	14
3. International Financial Services Center	16
4. International Business Companies	19
5. Regional Venture Capital Fund	20
6. Development of Long-term Finance in Botswana	21

C

D.	Divestiture and Privatization	22
1.	Divestiture Strategy for Botswana Development Corporation and Divestiture Consultant	22
2.	Privatization	23
E.	Broad Policy Development and Dialogue Efforts	25
1.	Francistown Private Sector Conference 1994	25
2.	High Level Consultative Council	26
3.	Contributions to Tax Reform	27
4.	Input to Government Budget Speeches	28
5.	Input to National Development Plans 7 and 8	28
6.	Francistown Private Sector Conference 1996	29
7.	SACU Study and Seminar	32
8.	Interest Rate Seminar	32
9.	GATT/WTO Seminar	33
10.	President's Forum/Business After Hours	33
F.	Conclusions Related to Policy Activities	35
1.	Effectiveness of Key Organizations	35
2.	Effectiveness of Policy Development Process	37
3.	Strengths and Weaknesses of Approaches	38
4.	Effects on Enabling Environment for Private Sector Development	39
5.	Sustainability of Policy Outputs and Impacts	41
6.	Potential Medium- and Long-term Impacts	41
III.	<u>ORGANIZATIONAL AND FINANCIAL ASSESSMENT OF BOCCIM</u>	42
A.	Organizational Structure	42
1.	Organizational Strategies	42
2.	Role of the BOCCIM Director	44
B.	Membership Services Department	45
1.	Business Council Development	45
2.	Training and Counseling	47
3.	Northern Trade Fair	48
4.	Annual Dinners	48
5.	Flea Markets	48
6.	Publications	49
7.	Benefits Card	49
8.	Insurance Program	49
9.	Field Offices	49

C.	Training Department	50
D.	Policy Unit	51
	1. Reference (Working) Groups	51
	2. Economic Database	53
	3. Industry Survey	54
	4. Staffing Issues	56
E.	BOCCIM's Financial Sustainability	58
	1. Cost Centers	58
	2. Fundraising	60
	3. Incentive Programs	61
IV.	<u>RECOMMENDATIONS TO SUSTAIN PROJECT IMPACTS</u>	62
A.	BOCCIM as the Private Sector Umbrella Organization	62
B.	BOCCIM as the Policy "Voice" of the Private Sector	63
	1. Maintenance and Development of Policy Unit	63
	2. Continuation of Public-Private Sector Working Groups	63
	3. Attention to Small Business Policies	64
C.	Key Policy Issues for BOCCIM	65
	1. Implementation of Agreed Policies	65
	2. Privatization	65
	3. Regional Integration	66
	4. Economics Education for Parliament and Political Parties	67
D.	BOCCIM's Structure and Finances	67
V.	<u>GENERAL LESSONS LEARNED</u>	68
A.	Project Implementation and Management	68
B.	Policy Development, Implementation, and Dialogue	69
C.	Institutional Development	70

- Appendix A: Scope of Work
- Appendix B: List of Reference Materials
- Appendix C: List of Contacts
- Appendix D: Draft White Paper on Industrial Policy
- Appendix E: Members of the Foreign Exchange Control Liberalization Reference Group
- Appendix F: Members of the Collective Investment Undertakings Reference Group
- Appendix G: Members of the International Financial Services Center Reference Group
- Appendix H: IFSC Task Force Members
- Appendix I: Members of the International Business Companies Reference Group
- Appendix J: Members of the Privatization Reference Group
- Appendix K: Participants in the Privatization Workshop and Seminar
- Appendix L: 1994 Francistown Private Sector Conference -- Agenda and Recommendations
- Appendix M: 1996 Francistown Private Sector Conference -- Agenda and Recommendations
- Appendix N: Proposed Organizational Structure
- Appendix O: Procedures to Facilitate Working Groups
- Appendix P: BOCCIM's Projected Cash Flow Statements for 1997
- Appendix Q: An Option for Supporting Economic Policy Analysis and Other Development Efforts in Botswana

EXECUTIVE SUMMARY

Background to the BPED Project. Authorized on May 14, 1991 for a six year span, the USAID-sponsored Botswana Private Enterprise Development (BPED) project aimed to strengthen the enabling environment for private sector growth in Botswana. To achieve this purpose, the project had three principal objectives:

- To improve the effectiveness of policy dialogue between the private and public sectors on issues affecting private sector-led growth;
- To broaden economic opportunities for citizen entrepreneurs; and
- To increase domestic and foreign private investment in non-mineral sectors of the economy.

To achieve these objectives, BPED involved three local implementing entities—the Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM), the Botswana Development Corporation (BDC), and the Botswana Ministry of Commerce and Industry (MCI). The project was managed by an institutional contractor, Deloitte Touche Tohmatsu (DTT), through its Washington, D.C. International Lending Agencies (ILA) Group, Ltd. DTT's subcontractors for the BPED project were Development Alternatives, Inc. and Development Associates, Inc.

In November 1993, two and one-half years after the BPED project was authorized, USAID advised the Government of Botswana that it would close its mission in Botswana (and thereby end all project assistance) by September 30, 1995. In line with this scenario, BPED would have ended one and one-half years prior to its anticipated completion date of March 1997. The Government of Botswana was concerned that this early termination date would seriously affect the sustainability of BOCCIM (a non-governmental, non-profit organization), which, through BPED, had played an increasingly effective role in promoting policy dialogue between the public and private sectors. In light of this concern, the government, through Mr. Kedikilwe (the Minister of Commerce and Industry) appealed directly to the USAID Administrator, Brian Atwood, to reconsider the decision to end BPED funding when the bilateral USAID mission closed. Administrator Atwood then asked USAID Botswana to develop a conceptual plan to address the GOB's concerns about BOCCIM's sustainability.

This plan, which was approved by Administrator Atwood on November 14, 1994, redesigned BPED to focus primarily on BOCCIM's sustainability and on the public-private sector policy dialogue process. BPED's specific support to BOCCIM in the last year of the project (i.e., September 1995 to September 1996) included the following: (i) provision of a policy advisor; (ii) assistance to build BOCCIM's capacity to formulate and articulate credible policy positions; (iii) short-term assistance and resources for important policy areas; and (iv) financing for a project coordinator to work within BOCCIM and carry out some of the responsibilities previously fulfilled by DTT.

Purpose of the Evaluation. As stated in the scope of work (Appendix A), the specific objectives of the evaluation are to:

- Assess project outcomes and impact in the area of policy development, implementation, and dialogue;
- Ascertain BOCCIM's progress toward achieving financial sustainability;
- Determine steps required to ensure sustainability of project outcomes and impact; and
- Derive lessons from the BPED experience to guide future private sector development activities undertaken by USAID, the Government of Botswana, and BOCCIM.

Findings and Conclusions Regarding Policy Issues. To assess project outcomes and impact in the area of policy development, implementation, and dialogue, the team examined activities in five areas, as outlined below.

Industrial Development Policy

- Review of the Local Preference Scheme and development of the Local Procurement Program;
- New Industrial Development Policy White Paper and the National Seminar on the New Industrial Development Policy;

Trade and Investment Policy

- Trade and Investment Promotion Agency (TIPA) investment promotion materials;
- Citizen investment opportunities;
- Tourism investment promotion;

Financial Sector Development

- Foreign exchange control liberalization;
- Collective investment undertakings;
- International financial services center;
- Regional venture capital fund;
- International business company legislation;
- Development of long-term finance in Botswana;

Divestiture and Privatization

- Divestiture strategy for the Botswana Development Corporation (BDC) and divestiture consultant;
- Privatization study

Broad Policy Development and Dialogue Efforts

- Francistown Private Sector Conferences (1994 and 1996);
- High Level Consultative Council (HLCC);
- Contributions to tax reform;
- Input to Government of Botswana (GoB) budget speeches;
- Input to the Seventh and Eighth National Development Plans;
- Southern African Customs Union (SACU) study and seminar;
- Interest rate seminar;
- Seminar on the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO); and
- President's Forum and Business After Hours

The team provided detailed descriptions of each activity, identifies (to the extent possible) results or impacts of the activities, analyzes reasons for success or failure, and outlines steps required to promote implementation and sustainability.

Based on the findings in the five areas, the team developed conclusions with respect to six issues: (i) the project's impact on the effectiveness of key organizations; (ii) BPED's impact on the effectiveness of the policy development process; (iii) strengths and weaknesses of approaches used under BPED; (iv) the effects on the enabling environment for private sector development; (v) the sustainability of policy outputs and impacts; and (vi) potential medium- and long-term project impacts.

Effectiveness of Key Organizations. As noted above, BPED's three main implementing entities were BOCCIM, BDC, and MCI. BPED has had profound and highly positive effects on BOCCIM's credibility and capability as a policy analysis and advocacy organization. Through the years of the project, government as well as the private sector itself gained increasing respect for BOCCIM's capacity to contribute to the development of private sector-related policies. A significant factor in this evolution of opinion was the recognition that BOCCIM's policy positions were based on solid analytical foundations; consequently, they were more persuasive. In addition, BOCCIM spokespersons—especially the policy analyst, a position that did not exist prior to BPED—generally were acknowledged to have grown significantly in their roles as public advocates of particular policy positions and as thoughtful instigators of new policy research and initiatives.

It was more problematic to evaluate BPED's impact on the effectiveness on MCI's Department of Industrial Affairs (the department that was targeted by BPED) due to transfers and promotion of the staff most involved with BPED and to the unavailability of remaining Department of Industrial Affairs (DIA) staff during the evaluation field work. However, it is reasonable to assert that BPED's overall impact on MCI's effectiveness has been positive, even if the project's effect on the initially targeted MCI department, DIA, is not discernible at this time. This assertion is based on the skills development and use of project-funded resources (i.e., a database) in policy development that has taken place in MCI during BPED.

In contrast to MCI, BDC has enjoyed relative continuity of participation during the project lifetime. This continuity has contributed to particularly constructive advisor-counterpart relationships and significant transfer of skills. Indeed, the two main counterparts involved in BPED were named, during the project lifetime, as heads of the divisions in which they worked and which formerly were managed by the advisors. In addition, because BDC is a larger organization than either BOCCIM or MCI's Department of Industrial Affairs, BDC advisors were able to extend their advisory role (which included identification of staff training needs) beyond their official counterparts to ensure depth of skills across the departments to which they were assigned. This depth of knowledge and understanding of private sector development issues among BDC staff will figure significantly in BDC's future efforts to develop and implement private sector policies.

Effectiveness of the Policy Development Process. BPED activities were initiated and implemented through regularly-scheduled, issue-based sub-committee meetings that covered all project activities and were attended by BOCCIM, BDC, and MCI staff and advisors. These meetings provided opportunities for the staff to learn about, comment on, and contribute to activities undertaken and led by various organizations. In other words, a cornerstone of BPED was periodic consultation and communication among the private sector, parastatals, and government. When the project began, such consultation was rare, according to many interviewees. As the project progressed, however, this process of consultation expanded beyond the three BPED entities. Developing and nurturing this process is a significant BPED achievement.

Strengths and Weaknesses of Approaches. Three approaches used under BPED proved particularly effective. First, as mentioned above, BPED encouraged an inter-organizational, collaborative, and participatory approach to identifying policy issues and developing project activities to address policy concerns. A second approach that proved a strength of BPED was using funds to catalyze activities which subsequently were assumed, partially or wholly, by the three central BPED organizations or other entities during follow-up or implementation. Third, in several activities, BOCCIM actively involved its members in planning, developing, or implementing activities or policy positions. By utilizing this approach, BOCCIM tapped the significant expertise of its members and initiated a process that is sustainable without donor funding. The two weaknesses of approaches used under BPED—failure to pursue the participation of legislative draftspersons in financial sector development working groups and (for BOCCIM) to gauge adequately the resources necessary to conduct activities—were somewhat minor in comparison to the strength of BPED's overall approach.

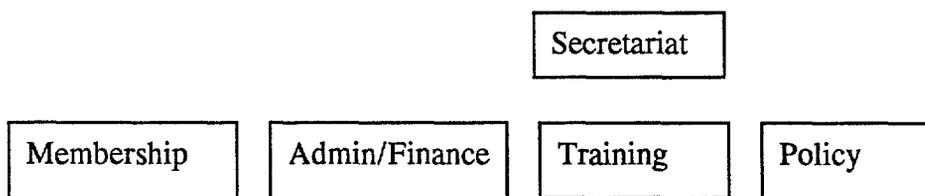
Effects on the Enabling Environment for Private Sector Development. As mentioned above, many BPED activities became the basis for discussion and debate between the Government of Botswana and the private sector; this factor appears to demonstrate that the project's purpose—"improve the enabling environment for growth and diversification of the private sector"—has been achieved. In practice, however, the dialogue infrequently led to real change, especially with respect to policy reforms adopted (much less implemented). Of all the BOCCIM-BDC-MCI initiatives funded under BPED, the majority can be grouped into three

classes: (i) steps that improved the dialogue between the Government of Botswana and the private sector, (ii) policy reform proposals that await government decision and/or action, and (iii) policy reforms enacted and implemented. Among the first set are the Francistown Private Sector Conferences, the High Level Consultative Council, the National Seminar on the New Industrial Development Policy, and the like. These are important enabling environment successes, but they are not policy reforms. The policy reform proposals awaiting decision and implementation include promulgation of the Local Procurement Program, collective investment undertakings, the international financial services center, regional venture capital fund, international business companies, industrial development policy, and privatization. The only major policy reforms actually implemented are tax reductions, some liberalization of interest rates, and the first round of foreign exchange liberalization; while these are substantial improvements over previous policies, they are partial reforms that leave much to be accomplished in each area.

Sustainability of Policy Outputs and Impact. If Botswana appears to be moving steadily toward an enabling environment for private sector development, much of the credit should go to the skill with which BOCCIM has communicated the private sector's needs and aspirations. Where work remains to be done, BOCCIM is in a position to follow up. The crucial question with regard to sustainability is whether BOCCIM will continue to be able to do its own research and analysis. This organizational issue is addressed below under "Organizational and Financial Assessment of BOCCIM."

Potential Medium- and Long-term Impacts. Given the paucity of real change in the policy environment, the most important impact of BPED's work at BOCCIM is the notable improvement in communication, mutual respect, and understanding between the public and private sectors. There is no reason this should not continue following the end of BPED. Moreover, the end of BPED funding need not mean the end of BOCCIM's policy initiatives, for the institutional structure is in place and the management team is experienced in identifying policy issues, obtaining expert advice, and mobilizing both private sector support and government receptivity to proposed reforms.

Organizational and Financial Assessment of BOCCIM. In July 1994, BOCCIM commissioned an organization strategy review, using BPED funds, in order to address structural issues that had arisen during the first two years of project implementation. The objective of the review was to develop a strategic plan for improving BOCCIM's effectiveness as an organization and to ensure its financial sustainability. BOCCIM has been successful in implementing most of the structural changes recommended in the organizational strategy review. The secretariat is now composed of four departments as follows:



The BOCCIM reorganization, along with accompanying cutback of programs and positions, has helped to bring down costs. Once BPED funding ceases at the end of September, BOCCIM will be close to a break-even point financially. This means that BOCCIM can sustain its overhead costs, such as office, utilities, equipment, and staff. Those activities that are sustainable on their own, such as selected training functions, newsletters, the northern trade fair, etc., will also be able to continue. Those activities that are not sustainable on their own will either have to be discontinued or be supported by new sources of funding.

The evaluation team examined in detail each BOCCIM department and their activities. The central findings and recommendations for each department are as follows:

The membership services department has two offices, one at the BOCCIM secretariat in Gaborone (called the southern regional field office) and one in Francistown (the northern region field office). Both field offices have one professional and one administrative staff person. The northern region field office demonstrates a positive cash flow, due mainly to the surpluses generated by two major undertakings (the northern region trade fair and the northern region annual dinner); the southern region field office, by contrast, shows a negative cash contribution. Both professional staff devote a significant amount of time (up to 60%) to one-to-one counseling of members, an activity that the evaluation team believes is neither sustainable nor particularly effective, given the limited time that can be devoted to each member. In light of this conclusion, the team recommends that both membership services officers devote the majority of their time to development of regional business councils, an activity that BOCCIM already has initiated (with funding from the Government of Sweden). Additionally, the team recommends that BOCCIM consider hiring a second field officer in Francistown so that the office can sustain its money-making activities while pursuing business council development.

The administration and finance department develops timely and accurate financial data that BOCCIM senior staff use as management tools. This capability has contributed to BOCCIM's strong strides in reducing its administrative costs, which have been lowered mainly by eliminating positions and cutting expenses. It also used nearly 1 million pula of its reserves to make a downpayment on its building and has been successful in finding other organizations as tenants. This has reduced rent payments from nearly 18,000 pula per month to less than 6,000 pula per month (the amount of the mortgage payment). While significant strides have been made, there still seems to be room for additional cost cutting measures, especially in the areas of procurement.

The training department has a 1997 projected cash flow contribution of 95,359 pula, due primarily to the surpluses generated by its conventions, seminars, and training activities. This figure will probably be somewhat smaller once variable costs such as telephone, postage, and vehicle costs are allocated correctly, but the department will doubtless still run a healthy surplus. Based on the department's strong contribution to BOCCIM's financial sustainability, the team recommends a strategic investment in a second professional staff person to assist the current training director. This investment could result in even higher future surpluses.

The policy unit shows a projected negative cash contribution of 77,167 pula. This is because, by its nature, policy analysis and advocacy is not a revenue generating activity. A negative cash contribution is justifiable, however, given the unit's key role in promoting BOCCIM's policy and advocacy work. (Indeed, one could argue that because the policy/advocacy function is the one service most highly valued by BOCCIM's large corporate sponsors, these sponsors' financial contributions should go towards financing the policy unit. Presently, they are included in the administration department's revenues.) Staffing of the policy unit is the most serious issue facing BOCCIM at the time of the BPED evaluation. The evaluation team believes that the unit should have two professional staff members, as it did during BPED (i.e., during BPED, the unit had a policy analyst and a BPED-funded policy advisor). Accordingly, to supplement the current policy analyst (who was transferred from the membership services department and possesses skill more related to this department than to high-level policy analysis), BOCCIM should hire immediately an economist/senior policy analyst to lead the unit. In the short term, BOCCIM should use its reserves to fund the position; corporate sponsorship, preferably through an endowment, should be sought to provide long-term funding and stability.

Summary of Projected Cash Flows. Overall, the projected cash flow statement for 1997 shows BOCCIM with a deficit of 39,957 pula. This is not unreasonable, given an overall budget of approximately 1.7 million pula. It is also not extremely worrisome given BOCCIM's strong cash reserves of approximately 1.5 million pula. There are several programs on the horizon which might favorably influence BOCCIM's cash flow. One is the possible funding from the Swedish government to support the development of business councils. This might help to offset some of the membership services department deficit. The projected near break-even position of BOCCIM, however, reflects a situation where BOCCIM can maintain its office and staff but has little funds to invest. Those activities that can sustain themselves will continue (training for large businesses, northern trade fair, publications, etc.), but programs that have relied heavily on BPED funding (such as policy studies) will no longer be feasible unless BOCCIM finds other sources of revenue.

Summary of Conclusions and Recommendations to Sustain Project Impacts. The evaluation team's conclusions and recommendations can be grouped in four categories, as described below.

BOCCIM as the Private Sector Umbrella Organization. In the future, BOCCIM will operate in a new funding environment, one without substantial donor financing. Therefore, BOCCIM will need to leverage its resources to maintain its role as an entity that represents the broad spectrum of private businesses in Botswana and as the central private sector voice in policy dialogue.

BOCCIM's future operating strategy also must take into account the increasing number of other representative organizations. In light of these two factors, the evaluation team recommends that BOCCIM's membership services department modify its strategy to minimize the amount of time spent on providing one-to-one counselling services and to concentrate instead of development of regional business councils. The local business councils should serve as BOCCIM's "ears" at the grassroots levels regarding necessary regulatory and policy reforms, for which BOCCIM is recognized widely as a leader in promoting. Thus, this strategy builds on BOCCIM's strength—public-private sector policy dialogue. To address the continuing needs of its small-scale business members for mentoring, advice, and assistance, BOCCIM should cultivate as members other small business-oriented organizations. In this manner—working with business councils and with other organizations—BOCCIM increasingly will become as much an "organization of organizations" as it is an organization of individual companies. That is, BOCCIM should aim to become the private sector "umbrella" organization of Botswana.

BOCCIM as the Policy "Voice" of the Private Sector. BOCCIM's foremost strengths are its ability to engage the public and private sectors in productive dialogue on private sector policy issues and its capacity to develop and present sound policy arguments. It is critical that BOCCIM's ability to conduct such policy dialogue and development continues after the BPED project ends. To support BOCCIM's role as the preeminent policy "voice" of the private sector, to continue the activity most valued by its largest corporate sponsors, and to maintain the area in which it currently possesses the greatest comparative advantage, the evaluation team provided three central recommendations. These recommendations include: hiring an economist/senior policy analyst (as mentioned above); continuation of the public-private sector working groups established under BPED, with the new working groups linked, through the BOCCIM secretariat, to the High Level Consultative Council; and utilization of the regional business councils to identify and address private sector policy issues affecting small business.

Key Policy Issues for BOCCIM. The evaluation team identified four issues that should be central to BOCCIM's future policy dialogue efforts. These issues are: implementation of agreed policies; privatization; regional integration; and economics education for parliament and political parties.

BOCCIM's Structure and Finances. With the exception of working groups attached to the secretariat, the evaluation team has made no major recommended changes to BOCCIM's organizational structure. The absence of such recommendations reflects the significant progress BOCCIM has achieved in reaching the goals of its 1995 organizational strategy review. As noted above, however, the team has made three recommendations regarding staffing. Funding for two of the three positions (i.e., the second staff person in the Francistown office and in the training department) recommended by the team can be expected to be generated by increased activities within the respective departments. The third position, economist/senior policy analyst, should be covered, as mentioned above, initially by BOCCIM's reserves and later by member contributions.

General Lessons Learned. From the BPED project, the evaluation team derived the following lessons learned.

Project Implementation and Management:

- A clear transition plan should be developed and phased-in early in the project, including sequenced declines in USAID budgetary support;
- It should be expected that advisors will assume both "line" and purely advisory functions, with the balance between these function dependent on the host-country organization, counterparts, and advisors; and
- Advisors and project managers must exercise diplomacy, especially in working with counterparts to promote ownership and in striving to attain project objectives.

Policy Development, Implementation, and Dialogue:

- BPED succeeded not only because USAID financed studies but also because the Government of Botswana and the private sector learned to cooperate, reach consensus, and agree to differ amicably about how policies should change;
- When funding studies or consultancies related to key policy issues, USAID should try to ensure that both government and the private sector recognize not only the value of outside studies and advice, but also the importance of continuing that kind of research, analysis, and dialogue after the project ends; and
- The entity responsible for drafting implementing legislation and regulations related to a policy (e.g., the Attorney General's Chambers in Botswana) must be included in all stages of policy development in order to facilitate implementation of policy agreements reached by government and the private sector.

Institutional Development:

- USAID funding of an institution's activities may create high expectations among the organization's members, and may cause dissatisfaction or confusion (particularly among members) if such activities are no longer available after USAID funding ends;
- USAID's plans and decisions regarding assistance to an organization must be made with a clear understanding of the leadership's and staff's goals for the organization; and
- Efforts should be made throughout the project lifetime to promote ownership of activities so that they continue (even in modified form) after USAID funding ends.

ABBREVIATIONS

AIDS	Acquired immune deficiency syndrome
BCCI	Botswana Chamber of Commerce and Industry
BDC	Botswana Development Corporation
BHC	Botswana Housing Corporation
BIDPA	Botswana Institute for Development Policy Analysis
BMAP	Botswana Management Assistance Program
BoB	Bank of Botswana
BOCCIM	Botswana Confederation of Commerce, Industry, and Manpower
BPED	Botswana Private Enterprise Development
CDC	Commonwealth Development Corporation
CFED	Center for Financial Engineering in Development
CIU	Collective investment undertakings
DIA	Department of Industrial Affairs
DTT	Deloitte Touche Tohmatsu
EC	Executive council
ESABO	Eastern and Southern Africa Business Organization
FAP	Financial Assistance Program
FSTS	Financial sector technical sub-committee
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GoB	Government of Botswana
HATAB	Hotel and Tourism Association of Botswana
HIV	Human immunodeficiency virus
HLCC	High Level Consultative Council
IBC	International business corporation
IFSC	International financial services center
ILA	International lending agencies
IMF	International Monetary Fund
LPP	Local Preference Program
LPS	Local Preference Scheme
MCI	Ministry of Commerce and Industry
MFDP	Ministry of Finance and Development Planning
MP	Member of Parliament
NDP7	Seventh National Development Plan
NDP8	Eighth National Development Plan
NEMIC	National Employment, Manpower, and Incomes Council
NGO	Non-governmental organization
PDMD	Property Development and Management Division
PDSF	Public Debt Service Fund
PIC	Project implementation committee
RMA	Rand Monetary Area
SACU	Southern African Customs Union
SACUA	Southern African Customs Union Agreement
SEPROT	Small Enterprise Promotion Trust

SME	Small- and medium-sized enterprise
SOE	State-owned enterprise
TIPA	Trade and Investment Promotion Agency
USAID	U.S. Agency for International Development
WTO	World Trade Organization

I. INTRODUCTION

A. Overview of the Botswana Private Enterprise Development Project

Authorized on May 14, 1991 for a six year span, the USAID-sponsored Botswana Private Enterprise Development (BPED) project aimed to strengthen the enabling environment for private sector growth in Botswana. To achieve this purpose, the project had three principal objectives:

- To improve the effectiveness of policy dialogue between the private and public sectors on issues affecting private sector-led growth;
- To broaden economic opportunities for citizen entrepreneurs; and
- To increase domestic and foreign private investment in non-mineral sectors of the economy.

To achieve these objectives, BPED involved three local implementing entities—the Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM), the Botswana Development Corporation (BDC), and the Botswana Ministry of Commerce and Industry (MCI). The project was managed by an institutional contractor, Deloitte Touche Tohmatsu (DTT), through its Washington, D.C. International Lending Agencies (ILA) Group, Ltd. DTT's subcontractors for the BPED project were Development Alternatives, Inc. and Development Associates, Inc. Project implementation focused on three central elements (corresponding to the three project objectives), as outlined below.

The Policy Development and Implementation Component had two focuses: (i) to strengthen the capacity of BOCCIM and the private sector to identify and analyze priority private sector policy issues and to advocate effectively for necessary changes to the policy environment; and (ii) to strengthen the Government of Botswana's (GoB) capacity to develop and implement effective policies to support private sector development. As the project progressed, particular emphasis was placed on financial sector policies, which were included in the policy development and implementation component. Sample activities in this area include provision of long-term policy advisors to BOCCIM and MCI, studies on key policy issues, and targeted training (e.g., courses on writing policy papers and influencing public policy).

The Management and Entrepreneurial Development Component aimed to enable citizen entrepreneurs to identify, develop, and benefit directly from profitable investment opportunities, especially in non-mineral sectors of the economy. This component's activities centered on short-term training for private and public sector officials, mainly in Botswana or the southern Africa region, and on long-term training in the United States for officials from BPED implementing agencies and other government ministries. This component also supported BOCCIM's efforts to provide management assistance to Botswana-owned enterprises. BPED-funded, long-term training and management services advisors provided support to BOCCIM's activities in this area.

The Investment Promotion and Support Component assisted in developing and strengthening Botswana's regional and international business linkages, with particular emphasis on trade and investment between the United States and Botswana. Sample investment promotion and support activities included provision of one intermittent and two long-term advisors to BDC, investment-related studies, and development of investment promotion materials.

B. USAID Context and the BPED Project

In November 1993, two and one-half years after the BPED project was authorized, USAID advised the Government of Botswana that it would close its mission in Botswana (and thereby end all project assistance) by September 30, 1995. In line with this scenario, BPED would have ended one and one-half years prior to its anticipated completion date of March 1997. The Government of Botswana was concerned that this early termination date would seriously affect the sustainability of BOCCIM (a non-governmental, non-profit organization), which, through BPED, had played an increasingly effective role in promoting policy dialogue between the public and private sector. In light of this concern, the government, through Mr. Kedikilwe (the Minister of Commerce and Industry) appealed directly to the USAID Administrator, Brian Atwood, to reconsider the decision to end BPED funding when the bilateral USAID mission closed. Administrator Atwood then asked USAID Botswana to develop a conceptual plan to address the GOB's concerns about BOCCIM's sustainability.

This plan, which was approved by Administrator Atwood on November 14, 1994, redesigned BPED to focus primarily on BOCCIM's sustainability and on the public-private sector policy dialogue process. Under the plan, USAID expanded its existing cooperative agreement with BOCCIM. The completion date for DTT's contract, which was September 30, 1995, did not change. The agreement with and direct funding for BDC also was amended to expire on September 30, 1995, although BOCCIM was authorized to fund activities led by either BDC or MCI¹ as long as such efforts were consistent with the plan's two areas of concentration. In accordance with the new emphases, BPED also ceased to provide funds for long- and short-term training (except as related to policy dialogue efforts or sustainability) and investment promotion activities. The plan authorized BPED to continue in its revised form until September 30, 1996, i.e., one year after the closing of the bilateral mission in Botswana and six months short of its original completion date.

BPED's specific support to BOCCIM in the last year of the project (i.e., September 1995 to September 1996) included the following: (i) provision of a policy advisor; (ii) assistance to build BOCCIM's capacity to formulate and articulate credible policy positions; (iii) short-term assistance and resources for important policy areas; and (iv) financing for a project coordinator to work within BOCCIM and carry out some of the responsibilities previously fulfilled by DTT.

¹ Because the project grant agreement was with the Government of Botswana, there was never a separate agreement with MCI; thus, the arrangement with MCI was changed when the broader grant agreement was amended.

C. Purpose, Methodology, and Organization of the Evaluation

As stated in the scope of work (Appendix A), the specific objectives of the evaluation are to:

- Assess project outcomes and impact in the area of policy development, implementation, and dialogue;
- Ascertain BOCCIM's progress toward achieving financial sustainability;
- Determine steps required to ensure sustainability of project outcomes and impact; and
- Derive lessons from the BPED experience to guide future private sector development activities undertaken by USAID, the Government of Botswana, and BOCCIM.

In light of these objectives and the revised BPED plan, the evaluation concentrates primarily on activities that continued beyond or were initiated after September 30, 1995, since such activities reflect the modified project plan. Accordingly, the evaluation covers few of the activities of the Management and Entrepreneurial Development or the Investment Promotion and Support components of the project, unless such activities continued beyond September 30, 1995 or they affect BOCCIM's sustainability.

The evaluation was conducted over a five week period in August and September 1996 by Lynne Manrique (team leader and private sector development specialist), Benjamin Hardy (economist and policy analyst), Frank Lusby (organizational development and business association specialist), and Dennis Smyth (financial sector development specialist). The evaluation methodology included: reviewing project documents and files (as detailed in Appendix B); accessing information from project-funded data collection and analysis systems; interviewing approximately forty individuals, including BOCCIM, BDC, and MCI personnel, other private and public sector officials involved with the BPED project, and current and former advisors to BPED implementing organizations (see Appendix C for a list of contacts); and observing project-related activities (such as training workshops, sub-committee meetings, and BOCCIM's northern region annual dinner) that took place in Francistown, Gaborone, and Palapye during the evaluation period.

The remainder of the report is organized as follows. Part D of this section outlines the economic context in which the BPED project operated. Section II provides detailed descriptions of recent and on-going activities, identifies (to the extent possible) results or impacts of the activities, analyzes reasons for success or failure, and outlines steps required to promote implementation and sustainability. Section III contains a detailed examination of BOCCIM itself, including overall organizational structure, role of individual departments within the organization, and financial status and sustainability. Section IV synthesizes the findings of Sections II and III and provides concrete suggestions to sustain BOCCIM's role as a viable, non-governmental, policy advocacy organization. Finally, Section V derives broad lessons learned from BPED to contribute to future private sector development efforts.

D. Economic Context

At Botswana's independence in September 1966, most indices, including GDP per capita, known material resources (primarily livestock), physical infrastructure, educational levels, and public health, showed the country to be one of the world's poorest and least developed. In the thirty years since, fortuitous circumstances combined with sound policy decisions have produced an economic success unlike any other. For example, between 1966 and 1986, Botswana had the world's fastest rate of GDP growth. The country's earnings from minerals exports (largely diamonds) generated current account and budget surpluses that led to a massive buildup of foreign exchange reserves (\$4.6 billion as of year-end 1995). Domestic peace and constitutional democracy made Botswana an island of stability in southern Africa, attracting investors who sought safehavens or opportunities to produce for export into South Africa.

Botswana political leaders, culturally predisposed to decision making by consensus and to conservative political, economic, and social doctrines, saw central government as the most effective instrument for achieving development progress. They husbanded the state's increasing wealth but also pursued a broad, long-term program to meet basic needs, educate the people, and build physical infrastructure. This record of using resources wisely, coupled with a prolonged drought emergency and an ongoing vulnerability to sanctions from South Africa's apartheid regime, persuaded foreign donors to provide substantial amounts for economic development as well as for humanitarian assistance and political support. Despite drought and regional strife, Botswana experienced a quarter-century of uninterrupted economic success accompanied by a rapid transformation from a nation of livestock herders to an urban society with a large formal sector economy.

The 1990s, however, have brought rapid change to all of southern Africa. Botswana's dependence on exports and imports make its economy unusually open to repercussions from international business cycles, financial flows, technical advances, and new products. A downturn in world diamond markets during 1992, for example, prompted the Government of Botswana to cut construction expenditures, producing the country's first recession and dealing a severe blow to Botswana's optimism. Although Debswana (owned equally by the Government of Botswana and DeBeers Diamond Company) now produces more diamonds than ever, many Botswana believe the boom days are over. In addition, there is growing worry about AIDS since the incidence of HIV infection is reaching epidemic proportions.

The end of the cold war and, above all, the political realities that led to majority rule in South Africa have completely altered the region's politico-military situation. These changes helped Namibia to independence and prepared the way for peace in Mozambique and Angola. Recognition that democratic government and free markets are important foundations for social progress has led voters in neighboring countries to elect new leadership. Many political leaders in the southern Africa region, including Botswana's, have been taking steps to encourage private sector growth. Reforms in nearby countries are likely to affect Botswana's economic future, especially given that regional economic integration, whether planned or evolutionary, appears increasingly likely.

Although Botswana's diamond mines seem likely to generate substantial income for several more decades, the country's leaders feel obliged to conserve the wealth that continues to accumulate. They also recognize the danger of overdependence on a single product or industry. The solution of choice is diversification into products with which Botswana can compete globally. The new focus, therefore, is on increasing productivity to world levels; this will require not only capital investment and new management skills, but also encouragement of entrepreneurial behavior (relatively absent among Botswana as compared with other African cultures) and provision of advanced technical training for the workforce.

Although the population is small (approximately 1.5 million), the birthrate (3.5 percent a year) creates a growing pool of primary and secondary school leavers and university graduates who, despite their education, lack skills appropriate to a modern economy; the resulting unemployment (exceeding 20 percent nationally) is especially widespread among the young, who have high expectations but see limited prospects. Dissatisfaction has found an outlet at the polls: the main opposition party has made steady gains, especially in municipal elections, and observers are beginning to speculate about a change of party control—the first since independence—at the general elections in 1999.

Expecting that the market economy can help cope with these problems, Botswana's political leaders have proved amenable to measures intended to create an enabling environment for private sector growth. The catch-phrase among Botswana policy makers today is that private business must be the economy's engine of growth. The Government of Botswana has enacted many measures aimed at liberalizing the economy, including some initiated through BPED. However, Botswana is a country where the political leadership embraces policies boldly and pursues them slowly, leaving implementation to a civil service that obstructs policies out of ignorance or unwillingness to relinquish authority.

This might not be harmful were Botswana isolated and static, but the pace of change in southern Africa, and indeed in the global economy, is actually increasing. Botswana's immense good fortune in its natural resources, as well as its once-unique advantages of stability in a region rent by struggle, led to a generation of unprecedented growth and achievement. Its cautious and pragmatic leadership also contributed mightily. The task for Botswana's leaders today is to adapt their policies, style of decision making, and administration further and faster to keep to the world's tempo, lest they find their country left behind within a peaceful, productive southern Africa intent on claiming its share of a dynamic, competitive, and rewarding world economy.

II. POLICY DEVELOPMENT, IMPLEMENTATION, AND DIALOGUE

Before discussing each policy development, implementation, and dialogue activity, the process and structure that supported the activities should be noted. All BPED-funded policy activities were conducted under the auspices of two sub-committees of the BPED Project Implementation Committee (PIC).² Chaired by the director of BOCCIM, the PIC consisted of representatives of all BPED implementing organizations and met quarterly to monitor on-going activities, evaluate sub-committee proposals for new activities, and review the work plans of each implementing entity. The two policy sub-committees were the Financial Sector Technical Sub-committee and the Policy Development Sub-committee.

Meeting on a quarterly basis, the sub-committees consisted of: at least one member each from BOCCIM, BDC, and MCI; the USAID project officer for BPED; and the BPED project coordinator.³ Sub-committee meetings, which were chaired by Botswana staff of the implementing organizations, focused on initiation, development, and implementation of activities. For each activity requiring the services of outside consultants, the sub-committees designated responsibility for drafting terms of reference and soliciting proposals to one of the implementing organizations, and formed a small selection committee to evaluate proposals and choose consultants. After the consultant team was selected, the sub-committee formed a reference group consisting of implementing organizations plus other public and private sector entities to guide the consultants during the activity and to provide a forum for discussion of the ideas, findings, and recommendations of the various activities.

A. Industrial Development Policy

1. Review of Local Preference Scheme and Development of Local Procurement Program

Background and Description of Activity. In order to give Botswana access to business opportunities afforded by the GoB's procurement of goods and services, in 1978 the Government of Botswana created a Local Preference Scheme (LPS). This scheme attracted fewer users than anticipated because its regulations limited participants' access to the far more lucrative Financial Assistance Policy grants program for businesses. In 1988, the GoB revised LPS, but the resulting increase in applications was negligible. Consequently, in 1994, the LPS administering agency, MCI's Department of Industrial Affairs, commissioned a new study to address the continuing problems (mainly lack of utilization) of the scheme.

² The PIC originally had two additional sub-committees, the Management and Entrepreneurial Development Sub-committee and the Investment Promotion Sub-committee. No policy activities were conducted under the Management and Entrepreneurial Development Sub-committee's auspices. The Investment Promotion Sub-committee was merged with the Financial Sector Technical Sub-committee during the final year of the project.

³ As noted in Section I, Part B, the position of BPED project coordinator was created after the DTT contract ended on September 30, 1995. Prior to that date, the BPED chief of party participated in the sub-committee meetings.

Roles of BOCCIM, MCI and the Policy Advisor to MCI. During 1994, the BPED-funded policy advisor to MCI participated in a review of LPS and drafted proposals for a small business set aside program, later renamed the Local Preference Program (LPP). The findings and recommendations of the study were circulated to GoB agencies and BOCCIM with a request for comments. As a result, MCI recommended that LPS be terminated in January 1997 and replaced by LPP over a three-year pilot phase beginning in October 1996; this recommendation has not yet been approved by the Cabinet.

In 1996, MCI requested BPED funding for a survey of local manufacturing firms' capacity to participate in LPP and for creation of a resulting database; the BPED Policy Development Subcommittee declined to support these efforts because the activity did not strictly meet the criteria of the redesigned BPED. The sub-committee did agree to fund a GoB-requested seminar on the LPP, but it could not be organized and held by September 30, 1996.

Results and Degree of Success or Failure. As of the time of the BPED final evaluation, GoB had not yet reached final decisions on whether to proceed with implementation of LPP. Accordingly, it is too early to evaluate success or failure.

Steps Required to Ensure Implementation and Sustainability. Implementation rests with the government, which must reach a decision to end the LPS and institute the pilot set aside program. Sustainability will depend upon the success of the pilot implementation.

2. New Industrial Development Policy White Paper and National Seminar on the New Industrial Development Policy

Background and Description of Activity. Following a 1993 World Bank report, "Opportunities for Industrial Development in Botswana: An Economy in Transition," the Ministry of Commerce and Industry began work on a draft white paper to define a new industrial development policy. At that time, BPED funded a policy advisor to MCI's Department of Industrial Affairs, which was the central unit in development of the industrial policy. The BPED policy advisor to MCI was involved in development of the draft policy from the onset, including contributing to the initial response to the World Bank study and providing input into several studies (e.g., the Third Evaluation of the Financial Assistance Policy, the Review of the Citizen Reservation Policy, among others) which provided ideas for MCI's draft White Paper on Industrial Policy.

The private sector maintained steady pressure for a GoB industrial policy, calling, for example, at the Fourth Private Sector Conference at Francistown (June 1996) for wide distribution of the draft new industrial policy paper among the public and private sectors prior to a seminar to discuss the draft policy. Accordingly, MCI organized a National Seminar on the New Industrial Development Policy, held September 23-24, 1996.

Results. By the time of the national seminar, MCI had reviewed a number of industrial policy papers from GoB and donor sources, incorporated their points into a draft white paper (see

Appendix D), and submitted it in advance to seminar participants. At the seminar, participant working groups spent two half-day sessions reviewing the draft paper's recommendations in the following areas:

- Human resource development/training;
- Competitive manufacturing;
- Service industries;
- Technology and productivity;
- Role of small scale enterprises; and
- Privatization and the role of government.

At the final plenary session, the results of the working groups were presented and debated by all participants.

Degree of Success. The policy development process for this issue as of the end of BPED has proven successful, if slow. The responsiveness of GoB to private sector comments remains to be seen, but prospects are good, given that dialogue between the two has become increasingly productive and mutually appreciated during the period of BPED.

Steps Required to Ensure Implementation and Sustainability. The next steps to implement the draft industrial policy are the responsibility of the government. As described by MCI's permanent secretary at the national seminar, the expected steps and procedures may cause years to elapse before the policy is implemented. Specifically, the permanent secretary noted that the following must take place prior to implementation: (i) MCI will form a public-private sector working group to process the national seminar's recommendations and integrate them into the draft white paper; (ii) while this group is being formed, MCI will reflect on the points raised at the seminar and take its tentative responses to the working group; (iii) following preparation of a new draft white paper, MCI will circulate it to all GoB ministries for comments; (iv) when all ministries have filed their comments, MCI will integrate them into the final draft and present it for cabinet review (which is likely to be an expanded review given the importance of the subject); (v) once the cabinet has given its approval, the document goes to the government printer for publication as a draft white paper, which then is submitted to parliament;⁴ (vi) after parliament has studied the draft white paper in committee and debated it in the full house, the paper will be put to a vote; (vii) once parliament has enacted the white paper into law, MCI will have to be restructured so that it is capable of implementing the sweeping changes contained in the new policy.

⁴ This step originally had been scheduled for October-November 1995, but it had to be postponed until July 1996 and then was postponed again to allow for comments at the national seminar. MCI's permanent secretary estimated that July 1997 might be the date when the paper reaches the government printing office.

B. Trade and Investment Policy

1. TIPA Investment Promotion Materials

Background and Description of Activity. The Trade and Investment Promotion Agency (TIPA) of MCI is the government department charged with promoting foreign investment in Botswana. TIPA does this through its offices in Gaborone and its commercial officers in nine of Botswana's overseas and regional embassies. To assist TIPA (a department that the private sector repeatedly has recommended be strengthened), BPED provided funds to update the department's promotional brochures. Working with the TIPA activity coordinator, the BPED project coordinator participated in the reference group to select a marketing firm to design and produce the new promotional materials.

Results. TIPA received the new brochures on August 20, 1996. The BPED evaluation team found them impressive in layout and design: the photographs were striking, the graphics clear and relevant, and the print information detailed and well-organized. A useful feature was the inclusion of investment information on separate sheets included in pockets inside the rear cover; this will facilitate TIPA's ability to update the materials as economic data, laws and regulations, and services to investors change.

Degree of Success. Although BOCCIM's members continue to call for a more thorough overhaul of TIPA, the activity undertaken during the BPED extension period must be counted a success, since the brochure is well executed and is likely to be a useful tool for TIPA commercial attachés in Botswana embassies.

Steps to Ensure Implementation and Sustainability. Clearly, effective use of the new brochure will depend on the commercial attachés, whom the BPED project evaluation team were unable to observe. The brochure itself is likely to remain useful for several years, especially if the information sheets are kept current. Overhaul or replacement of the brochure will depend entirely on MCI's willingness to fund design and production costs.

2. Citizen Investment Opportunities

Description of Activity. In accordance with its responsibility to address member needs, BOCCIM's membership services department commissioned a study to identify business opportunities for residents of towns and villages where BOCCIM has created business councils. BOCCIM specifically requested that the consultants contracted to conduct the study identify simple product or service ideas that could serve as the basis for new enterprises.

After seeking questionnaire data from fourteen BOCCIM business councils, the consultants visited nine councils to collect new business ideas, which they evaluated and ranked in order, using feasibility, cost, and employment or entrepreneur creation potential as criteria. For the five ideas judged best, the consultants developed hypothetical business plan narratives. They also made general observations and suggested several other steps, including preparation of four

"how-to" brochures for small businesses; BPED, through BOCCIM, paid for printing the brochures, which were not ready at the time of the BPED evaluation.

Results and Degree of Success. The consultant report provides a substantial amount of field research data, which is well organized and presented. The consultants were enthusiastic supporters of franchising (three of the business plan ideas involved franchising) and tourism (the other two ideas) as bases for creating viable small businesses. The BPED evaluation team lacked sufficient knowledge of Botswana to judge whether these were the best small business opportunities currently available.

Implementation and Sustainability. Next steps on implementation appear to rest with BOCCIM, which certainly will be able to distribute the "how-to" brochures through its membership services department and the regional business councils. The study does not go into steps to implement and sustain the proposed new businesses; here, prospects are less clear. The most common barriers to new business creation in developing countries are lack of funds or lack of skills, usually both. Franchising activities presuppose availability of financing, while providing tourist products (goods or services) presupposes skills (in this instance, for managing a village community center catering to tourists, or for operating a training center for workers seeking jobs in tourism). Implementation and sustainability will depend upon whether these presuppositions are valid. In the case of the franchising ideas, since potential franchisees in (in two of the three business plan areas) are expected to be eligible for grants under the GoB Financial Assistance Policy, it appears likely that some franchises can be established.

3. Tourism Investment Promotion

Background and Description of Activity. The Government of Botswana, as well as private sector representatives, frequently mention tourism as one sector that can contribute to the country's economic development. To explore the sector, BPED funded studies and seminars on means to encourage tourism in order to increase its contribution to economic growth. This activity involved the BPED chief of party (rather than the policy advisor), whose role included contracting for a series of studies and support for seminars to present findings and recommendations. Earlier, BOCCIM made contributions to draft guidelines on extending coverage of the Financial Assistance Policy (a GoB grants-to-businesses program) to the tourism industry.

Results. In May 1995, three seminars on tourism investment facilitation were presented to GoB officials and private sector representatives in Gaborone, Ghanzi, and Maun. The following studies, delivered in June 1995, were addressed to the directors of BOCCIM and the Hotel and Tourism Association of Botswana (HATAB), an organizational member of BOCCIM:

- "Tourism Development Guide";
- "Facilitating Opportunities and an Enabling Environment for Investment in the Tourism Industry by Botswana and Current/Resident Stakeholders"; and

- "Recommendations on the Institutionalization of an Investment Advisory Service within the Hotel and Tourism Association of Botswana."

The Tourism Development Guide was intended to be manual for establishing a new business in the tourism industry.

Degree of Success. The studies were completed and the seminars were held. The Government of Botswana continues to affirm its support for developing tourism as a means to diversify the economy and create employment.

Steps Required to Ensure Implementation and Sustainability. BOCCIM should continue to work with HATAB to press for progress in creating an enabling environment for the establishment of new tourism enterprises. Future progress in developing tourism, however, will require that GoB resolve internal contradictions in its policies. There is a conflict between promoting tourism and safeguarding Botswana's fauna and flora in their natural state (a conflict whose resolution is sought, perhaps successfully, in the policy of providing high-cost, low-volume tourist services). Moreover, there is the larger conflict between the GOB's desire to increase revenues through tourism versus its desire to do little or nothing to change land use in Botswana. Until land use policies are liberalized and implemented, little prospect exists for indigenous participation in tourism in Botswana. While the GoB's *de jure* policy on tourism may favor its development, its *de facto* policy on land use—i.e., to allow change only very slowly—effectively blocks development of this potentially important industry.

C. Financial Sector Development

1. Foreign Exchange Control Liberalization

Background and Description of Activity. From the time of Botswana's independence in 1966 until the introduction of an independent currency, the pula, in August 1976, Botswana operated under South African exchange controls as part of its membership of the Rand Monetary Area (RMA). Following the introduction of the pula, Botswana introduced its own system of foreign exchange controls.

The Bank of Botswana administers foreign exchange control regulations. According to the Phaleng study (1994), the exchange control system was liberalized progressively between 1976 and 1993, including the appointment of commercial banks as authorized dealers. However, the liberalizations of many current account transactions were not accompanied by liberalizations of controls on capital account transactions, which remained quite restrictive during this period.

At the 1991 Francistown Private Sector Conference, the private sector raised the issue of full liberalization of all remaining exchange controls, but differing viewpoints regarding the advantages and disadvantages of liberalizing exchange controls, as well as the public and private sectors' lack of experience with, and in some cases hostility to, debating serious private sector development issues, hampered efforts to move toward further foreign exchange control

liberalization. The challenge to those in the public and private sectors who were interested in foreign exchange control liberalization was determining how to go about identifying the costs and benefits of liberalizing such regulations, as well as how and where to start and coordinate an analysis of this nature.

The purpose of the study was to "determine the costs and benefits of removing foreign exchange controls in Botswana and provide recommendations on whether or not controls should be phased out over an extended period of time and in what order" (BOCCIM, "BPED: Review of Ongoing Activities," August 1996). Mr. Millard Arnold, BOCCIM's policy advisor at the time, participated in drafting of the terms of reference, selecting consultants, and other aspects of the study. Mr. Robert Wood, a manager at BDC, was asked to assist in the evaluation of tenders and was also a member of the reference group for this study. He later became an intermittent BPED-funded advisor to BDC, under the Deloitte Touche Tohmatsu contract, on a number of financial sector issues.

Roles of BDC and BOCCIM. Once the PIC approved funding for the foreign exchange study, the Operating Committee⁵ of the PIC formed a selection committee to identify and choose a consulting team through an open tender process. BOCCIM also prepared the terms of reference for the study. Once a consulting team, led by Phaleng Consultancies (Pty) Ltd, was chosen, a foreign exchange control reference group was formed, consisting of representatives from a cross-section of Botswana's business community, to determine the appropriate action for addressing public and private sector concerns about the foreign exchange control regime in Botswana. The members of the reference group are listed in Appendix E. BOCCIM served as the coordinating institution, with Ms. Pelani Siwawa-Ndai, BOCCIM's chief economist and policy analyst at the time, as activity coordinator and Mr. Baledzi Gaolathe, Managing Director of Debswana Diamond Company, as the group's chair.

In November 1993, the consultant team submitted a draft version of the foreign exchange control liberalization study to the reference group. The reference group then identified several issues and concerns to be addressed by the consultants in their final draft, which was completed in January 1994. The study indicated: that the original justification for exchange controls no longer applied; that such controls may have hindered Botswana's ability to attract foreign investment; and that the controls are likely to damage the prospects for future economic growth and job creation. BOCCIM director Mr. Modiri Mbaakanyi and BDC general manager for marketing Mr. John Disele (who is now deputy to the managing director) presented the report to the Ministry of Finance and Development Planning (MFDP) for review, approval, and implementation.

Results. According to a December 1994 press release by the Bank of Botswana, repeated calls from the private sector for the complete abolition of exchange controls culminated in "the submission to Government in early 1994 of a detailed report on exchange control reform

⁵ The PIC Operating Committee was the predecessor to the sub-committee structure outlined in the introduction to Section II.

prepared by consultants engaged by BOCCIM." The BPED-funded study was instrumental in the Government of Botswana's announcement (by Mr. Festus Mogae, Vice President and Minister of Finance and Development Planning) in his 1994 Budget Speech of plans to accept the obligations of Article VIII of the International Monetary Fund's Articles of Agreement, which states that no restrictions may be placed on current account transactions. According to the same press release, "the BOCCIM study and recommendations were the subject of a detailed review by representatives of the Ministry of Finance and Development Planning and the Bank of Botswana (BoB). The BoB also consulted extensively with the IMF and local financial institutions on aspects of the proposed reforms." These discussions were followed by the presentation to the Vice President of proposals for further liberalization and simplification of exchange controls as part of a larger package of policy reforms designed to promote investment and to stimulate economic growth. With an effective date of January 1, 1995, the comprehensive exchange control reforms announced in the press release covered current and capital account transactions by businesses and individuals. Many of these reforms were based on recommendations made in the BPED-funded study.

Reasons for Success. Following the call for complete abolition of foreign exchange controls at the 1991 Francistown Conference, debate ensued about the appropriate pace of such reforms. The MFDP was concerned that an immediate abolition of all controls would have negative implications for the economy and the GoB's ability to take corrective actions. The BOCCIM study was very influential with the GoB because it outlined the basic arguments for exchange control reforms as well as the steps needed for a gradual approach toward complete reform. Key private and public sector participants praised the foreign exchange control study—and the public sector-private sector dialogue that initiated and guided it—for creating a logical and appropriate blueprint for needed policy reform in Botswana's foreign exchange control regime.

Steps Required for Implementation and Sustainability. Overall, the BoB is pleased with the GoB's implementation of the study's recommendations, especially the reforms announced in late 1994 and early 1996. In an effort to keep the reform process that the BOCCIM study initiated moving forward, the BoB's Financial Institutions Department, with the assistance of Dr. Keith Jefferis of BoB's Research Department, has begun examining the steps required to reach complete abolition of foreign exchange controls as well as determining other GoB policies which must be addressed in order to achieve this goal. The plan is to divide their recommendations into those which can be implemented immediately and those which have prerequisites. The findings of this exercise will then be discussed informally with MFDP at the next quarterly meeting of the BoB/MFDP working group, an ongoing technical committee. Once discussed at this level, the BoB will present an official report to MFDP. The MFDP makes the policy decisions relating to the foreign exchange control regime, and the BoB is responsible for implementing these policies. BOCCIM should play a lead role in maintaining public sector-private sector dialogue that will allow both sides to comment on the implementation and impacts of new liberalizations.

2. Collective Investment Undertakings

Background and Description of Activity. Collective investment undertakings (CIUs) vary in nature but can be defined as arrangements for pooling of funds by investors for the purpose of spreading their risks and sharing the benefits of investment pro rata to the contributions. CIUs offer tremendous potential to attract the regular investments of small savers who would not otherwise know how to, or be able to afford to, select a stock in which to invest. Examples of CIUs are unit trusts (similar to open-ended mutual funds), investment companies, and investment partnerships. CIU legislation is needed in Botswana to protect large and small domestic investors against fraudulent practices by unscrupulous funds operators and to safeguard Botswana's image in international financial markets.

In light of the potential benefits represented by CIUs, BPED implementing organizations sought to "produce draft legislation and a proposed regulatory framework for Collective Investment Undertakings in Botswana" (BOCCIM, "BPED: Review of On-going Activities," August 1996). The legislation was initiated because BDC and its advisors believed it was necessary to create an enabling environment for the development of both a domestic investment fund industry, in which small investors can be encouraged to participate, and off-shore funds administration business. The legislation also is crucial for Botswana's development as an international financial services center (IFSC).

Roles of Advisors. In 1993, Mr. Robert Wood, then manager of BDC's Financial Institutions Division, became involved in GoB discussions about CIUs. The GoB considered simply adapting existing South African legislation pertaining to CIUs but, realizing that this issue required detailed study, BDC seconded Mr. Wood to the Ministry of Finance and Development Planning. Mr. Wood, working closely with his BDC counterpart and assistant manager, Mr. Kumbulani Munamati, determined that the South African legislation was not appropriate and that Botswana needed to take a more international view. Understanding that this would entail a major effort, Mr. Wood and Mr. Bud Eaton (then a BPED-funded special projects advisor to BDC) encouraged BDC to seek BPED funding for this undertaking. BDC submitted a proposal to BPED's PIC to commission a study examining the role and operation of CIUs, with emphasis on producing draft legislation and a proposed regulatory framework.

Roles of BDC and BOCCIM. Once BPED funding was approved for the CIU study and BDC prepared a terms of reference, the PIC Operating Committee formed a selection committee to identify and choose a consulting team. Deloitte Touche Tohmatsu International, prime contractor for the BPED project, was chosen and the study was managed by the Financial Institutions Team of Deloitte & Touche South Africa. The DTT team included Mr. Neill Armstrong, a prominent corporate lawyer in Botswana, and Mr. Steven Georgala, an experienced international lawyer. BDC, as the key financial organization on the committee, led the CIU reference group, which included MFDP as well as other public and private sector representative (see Appendix F for a list of members). Starting in late May 1994, the reference group met periodically with the consulting team to provide guidance to the team and to ensure appropriate feedback and consultation regarding the findings. Mr. Wood, manager of BDC's

Financial Institutions Division from July 1992 to August 1994, chaired the reference group until its final meeting in August 1994, when he returned to South Africa. Upon Mr. Wood's departure, his counterpart, Mr. Munamati, was named manager of BDC's newly-formed Corporate Finance and Divestment Division.

In August 1994, the consulting team met with the reference group to present its findings and recommendations and to receive comments. The team also presented the draft report to senior officials of the Ministry of Finance and Development Planning, who prepared a summary paper for the Vice President, who then raised a number of questions, to which MFDP responded. In November 1994, the team submitted the final version of the study, entitled the Botswana Collective Investment Undertakings Project, to the reference group for review. As required, in addition to a comprehensive report, the consultants had drafted legislation and proposed a regulatory framework.

Results. BPED representatives and other reference group members provided guidance regarding next steps, including the official presentation of the legislation to the Vice President and the generation of public support for the legislation. At the time, the Vice President expressed his commitment to bring the legislation before parliament in November 1994. This, however, did not occur as scheduled, mainly due to long delays in the consideration of the proposed legislation by the GoB, mostly by the Attorney General's Chambers, which has a small legal research and drafting staff and carries a very heavy workload. Reference group members and representatives of the Attorney General's Chambers have indicated that the delay on the CIU legislation was caused, not only by the heavy workload, but also by the newness of legislation of this type. That is, the CIU study and draft legislation covered financial vehicles virtually unknown in Botswana, and the inexperience of the Attorney General's staff with such financial vehicles and the related legislation and implementing regulations compounded with the already heavy workload to produce delays. While the study was being prepared, the Deputy Attorney General did attend several reference group meetings, which he reported were extremely informative and useful in initiating the legislation; however, due to the Attorney General's staffing limitations, no research or drafting personnel—those ultimately charged with formulating legislation—were able to attend reference group meetings.

During 1995 and 1996, BDC, with support from key private and public sector individuals, continued to lobby the GoB regarding the need for, and thoroughness of, the proposed legislation and its importance to Botswana's development as an international financial services center. The BDC staff worked with the legal researchers and drafters of the Attorney General's Chambers to explain the details of the proposed legislation and to provide guidance in moving the approval process forward. Mr. Neill Armstrong, the lawyer who was a key member of the consulting team, took an active role in answering questions posed by the Attorney General's Chambers regarding the draft legislation. Following these and other efforts, the MFDP circulated the CIU draft legislation to all ministries for review and comment, with responses received from all. The legislation currently is scheduled to be presented to Cabinet in early October and to parliament during its next session, in November 1996.

Reasons for Success. This activity was completed in a timely manner. GoB implementation, however, was delayed for the reasons described above. Although the implementation of the CIU policy has taken a considerable amount of time to reach its current status, this activity represents considerable progress related to CIUs and the development of other important financial mechanisms. The BPED-initiated dialogue which developed, albeit progressively, among key players in the process, including BDC, MFDP and the Attorney General's Chambers, paved the way for a more cooperative relationship among these government bodies in future activities. This is also true for the relationship between these players and the private sector participants in the process. The healthy policy debate, dialogue and guidance of the CIU reference group played an invaluable role in bringing the CIU financial mechanism closer to reality. Several of the reference group participants noted that BPED provided not only the necessary funding for the study but also the support, through the provision of a forum for policy dialogue, for the development of a financial sector mechanism that began with an idea and grew to the development of legislation and implementing regulations.

Steps Required for Implementation and Sustainability. BDC is continuing to do what it can to keep the process moving forward, including close cooperation with MFDP in addressing issues and questions from the Attorney General's Chambers, such as those related to the determination of the ultimate regulatory authority for CIUs. The Attorney General's Chambers are working on the draft act in preparation for presentation to parliament in November 1996. It is important that this dialogue and cooperation be maintained on this and other issues which are critical to Botswana's emergence as an international financial services center.

Recommendation: *To avoid delays such as that associated with the implementation of the CIU policy, the GoB should consider seriously means to increase the capacity (e.g., through hiring of a technical advisor or providing training) of the Attorney General's Chambers to deal with drafting legislation related to financial sector policies.* Representatives of the Attorney General's Chambers stated that their office's legal research and drafting capacity is limited, thereby hindering its ability to respond to requests to draft and process new legislation, such as has been the case with CIUs.

3. International Financial Services Center

Background and Description of Activity. International financial services have been proposed as a possible alternative engine of growth for the Botswana economy, increasing investment and employment opportunities in the administrative and service sectors of the economy. As envisioned in Botswana, an international financial services center (IFSC) is defined as "a specialized and innovative legislative framework enabling the provision of a distinct range of international financial service activities, while regulating interaction with Botswana residents. The legislative framework requires selective exemption for foreign users from Botswana taxation and exchange control" (Attachment to minutes from BPED IFSC Task Force meeting, July 29, 1996). Following numerous discussions between the Government of Botswana and the private sector on this issue, MFDP appointed BDC to study the feasibility of developing Botswana as

an IFSC. BDC requested BPED funding in order to conduct a study⁶ examining the tax, foreign exchange, legislative, infrastructure, insurance, marketing and human resources implications of establishing an IFSC, as well as the identification of IFSC products.

Role of Advisors. From September 1995 to July 1996, Mr. Robert Wood performed intermittent consulting services directly for BDC, including work on the IFSC task force. With BDC as the lead organization in the development of the IFSC, Mr. Wood advised Mr. Munamati (manager of BDC's Corporate Finance and Divestment Division), in early 1995, on assembling a team of international consultants to produce the IFSC feasibility study. In early 1996, he was asked to advise, at BDC's (not BPED's) expense, Mr. Munamati in the formation and operation of the task force to implement the IFSC feasibility study.

Roles of BDC and BOCCIM. Under the guidance of the BPED Financial Sector Technical Subcommittee, BDC (with the assistance of Mr. Wood and Mr. Eaton) drafted the study's terms of reference and assisted in identifying and selecting a consulting team. In April 1995, the FSTS chose a Deloitte Touche Tohmatsu team that included consultants from its offices in South Africa, Bermuda, and the Cayman Islands, as well as independent consultants from Maitland & Company in Luxembourg and Robert Fleming in the Isle of Man. The FSTS then formed an international financial services center (IFSC) reference group, consisting of representatives from MFDP, MCI, BoB, BOCCIM and the private sector. The members of the reference group are listed in Appendix G. Mr. Munamati chaired the reference group.

MFDP, BDC and the reference group provided the consulting team with criteria by which the success of an IFSC in Botswana would be judged. The study involved a comprehensive review of the Botswana economy, with a specific focus on infrastructure development, public utility services, and human resource development, and a detailed examination of the evolution and development of offshore centers. The project also required the consultants to survey thirteen financial service center jurisdictions around the world. The consulting team visited Botswana in May and June 1995 and met twice with the reference group. The study was completed in July 1995 and recommended that Botswana should consider setting itself up as an IFSC. The consulting team identified the following positive aspects that make Botswana an ideal candidate for an IFSC: central location within the region; close proximity to South Africa; same time zone as Europe; political stability; and extensive foreign exchange reserves. The team also identified the following obstacles which must be addressed if the IFSC is to be flexible and efficient: paperwork and delays involved in processing residence applications and work permits; amount of time it takes to install a telephone; and cost of public utility services. The report was delivered to the reference group, which presented it to various levels of GoB, including the Vice President.

⁶ Following the study, BPED funding was requested to "carry out recommendations of IFSC Study to establish Botswana as an offshore financial services center" (BOCCIM, "BPED: Review of On-going Activities," August 1996). The BPED PIC decided not to fund this activity because it was an implementation, rather than policy, activity and, it believed, should be funded by the GoB. Following discussions with BPED, the BoB agreed to contribute P25,000 toward the work of a task force, and the BDC agreed to contribute P35,000 for necessary consulting services.

The GoB accepted the proposal and established an IFSC task force to consider the details of the project and to plan for its implementation. A list of IFSC task force members is provided in Appendix H. Including representatives from BDC, MFDP, BPED, BOCCIM and several private sector firms, the task force was divided into three sub-committees (marketing and education, legislation, and finance and management) that will examine these aspects of IFSC implementation. To assist in implementing the study's recommendations, BDC again contracted Mr. Robert Wood as an advisor.⁷ BDC also led the effort to obtain funding for the IFSC task force and consultant; in the end, BoB and BDC agreed to provide funds. As of July 1996, each of the three IFSC task force sub-committees had met three times, during which much productive discussion on key issues occurred, and had reviewed the advisor's report.

Results and Possibility of Success. While it is too early to tell if the IFSC itself will be established, it is possible to assess the approaches taken to bring it about. For several years, the GoB was skeptical about the nature and operations of an entity about which it knew very little, as well as whether such an entity would benefit Botswana. This skepticism and lack of understanding resulted in a delay of several years before the activity was considered seriously. While the private sector was initially quite supportive of pursuing a study of this activity, the GoB's delay caused some to believe that, despite all of its advantages, Botswana had missed the ideal timeframe—i.e., five to ten years ago, when Botswana was the only truly stable country in the region—to launch an IFSC. Some interviewees also believed that the GoB was not efficient enough to provide, in a timely manner, the legislative and physical infrastructure needed for an IFSC to succeed.

However, the BPED-facilitated public and private sector cooperation surrounding the IFSC study, and the resulting actions on the part of GoB, mitigated much of the earlier skepticism. The GoB has moved beyond its initial reluctance and, despite some delays due to the newness of these concepts, legislation is being developed regarding CIUs, IBCs, and other legislative infrastructure elements of an IFSC. The GoB has recognized many of the physical infrastructure deficiencies (e.g., telephone connection delays) which the IFSC study emphasized and has committed to addressing them.

Steps Required for Implementation and Sustainability. The key factors in moving forward from this point are the level of GoB's commitment to the creation of an IFSC and promulgation of enabling legislation such as that for CIUs and international business companies (IBCs), as well as for the control of money laundering.⁸ As mentioned previously, the CIU legislation is expected to be presented to parliament in November 1996. The IBC legislation also may be presented in November, pending a final review by the IBC consultants, who will meet with the

⁷ On behalf of the legislation sub-committee, for example, the advisor reviewed the following pieces of legislation and/or regulations: Companies Act; Banking Act; Insurance Industry Act; Stock Exchange Act; Income Tax Act; and exchange control regulations.

⁸ Anti-money laundering legislation has yet to be drafted but the new Banking Act reportedly expands banks' authority in this area.

MFDP and the Attorney General's Chambers at the end of October 1996. Following completion of the IFSC task force's work and in line with the task force's recommendations, BDC prepared a project proposal to be submitted to GoB for its consideration and approval. The proposal requests GoB approval to: accept the recommendation that Botswana become an IFSC; draft an Act of Parliament creating and IFSC development authority to manage, develop, and market the IFSC; and authorize the GoB to invest up to P5 million in the project as seed capital. If the proposal is accepted, BDC will play a lead role on this issue. Ultimately, the success and timing of the IFSC's creation will depend on the GoB's enthusiastic commitment to the implementation of the necessary policies and the energetic marketing of the benefits of choosing Botswana's IFSC.

4. International Business Companies

Background and Description of Activity. According to the IFSC feasibility study "a number of the jurisdictions which have successfully developed as international financial services centers have, within the last ten years, introduced new company law statutes which incorporate modern principles, often alongside the domestic corporate law. Companies set up under these laws are known as international business companies (IBCs) or exempt companies." Common uses of IBCs, according to the study, include offshore insurance, offshore investment companies, international trading companies, and companies generating international royalties and commissions.

In light of these findings, a BPED-funded report was sought to "draft legislation, together with the requisite regulatory framework, for the creation in Botswana of International Business Companies and Registered Agents" (BOCCIM, "BPED: Review of On-going Activities," August 1996). The legislation is necessary to create an enabling environment for increased investment in the financial services sector in Botswana and to increase the use of Botswana as a administrative center by international business companies.

Roles of BDC and BOCCIM. BPED agreed to fund the drafting of the IBC legislation in November 1995. Under the guidance of the BPED Financial Sector Technical Subcommittee, Mr. Munamati of BDC drafted the terms of reference for the study. The FSTS decided that, due to BPED's pending completion, the selection of a consulting team through an open tender process would take too much time. Rather than risk losing access to BPED funding, the FSTS chose to use services of the two lawyers—Messrs. Neill Armstrong and Steven Georgala—who were major participants in the CIU study, through a sole source contract. The FSTS then formed an international business companies (IBC) reference group, consisting of representatives of the Attorney General's Chambers, MFDP, MCI, the Bank of Botswana, BOCCIM, BDC, and the private sector. The members of the reference group are listed in Appendix I. Mr. Munamati, Manager of BDC's Corporate Finance and Divestment Division, chaired the reference group.

Results. Following the delays associated with the proposed CIU legislation, the FSTS sought to include the Attorney General's Chambers in the IBC process at an early stage. However, the

Attorney General's Chambers participated in the last reference group meeting, at which it offered questions and expressed concerns over certain issues.

The consultants reviewed existing company, tax, and foreign exchange control legislation, as well as relevant reports and regulations. They presented the first draft of the IBC legislation to the reference group in June 1996, introducing some departures from traditional legal principles and three new concepts, including the consultants' recommended use of the name "International Business Corporation" as opposed to "International Business Company" to eliminate the possibility of confusion with companies incorporated under Botswana's Companies Act. As indicated above, the Attorney General's Chambers were concerned about certain procedures and also requested that a comprehensive set of regulations accompany the draft legislation. The reference group reviewed the draft and made additional comments and suggested adjustments to the proposed legislation. It was also agreed that three additional bills associated with IBC's would be drafted: Anti-money Laundering Act; Captive Insurance Act; and Unit Trust Act.⁹ The reference group made its final recommendations at its last meeting, held at the end of July 1996.

Steps Required for Implementation and Sustainability. The consultants currently are preparing the final report and the final draft of the IBC legislation, which will include proposed regulations that can be put in place immediately following GoB approval. In an attempt to reach a final accord, the consultants will present the legislation and regulations to MFDP and the Attorney General's Chambers at the end of September 1996. BDC will remain involved in keeping the process on track, but it is believed that if either MFDP or the Attorney General's Chambers does not accept the legislation and regulations as proposed, their presentation to parliament is likely to be delayed beyond the November 1996 session to the April 1997 session.

5. Regional Venture Capital Fund

Background and Description of Activity. A venture capital fund provides temporary financing in the form of equity capital or loans, with returns linked to profits and carrying some measure of managerial control. As the GoB's principal entity for Botswana's commercial and industrial development, BDC plays a venture capital role in that it is charged with identifying opportunities for investors in Botswana and assisting in developing and establishing viable businesses. To supplement its own activities (which, like traditional venture capital companies, focus on "upper medium" and large enterprises), BDC sought BPED funding in April 1995 to "perform a market survey for the purpose of determining the potential demand in Southern Africa for a regional venture capital fund" (BOCCIM, "BPED: Review of On-going Activities," August 1996). Mr. Robert Wood and Mr. Bud Eaton were involved in identifying a consultant team for this study and preparing the terms of reference.

⁹ Since that time, SADC has begun an initiative to standardize anti-money laundering legislation. The Government of Botswana reportedly has decided to see how this effort evolves rather than unilaterally develop its own legislation.

Role of BDC. The survey, undertaken by KPMG Peat Marwick and completed in August 1995, concluded that there was insufficient demand for a private sector-driven, domestic venture capital fund to provide debt and equity to small businesses. In July 1995, BDC sought BPED funding for a survey related to a regional venture capital fund but suspended the request in February 1996 because of an already heavy load of BPED-funded activities, with the intention of seeking approval for the survey later in the year.

BDC understood that delaying this decision would jeopardize chances of obtaining BPED funding due to the project's completion on September 30, 1996. While BDC was reviewing the matter, the Commonwealth Development Corporation (CDC) approached BDC to determine if Botswana would be willing to participate in the CDC's proposed regional venture capital firm, to be headquartered in Zimbabwe. At the Financial Sector Technical Sub-committee meeting held on September 6, 1996, Mr. Munamati of BDC indicated that BDC may participate but will need to consider the offer and the amount to be invested.

6. Development of Long-term Finance in Botswana

Background and Description of Activity. Since parastatals have been able to obtain long-term funding from the Public Debt Service Fund (PDSF) at low rates, and the GoB has no need to incur debt, the GoB has little incentive to facilitate the development of any type of private sector debt market. BDC is the only source of long-term finance to the private sector, but much of BDC's resources are devoted to medium- and large-sized businesses. Little long-term finance is available to most small- and medium-sized enterprises, which generally must rely on short-term finance from commercial banks or Tswelelo (Pty) Ltd. (the shareholder of which are BDC, the National Development Bank, and FMO), which provides financial and technical assistance packages to domestic small- and medium-sized enterprises.

The lack of long-term finance for private sector businesses in Botswana has led the business community to pressure BOCCIM, the Botswana Chamber of Commerce and Industry (BCCI), and the National Employment, Manpower, and Incomes Council (NEMIC) to develop a national policy on long-term finance. Consequently, NEMIC asked BDC to investigate the issue, resulting in BDC's February 1996 request for BPED funding to obtain consulting services to develop a long-term finance policy for Botswana. Mr. Robert Wood, advisor to BDC, assisted Mr. Munamati in the identification of a South African consultant (from Alexander Securities) to perform the study.

Roles of BDC and BOCCIM. The BPED study was to examine two areas: capital market finance and long-term finance for small- and medium-sized enterprises. BDC prepared the terms of reference for the study, submitted it to BPED's PIC in late February 1996, and received approval for BPED funding with the understanding that the study must be completed before September 30, 1996. BDC identified a consultant to perform the study, but the GoB wanted BDC to use an open tender process. The GoB indicated that MFDP would ask USAID to extend the availability of BPED financing beyond the announced closure date.

The two-pronged nature of the scope of work also complicated plans to meet the BPED deadline. It was suggested that the study be separated into a general long-term finance/capital market portion and a portion focusing on small- and medium-sized enterprises, if such a split would have accelerated the process and ensured completion prior to the BPED end date. As of mid-September, the GoB had not agreed to allow BDC to hire the consultant or to split the study into two distinct parts. Therefore, the study has not commenced and will not take place under BPED.

Steps Required for Implementation and Sustainability. All parties—BDC, BOCCIM, and the Government of Botswana—believe that the issue of long-term finance, especially for small- and medium-sized enterprises (SMEs), is important. Thus, a number of next steps could be considered. Tswelelo, the primary source of short-term capital for SMEs, has not performed well and needs to be restructured; thus, BDC, the GoB, and BOCCIM could collaborate on developing a restructuring plan. BOCCIM also could initiate and seek funding for a study addressing the long-term finance needs of small and medium-sized enterprises. The BDC should initiate a long-term capital study, with financing from MFDP, BoB, and possibly BDC and/or MCI.

D. Divestiture and Privatization

1. Divestiture Consultant and Strategy for Botswana Development Corporation

Background and Description of Activity. With a dual role—development corporation and venture capital company—BDC aims to assist in developing and expanding businesses until they can stand on their own. However, BDC often held company shares long after they reached a "mature" stage. In addition, the Government of Botswana has stated that it is not going to continue to subsidize parastatals so heavily in the future. For these reasons, in early 1994, BDC sought BPED funding to identify a divestiture strategy. The study "advise[d] on planning, procedures, implementation, financial restructuring, timing and negotiation strategies in the management of BDC's divestiture program" (BOCCIM, "BPED: Review of On-going Activities," August 1996). A later phase of the study reviewed and evaluated BDC's properties portfolio and recommended a divestiture strategy. After the divestiture study, BDC retained a divestiture consultant, funded by BPED, to assist with implementation of the strategy.

Role of Advisors. Working closely with BDC management, Mr. Bud Eaton identified the need for a divestiture study and served as the activity coordinator. Mr. Charles St. Clair, BPED-funded business management advisor to BDC's Industrial Division from May 1992 to January 1995, assisted in the development of the divestiture strategy for the Industrial Division and its subsequent implementation. Mr. Rob Wood, BPED-funded advisor to the Corporate Finance and Divestment Division of BDC, supervised the divestiture consultant.

Role of BDC. BDC already had accelerated its divestment pace before it commissioned the study but believed the study would help to determine if BDC was divesting at the appropriate

pace. BDC drafted the terms of reference for the study and funding was approved by BPED. The PIC Operations Committee selected DTT to undertake the study. Due to the sensitive nature of the work covered by the study, and the fact that the final product was related solely to BDC's portfolio, the reference group consisted only of representatives from BDC. Completed in April 1994 and adopted by BDC's Board in June 1994, the initial divestiture study focused on BDC's Industrial, Financial Services, and Agricultural Divisions. The study provided a five year divestiture plan and also facilitated the conversion, in September 1994, of BDC's Financial Institutions Division to the Corporate Finance and Divestment Division, which was mandated to implement the five year plan and to spearhead the development of the financial services sector. The second phase of the divestiture study reviewed and evaluated BDC's properties portfolio as well as the real estate environment in which the divestitures might take place. The study's recommendations included the possibility of having professional real estate management companies manage BDC properties and delaying the sale of properties until the real estate market improves.

Results. The divestiture study was well received and adopted as BDC's privatization program. A report on this activity at the Financial Sector Technical Subcommittee meeting held on September 6, 1996, indicated that of the thirty-five companies mandated to be divested over the five year period beginning in late 1994: nineteen have been divested (five through the share market and fourteen via private placement); six are in various stages of divestiture; and the remaining ten are yet to be divested. It was also reported that, for the year ending June 30, 1995, BDC generated P96 million from the divestiture program.

BDC accepted the implementation plans and guidelines developed by the divestiture consultant and are being implemented. The guidelines have facilitated improved relationships between the Corporate Finance and Divestment Division and other BDC divisions. The Property Development and Management Division (PDMD) has reviewed the consultants' evaluation of the property portfolio. The recommendation to contract out some of the services provided by PDMD will be examined by BDC more closely, but the feasibility of doing so is somewhat limited because only one or two property management companies (staffed mostly by expatriates) exist in Botswana. At the FSTS meeting on September 6, 1996, BDC indicated that property divestiture probably will be delayed for about two years because the real estate market currently is depressed.

2. Privatization

Background and Description of Activity. BOCCIM's input to the Eighth National Development Plan (NDP8) acknowledged the GoB's agreement in principle to privatization and contracting out of some publicly-provided services, but encouraged an acceleration of the process. Understanding that the GoB was committed to the concept of privatization but did not know how or where to start, BOCCIM sought BPED funding to "conduct a study of selected state-owned enterprises (SOEs) and GoB departments or agencies, with a view to identifying options for divestiture of these entities and developing a coherent strategy for privatization" (BOCCIM, "BPED: Review of On-going Activities," August 1996).

Role of Advisor. Judith Beckwith, BOCCIM's policy advisor since January 1996, and Pelani Siwawa-Ndai, BOCCIM's policy analyst at the time, drafted the terms of reference for the study and circulated it to the BOCCIM executive council, seven ministries and seventeen parastatals (including those most likely to be involved or affected by privatization and the study) for comments. The draft terms of reference were amended to include the recommendations received. Ms. Beckwith also organized the privatization study reference group.

Role of BOCCIM. In March 1996, BOCCIM sought and received approval for BPED funding for the study. The study covered four areas: policy review; organizational survey of selected SOEs or functional units; evaluation of business-related factors that shape commercial activities; and identification of privatization options. Coopers & Lybrand was awarded the contract. Since BOCCIM was sponsoring this study, its policy unit served as the secretariat for the reference group and selected Mr. Emang Maphanyane, General Manager of the Botswana Housing Corporation (BHC), as the reference group's chair. The reference group included, among others, representatives of the MFDP, MCI, Attorney General's Chambers, and BDC as well as the parastatals and government departments that were examined in the study. Appendix J lists the reference group's members.

The first reference group meeting was held in early June, during which the study sample was selected. The consultants met with each of the entities selected for review and met three times with the reference group as a whole. They also met individually with some of the reference group members. On July 23rd, the consultants presented their preliminary findings at a workshop, arranged by BOCCIM, and attended by representatives of parastatals, government offices and private sector entities. The all-day workshop was led by one of the privatization study consultants, Mr. David Parish of Coopers & Lybrand Kenya. The draft study was completed in mid-August, presented to the reference group on August 27th, and finalized, based on comments, in early September.

To complement the study, BOCCIM contracted (with BPED funding) with a U.S.-based training institute, the Center for Financial Engineering in Development (CFED), to conduct a six-day (August 19-24) privatization workshop for senior- and mid-level representatives of government ministries and parastatals (see Appendix K for a list of participants) and a one-day seminar held on August 26th attended by one minister, two permanent secretaries, and parastatal managers. The August workshop, entitled "Privatization: How to Value, Negotiate and Gain Support for Restructuring State-owned Enterprises" and the seminar were well received, well attended, and added to BOCCIM's list of successes in public-private sector policy dialogue.

Results and Reasons for Success. After an initial reluctance by many senior GoB officials to participate in the reference groups, they began participating actively, resulting in a very successful July workshop attended by senior civil servants, the people whose cooperation and support is needed for implementation. Including representatives of the parastatals in the reference groups and workshops was very useful and generated good ideas for the team as well as facilitating a welcomed sense of inclusion and cooperation. The study identified several

options for privatization and the near-term implementation of an internal GoB privatization committee to coordinate and monitor privatization activities.

Steps Required for Implementation and Sustainability. In order to ensure that the study reaches the highest levels of GoB, Mr. Mbaakanyi, BOCCIM's director, will officially present the final report to the Office of the President. As described in Section IV, BOCCIM should consider privatization a priority in its policy dialogue efforts; BOCCIM management recognizes the importance of the issue and that presentation of the report will be only the beginning of a longer process of education and publicity related to privatization.

E. Broad Policy Development and Dialogue Efforts

1. Francistown Private Sector Conference 1994

Background and Description of Activity. The 1994 Francistown Private Sector Conference, held May 22 to 24, followed in the tradition of the two previous BOCCIM-organized conferences¹⁰ by providing a forum to conduct serious debate and discussion of issues facing the private sector and to evaluate progress made on the recommendations of the previous conference. The 1994 conference, which focused on developing Botswana's competitive advantage, brought together approximately 130 delegates from private businesses, parastatals, and the Government of Botswana, including the Minister of Foreign Affairs and the Minister of Commerce and Industry. The President of Botswana, Sir Ketumile Masire opened the conference, while the Vice President and Minister of Finance and Development Planning, Mr. Festus G. Mogae, closed the meeting.

To plan and implement the conference, BOCCIM organized a task force comprised of three representatives of BOCCIM member companies, the USAID-funded policy advisor, the BOCCIM policy analyst, and a conference consultant hired by BOCCIM to assume logistical responsibilities. This task force developed the conference's agenda, which combined presentations on competitiveness issues by local, regional, and international specialists with two sets of simultaneous workshops. From the presentations of the plenary sessions and from workshop discussions, participants developed eighteen recommended areas for government and private sector follow-up after the conference. (See Appendix L for details regarding the conference agenda and recommendations.) The recommendations focused mainly on seven areas:

- Formation of a high level, public-private sector forum for on-going dialogue on national policies and strategies;
- Financial sector issues, such as exchange control and long-term finance;
- Trade and investment promotion;
- Privatization and divestment;

¹⁰ Previous conferences were held September 2-4, 1991 and July 4-6, 1988, with sponsorship from the United Nations Development Program, the Center for International Private Enterprise, and USAID.

- The cost and provision of services (e.g., water, power, and telecommunications);
- Industrial incentives and strategies; and
- Government implementation of agreed policies.

Results and Degree of Success. Since 1994, significant progress has been achieved in addressing some of the specific recommendations in each area. Most notably, in August 1994, the Government of Botswana announced that it accepted the idea of a public-private sector consultative forum, to be named the High Level Consultative Council (HLCC). This decision represented a significant attitudinal shift on the part of government, which previously had resisted similar suggestions for formal, periodic dialogue with the private sector. Indeed, several interviewees noted that government acceptance of the HLCC symbolized how much relations between the government and private sector had improved since the first private sector conference, and the same interviewees credited BOCCIM for bringing about this change.

Likewise, government later accepted the recommendations of the BPED-funded exchange control liberalization study, which called for a gradual lifting of controls. More recently, the GoB has expressed interest and willingness to discuss the BOCCIM-initiated privatization study, although the report has not yet been presented formally to government. In the area of industrial incentives, government reduced company taxes to 25% (from 35%) and taxes for manufacturers to 15%. Following the conference, BOCCIM continued to lobby government on the issue of the cost of services, in collaboration with MCI (which, with support from the BPED-funded policy advisor, provided data from MCI's databases, also developed under BPED). This collaborative effort resulted in the Botswana Power Corporation's September 1995 announcement of a 10% reduction in tariffs and maximum future increases of 50% of inflation; similarly, in October 1995, the Botswana Telecommunications Corporation announced dramatic changes in telephone rates.

However, not all recommendations developed by conference participants produced rapid results. For instance, long-term finance, trade and investment promotion, industrial policy and strategy, and implementation of agreed policies continued to be at the forefront of BOCCIM's policy dialogue agenda because sufficient progress on these issues was not made in the period between the 1994 and 1996 Francistown Private Sector Conferences. These issues and the overall sustainability of the conference will be discussed below in Part E.6.

2. High Level Consultative Council

Background and Description of Activity. The High Level Consultative Council (HLCC) is Botswana's most senior government/private sector body, created as a forum for exchange of views and discussion of specific issues concerning participants' roles in the Botswana economy. BOCCIM was the key player in establishing HLCC and now serves as the council's secretariat, which will coordinate the work of technical committees to prepare issues for HLCC consideration and to monitor implementation of HLCC decisions. As the secretariat, BOCCIM coordinates the agenda for council meetings. In addition, prior to the first HLCC meeting in

1995, the BPED-funded policy advisor and the BOCCIM policy analyst worked closely with representatives of BOCCIM member firms to prepare presentations and positions.

Results. Creation of the HLCC was a major BOCCIM achievement, pursued over a period of several years. Exchanges of views on economic policy matters between government and private sector representatives at regular meetings chaired by the head of state are an indication of the seriousness with which the country's leaders—political and business—take the task of making the private sector the engine of Botswana's economic growth. The two meetings thus far took place almost a year apart, less frequently than BOCCIM would have preferred, but the recent steps to provide formal structures and processes for communication between meetings may help overcome the extended time lag between summits.

Reasons for Success. The primary reasons for success have been the BOCCIM leadership's ability to cultivate contacts at the highest levels and the beneficial results both sides see emerging from the dialogue. Assistance from BPED on policy issues probably helped convince government of the usefulness of listening to what BOCCIM has to say.

Steps Required to Ensure Implementation and Sustainability. The holding of a second meeting (June 3, 1996) suggests that HLCC is on its way to becoming a self-sustaining institution. Filling the senior position in BOCCIM's policy unit (see Section III.D.3) becomes even more urgent given the responsibilities BOCCIM has taken on as secretariat for the HLCC. More detailed recommendations regarding steps for implementation are provided in Section IV.B.2.

3. Contributions to Tax Reform

Description of Activity. Although no specific studies to propose tax reforms were commissioned during the span of the BPED project, BOCCIM was able to place before the GoB a number of tax recommendations that emerged from BPED studies on other subjects (e.g., export incentives, collective investment undertakings, and foreign exchange liberalization). During 1995, the BPED-funded policy advisor and BOCCIM policy analyst supported these efforts through participation in meetings of BOCCIM's Tax Committee, which developed tax recommendations that were incorporated in BOCCIM's annual submission to the MFDP in preparation for the 1996 budget speech. (For more on BOCCIM's budget speech inputs see the next section, II.E.4.) In addition, BOCCIM used its other channels to GoB, especially the Francistown private sector conferences, to advocate the business community's interests on tax reform.

Results. During the BPED project, BOCCIM positions on tax reform have reappeared repeatedly as adopted GoB policies. The 1996 budget speech contained few tax reforms, but this was due mainly to the success of tax reform efforts over the previous years; with so many tax cuts and related improvements, GoB is still studying their effects before undertaking any additional changes.

Reasons for Success. A major factor in easily obtaining tax reforms is the GoB's ready recourse to other sources of income, notably revenues from minerals exports. Since taxes represent so

small a part of the revenue base, cuts to improve the enabling environment for business growth can be made painlessly.

Steps Required to Ensure Implementation and Sustainability. Implementation and sustainability of the BOCCIM tax reform proposals are likely to remain easy, given that members (especially the accounting firms) are in a position to provide high quality inputs at negligible cost to BOCCIM.

4. Input to Government Budget Speeches

Description of Activity. At the invitation of the Ministry of Finance and Development Planning, in each year since 1993 BOCCIM has provided a memorandum recommending items to be included in the finance minister's annual budget message delivered before parliament.

BPED policy advisors, in collaboration with BOCCIM's policy analyst, have influenced BOCCIM's submissions in two ways: (i) directly by suggesting specific points to be mentioned, such as arguments in favor of reducing corporate tax rates for manufacturing firms, which in 1995 produced a reduction in such taxes to 15% and in 1996 a reduction in the capital transfer tax from 35% to 12.5%; and (ii) indirectly, through studies and consultant reports for BOCCIM funded by BPED, such as the foreign exchange liberalization study that led to Bank of Botswana reforms in 1994, and led in the 1996 budget speech to a promise of further such reforms, as well as mention that legislation on collective investment undertakings, international business companies, and an international financial services center (all BPED study topics) would be considered during the legislative year.

Results. The finance minister's continuing interest in private sector input into his most important public pronouncement becomes more firmly established with each passing year. The theme of BOCCIM's 1996 input, "commitment to established, agreed policies," did not become a point in the speech, but it repeated one of BOCCIM's strongest messages to the government, namely that policy reform is achieved only when implemented.

Reasons for Success. The budget speech contributions have been successful not only because BOCCIM has achieved a position of respect at the GoB's highest levels, but also because the quality of BPED-funded policy recommendations has been such as to inspire confidence.

Implementation and Sustainability. Implementation of the input process has been quite successful and appears increasingly self-sustainable. Implementation of the policy changes BOCCIM has submitted depends upon the GOB's will and the seriousness of its commitment to making the private sector the engine of Botswana's economic development.

5. Input to National Development Plans 7 and 8

Background and Description of Activity. In February 1993, MFDP invited BOCCIM to submit opinions for consideration under the GoB mid-term review of the Seventh National Development

Plan (NDP7). BOCCIM appointed a task force of senior executives of major corporate members, who responded to the invitation with ten pages of closely reasoned evaluation centered on the need for a high level government-parastatal-private sector working group to focus on identifying Botswana's sustainable competitive advantages. This appears to have been an early call for establishment of what is now known as the High Level Consultative Council (see Section II.E.2, above). More recently, government has solicited BOCCIM's input, on behalf of its members, to the Eighth National Development Plan (NDP8), which was being prepared at the time of the BPED evaluation. The BPED policy advisor helped prepare BOCCIM's submission, which covered the plan's chapter on industry and commerce.

Results. The quality of BOCCIM's input into the NDP7 review probably accounts for the invitation, early in 1996, to contribute ideas for consideration in preparing NDP8. The BOCCIM policy analyst's paper for NDP8 noted: that the need to diversify Botswana's economy, emphasized in the 1984 industrial development policy, remains as pressing as it was at that date; listed a dozen problems still facing the private sector because of government mismanagement or inaction; and recommended corrective measures. In addition, the paper listed more than a dozen specific improvements GoB could make during NDP8; most of these grew out of studies, seminars, and conferences funded by BPED.

Reasons for Success. The renewed invitation to BOCCIM to participate in the national development planning process stems not only from the quality of the response to NDP7 review, but also of the other BOCCIM policy initiatives during the BPED project, which created the mutual respect and willingness to listen that characterizes the NDP8 preparation process.

Steps Required to Ensure Implementation and Sustainability. Implementation of BOCCIM's recommendations depends upon MFDP willingness to incorporate specific elements of the BOCCIM submission into NDP8. Sustainability of the BOCCIM capacity to provide inputs into national development plans, including midterm reviews, depends in large measure on the performance of BOCCIM's policy unit and the willingness of senior executives of BOCCIM member corporations to participate in the effort to sustain the NDP8 dialogue.

6. Francistown Private Sector Conference 1996

Background and Description of Activity. The Fourth Private Sector Conference, which took place May 26-28, 1996 in Francistown, brought together approximately 130 private and public sector officials, including the President Sir Ketumile Masire, the Vice President and Minister of Finance and Development Planning Festus Mogae, three additional cabinet ministers (of Commerce and Industry, Local Government and Lands, and Labor and Home Affairs), the Mayor of Francistown, six permanent secretaries, numerous government department heads, chief executives of large companies, representatives of small- and medium-sized businesses (including BCCI), labor leaders, and members of the diplomatic community.

Reflecting recognition of the private sector's role as primary creator of future job opportunities, the theme of the 1996 conference was employment creation. In light of the government's choice

of "sustainable economic diversification" as its theme for NDP8, the conference's objective was to help develop a practical vision for creating jobs through sustainable economic diversification and for establishing consensus and commitment regarding government and private sector responsibilities in achieving this vision.

Following its proven strategy for the 1994 conference, BOCCIM organized a mostly volunteer task force to develop and implement the 1996 private sector conference. The 1996 conference task force consisted of eight representatives of BOCCIM member organizations (six from private companies and two from parastatals), three consultants (including an overall conference coordinator), and the policy advisor to BOCCIM. Also following a tested approach, the 1996 Francistown Private Sector Conference combined presentations by local, regional, and international experts with small group workshops in order to encourage information exchange, debate, and development of recommendations. Conference participants agreed to 26 resolutions (detailed in Appendix M), which can be grouped roughly into ten categories:

- Development of a national vision;
- Consultation on national industrial policy;
- Promotion of trade and investment;
- Development of human resources;
- Review of civil service implementation capacity;
- Support for small scale enterprises;
- Promotion of tourism;
- Attention to delays in services and land allocation;
- Assessment of the government's exchange rate policy; and
- Prioritization of and delegation of responsibility for addressing conference resolutions.

Results and Degree of Success. From an organizational perspective, interviewees noted that the 1996 conference represented an improvement over the 1994 conference in that, for instance, more time was dedicated to discussing the workgroups' proposed recommendations, thereby contributing to clarity and consistency among the final set of resolutions. On a substantive level, interviewees also remarked upon the high caliber of presentations and, in particular, noted significant progress and achievement with respect to the collegial, respectful, yet vigorous manner in which issues were discussed and differences in opinion were expressed. In this regard, as characterized in the summary of proceedings, "the Fourth Private Sector Conference was an important milestone in collaboration between the private sector and the government" (Maendeleo (Botswana) Pty Ltd., "Draft Record of Proceedings of the Fourth Private Sector Conference," 1996).

Steps Required for Implementation and Sustainability. In the four months since the 1996 conference took place, BOCCIM has had the opportunity to follow up on at least one of the resolutions that emerged from the conference—namely, Botswana's national industrial policy. Specifically, the Ministry of Commerce and Industry, which received strong criticism at the conference for failing to solicit adequately private sector perspectives on the draft policy it was

developing,¹¹ decided to hold a two day seminar, described in Part A.2 above, to obtain additional input on this issue. BOCCIM should follow up on other resolutions made at the conference, but, given its small staff, it clearly cannot play an active role in implementation of every recommendation. Specific recommendations regarding high priority issues for BOCCIM, taking into consideration the Francistown conference resolutions, are provided in Section IV.C.

With respect to the conference's sustainability after the BPED project ends, it should be noted that, thanks mainly to BOCCIM and its members, which have spearheaded each effort, the Francistown Private Sector Conference has become a popular and substantively worthy forum for candid, yet productive, public-private sector debate. The Government of Botswana also has contributed immeasurably to the forum's substance through its willingness to participate. Most interviewees cited the conference (along with the establishment of the HLCC, which emerged from the 1994 conference) as BOCCIM's most important success and contribution in policy development and dialogue. Both the public and private sectors clearly want the forum to continue. Fortunately, BOCCIM's past decisions regarding financing of the event will contribute greatly to BOCCIM's ability to organize future conferences in the absence of BPED funding. For instance, BOCCIM has established as a firm policy that it pays no honoraria to speakers or presenters and that it pays travel and related expenses only for international presenters. Thus, BOCCIM's major conference expenses are contractor logistical assistance, conference site and meals, and documentation of proceedings. In 1996, these expenses (which were paid by USAID through BPED), totaled approximately 120,000 pula (\$41,000), whereas in-kind, host country contributions reached an estimated 560,000 pula (\$193,000). In other words, the amount covered by BPED funds is not the major source of contributions that BOCCIM receives for the conference. However, because BPED funding was one of the few sources of monetary, rather than in-kind, contributions, BOCCIM will need to carefully consider means to raise such funds in the future.

Recommendation: *BOCCIM should consider charging a fee to help defray conference costs that cannot be contributed in-kind.* BOCCIM should make explicit to conference participant for what purposes it is collecting this revenue. Initially (i.e., for the next conference), BOCCIM may not be able to charge a fee that fully recovers costs. (For example, in the case of the 1996 conference, it would have had to charge approximately 920 pula (approximately \$320) to each of the 130 participants to cover the USAID funding of 120,000 pula.) However, it should aim to do so in the next six years.

Recommendation: *BOCCIM also should consider de-linking meal costs from conference site cost,* so that participants pay for the former. In this manner, BOCCIM also will be able to reduce its conference expenses.

¹¹ For instance, the Ministry of Commerce provided a draft copy of the white paper, marked "confidential," to BOCCIM. Thus, BOCCIM could not elicit the views of its members. Moreover, MCI gave BOCCIM inadequate time to prepare a proper response.

7. SACU Study and Seminar

Description of Activity. Under BPED, BOCCIM commissioned a study on the Southern African Customs Union (SACU) and planned to hold a seminar for GoB and BOCCIM members to review the state of renegotiations of the SACU Agreement (SACUA) and their implications for private business activity in Botswana. The SACU study and subsequent efforts to hold the seminar were managed by (successively) the BPED chief of party and BPED policy advisor to BOCCIM; however, the policy analyst at the time (Ms. Pelani Siwawa-Ndai) took the substantive lead. While BOCCIM took the initiative in developing the activity, MCI has responsibility for the SACU renegotiations. Thus, in February 1995, the study was presented to the GoB negotiating team. MCI's permanent secretary eventually (in July 1996) conducted a briefing for the private sector in lieu of the intended seminar, but MCI gave inadequate advance notice (approximately two days) to the public.

Results. The SACU study was well received by MCI, which originally had expressed some reservations about private sector interest in the renegotiations. The MCI change of heart produced little benefit, however, because the SACU renegotiations made little progress between the time the study was completed (February 1995) and the end of the BPED project (September 1996). This left MCI with very little to report to the private sector, and no clear idea as to when the renegotiations might make headway.

Reasons for Success or Failure. The outcome of this activity was mixed: MCI appreciated BOCCIM's input into the policy dialogue with respect to SACU, but delays in the renegotiations beyond the control of GOB officials left both sides with little to discuss at a public seminar, which, consequently, was replaced by the MCI briefing. The delay was due to South Africa's efforts to renegotiate its trade relationship with the European Union, a matter that took precedence over progress in revising SACUA, especially since a revised SACUA would probably require concessions from South Africa to other SACU members, including Botswana.

Steps Required to Ensure Implementation and Sustainability. Absent greater progress in the protracted SACUA renegotiations, the outlook for either implementation or sustainability of the BOCCIM-MCI dialogue is unclear.

8. Interest Rate Seminar

Description of Activity. Linked to the foreign exchange control study and subsequent exchange control liberalizations, the intent behind this seminar was to create a dialogue between private and public sectors on appropriate interest rate levels for Botswana. Organized by the BOCCIM policy analyst (assisted by the BPED policy advisor), the seminar involved officials of the Bank of Botswana and the general manager of Barclays Bank, who presented the central bank and private banking viewpoints, respectively.

Results. The May 1996 seminar attracted 86 participants (three from GoB) who heard papers, a panel discussion, and participation from the floor. The key issue of the seminar was the need

for interest rate policy to balance the often-conflicting objectives of the central bank versus the private sector, and those of borrowers versus lenders.

Reasons for Success. The seminar succeeded because interest rates are a matter of strong concern and some misunderstanding among business owners and managers.

Steps Required to Ensure Implementation and Sustainability. Interest rates will continue to be a matter of concern for business operators, and the central bank will continue to set rates in accordance with its perception of the national interest (which encompasses private sector economic activity, including banking). Thus, while the central bank is unlikely to be influenced directly by private sector complaints, the dialogue is useful to both sides and should be easy to continue from time to time. BOCCIM charged an entrance fee that covered some seminar costs; although there were objections to the fee from some participants, the event showed that BOCCIM members will pay a premium for meetings on topics of significant interest.

9. GATT/WTO Seminar

Description of Activity. The purpose of this seminar was to present, at a one-day seminar, information on GATT and WTO to BOCCIM members interested in the implications for Botswana of recent results of global trade negotiations. The seminar was intended to be a joint MCI-BOCCIM activity featuring speakers from the World Trade Organization, the International Trade Center, and the European Union.

Results. The seminar was canceled.

Reasons for Failure. Neither MCI nor BOCCIM moved quickly enough to line up speakers. Moreover, the WTO delegation visiting Botswana, who were to have been the key speakers and audience "drawing cards," arrived during BOCCIM's Fourth Private Sector Conference at Francistown, a time when BOCCIM was preoccupied with conference details and most of the GATT/WTO seminar's potential audience already was committed to the conference.

Steps Required to Ensure Implementation and Sustainability. Although BPED funding will not be available, there is no reason why the seminar cannot be rescheduled when a WTO delegation next visits Botswana.

Recommendation: *To follow up on this activity, BOCCIM should communicate with WTO and ITC headquarters directly to explore the possibilities. Perhaps the Botswana representative of the European Union could be asked to participate.*

10. President's Forum/Business After Hours

Background and Description of Activity. The President's Forum was intended originally to provide a forum, hosted by the BOCCIM president, for members to learn more about trade and investment opportunities in other countries and about other countries' views of the world

economy. The focus of the forum later was broadened to include general private sector development issues in Botswana. The president and public relations officer of BOCCIM were responsible for organizing the meetings held in Gaborone,¹² while the northern region outreach officer assumed responsibility for organizing a similar effort, called "Business After Hours," in Francistown.

From January 1994 to September 1995, three meetings of the President's Forum were held in Gaborone. Speakers included the U.S. Ambassador to Botswana, who discussed changes in the world trading system; the U.S. Ambassador to South Africa, who spoke about U.S. investment interest in South Africa and USAID's Initiative for Southern Africa; and Botswana's Commissioner of Police, who discussed heightened concerns regarding crime. Between February 1996 and April 1996, three sessions of Business After Hours were conducted (two in Francistown and one in Selibe-Phikwe). At these sessions, speakers addressed the issues of: the 1996 budget speech (by Craig Granville of Price Waterhouse); the Botswana civil service (by J. Isaksen of the Botswana Institute of Development Policy Analysis, BIDPA); and Botswana-Zimbabwe trade (by B. Makobole, the Botswana High Commissioner on Zimbabwe).

Results and Degree of Success. As indicated by the infrequency of sessions (in the case of the President's Forum) and the five month lapse of sessions (in the case of Business After Hours), neither of these fora has met consistently. The resignation of BOCCIM's public relations officer in September 1995 is one reason for the lapse in Gaborone meetings. Planning for the Northern Trade Fair (held May 29 to June 1, 1996), the 1996 Francistown Private Sector Conference (held May 26-28, 1996), and later for the BOCCIM northern region annual dinner (September 13, 1996) most likely contributed to the interruption of Business After Hours meetings. However, because of the inconsistency, it is difficult to assess impact or results. One recent positive development is a follow-up workshop on crime, tentatively scheduled for November 1996, requested by the Commissioner of Police.

Steps Required for Implementation and Sustainability. If well organized and held on a regular basis, the two fora may provide several important benefits. In particular, through the fora, BOCCIM provides its members up-to-date information on issues affecting the private sector and opportunities for informal networking. In addition, such activities likely would be covered by the local press, thereby offering the opportunity to publicize BOCCIM's role in bringing business issues to the forefront of public discussion.

Recommendation: *As a result of the potential demonstrated by the initial meetings, BOCCIM should consider continuing the President's Forum and Business After Hours once a new public relations officer is hired. If BOCCIM revitalizes the sessions, the public relations officer and the northern regional officer should plan at least three sessions in advance to develop momentum. BOCCIM should encourage widespread*

¹² The policy unit organized the first two fora, but responsibilities then were shifted to the public relations office.

participation in the fora (e.g., through newspaper advertisements rather than by invitation) and should ensure that the fees charged cover costs.

F. Conclusions Related to Policy Activities

1. Effectiveness of Key Organizations

As mentioned in Section I, Part A, central aims of BPED were to develop capacity within BOCCIM to identify and analyze private sector policy issues and to improve the capacity of the Government of Botswana (mainly the Ministry of Commerce and Industry and the parastatal Botswana Development Corporation) to develop and implement private sector policies. Based on the individual activity descriptions provided above, this section synthesizes BPED's overall impact on the effectiveness of targeted organizations in terms of policy identification, development, and implementation.

a. Botswana Confederation of Commerce, Industry, and Manpower

BPED has had profound and highly positive effects on BOCCIM's credibility and capability as a policy analysis and advocacy organization. Through the years of the project, government as well as the private sector itself gained increasing respect for BOCCIM's capacity to contribute to the development of private sector-related policies. A significant factor in this evolution of opinion was the recognition that BOCCIM's policy positions were based on solid analytical foundations; consequently, they were more persuasive. In addition, BOCCIM spokespersons—especially the policy analyst, a position that did not exist prior to BPED—generally were acknowledged to have grown significantly in their roles as public advocates of particular policy positions and as thoughtful instigators of new policy research and initiatives.

The privatization study, detailed in Part D above, is particularly illustrative of BOCCIM's increased effectiveness in identifying—and persuading government to address—key policy issues. As mentioned above, government initially opposed BOCCIM's decision to conduct a study on privatization. Nevertheless, noting that government participation in the study did not mean the government had to agree with the study's findings, BOCCIM won approval to conduct in-depth appraisals of and information gathering from targeted parastatals and government departments. GoB permission for parastatals and government departments to participate in the study—even though the government was not necessarily in favor of pursuing privatization—signaled considerable confidence in and respect for BOCCIM. By allowing the study to proceed, government in essence indicated that, although it did not agree that privatization was a priority, it believed that BOCCIM would conduct a thorough and fair investigation, produce an analytically sound report, and consult with government in a constructive manner on the major findings and recommendations contained in the BOCCIM assessment. This confidence, earned over the project lifespan, is a significant achievement.

b. Ministry of Commerce and Industry

Evaluating BPED's impact on improving MCI's policy development and implementation capabilities is problematic for two reasons. First, and most importantly, the two MCI personnel (Mrs. Tebby Ndzinge and Mr. Gaylord Kombani) who were most involved in BPED have been transferred from the Department of Industrial Affairs (DIA); in addition, Mrs. Ndzinge was on maternity leave and thus not available to interview. DIA is the unit in which they worked during the majority of the project and which was targeted for inclusion in BPED because it held primary responsibility within MCI for analyzing and developing private sector policy issues. Second, because DIA staff were occupied by two major events (the Botswana International Trade Fair and the National Seminar on the New Industrial Development Policy) that took place during the team's field work, the evaluation team was unable to assess whether Mrs. Ndzinge and Mr. Kombani were able to impart to remaining DIA staff any of the skills that they acquired or improved as a result of their involvement with BPED.

Nevertheless, it is reasonable to assert that BPED's overall impact on MCI's effectiveness has been positive, even if the project's effect on the initially targeted MCI department, DIA, is not discernible at this time. The rationale for this assumption is as follows. While their transfers to higher level positions in different parts of MCI may have weakened the policy analysis capacity of the BPED-targeted unit, these transfers also represent a significant credit to BPED. While the individuals' innate abilities and motivation most likely were the prominent factors in MCI's decisions to transfer and promote Mrs. Ndzinge and Mr. Kombani, the training, interaction with policy advisors, and involvement with other policy-making organizations provided through BPED may have contributed to the development and recognition of these individuals' skills. Moreover, Mrs. Ndzinge and Mr. Kombani now have the opportunity to exercise their knowledge and skills in two areas—trade and investment promotion and tourism, respectively—which BOCCIM, the private sector in general, and the Government of Botswana have highlighted as key areas for future private sector development.

In addition (but probably less importantly), BPED advisors and consultants assisted DIA in establishing three databases to facilitate policy analysis. Because the evaluation team was not able to meet with relevant DIA staff, the status of these databases is uncertain. However, in the past, DIA has used the information in the databases to analyze and successfully lobby for its policy positions. For these two reasons—skill development within MCI as a whole and (possibly) access to information through the databases—BPED's impact on MCI's overall policy development capacity can be expected to continue to demonstrate itself in important areas of private sector policy development.

c. Botswana Development Corporation

Unlike BOCCIM and MCI, which have experienced departures or transfers of staff who were central figures in BPED implementation, BDC has enjoyed relative continuity of participation during the project lifetime. This continuity has contributed to particularly constructive advisor-counterpart relationships and significant transfer of skills. Indeed, the two main counterparts

involved in BPED were named, during the project lifetime, as heads of the divisions in which they worked and which formerly were managed by the advisors. In addition, because BDC is a larger organization that either BOCCIM or MCI's Department of Industrial Affairs, BDC advisors were able to extend their advisory role (which included identification of staff training needs) beyond their official counterparts to ensure depth of skills across the departments to which they were assigned. This depth of knowledge and understanding of private sector development issues among BDC staff will figure significantly in BDC's future efforts to develop and implement private sector policies.

2. Effectiveness of the Policy Development Process

As described above in Parts A through F, BPED activities were initiated and implemented through regularly-scheduled, issue-based sub-committee meetings that covered all project activities and were attended by BOCCIM, BDC, and MCI staff and advisors. These meetings provided opportunities for the staff to learn about, comment on, and contribute to activities undertaken and led by various organizations. In other words, a cornerstone of BPED was periodic consultation and communication among the private sector, parastatals, and government.

When the project began, such consultation was rare, according to many interviewees. As the project progressed, however, this process of consultation expanded beyond the three BPED entities. For instance, for the past three years, the government (through the Ministry of Finance and Development Planning) has requested BOCCIM's input to its annual budget speech, which identifies priorities for the next year. Likewise, the government solicited BOCCIM's comments on NDP8, which addresses longer-term objectives, and previously requested input for the mid-term review of NDP7. Most recently, MCI has sought comments from a wide array of private sector representatives, including BOCCIM, on its draft industrial policy and has initiated a forum of its own—the National Seminar on the New Industrial Development Policy—to engage public debate on the issue.

BPED also contributed to both the government's and the private sector's effectiveness in tackling new, complex, or highly specialized policy issues. For instance, neither the public nor the private sector was well-versed in the intricacies of several financial sector development activities covered under BPED, such as collective investment undertakings, international business corporations, and, to a lesser extent, international financial services centers. The process supported by BPED, therefore, became a collaborative learning experience. Because no local organization possessed preeminent knowledge of these issues, the implementing entities, and the broader array of government ministries and departments that became involved in the studies, worked together to resolve their questions and analyze the relevance of each issue to Botswana. Given that the policy issues that Botswana faces will only become more complex as the economy grows, it is important that the country's public and private sector officials have examples of effective means, such as the collaboration involved in BPED's financial sector development efforts, to address complicated issues.

In addition to the above-mentioned improvements in effectiveness throughout the policy development process, BPED has contributed to the policy development process in one other very significant respect. Specifically, the BPED sub-committee meetings involved mainly mid-level managers of BOCCIM, BDC, MCI, and other organizations. Prior to BPED, communication among such individuals was particularly infrequent, mainly because formal or informal opportunities to interact with other organizations were available primarily to more senior officials. However, mid-level staff have much to learn from each other and are the individuals who will be critical in promoting future policy implementation and addressing the growing concerns in Botswana regarding employment opportunities, non-mineral-related economic growth, and other private sector policy issues. Accordingly, it is a significant achievement of BPED to have brought these individuals together, instilled in them the worth of consultation with different, and perhaps opposing, parties, and thereby assisted in developing working relationships and modes of operation that will outlive the project itself.

3. Strengths and Weaknesses of Approaches

a. Strengths

A number of approaches used under BPED proved to be particularly successful. As mentioned above, the inter-organizational approach to initiating, developing, and implementing project activities was particularly effective in achieving project and overall policy development objectives. This approach encouraged widespread knowledge and understanding of policy issues, local "ownership" of activities, development of lasting professional ties among participants, and general acceptance of public-private sector consultation.

A second approach that proved a strength of BPED was using funds to catalyze activities which subsequently were assumed, partially or wholly, by the three central BPED organizations or other entities during follow-up or implementation. Among the project's financial sector policy efforts, for instance, BDC and the Bank of Botswana assumed interim funding responsibility for maintaining a task force to pursue implementation of the international financial services center report recommendations, while the Government of Botswana is considering a BDC proposal for funding longer-term implementation of the IFSC recommendations. Likewise, the Francistown Private Sector Conferences also represent the beneficial effects of using donor funds to start a policy dialogue mechanism, improve and build upon its substance and format, and reduce funding when local interest and support make such funds unnecessary.¹³

A third approach that proved particularly effective for BOCCIM was active involvement of members in planning, developing, or implementing activities or policy positions. For instance, members were critical in developing BOCCIM's input to the NDP7 mid-term review. As described in Parts F.1. and F.6., members also were critical in all aspects of the Francistown

¹³ It should be noted that the primary decrease in USAID funding occurred prior to BPED's involvement. That is, by the 1994 Francistown Private Sector Conference, USAID's funding was approximately the same as that for the 1996 conference and covered mainly logistical expenses.

Private Sector Conferences, from planning (through their involvement in conference task forces) to implementation (including development of issue papers and active participation as speakers, moderators, and rapporteurs). Similarly, members donated their time to develop BOCCIM's position on tax reform. In this case, as described previously, BOCCIM formed an ad-hoc, limited scope committee to address this particular issue. By utilizing this approach, BOCCIM tapped the significant expertise of its members and initiated a process that is sustainable without donor funding.

b. Weaknesses

Several activities described in the Parts A to E demonstrate weaknesses that could affect the public-private sector policy dialogue process and BOCCIM's role within it. First, the difficulties in quickly forwarding the CIU and IBC legislation, initially drafted by BPED consultants, to parliament accentuate the importance of including all relevant parties in the policy development process. As described in Parts C.2 and C.5, BPED implementing organizations did solicit the involvement of the Attorney General's Chambers, in recognition that this office would be a critical factor in the speed with which the consultants' draft legislation was reformulated and then presented to parliament. As also mentioned, the Attorney General's Chambers, due to staffing constraints, attended few of the reference group meetings on these subjects. The BPED implementing organizations obviously cannot force other agencies to participate. However, in retrospect, it might have been advisable for BOCCIM or BDC to make special efforts, such as phone calls or one-to-one meetings, to discuss the importance of the Attorney General's Chambers' participation and how such participation could best be assured.

Second, and specifically related to BOCCIM, the President's Forum/Business After Hours and (originally) three-part seminar series (on interest rates, SACU, and GATT/WTO) illustrate the danger of starting activities without a clear idea of the level of resources (especially time) or means that will be required or used for implementation. Undeniably, the cancellation (after one seminar) of the three-part series and the discontinuation of the President's Forum/Business After Hours are minor events compared to the major conferences implemented and policy papers sponsored by BOCCIM. However, the activities should serve as a warning, particularly given BOCCIM's limited post-BPED staff, that BOCCIM will need to manage carefully the array of activities that it initiates or in which it becomes involved.

4. Effects on the Enabling Environment for Private Sector Development

The primary purpose of the BPED project was to "improve the enabling environment for growth and diversification of the private sector." That so many BPED activities became the basis for discussion and debate between the Government of Botswana and the private sector appears to demonstrate that this purpose has been achieved. In practice, however, the dialogue infrequently led to real change, especially with respect to policy reforms adopted (much less implemented). The result is that BOCCIM's voice, amplified significantly by BPED's funding of important studies on specific areas needing policy reform, has helped create an enabling environment for policy debate, rather than extensive changes in the overall framework for growth and

diversification of the private sector. Many of the problems business leaders complained of at the beginning of BPED (e.g., land issues, licensing and registration, availability of post and telecommunications, etc.) are still on the list of those things most in need of improvement.

Of all the BOCCIM-BDC-MCI initiatives funded under BPED, the majority can be grouped into three classes: (i) steps that improved the dialogue between the Government of Botswana and the private sector, (ii) policy reform proposals that await government decision and/or action, and (iii) policy reforms enacted and implemented. Among the first set are the Francistown Private Sector Conferences, the High Level Consultative Council, the National Seminar on the New Industrial Development Policy, and the like.

These are important enabling environment successes, but they are not policy reforms. The policy reform proposals awaiting decision and implementation include promulgation of the Local Procurement Program, collective investment undertakings, the international financial services center, regional venture capital fund, international business companies, industrial development policy, and privatization. The only major policy reforms actually implemented are tax reductions, some liberalization of interest rates, and the first round of foreign exchange liberalization; while these are substantial improvements over previous policies, they are partial reforms that leave much to be accomplished in each area. The GoB's 1995 revision of tourism policy (not a specific BPED focus) enunciates the government's objectives rather than offering reforms to improve the business environment. Clearly, policy reform in Botswana has just begun.

Opinions on the state of the enabling environment for private sector development in Botswana often depend on the observer's perspective: business operators accustomed to working in highly industrialized countries criticize the numerous constraints, while those familiar with doing business in other developing countries, such as those elsewhere in sub-Saharan Africa, may find in Botswana a paragon of enlightened laissez-faire. The BPED evaluation team concludes that Botswana's policy framework is right in most respects (BPED funding of a BOCCIM study recently has focused GoB's attention on a glaring exception, privatization). What lags behind is effective implementation, and policy reform without implementation is not reform at all—at worst, it is a kind of sleight of hand that outrages private sector operators and risks government complacency based on self-delusion.

Political leaders and senior officials must bear in mind always, and must emphasize continuously to middle and lower level civil servants, that the reforms are in Botswana's national interest: yielding control over economic activity to private producers means forgoing the power to impose order directly, but where markets are free a new order emerges from the countless interactions of independent, profit-seeking actors. The success of free markets in many parts of the world testifies to the efficiency and effectiveness of allowing this to occur. The result is a vast increase in individual efforts to produce goods and services at prices that will earn surplus income, i.e., profits. The effect is not only economic growth (more goods and services) but also economic development (increases in capacity to add value).

In a market economy, the role of government remains what it should be anywhere: to protect the weak against the strong. The state undertakes to defend the nation against outside aggression; it provides each citizen protection under the rule of law. In every society, under whatever economic system, there are those who seek to take rather than to earn. In a market economy, it is left to government to keep level the playing field, to make sure that profit is earned through honest efforts, to stand guard so that those who amass wealth through competition do not use their economic power to deny opportunity to others. Government exists under a moral imperative to protect the citizens even against abuses by the state, the government itself; this is the essence of good governance. Arbitrary exercise of civil authority, at whatever point where the private person encounters the state, violates not only the government's policy, but also its sacred obligations. Official acts contrary to the government's announced policies, duly enacted into law, reflect ignorance, malfeasance, or bad faith, and government should be vigilant in providing retraining or discipline to civil servants who act contrary to the public interest. Thus, private business leaders who urge the government to implement its policies are simply demanding a standard of governance that is the right of everyone in Botswana.

5. Sustainability of Policy Outputs and Impacts

If Botswana appears to be moving steadily toward an enabling environment for private sector development, much of the credit should go to the skill with which BOCCIM has communicated the private sector's needs and aspirations. Where work remains to be done, BOCCIM is in a position to follow up. The crucial question with regard to sustainability is whether BOCCIM will continue to be able to do its own research and analysis. This organizational issue is addressed in Section III.D, below, which discusses the BOCCIM policy unit, and further in Section V.B.

6. Potential Medium- and Long-term Impacts

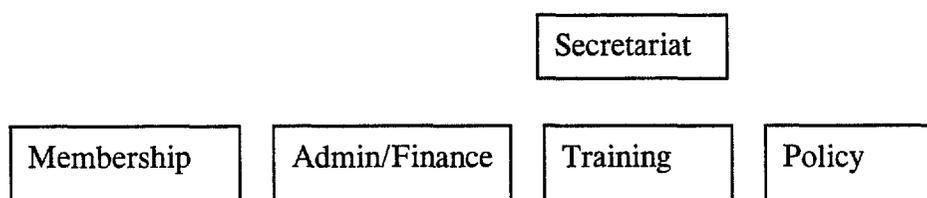
Given the paucity of real change in the policy environment, the most important impact of BPED's work at BOCCIM is the notable improvement in communication, mutual respect, and understanding between the public and private sectors. There is no reason this should not continue following the end of BPED. Moreover, the end of BPED funding need not mean the end of BOCCIM's policy initiatives, for the institutional structure is in place and the management team is experienced in identifying policy issues, obtaining expert advice, and mobilizing both private sector support and government receptivity to proposed reforms. BPED funding may have made it seem easy, but Botswana is not without means. If GoB will continue to listen to the private sector, if it will continue to accept the private sector's interests as a legitimate part of the national interest, if it will learn to trust the private sector, and if it will act on reform proposals, Botswana will achieve its economic objectives: diversified production, employment for youth, and a level of productivity competitive in regional and global markets. The BOCCIM-GoB dialogue will be especially important to strengthening Botswana's position within an integrated southern African economic community.

III. ORGANIZATIONAL AND FINANCIAL ASSESSMENT OF BOCCIM

A. Organizational Structure

In July 1994, BOCCIM commissioned an organization strategy review, using BPED funds, in order to address structural issues that had arisen during the first two years of project implementation. The objective of the review was to develop a strategic plan for improving BOCCIM's effectiveness as an organization and to ensure its financial sustainability. Although the organizational strategy review was finalized and accepted by BOCCIM's executive council before USAID notified BOCCIM that the mission would close and BPED would be cut short, the review addressed areas critical to achieving the revised BPED objectives.

BOCCIM has been successful in implementing most of the structural changes recommended in the organizational strategy review. The secretariat is now composed of four departments as follows:



The BOCCIM reorganization, along with accompanying cutback of programs and positions, has helped to bring down costs. Once BPED funding ceases at the end of September, BOCCIM will be close to a break-even point financially (BOCCIM's financial status is presented in detail in Part E of this section). This means that BOCCIM can sustain its overhead costs, such as office, utilities, equipment, and staff. Those activities that are sustainable on their own, such as selected training functions, newsletters, the northern trade fair, etc., will also be able to continue. Those activities that are not sustainable on their own either will have to be discontinued or be supported by new sources of funding.

1. Organizational Strategies

Given this new funding environment, BOCCIM will need to leverage its resources if it is to maintain its status as the preeminent voice of Botswana's private sector. There are several ways it can do this: it can support voluntary policy workgroups; it can support and create linkages with regional business councils; and it can subcontract the management of selected member services, assuming that these services are profitable to all parties concerned. These strategies will be described further in later sections.

BOCCIM will also need to review its membership strategy, in light of the development of more and more business associations and network organizations in Botswana. Examples of these new organizations include:

- Botswana Institute of Accountants;
- Botswana Institute of Insurers;
- Botswana Institute of Bankers;
- Botswana Chamber of Commerce and Industry;
- Small Enterprise Promotion Trust (SEPROT); and
- Botswana Association of Small Enterprise.

Recommendation: *Instead of competing with these organizations, BOCCIM should promote itself as an organization that can provide them with valuable services such as high level lobbying, benefit cards, insurance schemes, flea markets, trade fairs, etc. That is, BOCCIM should seek to increase organizational, rather than individual company, membership.*

Some concerns have been voiced that this diffusion of associations might result in private sector division and repetition of programs. While this might happen in some cases, the benefits of more programs and healthy competition among agencies certainly will outweigh any negative consequences. One way to look at the situation is to envision “a hundred points of light” with each point representing the efforts of a particular organization.

BOCCIM seems to recognize the importance of developing “organizational” members, as evidenced by their efforts to appoint sector representatives to their executive council and their support of regional business councils.

Recommendation: *This strategy should be continued so that in the future BOCCIM becomes as much an “organization of organizations” as it is an organization of businesses.*

The executive council (EC) of BOCCIM is currently dominated by leaders of big business in Botswana. There is nothing inherently wrong with this situation, especially since large businesses tend to be BOCCIM’s major financial supporters. As mentioned above, BOCCIM has attempted to appoint representatives to the EC that represent their respective industrial sectors. Thus, there are sector representatives for construction, retailing, manufacturing, and others. Most of these sector representatives, however, do not represent a formal business association *per se*. It therefore has been difficult for them to organize meetings with businesses in their sector and develop a truly representative relationship with BOCCIM. Ideally, there would be an organized business association for each of these sectors, but achieving this aim may be difficult since BOCCIM has limited resources to devote to such endeavors.

BOCCIM sometimes is criticized for not representing the interests of small business. Some critics also believe that the current composition of the EC does not represent small business concerns. For example, one interviewee mentioned that the current EC members would be reluctant to criticize Botswana’s big banks (which are also on the EC) for not lending to small enterprises because they all have loans with these banks and would not want to jeopardize their relationships with them.

Recommendation: *One way to address that criticism is to appoint representatives of the regional business councils to the EC.* This strategy is supported by BOCCIM management and expected to be put in place soon (the mechanics of selecting these representatives are presented in Part B of this section). However, like the industrial sectors, many of the business councils are not well organized, a situation which presumably will be addressed if BOCCIM receives support in this area (see Part B.1 of this section).

One of BOCCIM's perceived competitors is the recently established Botswana Chamber of Commerce and Industry (BCCI). BCCI presents itself as a "citizens organization" that pays special attention to the needs of small businesses run by Batswana (i.e., indigenous peoples). BCCI attempts to focus on high profile and political issues that ring strongly with this group. One example is their recent criticism of the ITC, a newly formed private sector credit bureau. The ITC lists businesses that have either defaulted on debts or are in arrears on payments—and makes this information available to banks, creditors, and others. BCCI argues that providing such information discriminates unfairly against indigenous businesses, which are frequently first generation and therefore more prone to making errors than their more established, often expatriate, counterparts. Other issues raised by BCCI include the award of licenses for foreign businesses and the reluctance of banks to lend to small enterprise. BCCI likes to portray BOCCIM as a "big businesses club" that does not respond to these issues, nor to the needs of small enterprise. Some BOCCIM personnel feel that the best strategy is not to confront BCCI directly but, rather, to lead by action. They feel that BCCI is more skilled at talk than action and that this will eventually be discovered by the public.

2. Role of the BOCCIM Director

The BOCCIM director is very influential in BOCCIM's policy and advocacy work as well as very involved in marketing BOCCIM. These two roles are crucial to the organization's success, and, from that standpoint, the director has made substantial contributions to BOCCIM's success. He has the credibility to directly call high level officials and to lobby on behalf of BOCCIM members. He is also a key member of the High Level Consultative Council (HLCC). His stature also enables him to directly contact corporate members and to solicit their support. Finally, his close ties to a wide network of donors and government officials enable him to take advantage of funding opportunities as they arise.

While the BOCCIM director is strong in the areas of policy/advocacy and marketing, he has less time for "hands-on" management and the day-to-day operations of BOCCIM's departments. This was perhaps less important during the past years, as BOCCIM had ample financial and human resources at its disposal.

Recommendation: *Now that BPED funding has ended, it is increasingly important that the director provide strong guidance and support to BOCCIM's departments, especially the policy unit.* Much of BOCCIM's success lies in a successful policy unit, and the director can provide key support to this unit's personnel.

B. Membership Services Department

Activities in the Membership Service Department include:

1. Business council development;
2. Training and technical assistance;
3. Membership directory;
4. Benefits card;
5. BOCCIM newsletter and Business Focus magazine;
6. Insurance program;
7. Annual dinners; and
8. Northern trade fair.

This section examines each of these services from both a cost recovery and a strategic planning perspective.

1. Business Council Development

BOCCIM has been instrumental in the development of twelve business councils, eight of which could be considered “active.”¹⁴ The major area of potential for these councils seems to lie in their ability to promote public debate and provide a forum for advocacy at the local level. If well organized, the councils can identify local issues and policies that are having a negative effect on the business community and then lobby for improvements. BOCCIM can play an important role in developing these councils’ capacity to conduct policy and advocacy work and also, as necessary, can represent them at higher levels.

The development of business councils will help BOCCIM to leverage its resources and apply its “lobbying clout” to regional areas around the country. As the businesses in these areas tend to be smaller, it will also support BOCCIM’s claim to be the “preeminent voice of the private sector,” preeminent because it represents businesses of varying sizes and sector focuses. Expanding and maintaining its representational base should be BOCCIM’s primary aim in supporting the councils.

Recommendation: *BOCCIM staff and field officers can take a variety of steps to promote the development of the business councils, including:*

- *Participating in all business council meetings, at least until the council has proven that it has the institutional capacity to succeed on its own;*
- *Assisting the councils in organizing and managing meetings;*
- *Helping the councils to go beyond identifying issues to elaborating and implementing strategies to address them;*
- *Coordinating and sharing information among councils;*

¹⁴ Operational business councils are located in Francistown, Gaborone, Ghanzi, Kanye, Kasane, Lobatse, Maun, and Tsabong.

- *Fostering understanding of private sector issues by local government officials;*
- *Having the BOCCIM director or deputy director participate in at least one meeting of every business council per year; and*
- *Assisting the councils to identify business opportunities for entrepreneurs in their areas (Section II.B.2 describes related studies already undertaken).*

Recommendation: *BOCCIM field officers should receive training in how to conduct policy and advocacy work at the local level, so that they can in turn train the business councils.* Some of these techniques include: defining key issues, developing a message, persuading government officials to take action, using mass media, developing press materials, media interviews, and forging alliances.

Some of the business councils are interested in developing their own institutional identities by obtaining charters and constitutions. This is a good idea to promote if it means that the councils are ready to take responsibility for themselves and are able to sustain productive activities on their own. Ideally, these independent councils would then become members of BOCCIM—thereby supporting the strategy for BOCCIM to become an “organization of organizations.” By providing services to the councils, BOCCIM would be making a major contribution to both large and small businesses.

Recommendation: *BOCCIM should not hesitate to promote the independence of councils that have a proven capacity for self management.* The danger in opposing such independence is that the councils might develop animosity towards BOCCIM and eventually break off relations.

In discussions with both business councils and BOCCIM management, there seems to be a consensus that the business councils should have representation on the BOCCIM executive council. There also seems to be consensus that this representation should be limited to one to three people, who are elected by a general meeting of business councils (there is a meeting/workshop scheduled for all the business councils later this year that could serve as the occasion to do this).

Recommendation: *Business council representatives at the general meeting should organize themselves into a committee or working group that can communicate the issues of the regional councils directly with BOCCIM management.* An illustration of how this structure would interrelate with the existing BOCCIM structure, as well as with proposed policy work groups, is presented in Appendix N).

Recommendation: *BOCCIM should concentrate its efforts with business councils on developing their advocacy and lobbying skills.* The promotion of other activities should be undertaken with great caution, as they might detract from this goal and create unrealistic expectations. Expecting business councils to provide training and/or technical assistance to other businesses, for example, does not seem realistic given the constraints on the council members’ time. The organization of a trade fair might work, but would

require an enormous investment of time from the council members. One might also ask whether another trade fair is necessary, given that trade fairs already take place in Gaborone and Francistown. Perhaps the more modest objective of an annual dinner or another form of yearly civic event is more appropriate for the councils.

Finally, BOCCIM will complete a nine-month pilot program for business council development in December 1996. The Government of Sweden has supported the program. In October or November 1996, the pilot program will be evaluated, after which the Government of Sweden will decide whether or not to fund a long term initiative. BOCCIM (and the evaluation team) believe that with the financial assistance of the Swedish government, BOCCIM will be able to pursue the institutional strengthening of these councils so that they become true representatives of smaller businesses in Botswana and strengthen the representation of smaller businesses within BOCCIM itself.

2. Training and Counseling

BOCCIM conducted extensive training and counseling programs for small enterprise under the BPED project. These included the Botswana Management Assistance Program (BMAP) counseling program¹⁵ and scholarships for courses offered by local or regional training institutes. All of these activities were heavily subsidized and ceased with the revised BPED plan.¹⁶ However, the field officers of the membership services department still offer one-to-one counseling services and intend to organize periodic training sessions. Fees for such one-to-one counseling and training are paltry or non-existent, even though the activities consume up to sixty percent of the field agents' time. This does not seem to be a good use of their time for several reasons:

- There are many other sustainable membership services activities that need the attention of the field officers;
- The promotion of an advocacy and lobbying capacity in business councils offers much greater potential impact for BOCCIM members;
- It is virtually impossible for one field officer to provide quality training and counseling to small businesses in several towns (currently one field officer is responsible for the north and one for the south of the country, which is approximately the geographical size of Texas). While the impact on a few firms might be noticeable, the overall impact on BOCCIM membership is negligible; and
- The training and counseling activities for small enterprise are not financially sustainable and therefore are a drain on BOCCIM's resources.

¹⁵ The Government of Sweden also provided financial assistance to BOCCIM for implementing BMAP.

¹⁶ For this reason, neither BMAP nor scholarship-based training are examined in detail in this evaluation.

Recommendation: *Direct training and counseling services to small enterprises perhaps are carried out better by local NGOs and government-sponsored programs, which receive subsidies to provide such services.* NGOs tend to be closer to the target groups and thus better able to provide the follow-up support that is crucial to getting sustainable results.

One scenario is for the government or another donor to set up a grants program for local NGOs engaged in small enterprise development. NGOs would submit proposals for various activities (including training and counseling) and the best ones would be chosen. Such a grants program could even be managed by BOCCIM or directly by a government office.

3. Northern Trade Fair

The Northern Trade Fair is an impressive activity for which success is due to BOCCIM's northern region field officer and his hard work and enthusiasm, along with the support and efforts of Francistown business council members (who were initially the Trade Fair Organizing Committee). The trade fair currently is able to sustain itself financially; indeed, it is estimated that the fair will generate a surplus of 70,000 pula in 1997. (These funds can then be used to offset the overhead and salaries of the northern office). The trade fair is growing in popularity, and the organizers believe that it can become even more profitable. This will require, however, a continued investment of time and effort from the BOCCIM field officer.

From a strategic planning perspective, the trade fair provides important exposure to BOCCIM and emphasizes Francistown's place on the "private sector map." The fair can introduce new products to the area and serve as a source of supply for local businesspeople. While it may not provide significant direct impact on small enterprise, indirect benefits may occur.

4. Annual Dinners

The BOCCIM annual dinners in Gaborone and Francistown are financially sustainable activities. They also serve to promote BOCCIM and to bring the membership closer together.

5. Flea Markets

The flea market activity in Gaborone also generates a surplus, which can be used to help offset BOCCIM overhead costs. With better promotion and management, it could do much better. The strategy of BOCCIM management is to subcontract out the management of the flea market. This idea is worth pursuing.

The flea market, as it is now, provides limited benefits to the BOCCIM membership because of the limited number of exhibitors. It nonetheless provides exposure to BOCCIM and has the potential of assisting small enterprises that decide to sell there.

6. Publications

The membership directory, BOCCIM newsletter, and Business Focus magazine sustain themselves financially through advertising and sales. According to BOCCIM management, the production is subcontracted, and the amount of work required of BOCCIM staff is limited. These products provide interesting and useful information to BOCCIM members.

7. Benefits Card

The BOCCIM Benefits Card (BB Card), a card which employees of member companies can purchase to obtain discounts from approximately fifty vendors, is also financially self-sufficient. It also provides a popular benefit to BOCCIM members.

8. Insurance Program

The Insurance Program is financially self-sufficient, although new subscriptions are at a standstill. Due to the limited number of subscriptions, it appears that the impact on BOCCIM membership is limited. The impact could be improved with better promotion and, preferably, an incentive plan for those who sell the insurance.

9. Field Offices

One of the greatest challenges the field offices face is to develop the capacity of the business councils in their region. This will be no easy task, even if the Swedish government funding comes through. One concern is that the northern region field officer will not have the time to devote to business council development, given his heavy involvement in the trade fair, annual dinner, and training/counseling. Cutting out the training and counseling is advisable, for the reasons stated above, and BOCCIM should instead cultivate, as members, organizations that can better provide direct services. In addition, BOCCIM instead might offer pamphlets for sale (such as how to access FAP, how to write a business plan, etc., as well as the four "how-to" brochures mentioned in Section II.B.2). However, even if training and counseling were eliminated, the current northern region field officer will be hard pressed to meet the demands of the job, especially work with the business councils.

Recommendation: *BOCCIM should consider making a "strategic investment" in a second field officer for Francistown.* This would allow the office to expand the trade fair (the activity with the highest revenue generating potential) and, potentially, a flea market to the point where the additional revenues pay for his or her position.

Similar observations can be made for the southern region field office. At present, up to 60% of the southern region field officer's time is spent on individual counseling for members. Due to this responsibility, business council development is suffering.

Recommendation: *BOCCIM should limit counseling to an absolute minimum (perhaps 10%), and the field officers should devote their time to pursuing aggressively the development of the business councils.*

C. Training Department

The training department was faced with an ultimatum in 1995: either cover its own costs or be closed. The department director took this order to heart and has done an excellent job of shedding programs that were not financially self-sufficient and promoting those that were. Current training programs and conferences include:

- Workshops (e.g., powerful presentations, financial management for non-financial managers, customer service, effective business writing levels 1 and 2);
- Customer Service Summit;
- Secretaries Convention; and
- Business Convention.

Most of the participants for these activities come from large businesses that can afford to pay the 700-800 pula subscription fees. The training department therefore has made the strategic decision not to focus on small enterprises, as they cannot afford to pay the fees necessary for financial self-sufficiency. This was a logical decision and one that should be pursued.

The training department is successful for a number of reasons. First, it has developed a **reputation** for quality events. Second, it has a confirmed **presence** in the marketplace of training providers. Third, it has developed a strong **network** of training providers and clients. Instead of trying to compete directly with other training institutions, the department frequently enlists them as partners in training events. The department also has been awarded service contracts (such as providing placement services for overseas training) that also contribute to revenues.

For these reasons, the training department is positioned to grow. A constraining factor however, is that there is only one professional staff person.

Recommendation: *BOCCIM should consider a "strategic investment" of its resources in a second staff person to assist the current training director. Given the sustainable strategy now in place, the increased revenues will be able to fund the second position in a relatively short period of time. This will expand BOCCIM's outreach and also will provide more depth to the training department. This is an important consideration in case the current training director should one day decide to leave.*

As mentioned earlier, much of the training department's success is due to the dynamic initiatives and efforts of its director. BOCCIM needs to formally recognize such efforts through an incentive program to provide the training department director with both the moral and financial incentives necessary to ensure that she stays with the institution.

Recommendation: *BOCCIM should develop an incentive program based on the margin of surplus generated by the training department (e.g., 10% of this margin could go to the department's staff).*

Finally, although the focus of this report is on the last year of the project and on the future, the evaluation team derived a number of lessons learned regarding training activities that took place prior to the BPED re-design in 1994-1995. These include:

- For scholarship programs, it is important to ensure that participants receiving scholarships for local training are part of legitimate businesses and are in a position to implement the skills and knowledge they gain. Apparently, some participants did not fit these criteria.
- For small enterprise, the implementation of skills and knowledge from training activities will be greater if the following strategies are pursued:
 - Training is focused on smaller numbers of enterprises, some of which can become models for others;
 - Training is adapted to the specific needs of trade groups and industries (i.e., avoid generic programs if possible);
 - A follow-up component is built into the program to ensure that skills and knowledge are successfully applied; and
 - Achieving results in the participants' workplaces should be emphasized, rather than the number of people trained.

D. Policy Unit

1. Reference (Working) Groups

BOCCIM, and the BPED project, are perhaps best known for the policy initiatives they have promoted. The success of many of these initiatives is due to the methodology that was applied to generate, research, and follow-up on the issues. This methodology revolved around the use of subcommittees and reference (or working) groups composed of representatives from BOCCIM, the BDC, the Ministry of Commerce, BOCCIM members, and representatives of other government agencies. These groups identified priority issues and policies, initiated studies, monitored consultants hired to do the studies, and then worked to disseminate the findings and information produced.

Much of the success of this reference group methodology was due to the organization and management efforts of BOCCIM, BPED, and USAID-funded advisors. They served as catalysts who "lit the fire" under the various working groups. Specifically, they:

- Contacted and motivated reference group members to attend meetings;
- Set meeting agendas and coordinated with working group chairpersons;
- Ensured that detailed minutes of meetings were recorded, produced, and distributed;
- Prepared and updated “activity sheets” (which included an implementation plan for the activity, status, pending issues, recommendations, and costs) for each policy issue;
- Developed terms of reference for consultants; and
- Contracted and administered consultants.

During the last year of BPED funding (September 1995 to September 1996) much of this work was conducted by the BPED-funded policy advisor to BOCCIM and the BPED project coordinator. Before that time, and up until her return to her original employer in mid-1996, the BOCCIM policy analyst was also involved heavily.

Recommendation: *If BOCCIM is to continue as a leader in spearheading private sector policy reform, it is imperative that this working group methodology continue.* BOCCIM needs these groups to leverage its resources and take advantage of expertise from other organizations. There are several hurdles, however, that need to be overcome before this will happen. These include:

- The impression in many peoples’ minds that they were “BPED” sub-committee or reference groups that have now come to an end;
- The potential lack of interest now that BPED funding is no longer available to finance studies and other consulting activities; and
- The lack of an individual in the BOCCIM policy unit who is familiar with the “catalyst” process describe above.

These hurdles can be overcome, however, and the interest seems to be present in BOCCIM management to do so.

Recommendation: *The following suggestions might help to facilitate the process:*

- *New “BOCCIM” working groups should be established that replace the BPED financial sector and policy sub-committees. The evaluation team recommends a BOCCIM “general policy working group” be formed through a merger of the former BOCCIM policy committee and the BPED policy sub-committee. It is also suggested that a BOCCIM “financial sector working group” be created that is a continuation of the BPED financial sector technical sub-committee (using the same chairperson if possible). The BPED management and entrepreneurial development sub-committee functions can be assumed by the BOCCIM membership services department. An illustration of the proposed workgroup structure, relative to the BOCCIM organizational structure, is presented in Appendix N.*
- *There should be a clear link between the working groups, the BOCCIM Secretariat, and the High Level Consultative Council (see illustration in Appendix*

N). These links will help motivate the working groups and will add to their credibility. It should also be understood that only those issues that cannot be resolved at an inter-ministerial level would be presented to the HLCC.

- *The current BPED project coordinator should thoroughly brief BOCCIM management and the current BOCCIM policy analyst on the procedures used to facilitate the functioning of the BPED sub-committees and on a strategy to reestablish the BPED sub-committees as new BOCCIM working groups. A checklist of these procedures is presented in Appendix O to help facilitate this recommendation.*
- *The current BOCCIM policy analyst should be given a clear mandate from the BOCCIM director to carry out the “catalyst” functions described above. He also will need the active, “hands-on” support of the director and deputy director in the initial establishment of the new working groups and in their initial meetings and activities.*
- *The working groups will be able to continue much as they did under BPED with the exception that the immediate funding for studies and consultancies will not be available. Once they get to the stage of needing such funding, the working groups should be encouraged to develop funding proposals for the study or consultancy to be undertaken. These proposals then can be presented to corporate sponsors, donors, or Government of Botswana ministries for consideration. The BOCCIM director, with his key ties to these entities, can be instrumental in helping to access funds.*

2. Economic Database

The BOCCIM database was created to permit qualified analysts to do original research on topics of interest to the private sector in Botswana. Such research would allow BOCCIM to speak with authority on business conditions requiring policy responses from the GoB. Unfortunately, despite the repeated calls of the BPED-funded policy advisor to MCI to identify potential uses of the database, no needs analysis was done as part of the database design activity; for instance, documentation examined by the evaluation team contains no descriptions of studies waiting to be done as soon as the database was operational. Consequently, it is difficult to determine whether the database has fulfilled its purpose, as there are no performance benchmarks against which to measure its success.

Despite this lack of clarity regarding the original purpose of the database, it is clear that the only person at BOCCIM fully qualified to use the database’s software left BOCCIM before the BPED project ended (see Section III.D.3, below). The current policy analyst told the BPED evaluation team that he continues to enter data as it becomes available (approximately monthly), but he lacks the advanced academic training needed to perform research and analysis. The database, therefore, sits idle, its potential wasted; if no one uses it, even the laudable effort to keep data

current eventually will be wasted. In keeping with USAID's exhortations to BOCCIM that its activities should pay for themselves as much as possible, BOCCIM's management has contemplated offering access to the database on a fee basis. To date, there have been no takers.

The evaluation team asked University of Botswana faculty who served on the database design reference group what might be done with the database. They praised the design effort and emphasized the intrinsic value of the database; nevertheless, they argued that offering access to it on a fee basis is unrealistic, as the potential users in Botswana (primarily the University of Botswana and the Botswana Institute for Development Policy Analysis, BIDPA) are not in a position to budget for such fees. With respect to sharing access to the database in exchange for services to BOCCIM, however, both university faculty and BIDPA management expressed keen interest in collaborative efforts.

Neither the university nor BIDPA felt able to assume responsibility for housing or maintaining the database should BOCCIM wish to relinquish it. (However, BIDPA might consider maintaining it jointly with BOCCIM for a fee; as to financial self-sufficiency, BIDPA seems to be under the same pressures from its donors as BOCCIM was from USAID). The University of Botswana's Faculty of Economics and the Faculty of Accounting and Management have graduate students with the skills to do research and analysis on the BOCCIM database; many of these students would be especially interested in doing research relevant to their own studies, e.g., their masters theses or MBA projects. In addition, faculty members would be interested in access to the database for their own research. Presumably, BOCCIM and the university could work out modalities through which topics of interest to BOCCIM could be subjects of student or faculty research. Thus, it appears the BOCCIM database might have a useful future if BOCCIM takes the initiative to conduct negotiations on access and sharing of results and such negotiations are successful.

Recommendation: *BOCCIM should pursue an arrangement with a local institution whereby the database is given to or shared with them in exchange for access to some of the reports that are produced.*

3. Industry Survey

Through an industry survey, BOCCIM planned to collect microeconomic data on Botswana's private sector; limited information of this type is available elsewhere.¹⁷ The idea was to create a source of detailed information about what is going on within and around private companies throughout the country, to complement the macroeconomic information also included in BOCCIM's database. Since the same information was to be obtained about each company, the

¹⁷ Indeed, it is difficult to see much purpose in creating a BOCCIM database without the microeconomic data, since the other time series included in the database are all available elsewhere (e.g., from the Bank of Botswana, the Central Statistical Office, and the Ministry of Finance and Development Planning for Botswana-specific information, similar data sources in neighboring countries for regional analysis, and international sources such as the IMF or the World Bank for global macroeconomic analysis).

database would offer comparability across firms and industries. Analysis of the data thus could reveal similarities and differences in the experience and behavior of a large sample of firms, i.e., BOCCIM's members, which currently numbers close to 1,400.

The first full survey was conducted during August-October 1994. On that occasion, BOCCIM made a strenuous (and successful) face-to-face effort to obtain a rate of response high enough to create a statistically significant sample of the universe of Botswana firms. Such a sample would allow manipulation of the accumulated data using the analytical software provided as part of the BOCCIM database design. This survey was intended to be biennial; thus, BOCCIM should have well along toward completing the second survey by year-end 1996. However, the June 1996 departure of the policy analyst prevented this from happening.

Another data collection effort, undertaken during the fourth quarter of 1995, focused on short-term forecasts by managers at BOCCIM member firms. The intent was to obtain three-month forecasts on a quarterly basis and compare them with actual outcomes in following quarters. Despite misgivings about the ability to obtain questionnaire responses, BOCCIM asked many member firms for forecasts; only twenty-five questionnaires were returned, too small a sample for drawing reliable inferences with respect to the private sector in Botswana. Since BOCCIM lacks the staff to follow up with member firms to encourage responses, the effort has been abandoned; it appears likely that most firms would respond to a forecasting survey only if visited by a data collector willing to talk the appropriate manager through the questionnaire.

Recommendation: *BOCCIM could work with University of Botswana statistics faculty to design and select a sample of firms willing to volunteer to complete the forecast portion of the questionnaire quarterly.*

Recommendation: *If BOCCIM wishes to continue collecting firm-level data, it will need to explore means other than mailed questionnaires, which would require using its own staff. The intensive interviewing used for the first biennial survey requires person-hours beyond the capability of BOCCIM's staff.*

One possible resource for conducting the site visits that appear essential to obtaining data is the pool of students in the departments of economic, statistics, and accounting and management studies at the University of Botswana. Undergraduate majors in these departments are likely to have sufficient background to be able to undertake data collection responsibilities if properly briefed and coached. Student enumerators offer the attractive advantage of willingness to do such work for relatively low pay; however, they are unlikely to be available for a BOCCIM survey except during school holidays. Alternatively, the Office of the President has a one-year national service program (Tirelo Sechaba) for O-level graduates; these students, who are available as volunteers, might have a place in industrial survey data collection.

The BOCCIM industry survey remains critical to the usefulness of the BOCCIM database, even if shared with other institutions such as BIDPA and the university. Otherwise, the BOCCIM

database is just another sophisticated tool using expensive subscription software to manipulate data readily available elsewhere.

4. Staffing Issues

Perhaps the most serious issue facing BOCCIM at the time of the BPED evaluation is the lack of a qualified economist/policy analyst. The previous policy analyst, Ms. Pelani Siwawa-Ndai, is an economist/econometrician with a bachelors degree in economics from the University of Botswana and a masters degree in economics from the University of Kent. Seconded for three years from the Bank of Botswana to BOCCIM, she returned to the bank in June 1996, leaving BOCCIM without professional research and analytical capability. Although BOCCIM's director discussed with the incumbent the possibility of staying permanently, the absence of adequate funding for the position over a period of years made abandoning a central bank career too risky. This appears to have been the main stumbling block to retaining her services, inasmuch as she told the BPED evaluation team she had very much enjoyed the variety of activities and the freedom to take initiative at BOCCIM.

Given her academic qualifications, familiarity with BOCCIM's policy analysis history and anticipated needs, and demonstrated ability to perform the tasks (not least of which is exploitation of the database), the previous analyst appears to be the person best qualified to lead the policy unit. (It should be noted, however, that she believes there are other qualified candidates available, several having approached her to inquire about the BOCCIM position.) Given the required qualifications for the position, the critical question is how to provide the policy analyst—whether the incumbent or a new person—the necessary compensation package and job security.

The evaluation team believes the policy analyst position is so central to BOCCIM's future role as the voice of the private sector that funding the position should have very high priority, higher, for example, than paying down the mortgage on BOCCIM's new headquarters.

Recommendation: *BOCCIM should consider making a "strategic investment" of its resources in a senior policy analyst to direct the policy unit. BOCCIM's policy and advocacy work for the private sector is its most high profile activity, the activity most valued by many of its largest corporate sponsors, and the activity where BOCCIM currently has a comparative advantage over any other institution. It is important that this comparative advantage be maintained. This activity, while not financially sustainable on its own, is one of the main reasons BOCCIM members pay their dues every year. If BOCCIM's ability to conduct policy and advocacy work on behalf of its members falters, one could say realistically that the institution itself would be in jeopardy.*

Options for securing funding for a senior policy analyst, however, are somewhat limited. For instance, BOCCIM could not request or accept GoB financial support, since this would risk compromising its freedom to speak out on policy matters and to present arguments that the GOB might prefer not to hear. Since the international donor community is shrinking, reliance on

another donor would be temporary at best, and would not provide the job security the position needs. One solution is to turn to BOCCIM's membership, particularly to those large corporations (including parastatals) most interested in policy dialogue with the GoB, in order to raise sufficient capital to endow permanently an economist/senior policy analyst position. An endowment would require a substantial outlay in contributions in the immediate term, but would obviate the need to petition the same corporations year after year for subventions, a process that not only would provide the senior policy analyst little sense of job security but also would require considerable attention each year from BOCCIM management in order to raise such funds.

Recommendation: *As soon as possible, BOCCIM should approach selected corporate members in order to build support for endowing the position.* In the meantime, BOCCIM should set aside from its general fund an amount sufficient to cover the full costs of the position for one year; BOCCIM might also propose to contributors that the position endowment be large enough to reimburse its general fund for this outlay. Under such a scenario, BOCCIM would be in a position to upgrade the position to "policy unit director" and fill it without further delay.

The policy unit director needs to be a proactive person, confident in discussing economic and policy issues at a high level. He or she needs to be equally strong, however, in ability to organize, motivate, and inspire the working groups. This is crucial, given BOCCIM's need to leverage its resources and take advantage of expertise from other organizations. It is also crucial to the process of coalition building, a key ingredient in gaining policy reform. Given the emergence of many new professional associations (with policy working groups of their own), the BOCCIM policy unit director must ensure that the BOCCIM groups are of the highest quality and that they remain motivated.

In the opinion of the evaluation team, the policy unit should be a two person office (as it is now, with a policy advisor, funded through BPED, and policy analyst). The current policy analyst (who was moved from BOCCIM's membership service department) lacks the academic qualifications and experience that the work requires and has been placed in an extremely uncomfortable position by being given unfamiliar responsibilities and little direction regarding how to go about fulfilling them. This is unfair to him and unwise for BOCCIM. However, given his knowledge of BOCCIM membership services and his experience as a BOCCIM lobbyist, he is perhaps suited to assist the senior policy analyst, for example by obtaining information from BOCCIM members, providing information to GoB officials, and organizing policy fora. The current analyst also is enthusiastic about Botswana's future in a southern African regional economic community; he should be given a chance to create a specialty for himself by becoming BOCCIM's policy expert on matters of regional integration.

E. BOCCIM's Financial Sustainability

1. Cost Centers

One of the main recommendations in the organizational strategy review was for BOCCIM to establish a cost accounting system that tracks costs by department and by activity. The BOCCIM financial officer has done a good job establishing this system as well as in training the BOCCIM accountant in its use. The system currently breaks down costs according to the following departments:

- Administration Department;
- Membership Services North;
- Membership Services South;
- Policy Unit;
- Training Department; and
- Public Relations Department (this department is currently un-staffed and it has not been decided whether to incorporate it under Membership Services).

To assist in the assessment of BOCCIM financial sustainability, the financial officer has prepared 1997 projected cash flow statements for each of these cost centers (see Appendix P). These projections will be referred to in the following sections.

There are a few issues and suggestions to be made regarding the BOCCIM cost accounting system. Some of these are straightforward and should be adopted. Others are cited to bring the reader's attention to key issues. There are many ways to allocate costs; in the end, if the reports provide useful information to make management decisions, then they are worthwhile.

Recommendation: *The following are observations and recommendations:*

- *The administration department is allocated all recurrent member subscriptions. New member subscriptions are allocated to the membership services office that generates them. Whether this is appropriate or not is debatable.*
- *Certain variable costs (such as vehicle, postage, and telephone costs) currently are allocated entirely to the administration department. These need to be broken out and allocated to the cost centers that incur them.*
- *The "cash contribution" figure, which shows the difference between receipts and payments in each cost center, needs to be interpreted with caution. The best interpretation of this figure would be "contribution to overhead," since most of BOCCIM's overhead costs are attributed to the administration department. They should not be viewed as "profits."*

a. Administration Department

Revenues for the administration department cost center include recurrent member subscriptions, grants, interest on BOCCIM investments, rent from subleases of BOCCIM's building, publications, and sundries. Almost all overhead costs are attributed to this department, including loan repayments (for building), vehicle costs, utilities, etc. Because this department is allocated all recurrent member subscriptions, it is close to a break even point in the cash flow forecasts (the actual figure is a 21,098 pula deficit).

BOCCIM has made strong strides in reducing its administrative costs by eliminating positions and cutting expenses. It also used nearly 1 million pula of its reserves to make a downpayment on its building and has been successful in finding other organizations as tenants. This has reduced rent payments from nearly 18,000 pula per month to less than 6,000 pula per month (the amount of the mortgage payment). While significant strides have been made, there still seems to be room for additional cost cutting measures, especially in the areas of procurement.

b. Membership Services North

This cost center shows a positive cash contribution of 10,708 pula. This is due primarily to the surpluses generated from the northern trade fair and the northern region annual dinner.

c. Membership Services South

This cost center shows a negative cash contribution of 59,710 pula. This is primarily because the southern office has not been able to generate money making activities. If the public relations department is merged into membership services south, the deficit will be reduced by 11,951 pula due to surpluses generated by the southern region annual dinner and advertising revenues (currently allocated to the public relations department). If the public relations officer position is not filled, then the deficit will be reduced by a further 45,744 pula, bringing the cost center close to the break-even point.

d. Policy Unit

The policy unit cost center shows a projected negative cash contribution of 77,167 pula. This is because, by its nature, policy analysis and advocacy is not a revenue generating activity. This is justifiable, however, given the unit's key role in promoting BOCCIM's policy and advocacy work. One could argue that since the policy/advocacy function is the one service most highly valued by BOCCIM's large corporate sponsors, these sponsors' financial contributions should go towards financing the policy unit.

It was recommended in the previous section on the policy unit that BOCCIM should make a "strategic investment" of its resources in a senior policy analyst to direct the unit. This would further aggravate the deficit, especially if the current analyst stays on. Several solutions have been proposed including:

- Searching for corporate or donor sponsors for the position;
- Creating an endowment, solicited from corporate members, for the position; and
- Paying down the debt on the BOCCIM building and using the savings in interest payments to help finance the position.

e. Training Department

The training department has a 1997 projected cash flow contribution of 95,359 pula, due primarily to the surpluses generated by its conventions, seminars, and training activities. This figure probably will be somewhat smaller once variable costs such as telephone, postage, and vehicle costs are allocated correctly, but it will doubtless still run a healthy surplus. As mentioned in the section on the training department, a strategic investment in a staff person to assist the current training director might result in even higher surpluses in the future.

f. Public Relations Department

As mentioned before, it is still undecided whether this department will be merged with membership services. A staff person to lead the department is also yet to be identified. Ideally, the current director of membership services could assume this role, in addition to his other responsibilities. This would result in significant cost savings, and actually bring BOCCIM's overall projected cash flow to a positive number. Whether it is feasible, given the work load of the membership services director (also the deputy director) is another issue, best decided by BOCCIM's top management and executive council.

g. Summary Consolidated Cash Flow Projection

Overall, the projected cash flow statement for 1997 shows BOCCIM with a deficit of 39,957 pula. This is not unreasonable, given an overall budget of approximately 1.7 million pula. It is also not extremely worrisome given BOCCIM's strong cash reserves of approximately 1.5 million pula. There are several programs on the horizon which might favorably influence BOCCIM's cash flow. One is the possible funding from the Swedish government to support the development of business councils. This might help to offset some of the membership services department deficit.

The projected near break-even position of BOCCIM, however, reflects a situation where BOCCIM can maintain its office and staff but has little funds to invest. Those activities that can sustain themselves will continue (training for large businesses, northern trade fair, publications, etc.), but programs that have relied heavily on BPED funding (such as policy studies) will no longer be feasible unless BOCCIM finds other sources of revenue.

2. Fundraising

BOCCIM currently is conducting a fundraising campaign with its members, encouraging them to make contributions (in addition to their membership subscriptions) to help pay down the

mortgage on BOCCIM's building. Once the mortgage is paid off, surplus rental income will amount to nearly 6,000 pula per month. Some of those interviewed, however, cited a tendency towards "member fatigue" when it comes to making additional contributions. Some members are beginning to question more and more what they are getting for their contributions; this is why the maintenance of a strong policy/advocacy service is so important.

Recommendation: *BOCCIM should use fundraising techniques that offer something in exchange for the members contribution.* One example would be to offer a 25% discount on advertising in Business Focus to those who are willing to pay for a full year of advertising in advance. Another idea is to seek individual sponsors for specific studies or consultancies and recognize the sponsor when the final product is released (being careful of conflict of interest issues).

3. Incentive Programs

In the "post-BPED" era of reduced funding, it is important for BOCCIM staff to take initiatives to reduce costs and increase revenues. Some of those staff initiatives already have shown excellent results.

Recommendation: *It is important for BOCCIM to offer incentives to those staff members who are most successful in reducing costs, increasing revenues, and achieving program results.* This will encourage them to continue their efforts, and will encourage others to emulate them. The types of incentive programs will probably vary, depending on the nature of the department or unit. For example, the training department might be offered a 10% bonus at the end of the year of any surplus cash contribution that it generates. Similar schemes might be offered for the membership services officers for specific member services such as flea markets, trade shows, and insurance sales. Another form of incentive program may be needed for the policy unit, as their activities do not tend to directly generate revenues. Such a program might reward them for every major input provided to government or, more ambitiously, for every policy reform that is enacted as a result of their efforts.

These incentive programs will also encourage managers to pay closer attention to the management reports that are being produced by the accounting department. The management report thus will become management decision making tools.

IV. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS TO SUSTAIN PROJECT IMPACTS

The two previous sections presented findings and recommendations regarding individual project activities or regarding specific units with BOCCIM. This section synthesizes the findings and main recommendations.

A. BOCCIM as the Private Sector Umbrella Organization

As emphasized in Section III, in the future BOCCIM will operate in a new funding environment, one without substantial donor financing. Therefore, BOCCIM will need to leverage its resources to maintain its role as an entity that represents the broad spectrum of private businesses in Botswana and as the central private sector voice in policy dialogue. BOCCIM's future operating strategy also must take into account the increasing number of other representative organizations, such as the Botswana Institute of Accountants, the Botswana Chamber of Commerce and Industry, and the Small Enterprise Promotion Trust, among others.

In light of these two factors, i.e., decreased funding and existence of complementary private sector-oriented organizations, the evaluation team recommends that BOCCIM's membership services department modify its strategy to minimize the amount of time spent on providing one-to-one counselling services and to concentrate instead on development of regional business councils. The local business councils should serve as BOCCIM's "ears" at the grassroots levels regarding necessary regulatory and policy reforms, for which BOCCIM is recognized widely as a leader in promoting. Thus, this strategy builds on BOCCIM's strength—public-private sector policy dialogue.

To address the continuing needs of its small-scale business members for mentoring, advice, and assistance, BOCCIM should cultivate as members some of the small business-oriented organizations mentioned above. As mentioned previously, one such organization is SEPROT (the Small Enterprise Promotion Trust), which is composed of organizational, rather than individual, members that provide direct assistance to small businesses at the grassroots level throughout Botswana. By working with SEPROT and similar entities, BOCCIM will be able to lead its members to organizations that have local representation and provide services appropriate to small businesses.¹⁸

In this manner—working with business councils and with other organizations—BOCCIM increasingly will become as much an "organization of organizations" as it is an organization of individual companies. That is, BOCCIM should aim to become the private sector "umbrella" organization of Botswana.

¹⁸ SEPROT representatives report that they already attend BOCCIM events when invited. They note that they routinely invite BOCCIM to SEPROT functions, but BOCCIM representatives rarely attend. BOCCIM management obviously must change this situation for the above strategy to work.

B. BOCCIM as the Policy "Voice" of the Private Sector

BOCCIM's foremost strengths are its ability to engage the public and private sectors in productive dialogue on private sector policy issues and its capacity to develop and present sound policy arguments. It is critical that BOCCIM's ability to conduct such policy dialogue and development continues after the BPED project ends. To support BOCCIM's role as the preeminent policy "voice" of the private sector, to continue the activity most valued by its largest corporate sponsors, and to maintain the area in which it currently possesses the greatest comparative advantage, the evaluation team provided three central recommendations, as summarized below.

1. Maintenance and Development of the Policy Unit

Section III.D.4 emphasizes that staffing of the policy unit is the most serious challenge facing BOCCIM as BPED ends. Without a strong policy unit, BOCCIM's capacity to undertake the roles outlined above is diminished severely. Under BPED, the policy unit consisted of two professional staff, a policy analyst and a policy advisor; the team believes the unit should continue to have two full-time staff who are provided guidance and input from BOCCIM's director. The qualifications of the two individuals, however, are critical. The current policy analyst is unprepared to assume the economic research, analysis, and high-level dialogue that the policy unit requires. However, due to his previous position in BOCCIM's membership services department, he can provide needed support involving liaison with members, information dissemination, and organization of policy fora; additionally, he should be given the opportunity and support from BOCCIM management to develop specialization in policy areas important to BOCCIM, such as regional integration.

To complement this role, BOCCIM should hire, immediately, an economist/senior policy analyst to direct the policy unit. This individual must be a proactive person, confident in discussing economic and policy issues at a high level as well as able to organize, mobilize, and inspire the organizations and individuals with which BOCCIM and the senior policy analyst must collaborate not only to promote policy reform but also to leverage BOCCIM's resources. Given these qualifications, BOCCIM must be prepared to offer a good salary and job security. Accordingly, the evaluation team recommends that BOCCIM give priority to obtaining corporate sponsorship of the position, preferably through an endowment.

2. Continuation of Public-Private Sector Working Groups

Collaboration among BDC, BOCCIM, MCI, and other public and private sector organizations characterized much of the policy dialogue and development process that was undertaken during the BPED project. This collaboration was effected through sub-committees (which developed, initiated, and monitored BPED activities in various sectors) and reference groups (which were formed as necessary to focus on particular activities). To ensure not only that inter-organizational dialogue continues at working levels but also that BOCCIM leverages its resources and takes advantage of other organizations' expertise, BOCCIM should spearhead the continuation of the working group methodology. Thus, the evaluation team recommends that new "BOCCIM" working groups should be established to replace "BPED" sub-committees. In particular:

- A BOCCIM "general policy working group" should be formed by merging the BOCCIM policy committee (a committee of the BOCCIM secretariat) and the BPED policy sub-committee; and
- A BOCCIM "financial sector working group" should be created to maintain the work of the BPED financial sector technical sub-committee.

BOCCIM should encourage the active involvement in the new working groups of those individuals and entities that participated in BPED sub-committees and reference groups as well as business council members and other organizations that to date have been less closely linked to BOCCIM. BOCCIM should continue to emphasize the participation of mid-level staff, for the reasons cited in Sections II.C.2 and II.F.2. To motivate the working groups and add to their credibility and stature, the evaluation team further recommends that:

- The working groups should be linked not only to the BOCCIM secretariat but also, through BOCCIM, to the High Level Consultative Council. The working groups should seek to address issues raised but not resolved in HLCC meetings and to identify and research new issues that require HLCC attention.

3. Attention to Small Business Policies

One of BOCCIM's key constituencies is small business, which comprises more than two-thirds of the organization's members. However, as emphasized in Section III and Part A of this section, the BOCCIM secretariat lacks the resources to provide one-to-one assistance in an effective manner. In the absence of direct business management assistance, BOCCIM clearly must provide other tangible benefits to its small business members. Accordingly,

- BOCCIM should focus on collaboration with the newly-created regional business councils to identify policy and regulatory issues that impede small business development.

If it is appropriate or feasible to resolve problems at the local level, BOCCIM should work with the business councils to effect, at the local level, BOCCIM strategies (e.g., public fora for discussion of issues, analytical position papers with formal recommendations, etc.) that have succeeded at the national level. Alternatively, or if no progress is achieved at the local levels, BOCCIM should bring such issues to national attention as it has done with matters raised under BPED.

To further promote attention to issues affecting small businesses, and thereby add credibility to its efforts to be a fully representational private sector organization, BOCCIM should ensure that small businesses are represented on BOCCIM's executive council. The evaluation team recommends that:

- BOCCIM include two or three representatives of the regional business councils to serve on its executive council. These representatives should be elected by the business councils themselves, possibly during the business council meeting scheduled for October 1996.

C. Key Policy Issues for BOCCIM

1. Implementation of Agreed Policies

As noted in the discussion of BPED's effects on the enabling environment for private sector development (Section II.F.5), an enabling environment will not truly exist until policies are adopted and implemented fully. Over the life of the BPED project, BOCCIM has undertaken a number of policy initiatives that have strongly influenced the attitudes of Botswana's leaders. BOCCIM takes every opportunity, in such fora as the Francistown Private Sector Conference and the HLCC, to press in a responsible way for implementation, citing real problems that member firms encounter on a daily basis. Such pressure for implementation must continue. Where the requisite legislation and regulations are in place, but low- or mid-level officials refuse to follow them, BOCCIM may be obliged to lobby for specific civil service reforms.

Additional legislative, regulatory, and administrative steps are needed with respect to government procurement, foreign exchange, industrial policy, productivity measures, export promotion, tourism development, and a variety of programs and instruments to attract financial resources to Botswana and make them available to the private sector. Even if such steps are taken, business will have new demands for change as the economy evolves. Hence, BOCCIM must make implementation a permanent focus.

2. Privatization

After implementation, the most important policy reform for BOCCIM in the immediate future is likely to be privatization, as this is the only major policy reform area where the GoB lags behind many other countries of sub-Saharan Africa. The BOCCIM-sponsored, BPED-funded privatization strategy study completed in September 1996 provides the government a menu of measures capable of putting GoB agencies on a path to more effective management and of leading state-owned enterprises to independent profitability in the free market. The measures described offer the government a chance to withdraw from economic activities that now waste GoB budget resources and also deliver goods and services less effectively than is possible in the free market.

In August 1996, BOCCIM's six-day workshop for GoB and parastatal officials introduced the framework and rationale for privatization; its one-day seminar was aimed at permanent secretaries and senior civil servants. These educational formats are likely to be useful when privatization goes forward, as there are numerous audiences for information about privatization. BOCCIM needs to be at the forefront in pressing for privatization because it is an important stage in creating the enabling environment for private sector growth: it reduces the government's intervention in productive economic activity; improves business conditions by removing inefficient producers and economic distortions from the market; and creates opportunities for new private business undertakings able to generate profits and employment.

BOCCIM members constitute another potential audience, since privatization will force some firms to adapt to new market conditions (e.g., a parastatal member may become several distinct private enterprises), while others will see new opportunities arising from the withdrawal of government from various market sectors.

There will be resistance to privatization, resistance that BOCCIM can help to diminish. Although there is need for an information campaign to educate the general public on the potential benefits of privatization, BOCCIM should consider targeting the most resistant audiences first. These are likely to be the people, management as well as labor, who work in the organizations to be privatized. People in these organizations will be fearful that changes accompanying restructuring and privatization will affect them personally: everything from redundancy to heavier demands on experience and skills in more responsible positions. A series of BOCCIM workshops and seminars for employees can inform the fearful, disarm the antagonistic, and defend the positions of both GoB and the private sector. It will be useful to include in these meetings labor union leaders and media reporters. These meetings can be held from time to time for as long as the GoB's privatization process lasts.

3. Regional Integration

Within or without SADC, regional economic integration is coming to southern Africa. A key question related to such integration is whether the region will be dominated by South Africa. Can Botswana, a landlocked country with a small population, maintain its position of strength within the southern African economic community? The optimistic answer is that Botswana can have influence beyond its size if it pursues the right policies internally and with respect to the community. Because these policies are of vital interest to Botswana's private sector, it can be BOCCIM's role to articulate that interest.

The number of regional associations and opportunities for mutual cooperation among the private sectors of member countries is sure to increase. SADC itself, of course, is a community of states, i.e., of governments. It does not exclude the private sector; rather, SADC ignores it. The regional business community, left to fend for itself, has two options (not mutually exclusive): work to make the private sector an integral partner of the SADC framework, or directly pursue mutual interests across international boundaries.

Botswana's SADC sectoral responsibilities are agricultural research and livestock production/disease control, areas of marginal interest to a business sector anxious to create a modern manufacturing and services economy. Nevertheless, BOCCIM's member firms in agriculture, livestock, and food products might find it useful to establish a policy dialogue with the GoB representatives to SADC who are concerned with these sectoral responsibilities.

With respect to direct pursuit of interests, BOCCIM can take the lead in introducing its members to opportunities for cooperation through international private sector associations. For example, BOCCIM should join the Eastern and Southern Africa Business Organization (ESABO) and should designate an appropriate staff member to liaise with that organization. If there is an association of southern African confederations of business and industry, BOCCIM should join it; if there is no such institution, BOCCIM could take the initiative to create one.

Within Botswana, BOCCIM can help inform its members of regional export opportunities. Working with the existing export association if feasible, it can help small firms with similar product lines to form export associations, through which they can pool their marketing resources (to produce a single export marketing brochure, for example, or send a single representative to a trade fair) and reduce the cost of reaching potential clients throughout the region.

Above all, BOCCIM should monitor all forms of regional economic integration, public or private. The key questions should be: Does this activity serve the interests of Botswana's private sector? What opportunities does this development offer BOCCIM's members? What steps should BOCCIM and members take to seize these opportunities?

4. Economics Education for Parliament and Political Parties

During the BPED project, BOCCIM's major partners in government have been the executive agencies most involved in economic matters: the Office of the President, MFDP, MCI, BoB, and BDC. Little time seems to have been spent working directly with parliament, apparently on the understanding that most of the work on policy reform takes place in the ministries. That is, the ministries send finished draft legislation embodying reforms to parliament to be enacted; parliament normally suggests few if any modifications.

Yet parliament has economic policy responsibilities. It debates legislation and discusses issues in committee. Members of parliament (MPs) should have a basic understanding of Botswana's economy and of the private sector's role in it; otherwise, parliament cannot have informed debate. Debate conducted in ignorance, or worse, no debate at all because members lack knowledge or interest, are both threats to good governance. They also threaten the private sector's interests.

BOCCIM should develop a nonpartisan information program for MPs to acquaint them with the private sector's viewpoint on the role of government in a free market economy. BOCCIM also should regularly invite MPs to participate as guests in BOCCIM seminars and conferences and encourage their involvement in discussions of issues presented there. BOCCIM always should be willing to provide input into parliamentary debate on economic issues where private sector interests are at stake. This also may involve filling MPs' requests for information or providing briefings in their private offices.

The role of economic policy information in the electoral process also deserves BOCCIM's attention. When national elections are held in 1999, political candidates should be able to understand economic issues and articulate their positions on such matters. It is in BOCCIM's particular interest that all candidates of whatever party are aware of the private sector's role in Botswana's economy. BOCCIM should consider extending its nonpartisan political education activities to include a conference or seminar on the importance of economic planks in party platforms, as well as the need for candidates to be able to debate their opponents not only on what is wrong with the opponent's economic program, but what is right about their own.

D. BOCCIM's Structure and Finances

With the exception of working groups attached to the secretariat, the evaluation team has made no major recommended changes to BOCCIM's organizational structure. The absence of such recommendations reflects the significant progress BOCCIM has achieved in reaching the goals of its 1995 organizational strategy review. However, the team has made three significant recommendations regarding staffing. Specifically, the team recommends that BOCCIM invest in:

- An economist/senior policy analyst to direct the policy unit;
- A second staff person to assist the northern region membership services officer with the northern region trade fair and allow the current officer to dedicate attention to business council development; and
- A second staff person to assist the training director, in order to allow this profitable department to expand its activities and to add depth to the department.

Hiring of the economist/senior policy analyst should be BOCCIM's priority. An active and targeted campaign—highlighting the specific policy benefits the unit has achieved on behalf of BOCCIM's members—to secure funding from large corporate and parastatal members should begin immediately. However, filling this position should not wait until corporate sponsorship is obtained; BOCCIM should use its substantial reserves until such funding is in place. Hiring of the second professional staff person for the northern region office is also a priority, but BOCCIM may wish to wait until the Government of Sweden completes its evaluation of the pilot business council development project and decides on longer-term funding for the effort. Hiring of a training department assistant could take place in the short term.

V. GENERAL LESSONS LEARNED

The BPED project has provided a number of "lessons learned" which may be useful in planning future USAID (or Government of Botswana) private sector development efforts, particularly those related to policy dialogue. These lessons learned, categorized in terms of project implementation and management, policy activities, and institutional development, are outlined below.

A. Project Implementation and Management

Three central lessons regarding project implementation and management were reemphasized by BPED implementation. First, *a clear transition plan should be developed and phased-in early in the project, including sequenced declines in USAID budgetary support.* All USAID projects aim to minimize abrupt changes after USAID funding to an organization ceases, so the concept of a transition plan is not new. However, the circumstances surrounding BPED underscore the importance of devising and following such a plan from the beginning of a project. The BPED design allowed for such a transition; for instance, the institutional contractor's participation was scheduled to end one and one-half years earlier than the completion date of the project itself. As noted previously, the closure of the USAID mission to Botswana changed the transition plans and prompted BOCCIM to adjust more quickly to the end of USAID funding. While the organization for the most part responded well to this challenge, in retrospect, it might have been advisable for USAID funding of certain costs, e.g., salaries of BOCCIM staff, to have decreased incrementally each year of the project. Given today's funding uncertainties, other USAID missions should focus on transition plans early in project design and implementation and should decrease steadily their funding over project lifetimes.

Second, it should be expected that advisors will assume both "line" and purely advisory functions, with the balance between these functions dependent on the host-country organization, counterparts, and advisors. A tendency toward the former will diminish the

project's sustainability, while inclination toward the latter role might cause dissatisfaction within the implementing organization and leave the advisor's skills underutilized. In general, the BPED implementing organizations appear to have established, through their own means and in line with their own preferences, a good balance between line and advisory functions, with the results, for instance, that two counterparts assumed their advisors' positions during BPED implementation.

Third, advisors and project managers must exercise diplomacy, especially in working with counterparts to promote ownership and in striving to attain project objectives. Again, this observation is not original, but this lesson figured prominently in the success, or lack thereof, of approaches used to guide implementing organizations in developing and conducting project activities. In Botswana, as in other countries, technical assistance projects work best when local individuals are enthusiastic about and assume leadership roles in project activities.

B. Policy Development, Implementation, and Dialogue

Three lessons regarding policy development, implementation, and dialogue also emerged from the BPED experience, as follows. *First, BPED succeeded not only because USAID financed studies but also because the Government of Botswana and the private sector learned to cooperate, reach consensus, and agree to differ amicably about how policies should change.* The studies funded by BPED were substantively significant; however, as significant as the studies themselves was the manner in which they were conducted. Ideas for studies were developed mainly through inter-organization sub-committees; inter-organization reference groups guided and directed consultant teams, allowing opportunities to identify and address differing opinions; and public fora were held to broaden further the education, consultation, and discussion process. In other words, while officially the *raison d'etre* of any given effort, BPED studies were incorporated in a process that ultimately proved extremely valuable in its own right. Private sector development activities in general, and policy dialogue efforts in particular, should seek to operate under inclusive and participatory processes similar to BPED's.

Second, when funding studies or consultancies related to key policy issues, USAID should try to ensure that both government and the private sector recognize not only the value of outside studies and advice, but also the importance of continuing that kind of research, analysis, and dialogue after the project ends. As emphasized in Part A, building self-sufficiency into the recipient organization should be one of the project's goals, and preparation for the end of the project should start on the day the project begins, giving recipients ample time to recognize that USAID funding will stop on the day the project closes its doors. Self-sustainability means that recipients become responsible for continuing beneficial activities even after donor money is no longer available. If technical advice is still needed after the technical assistance ends, the recipients should pay for it themselves. This is particularly important in countries (such as Botswana) where government is able to obtain policy research and outside advice using its own funds, if it chooses. Studies and consultancies like those funded by BPED can continue as long as necessary if the Government of Botswana and the private sector have the will to support them financially. BPED-type assistance need not end on September 30, 1996; Botswana know where to find the technical skills and how to hire them. One option for providing the funding to do so is outlined in Appendix Q.

Third, the entity responsible for drafting implementing legislation and regulations related to a policy (e.g., the Attorney General's Chambers in Botswana) must be included in all stages of policy development in order to facilitate implementation of policy agreements reached by government and the private sector. Alternatively, assistance may be required to develop legislation and regulations related to the policy. As emphasized in Section II.C, the skills and workload of the Attorney General's Chambers became a significant factor in moving forward complicated financial sector policies. The capabilities of such entities are likely also to be tested in other countries where USAID undertakes private sector development or policy reform efforts; projects, and perhaps their targets for technical assistance, should be planned accordingly.

C. Institutional Development

Without a clear indication of when funding definitely will end, *USAID funding of an institution's activities may create high expectations among the organization's members, and may cause dissatisfaction or confusion (particularly among members) if such activities are no longer available after USAID funding ends.* This lesson refers primarily to efforts (for instance, scholarship-based training and one-to-one business counselling) that were more central to BPED prior to USAID Botswana's closure and, thus, prior to BPED's more narrow focus on policy activities and BOCCIM's sustainability, which is the emphasis of this evaluation. However, it was evident to the evaluation team that such activities had become part of BOCCIM's identity, both from members' and (to a lesser extent) employees' perspectives. Such factors complicate an organization's adjustment when USAID funding ends.

Second, USAID's plans and decisions regarding assistance to an organization must be made with a clear understanding of the leadership's and staff's goals for the organization. Thus, a project may need to adapt somewhat to the organizational culture rather than trying to stretch the organization too far. BPED implementors for the most part followed this reasoning throughout the project, thereby contributing to its success.

Third, efforts should be made throughout the project lifetime to promote ownership of activities so that they continue (even in modified form) after USAID funding ends. As mentioned in Part B above, BPED implementing agencies and their staff assumed integral roles in the project's activities. However, it appears that the structure in which BPED operated was so linked to the project itself that no participants had thought of continuing the process absent the project. Thus, USAID should encourage participants to develop means to continue activities (such as consultation and collaboration, in the case of BPED) as they begin to recognize the value of such activities.

**APPENDICES TO THE FINAL EVALUATION
OF THE BOTSWANA PRIVATE
ENTERPRISE DEVELOPMENT PROJECT**

Final Report

U.S. Agency for International Development

Prepared for: USAID Regional Center for Southern Africa

Prepared by: Coopers & Lybrand, L.L.P.

**Sponsored by: Private Enterprise Development
Support Project III
Contract No. PCE-0026-Q-00-3031-00
Delivery Order No. 59
Prime Contractor: Coopers & Lybrand, L.L.P.**

September 30, 1996

**Coopers
&Lybrand**

**APPENDICES TO THE FINAL EVALUATION
OF THE BOTSWANA PRIVATE
ENTERPRISE DEVELOPMENT PROJECT**

Final Report

U.S. Agency for International Development

Prepared for: USAID Regional Center for Southern Africa

**Prepared by: Lynne Manrique, C&L
Benjamin Hardy, consultant to C&L
Frank Lusby, consultant to C&L
Dennis Smyth, C&L**

**Sponsored by: Private Enterprise Development
Support Project III
Contract No. PCE-0026-Q-00-3031-00
Delivery Order No. 59
Prime Contractor: Coopers & Lybrand, L.L.P.**

September 30, 1996

**Coopers
&Lybrand**

CONTENTS

- Appendix A: Scope of Work
- Appendix B: List of Reference Materials
- Appendix C: List of Contacts
- Appendix D: Draft White Paper on Industrial Policy
- Appendix E: Members of the Foreign Exchange Control Liberalization Reference Group
- Appendix F: Members of the Collective Investment Undertakings Reference Group
- Appendix G: Members of the International Financial Services Center Reference Group
- Appendix H: IFSC Task Force Members
- Appendix I: Members of the International Business Companies Reference Group
- Appendix J: Members of the Privatization Reference Group
- Appendix K: Participants in the Privatization Workshop and Seminar
- Appendix L: 1994 Francistown Private Sector Conference -- Agenda and Recommendations
- Appendix M: 1996 Francistown Private Sector Conference -- Agenda and Recommendations
- Appendix N: Proposed Organizational Structure
- Appendix O: Procedures to Facilitate Working Groups
- Appendix P: BOCCIM's Projected Cash Flow Statements for 1997
- Appendix Q: An Option for Supporting Economic Policy Analysis and Other Development Efforts in Botswana

**APPENDIX A
SCOPE OF WORK
FINAL EVALUATION OF THE BOTSWANA
PRIVATE ENTERPRISE DEVELOPMENT PROJECT**

I. BASIC PROJECT DATA

Project Number:	622-0253
Project Title:	Botswana Private Enterprise Development Project (BPED)
Cooperating Country	Botswana
Date of Authorization	May 14, 1991
Project Assistance Completion Date (PACD)	September 30, 1996 (Revised)
Authorized Life of Project Contribution:	\$13,146,000 (Revised)
Cumulative Obligations	\$13,146,000

II. BACKGROUND

The BPED project aims to strengthen the enabling environment for private sector growth in Botswana by:

- improving the effectiveness of policy dialogue between the private and public sectors on issues affecting private sector growth;
- broadening economic opportunities for citizen entrepreneurs; and,
- increasing domestic and foreign private investment in non-mineral sectors of the Botswana economy.

2.1 Improving Effectiveness of Policy Dialogue

This component aims to strengthen the capacity of BOCCIM and the private sector to identify and analyze priority policy issues affecting business expansion and to advocate effectively for necessary changes to the policy environment. BPED is strengthening BOCCIM's internal analytical capabilities to permit it to fulfill its role in the policy dialogue process once the project ends. BPED-funded Policy Advisers have assisted BOCCIM in making the transition to

partnership starts with the GoB through a combination of timely analyses, well-designed and high profile seminars, and the recruitment of a full-time Policy Analyst who has been able to devote full attention to BOCCIM's policy analysis and advocacy functions, thereby improving BOCCIM's credibility in the policy arena.

In the public sector, BPED devoted resources to strengthening GoB capacity to develop and implement effective policies to support private sector development. A Policy Adviser worked closely with Project Research Unit staff at the Ministry of Commerce and Industry (MCI) to develop a policy agenda and build internal capacity for conducting policy analysis. The Botswana Development Corporation (BDC) has also been an active partner in BPED-funded policy studies which point to new avenues of private sector development, particularly in the financial services sector.

During the final year of the project, BPED has continued to support the policy dialogue process by: (i) providing a Policy Adviser to BOCCIM; (ii) continuing to build the capacity of BOCCIM to formulate and articulate credible policy positions; (iii) providing funding and short-term technical assistance for policy studies that address urgent information needs of the private sector; (iv) providing resources to ensure that the newly established High Level Consultative Council (HLCC) is an effective mechanism for dialogue between the private sector and the GoB; (v) (supporting workshops, conference, and seminars which encourage dialogue between the public and private sectors; and (vi) assisting BOCCIM generally in lobbying for the implementation of policy recommendations.

2.2 Broadening Opportunities for Citizen Entrepreneurs

The scarcity of appropriately trained human resources in Botswana has been a major constraint to the development of citizen-owned enterprises and citizen participation in the private sector. BPED sought to address this constraint by providing: i) management assistance to citizen-owned businesses and ii) training to enhance the capacity of individual entrepreneurs and their employees to identify, develop and benefit from viable investment opportunities in non-mineral sectors of the economy. In addition BPED offered long- and short-term academic training to strengthen the capacity of GoB officials and business organizations to create an enabling environment for entrepreneurial development.

Because BOCCIM's effectiveness in the policy arena ultimately depends on having a broad membership base, BPED continues to help BOCCIM to develop the capacity to provide services which respond to member needs and to grow into a self-sustaining organization capable of maintaining a large, active membership. However, many of the services that BOCCIM provides, and which seems to have attracted a majority of the small- and medium-sized members to join BOCCIM, were dependent upon donor income. Therefore, during the final year of the project, increased emphasis has been placed on helping BOCCIM to develop services which not only benefit its members but also generate income.

2.3 Increasing Private Investment in Non-Mineral Sectors of the Economy

This component assisted in strengthening Botswana's business linkages both within the region and internationally, primarily by developing the capacity of the Marketing Department of the Botswana Development Corporation (BDC) to effectively engage in investment promotion activities. In order to focus resources on institutionalizing the policy dialogue process and ensuring the sustainability of BOCCIM, BPED support for investment promotion ended in September 1995.

2.4 BOCCIM Sustainability

Using BPED funds, BOCCIM commissioned an Organization Strategy Review to facilitate the development of a strategic plan for improving its effectiveness as an organization and ensuring its financial sustainability. The consultants presented their final report to BOCCIM in April 1995, and the BOCCIM Executive Council formally approved the recommended option for restructuring BOCCIM. The consultants then worked with BOCCIM staff to develop corporate and functional objectives; action plans for each department; key performance areas; position descriptions; a human resource development plan; and a performance management system. BPED has provided resources to assist BOCCIM to implement various aspects of this operational plan.

III. PURPOSE

In November 1993, USAID advised the Government of Botswana (GOB) that the Mission to Botswana would close by September 30, 1995. The GoB was concerned that early termination of the BPED project would have potentially serious effects on the sustainability of the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), the key organization in the increasingly effective policy dialogue process that is evolving between the private and public sectors in Botswana. USAID/Botswana, in consultation with the BPED implementing entities, therefore, developed a conceptual plan to redesign the private/public sector policy dialogue process. The plan entailed allowing the project to continue until September 30, 1996, six months short of the original PACD and one year beyond the closing of the bilateral Mission. Administrator Atwood officially approved this plan by signing an Action Memorandum on November 14, 1994.

The primary objectives of this delivery order will be to conduct a final evaluation of the BPED project to:

- assess project outcomes and impact in the area of policy development, implementation and dialogue;
- ascertain BOCCIM's progress toward achieving financial sustainability;
- determine steps required to ensure sustainability of project outcomes and impact; and,

- derive lessons from the BPED experience to guide future private sector development activities undertaken by USAID, and BOCCIM.

IV. SCOPE OF WORK

The contractor shall perform the following:

4.1 Provide a brief overview of the Botswana economy and the environment for private sector development. Compare the situation at the time of project design to the current situation, highlighting the main factors which contributed to any changes in the overall environment.

4.2 Review BPED's implementation experience in the following areas: i) strengthening the capacity of BOCCIM to identify and analyze priority policy issues affecting private sector development; ii) strengthening GoB capacity to develop and implement policies to support private sector development; and ii) improving the effectiveness of policy dialogue between the public and private sectors. For each area:

- summarize the inputs and approaches utilized;
- measure outputs and, to the extent possible, impact;
- identify critical opportunities and constraints to successful implementation; and,
- identify and assess significant strengths and weakness of the approaches utilized.

In addition to completing the above, the evaluation team should analyze empirical evidence to answer the following questions:

- What role did the various Policy Advisers assigned to BOCCIM and MCI play? What were their specific accomplishments? What were the significant constraints, and how might these have been overcome?
- Are the company databases developed by BPED consultant currently being used by MCI to analyze policy issues? If not, why not? What can be done to increase their utility vis-a-vis policy development and implementation?
- To what extent have the economic research database system established under BPED improved BOCCIM's ability to develop and analyze policy issues? Given the post-September human and financial constraints which BOCCIM will face, how can the Policy Unit most effectively utilize these systems?
- How effective has BOCCIM been in soliciting GoB, parastatal and private sector viewpoints on various policy issues? What mechanisms have been most effective, and what mechanisms have been least effective? How can BOCCIM improve its effectiveness?

- What can BOCCIM do to improve the effectiveness of the HLCC as a forum for policy dialogue between the GoB and the private sector
- Drawing upon the experience of the Third Private Sector Conference, what specific steps might BOCCIM undertake to follow up on the recommendations of the Fourth Private Sector Conference held in Francistown in May 1996?
- How effective was the project in improving coordination between BDC the Ministry of Finance and Development Planning (MFDP), MCI and BOCCIM? how might the project have increased its effectiveness?
- Are there specific income-generating activities which the Policy Unit could undertake in support of its mission, taking into account post-September human and financial constraints?
- What lessons from the BOCCIM experience might guide USAID in planning future programs aimed at strengthening the policy analysis and advocacy capabilities of a representative business organization?

4.3 Review BPED's contributions toward improving the enabling environment for private sector development, specifically in the areas of: i) industrial development policy; ii) trade and investment policy; iii) financial sector development; and iv) divestiture and privatization strategies. For each area:

- summarize the inputs and approaches utilized;
- measure outputs and, to the extent possible, impact;
- identify critical opportunities and constraints to successful implementation; and
- identify and assess significant strengths and weaknesses of the approaches utilized.

In addition to completing the above tasks, the evaluation team should analyze empirical evidence to answer the following questions:

- To what extent were the recommendations emanating from the Third Private Sector Conference (1994) implemented and what was BPED's role in facilitating implementation?
- What was the nature and quality of collaboration between the private sector parastatal and the GoB in analyzing and developing policy recommendations resulting from BPED studies:
- What was the nature and extent of marketing, education and communication activities associated with the development of policy recommendations? How might these be improved to ensure implementation of policy recommendations? What specifically can BOCCIM do to encourage implementation?

- What was the impact of BPEd policy interventions on the overall policy environment of Botswana, as measured by GoB policy pronouncements, legislation enacted, regulations adopted, strategies implemented, contribution to economic diversification, and so on? What is the degree of GoB and private sector commitment to implementation?
- What is the potential medium - and long-term impact of implementing the policy recommendations in terms of employment, investment and GoB revenues?

4.4 Ascertain BOCCIM's progress toward achieving financial sustainability in the context of the functional objectives and action plans emanating from the BOCCIM Organization Strategy Review. In particular, analyze empirical evidence to answer the following questions:

- To what extent has BOCCIM succeeded in increasing its revenue base?
- To what extent has BOCCIM succeeded in decreasing its cost base?
- What progress has BOCCIM made toward building the capabilities of its staff and improving overall staff productivity?
- To what extent and in what specific ways has BOCCIM's role as the premier private sector representative body in Botswana been strengthened?
- What opportunities and constraints affected BOCCIM's ability to achieve the above functional objectives?
- What were the major achievements with respect to implementing the Organization Strategy Review action plans, and what factors most contributed to these achievements?
- What modifications to the current action plans might help ensure that BOCCIM continues to move toward financial sustainability once the BPEd project ends on September 30, 1996?
- What lessons from the BOCCIM experience might guide USAID in planning future programs aimed at strengthening NGOs?

V. METHODS AND PROCEDURES

The contractor shall use the following methods and procedures.

5.1 Data Collection Methods

An evaluation reference group, comprising representatives of BOCCIM, BDC, MCI, MFDP and USAID, will guide the evaluation process. Secondary data collection will constitute the principal means of gathering empirical evidence to address the questions raised in Section 4. Methods

of analysis will include reviewing project documents and files, assessing project-funded data collection and analysis systems, interviewing key informants, and observing project related activities. The evaluation team will analyze and interpret the data collected to develop concrete recommendations and distill lessons from the BPED experience.

5.1.1 Document and File Review

The evaluation team will review the following illustrative documents and files:

- Project Paper Supplement
- Project Grant Agreement
- BOCCIM Cooperative Agreement
- BOCCIM Organizational Strategy Review Reports
- Project Implementation Review reports
- Mid Term Evaluation report
- Contractor's Final Report
- BOCCIM progress reports
- Assessment of Program Impact reports and other impact data
- Project-generated technical reports
- Executive summaries to project-generated technical reports
- Audit reports
- BPED activity field (USAID BOCCIM)
- BOCCIM publications (annual reports, newsletters, business magazines, conference proceedings, etc.)
- GOB policy documents, (budget speeches, national development plans, sector reviews, etc.)

5.1.2 Data Collections and Analysis Systems

The evaluation team will evaluate the following project-funded data collection and analysis systems:

- MCI Project Research Unit Databases
- BOCCIM Management Information Systems
- BOCCIM Economic Research Unit Databases

5.1.3 Key Informant Interviews

The evaluation team will interview the following illustrative key informants and/or include them in focus group sessions:

- BOCCIM, MCI, and BDC staff
- Project Implementation Committee members
- Members of BPED reference groups

- Representatives of the GoB and parastatals
- BOCCIM members and beneficiaries of BOCCIM services
- Other private sector representatives
- representatives of other donor organizations providing support to private sector development in Botswana

5.1.4 Project Activity Visits

Depending upon whether relevant activities are in progress during the evaluation, the evaluation reference group may arrange for team members to visit and observe the following illustrative activities:

- Borakanelo Flea Market
- BOCCIM Business Council meetings
- BOCCIM Sector Group meetings
- BOCCIM Policy Committee meetings
- Reference group or tasks force meetings related to project activities
- Project technical committee meetings
- BOCCIM technical committee meetings
- BOCCIM training courses, seminars or workshops

5.2 General Evaluation Process

5.2.1 Evaluation Process

The evaluation will be conducted in Botswana over a four-week period starting in early August 1996. The evaluation process will be guided by the USAID BPED Project Manager, in close collaboration with USAID/RCSA management and the evaluation reference group.

USAID will send copies of critical background documents (marked with (*) in Section 5.1.1) to the Team Leader so that team members can review them prior to their arrival in Botswana. USAID authorities two days per team member for the preliminary review of these documents.

USAID authorizes a two-day team planning workshop in Botswana for the purposes of developing and obtaining approval of a written evaluation plan; establishing relationships between USAID, the evaluation team and the evaluation reference group; and addressing logistical requirements. During this period, the evaluation team members will also pay courtesy calls to appropriate officials of USAID and the BPED implementing entities.

Team members will then spend ten days conducting interviews, reviewing documents and files, evaluating data collection and analysis systems, and visiting project activities, with two additional days allowed for reporting back to the evaluation reference group. After the first five days of collecting data, the team will meet with USAID and the evaluation reference group to review progress toward accomplishment of the scope of work. Following this meeting, the

evaluation team will continue to collect data for another five days, after which they will meet again with USAID and the evaluation reference group to present their initial findings, conclusions, and, if possible, preliminary recommendations.

The team members will draft the evaluation report over a four day period and present the initial draft to USAID and the evaluation reference group at the beginning of the fourth week in Botswana. During the next three days, the team members will complete the final draft based on comments from USAID and the evaluation reference group. The team will present the final draft to USAID and the evaluation reference group at the end of the fourth week in Botswana.

To the extent practicable, all team members are expected to remain in-country until the final draft has been presented at the end of the fourth week. The Team Leader will remain in-country for another three working days to finalize the report and produce the required number of copies. USAID will transmit the final evaluation report to appropriate host country officials.

VI. REPORTS AND DELIVERABLES

The main output of this evaluation will be a comprehensive report which includes the following sections:

- Executive Summary
- Project Identification Data Sheet
- Table of Contents
- List of Acronyms
- Background
- Evaluation Purpose and Specific Objectives
- Methods and Procedures
- Economic Context
- Presentation of Findings (based on empirical evidence)
- Presentation of Conclusions (interpretations and judgements based on findings)
- Recommendations (based on an assessment of the evaluation exercise, in priority order)
- Lessons Learned (based on the analysis)
- Appendices, as appropriate

The Evaluation Team will also complete Part I, Section H, and Part II, section J, of the A.I.D., Evaluation Summary (form AID 1330-5).

Although each team member will provide written sections in his/her area of responsibility, the Team Leader will have ultimate responsibility for the final product. The main body of the final report should be limited to not more than 60 pages in length. Detailed technical analyses may be appended to the report, as required. The evaluation team will submit all reports in hard copy form (number of copies specified below) and in diskette format, using WordPerfect 5.1/5.2.

The contractor shall provide the following deliverable/reports to the COTR by the dates specified:

- 10 copies of the evaluation plan, not later than the end of the second working day in Botswana;
- 12 copies of the draft evaluation report, not later than the beginning of the fourth week in Botswana;
- 15 copies of the final draft evaluation report, not later than the end of the fourth week in Botswana;
- 15 copies of the final evaluation report, prior to the departure of the team leader from Botswana; and
- 3 copies of the AID Evaluation Summary, prior to the departure of the Team Leader from Botswana.

VII. TEAM COMPOSITION

7.1 Qualifications

Prior work experience in Southern Africa is highly desirable. While each team member will remain primarily responsible for his/her area of expertise, the overall team composition should allow for input and cross-validation of findings, conclusions and recommendations among team members. The following skill mix is recommended:

- **Team Leader/Private Sector Development Specialist:** team leadership and project management skills, evaluation experience, private sector development background, and excellent writing and communication skills;
- **Economist/Policy Analyst:** extensive experience in policy development, implementation and dialogue, with specific expertise in industrial development and trade and investment policy. Ability to assess the general structure and utility of database management and statistical analysis system also required.
- **Financial Sector Development Specialist:** extensive experience in policy development, implementation and dialogue, with specific expertise in financial sector development and divestiture/privatization policy.
- **Organizational Development/Business Association Specialist:** extensive experience working with business associations, with good knowledge of association activities, organizational structure, financing, personnel and leadership.

APPENDIX B
LIST OF REFERENCE MATERIALS

Bank of Botswana, "Annual Report 1995."

Barclays Bank of Botswana, Ltd., "Barclays Business Guide to Botswana," 1993/94.

BOCCIM, "1991 BOCCIM National Private Sector Training Survey."

BOCCIM, "1995-1996 BOCCIM Business Directory."

BOCCIM, "1995 Annual Report."

BOCCIM, "BOCCIM News Bulletin," August 1996.

BOCCIM, "BOCCIM's Recommendations to the Government of Botswana for the Renegotiation of the Southern African Customs Union Agreement (SACUA)," February 1995.

BOCCIM, "Botswana Private Enterprise Development Project: Review of On-going Activities," August 1996.

BOCCIM, Business Focus, July/August 1996, Vol. 2, No. 6.

BOCCIM, "Flea Market Consultancy Report," August 1996.

BOCCIM, "Industry Survey 1994: Report of Major Findings," August 1995.

BOCCIM, "The National Conference on Strategies for Private Sector Development, July 4-6, 1988."

BOCCIM, "Proceedings of the Second Private Sector Conference, September 2-4, 1991."

BOCCIM, "Third Private Sector Conference Proceedings, May 22-24, 1994)."

BOCCIM, "Training Needs for Business Growth," January 1994.

Botswana Development Corporation, "Annual Report 1995."

Botswana Institute for Development Policy Analysis, "Annual Report 1995/96."

Botswana Technology Center, "The Review of the Government Scheme to Assist Citizen Contractors in Botswana," August 1995.

Business International, "Critical Issues for American Investors in Botswana," (London: Business International Inc.), February 1991 (funded by USAID).

Center for Financial Engineering in Development, "Privatization: How to Value, Negotiate, and Gain Support for Transforming State-owned Enterprises," (materials prepared for a workshop held August 19-24, 1996).

Coopers & Lybrand, "Privatization Strategy Study (draft)," August 1996.

Deloitte & Touche, "BOCCIM Training Department: Report on Evaluation of Training Impact," September 1995.

Deloitte & Touche, "Botswana Confederation of Commerce, Industry and Manpower: Final Operating Plans," July 1995.

Deloitte & Touche, "Botswana as an International Financial Services Centre: Feasibility Study," July 1995.

Deloitte & Touche, "Botswana Collective Investment Undertakings Project," November 1994.

Deloitte Touche Tohmatsu International, "Botswana Private Enterprise Development Project (BPED): Final Report," December 1995.

Deloitte Touche Tohmatsu International, "Organization Strategy Review: Botswana Confederation of Commerce, Industry and Manpower," April 1995.

Ernst & Young, "Empowering the Private Sector: Investigation into Business Opportunities," September 1996.

Hotel and Tourism Association of Botswana and Botswana Confederation of Commerce, Industry, and Manpower, "Tourism Development Guide," June 1995.

Maendeleo (Botswana) Pty Ltd., "Draft Record of Proceedings of the Fourth Private Sector Conference, May 26-28, 1996."

Ministry of Commerce and Industry, Department of Industrial Affairs, "Annual Report 1993/94."

Phaleng Consultancies (Pty), Ltd., "Cost Benefit Study of Liberalizing Foreign Exchange Control Regulations," January 1994.

Phaleng Consultancies (Pty), Ltd., "The Third Evaluation of the Financial Assistance Policy," January 1995.

Roberts, Simon, and Paul Barese, "HIV/AIDS Financial and Managerial Impacts and the Development of Coping Strategies," August 1994.

Stedman, Stephen John, ed., The Political Economy of Democratic Development (Boulder, CO: Lynne Rienner Publishers), 1993.

Tsa Badiri Consultancy, "National Remuneration Survey," May 1996.

Tsa Badiri Consultancy, "Training Quality Survey: An Employers Evaluation of Training Courses Funded by BOCCIM-administered Scholarships," June 1992.

USAID, "BPED Project Paper Supplement," May 1995.

USAID, "Botswana Private Enterprise Development Project -- Project Authorization Amendment No. 1," June 23, 1995.

USAID, "Botswana Private Enterprise Development Project Semi-annual Project Implementation Report #9," September 30, 1995.

USAID, "Cooperative Agreement with the Botswana Confederation of Commerce, Industry and Manpower (Modification #4)," September 1995.

USAID, "Mid-term Evaluation Annex 1: Description of the Botswana Confederation of Commerce, Industry and Manpower," no date.

USAID, BPED Financial Sector Development project files.

USAID, BPED Management and Entrepreneurial Development files.

USAID, BPED Policy Development files.

Walker, D., and P. Matumo, "Facilitating Opportunities and an Enabling Environment for Investment in the Tourism Industry by Botswana and Current/Resident Stakeholders," June 1995.

Winter, Simon, "Botswana: Industry Location Study," (Gaborone: Sygma Systems (Pty) Ltd.), June 1995.

World Bank, "Opportunities for Industrial Development in Botswana: an Economy in Transition," April 1993.

**APPENDIX C
LIST OF CONTACTS**

Neill Armstrong
Attorney
Armstrongs
5th Floor, Barclays House
Khama Crescent
Gaborone, Botswana
Phone: 353481
Fax: 352757

Mwansa P. Chalwe
Managing Consultant
Quality Management Services
Extension 14, Plot 17397
Private Bag BO 7
Gaborone, Botswana
Phone: 300478
Fax: 300478

Prof. J. K. Atta, Ph.D.
Department of Economics
University of Botswana
Private Bag 0022
Gaborone, Botswana
Phone: 351151, ext. 2231
Fax: 356591

Harish Chotani
Small Business Promotion Officer
Friedrich-Ebert Foundation
Plot 1245/001 BSFM House
Haile Selasie Road
Gaborone, Botswana
Phone: 352441
Fax: 357212

Judith Beckwith
Policy Advisor
BOCCIM House
Old Lobatse Road
Gaborone, Botswana
Phone: 353459
Fax: 373142

D.K.U. Corea
Partner
Coopers & Lybrand
Debswana House
Gaborone, Botswana
Phone: 352011
Fax: 373901

Dr. Stephanie Brailsford
BPED Project Coordinator
BOCCIM House
Old Lobatse Road
Gaborone, Botswana
Phone: 353459
Fax: 373142

E.M. Dewah
Deputy Director
BOCCIM
BOCCIM House
Old Lobatse Road
Gaborone, Botswana
Phone: 353459
Fax: 373142

Valerie L. Dickson-Horton
USAID Mission Director
Southern Africa Regional Center
P.O. Box 2427
Gaborone, Botswana
Phone: 353382
Fax: 313072

Jane L. Disborough, Audit Manager
Ernst & Young
Fourth Floor, Finance House
Khama Crescent
P.O. Box 410-15
Gaborone, Botswana
Phone: 374078
Fax: 374079

C. Tiny Diswai
Senior Operations Officer Corporate
Finance and Divestment Division
Botswana Development Corporation
Limited
Moedi
Gaborone International Showgrounds
Plot 50380
Gaborone, Botswana
Phone: 351811
Fax: 313075

L. James (Bud) Eaton
Manager, Investment Promotion
Botswana Development Corporation, Ltd.
Moedi
Gaborone International Showgrounds
Plot 50380
Gaborone, Botswana
Phone: 351811
Fax: 303105/359354/304193

M.I. Ebrahim
Vice President
BOCCIM
Private Bag F 85
Francistown, Botswana
Phone: 214622
Fax: 214494

Dr. N.H. Fidzani
Department of Economics
University of Botswana
Private Bag 0222
Gaborone, Botswana
Phone: 3552150
Fax: 356591

Isang Gabegwe
Membership Services
BOCCIM
BOCCIM House
Old Lobatse Road
Gaborone, Botswana
Phone: 353459
Fax: 373142

Francis T. Hammond
Country Director
U.S. Peace Corps
P.O. Box 93
Gaborone, Botswana
Phone: 352181
Fax: 314438

Derek J. Hudson, Ph.D.
Phaleng Consultancies (Pty) Ltd.
Private Bag 00152
Gaborone, Botswana
Phone: 353552
Fax: 302098

Jan Isaksen
Executive Director
Botswana Institute for Development Policy
Analysis
Tshomarelo House, 4th Floor
Broadhurst Mall
Gaborone, Botswana
Phone: 371750
Fax: 371748

Lars-Olav Jansson
Counsellor for Development Cooperation
Embassy of Sweden
Development House
Gaborone, Botswana
Phone: 353912
Fax: 353942

Keith Jefferis
Deputy Director
Research Department
Bank of Botswana
Private Bag 154
Gaborone, Botswana
Phone: 3606297
Fax: 309016

Gladson Kayira
Chief Economist - Economic Policy Unit
Ministry of Finance and Development
Planning
Private Bag 008
Gaborone, Botswana
Phone: 350248
Fax: 356086

I.S. Kirby
Deputy Attorney General
Attorney General's Chambers
Private Bag 009
Gaborone, Botswana
Phone: 354700

Gaylord Kombani
Acting Director - Department of Tourism
Ministry of Commerce and Industry
Private Bag 0047
Gaborone, Botswana
Phone: 373764
Fax: 308675

Emang Motlhabane Maphanyane
General Manager
Botswana Housing Corporation
P.O. Box 412
Gaborone, Botswana
Phone: 3605102
Fax: 314101

O.C. Masire
Training Manager
BOCCIM
BOCCIM House
Old Lobatse Road
Gaborone, Botswana
Phone: 353459
Fax: 373142

John Matseke
Attorney
Legal Aid Botswana
P.O. Box 40281 Broadhurst
Gaborone, Botswana

M.J. Mbaakanyi
Director
BOCCIM
BOCCIM House
Old Lobatse Road
Gaborone, Botswana
Phone: 353459
Fax: 373142

Brendon McConville
(Former BPED Training Advisor to
BOCCIM)
Deloitte Touche Tomhatsu
Gaborone, Botswana
Phone: 351611
Fax: 373137

Wayne Meyer
(Former BPED Membership Services
Advisor to BOCCIM)
P.O. Box 18
Gaborone, Botswana
Phone: 352441
Fax: 357212

Charles Middleton
Managing Director
Barclays Bank of Botswana Limited
Head Office, Barclays House
P.O. Box 478
Gaborone, Botswana
Phone: 352041
Fax: 353699

F. Modise
Secretary for Financial Affairs
Ministry and Development Planning
Private Bag 008
Gaborone, Botswana
Phone: 350244
Fax: 350373

Norman Moleele
Regional Manager (North)
BOCCIM
Haskins Building
Blue Jacket Square
Francistown, Botswana
Phone: 214622
Fax: 214622

Pius Molefe
Principal Finance Administrator
Ministry and Development Planning
Private Bag 008
Gaborone, Botswana
Phone: 350339
Fax: 350373

Dichaba Molobe
Policy Analyst
BOCCIM
BOCCIM House
Old Lobatse Raod
Gaborone, Botswana
Phone: 353459
Fax: 373142

Ontiretse Scitta Monagen
Senior Commercial Officer
Department of Trade and Investment
Promotion
Ministry of Commerce and Industry
Private Bag 00367
Gaborone, Botswana
Phone: 351790
Fax: 305375

Kumbulani H. Munamati
Manager - Corporate Finance and
Divestment Division
Botswana Development Corporation
Limited
Modei
Gaborone International Showgrounds
Plot 50380
Gaborone, Botswana
Phone: 351811
Fax: 313075

Marcia Musisi-Nkambwe
Project Manager/Private Sector Advisor
U.S. Agency for International
Development
P.O. Box 2427
Gaborone, Botswana
Phone: 353282, ext. 219
Fax: 313072

Alan D. Norrie
Chief Executive Officer
Stockbrokers Botswana Limited
Ground Floor, Barclays House
Khama Crescent
P.O. Box 41015
Gaborone, Botswana
Phone: 357900
Fax: 357901

Prof. Nessian Ronan
School of Accounting & Management
Studies
University of Botswana
Private Bag 0022
Gaborone, Botswana
Phone: 3552710
Fax: 356591

Dr. J.S. Salkin
Director, Research Department
Bank of Botswana
Private Bag 154
Gaborone, Botswana
Phone: 3606364
Fax: 309016

Segametsi Segopolo
Assistant Attorney General
Drafting Division
Attorney General's Chambers
Private Bag 009
Gaborone, Botswana
Phone: 354739
Fax: 357089

Prem D. Shah
Managing Partner
Coopers & Lybrand
Debswana House
Gaborone, Botswana
Phone: 3520111
Fax: 373901

Pelani D. Siwawa-Ndai
Research Officer - Research Department
Bank of Botswana
Gaborone, Botswana
Phone: 3606317
Fax: 309016

Raphael M.L. Sikwane
President
Botswana Chamber of Commerce and
Industry
Commerce House, TIPA Building
3rd Floor, Main Mall
Gaborone, Botswana
Phone: 359292
Fax: 372467

U. M. Tapela, Principal Industrial Officer
Department of Industrial Affairs
Ministry of Commerce and Industry
Private Bag 0014
Gaborone, Botswana
Phone: 3601200
Fax: 371539

Leo Thumaeletse
Representative, J.R. Watkins (Botswana)
Ltd.
Chairperson, Gaborone Business Council
Gaborone, Botswana

Robert Wood
(former BPED-funded intermittent
divestiture and financial services advisor)
Johannesburg, South Africa
Phone: 27-11-849-3683

APPENDIX D

DRAFT WHITE PAPER ON INDUSTRIAL DEVELOPMENT POLICY

MINISTRY OF COMMERCE AND INDUSTRY



REPUBLIC OF BOTSWANA

DRAFT

INDUSTRIAL DEVELOPMENT POLICY

A. INTRODUCTION

- 1 During the past decade, industrial development in Botswana has been undertaken within the framework of Government Paper No. 2 of 1984 on Industrial Development Policy, Government Paper No. 1 of 1990 on Revised National Policy on Incomes, Employment, Prices and Profits, and by the priorities determined through the National Development Plans. The common themes for industrial policy underlying these documents have been the need to diversify the economy away from its dependence on the resource industries of mining and agriculture, the need to foster the growth of the private sector and the need to support the growth of employment particularly in the smaller towns and villages.
- 2 All of these themes continue to be relevant for industrial policy. But the world has evolved and a number of new pressures have been brought to bear upon the industrial development of Botswana that require certain adaptations and additional measures if Botswana is to achieve the economic growth it needs. The purpose of this policy paper is to identify the main new factors to which the industrial system of Botswana must respond, and then to set out the main policy directions which will be required to adapt to them.
- 3 The most important new factor is the growing intensity of international competition. There are several reasons for this. The first is the reduction in trade barriers as a result of the conclusion of a number of trade negotiations. The World Trade Organisation (WTO) agreement is the most prominent, and it will be instrumental in reducing the Southern African Customs Union (SACU) tariffs which apply to imports into the Common Customs Area from outside the SACU. This increased competition has important implications for Botswana since the primary market for new non-traditional industrial products and commercial services will be within the SACU for many years. Thus the tariff reductions will provide stronger competition for Botswana from international suppliers within the SACU market area. Equally important, negotiations are now under way in regional trade arrangements, including the SACU, the Southern African Development Community (SADC) and with the European Union that have the potential to increase competition even more although they also promise to provide better access for Botswana products to important markets. Botswana industry is entering a new world.
- 4 The second factor that is increasing competitiveness is the rapid introduction of more productive technology and improved operating procedures in business enterprises throughout the world. This new technology is introduced into businesses in two forms. First, it is introduced as new and more efficient equipment and processes. This is the more obvious process to the normal observer. But perhaps even more important, it is introduced by employing more highly trained technical, scientific and management personnel. Technology is largely knowledge, and while some knowledge can be embodied in equipment, it is largely carried by people. Thus the dominant factor in competitiveness is a good supply of appropriately trained personnel.
- 5 These new competitive pressures surrounding Botswana create imperatives for industrial development that cannot be ignored. Combined with the fact that Botswana is now a middle income country with a growing general education level and expectations to match, it constrains the strategic options which are available for industrial development. The World Bank Report of 1993 noted that the highly productive mining industry had supported a wage level in mining and in the public sector that is high by developing

country standards. This wage structure, when extended to manufacturing and service sectors, was above the level which the productivity of these industries could support. Thus, the existing policy directed at making manufacturing industries labour intensive becomes difficult and counterproductive. At the same time, permanent wage subsidies for such industry become both a great burden on the Government budget as well as susceptible to trade sanctions by trading partners. The only option is to meet the competition on its own ground with a highly competitive and efficient industrial base. Industrial policy must therefore support and encourage the establishment of a substantial core of high-productivity, highly competitive export industries. These industries must use the latest technology and the most efficient capital plant if they are to succeed. New investment must be allowed to establish itself in the most competitive configuration of capital, labour and location.

- 6 The need for efficiency and productivity does not mean that industrial policy cannot be directed toward those industries which use relatively more labour with investment than others. In this sense, industrial policy can be directed toward labour intensive sectors. It does mean, however, that within the sectors experiencing development, the plants and firms must be established on the most competitive and labour efficient basis made possible by the technology of the industry. They must be the most efficient in their sector. Only in this way will they be able to meet the international competition, and for this reason investors must be allowed to design their most competitive approach.
- 7 The challenge to create employment must therefore be addressed in a number of supportive ways. The first and most obvious is to promote the expansion of the competitive industrial base as quickly as possible, since even efficient industries require significant amounts of labour. The second way is to facilitate the creation of the service industries and small scale manufacturing industries to support the competitive export sector; these sectors must also be efficient and competitive since they must provide inputs at lowest possible cost to export industries and at international standards of quality, but tend to create more high quality jobs than the export-oriented industrial system itself because they are usually in labour intensive professional services or in skill intensive component industries. They are in financial, legal, accounting, engineering, transportation, communications and construction services and component manufacturing.
- 8 In addition, the personal service sector also expands quickly under the stimulus of demand from an efficient industrial sector, and can be expected to absorb many persons with moderate education and training. These sectors include services such as restaurants, hairdressers, launderers and dry cleaners, household maintenance services, repair shops and retail trades generally. The sector also includes household help and gardeners. All of these services are very sensitive to changes in demand in the economy, and will expand quickly under the stimulus of increased incomes from productive and well paid industry.
- 9 A third way to expand employment is to continue to support and encourage those service sectors which are export oriented and which have significant employment associated with them. The primary one in Botswana is the tourism industry, but there may be scope for expansion of sectors such as printing, publishing, and certain transportation and distribution industries. Again these sectors will require workers with good education and training.

- 10 In addition to the sources of employment which are spin-offs from the main thrust to create efficient and competitive export industries, a continuing priority must be maintained on the creation of employment and income opportunities in the rural areas. Programmes to achieve these objectives will be primarily designed to help the local labour force develop the skills and disciplines needed for micro and small scale economic activities. To extend the outreach of these programmes while minimising the administrative burden on the Government, a strategy will be developed for extending the co-operation of local community organisations and non-governmental organisations, supported by Government.
- 11 In response to these factors, the Government will follow an Industrial Development Policy that will have the following principles.
 - 11.1 **Highly productive and efficient export industries integrated with foreign markets and technology will be promoted as the core engine of growth.**
 - 11.2 **The growth of supporting service and component manufacturers on an efficient basis will be promoted, of which many will be small and medium scale businesses.**
 - 11.3 **Assistance will continue to be provided to small scale rural entrepreneurs and, where appropriate, utilising local community and non-governmental organisations to develop business activities and opportunities in rural villages.**

B. HUMAN RESOURCE DEVELOPMENT AND TRAINING

- 12 It is evident that the next stage of industrial development for Botswana will be dependent on the availability of well educated and skilled human resources. Although this requirement will provide a challenge to the education and training system in Botswana, it will also be an appropriate and opportune form of industrialisation. Botswana is now reaching the stage where the supply of graduates from both secondary and university institutions is large enough that many of them will be available for the private sector. A robust growth in the private sector is needed if a serious problem of educated and skilled unemployment is to be avoided.
- 13 A primary industrial strategy directed at the employment of educated and skilled people in well paying and viable jobs is not an alternative to a strategy to create employment for unskilled and semi-skilled workers. To the contrary, such a strategy will create a significant income flow and demand that will absorb many of the lower skilled and lower educated members of the labour force. A priority on creating employment for educated and skilled workers is therefore not an alternative to an emphasis on the employment of unskilled labour, but is compatible and supportive of it. Indeed, it may provide a more viable approach to the employment of unskilled labour in Botswana than in the past.
- 14 It will be important that the training provided to the labour force is of the type needed by the next stages of industrial growth. Although the Revised National Policy on Education

placed increased emphasis on technical and vocational education, there is still a need to articulate a better balance between education for production and education for personal development. The need to increase productivity to match wage levels, the rising level of unemployment even among the educated labour force, and the direction which industrial development must take to meet international competition all argue for the balance to move toward occupational oriented education.

- 15 Although detailed occupational forecasting has not proved to have a high rate of success, the general areas of skills that will be needed are fairly clear. Management functions such as cost accounting, marketing, sales and distribution systems, information systems, and personnel management will be in high demand. All scientific and technical areas will be in demand, including repair and maintenance for equipment. Engineering training in all areas must be a priority. Computer literacy to a high degree will be essential basic training for all activities. A wide range of trade skills will be required, particularly for household maintenance functions.
- 16 The need for appropriately trained scientific, technical and management personnel will be large enough that the nation will have to call upon all of its population base to provide an adequate supply. This means that both men and women will have to provide major contributions to the supply of vocationally trained labour. It will therefore be essential that women are encouraged and assisted to enter into managerial, technical, scientific and professional training programmes.
- 17 The final stages of training take place in the offices and factories of employers, most of whom are in the private sector. This experience consolidates and adapts the class room training to the work place. This training costs employers a significant amount of money, some of it for organised classroom exercises, courses, special training personnel and trips and accommodation to other plants operated by the firm. Many firms are reluctant to take on these expenditures since the employees often leave shortly after to go to competitors. There are two general approaches to this problem. One is to place a training levy on all members of an industry sector out of which individual firms can be reimbursed for their clearly identified training costs. The second is to consider the training of the labour force as a social benefit which is legitimately a charge to the Government and make training funds available for clearly identified expenditures. The main grounds for justifying general Government support for on-the-job training is that the value accrues to the labour force and is an asset to the nation whether the worker stays with the original firm or moves to new firms or industries. Such support must be provided in co-operation with the private sector since it is under their auspices that training would take place. The second option is the easiest to put into operation and is fairer to the firms involved. It is therefore the recommended option.
- 18 Since the private sector will have the final responsibility for providing on-the-job training, it will be essential that they have an influential role in the design of the policies and programmes for technical and vocational training. Thus private sector representatives will be appointed to the Boards of public institutions providing basic technological and skilled services and training.
- 19 To facilitate the development of the education, skills and training required for an efficient and competitive economy, the Government will implement the following policies.

- 19.1 **The Botswana Training Authority will formulate programmes and policies that will ensure that the education system is oriented to produce graduates with the professional and skill capacities needed by the economy. The Authority will develop measures to further increase the emphasis on vocational education.**
- 19.2 **Women will be encouraged to participate more fully in the professional, scientific, technical and managerial areas of education.**
- 19.3 **A special training fund will be established by the Botswana Training Authority to support flexible training programmes in the private sector through joint programmes developed in co-operation with the private sector.**
- 19.4 **Additional private sector participation will be appointed to the Boards of public institutions providing technological and skilled services and training.**

C. COMPETITIVE MANUFACTURING AND SERVICE INDUSTRIES

- 20 **The need for diversification of the industrial sector continues, but the conditions under which this process must occur have changed profoundly. In addition to the very intense international competition which has already been noted, the industrial expansion during the past decade has largely exploited the domestic market in Botswana. In order to expand further and to achieve more efficient scales of output, industry in Botswana must now turn to foreign markets. In the first instance these markets will be primarily in the SACU area, but they will also have to expand to other regional markets and then to international markets where possible. To achieve this market diversification, Botswana industries will have to have low cost and dependable access to these markets. Fortunately, levels of protection are declining and current regional trade negotiations have the primary objective of improving this market access even further.**
- 21 **If this new marketing thrust is to be successful, Botswana industries must be competitive in those markets. They will need to have dependable marketing arrangements in their markets, access to modern technology and the ability to keep up to new technological developments. Most important, they will have to be able to instil the values in their organisations that will lead to consistently high productivity. This will involve the introduction of good management information systems, an incentive structure, and training programmes to steadily upgrade the abilities and calibre of their staff. It will take management skills of a high level to achieve these objectives. In many cases this will require the participation of, or association with, well-managed foreign firms.**
- 22 **Good location is an important factor in industrial competitiveness. It has a major impact on the availability and cost of inputs such as labour, business services, and components. It has an even more important impact on the cost of marketing and servicing distributors and consumers. The important objective is to reduce the time that inputs or final goods are in inventory or in transportation. This in turn reduces operating capital requirements and financing costs. This factor is of critical importance in competitiveness. Industrial**

policy must therefore accept the imperative this implies for location and focus infrastructure support on those areas that have the potential to produce this advantage. In Botswana, this will primarily be in the Francistown-Lobatse corridor since it has both the best service support facilities as well as the best location for serving the Gauteng market which will be the primary market for most industrial enterprises in Botswana. Francistown has potential that may depend upon improved access conditions to the markets of Zimbabwe and other SADC countries.

- 23 The Government has already reduced the corporate tax rates which eliminates the tax advantage to Selebi-Phikwe. At the same time, improved transportation corridors have effectively reduced differentials in transport costs throughout the country. The responsibility is now on local governments and communities to ensure that the conditions in their communities are as attractive as possible for investors if they wish to ensure that they obtain their share of investment. Support should be provided to investors wherever they wish to locate, but expenditures on infrastructure should be mainly concentrated in areas of high potential.
- 24 The emphasis on productivity and competitiveness will make it essential that current policies to facilitate the provision of licences, infrastructure, land and utilities to industry at more competitive costs be accentuated and pursued with even more emphasis. It will also require continued efforts to expand and deepen the range of financial, accounting and other business services available to industry. The supporting environment for industry must continue to be improved. Investment protection and double taxation agreements will be negotiated with countries that are the main sources of investment.
- 25 The provision of unserviced and serviced land continues to raise difficult issues. The two main issues are the cost of such land and the availability of industrial plots in the appropriate locations. Both unserviced and serviced land must be provided at prices competitive with neighbouring countries. In order to respond to this problem, the cost of unserviced land should be made very minimal. The cost of serviced plots should cover the full cost of installing the services. To ensure that the installation is as cost effective and competitive as possible, private developers should be allowed to compete in the provision of serviced industrial and commercial sites. Further it will be important that both unserviced and serviced plots be made available in anticipation of demand in those areas where the need is likely to be greatest, and notably in the Gaborone-Lobatse area.
- 26 Export oriented service industries will also be fostered. The most substantial is Tourism, for which new legislation has been put in place. Initiatives to incorporate Botswana into the increasing flow of tourists to the region and to continue to improve the quality of tourist accommodation and services in Botswana will be essential. Tourism has the potential to provide a valuable source of employment and income in the non-industrial parts of the country. If the tourism industry is to be successful, it will require highly motivated and well-trained staff for all the main functions and services required by tourists and tourist establishments. Tourist accommodations and attractions must also be built and run at very high levels of quality and meet international standards at competitive prices. To assist the industry to achieve these objectives the facilities of the FAP programme have been extended to the tourism industry. The programme will therefore be able to respond to both the training and the capital needs of the industry. More and better training facilities and programmes are required within Botswana, and new programmes to

promote Botswana as a tourist destination, especially for eco-tourists will be required. The development of tourist attractions outside of the wildlife and National Parks must also be carried out to make other rural areas and the cities of Botswana of interest to tourists.

- 27 Other export service industries will be encouraged and supported as identified and appropriate. These could range through business and financial services, printing and publishing, and distribution and transportation services. Expansion into these areas will provide an important diversification of employment opportunities for a more educated and trained labour force.
- 28 Effective export promotion, especially for non-traditional products, depends upon the use of good data to identify products, markets, specific exporters and specific importers. All of this information must be brought together to create an export opportunity. Thus the skilled use of modern data banks, information technology and communications is a fundamental pre-requisite for success. Steps have already been taken to establish an UNCTAD Trade Point in Botswana which will link the Ministry of Commerce and Industry into the Government Data Network and then, through the Internet, into the international network of trade points. Once on the Internet, the system will also permit the ability to use other sources of trade data in other international data banks. It will also be essential to develop a data base on the Botswana industrial and export capacity to match with the opportunities identified for export abroad. The Trade Point and its access to data bases will permit the organisation managing it to assist the existing and potential exporters to enter and establish themselves in the markets of the region and in wider international markets. The promotion process will involve desk research, exploratory tours, buyer/seller meetings, participation in fairs, inward buying missions and outward trade delegations.
- 29 The Ministry of Commerce and Industry will also develop a data base on the types of export incentives, services and programmes utilised by other competing countries to ensure that the Botswana incentives and facilities are maintained in a competitive position. If an export oriented industrial policy is to be successful, it will be essential that all export incentives and facilities, compatible with commitments in the WTO and other trade agreements, be made available to Botswana exporters.
- 30 Export development will also require measures to improve the capacity of domestic firms to compete successfully in international markets. This will include assistance for export marketing and the provision of advisory services on developing company plans, sourcing of imported inputs, the use of export services, procedures, documentation and payments and financing facilities. Assistance to improve design, packaging and quality for the export market will also be essential, especially for smaller and medium sized exporters. Although the Government will undertake to develop and provide these services initially, many of them ultimately could be provided by private sector organisations and associations with collaboration and support from Government. The Government will work with the private sector to ensure that the institutional structure is developed to provide these services in the private sector in the future.
- 31 The provision of insurance and guarantee facilities for export credit and financing is one of the most important requirements for success of exports of manufactured products. The

Botswana Development Corporation has developed and approved the creation of a new Company in which it will be a significant partner to provide export credit insurance and guarantees for both commercial and political risk coverage. The Government will introduce legislation to provide for reinsurance facilities for the political risk and part of the commercial coverage.

- 32 It will be particularly important that exporters be assisted to meet quality standards for export markets. The passage of the Standards Act and the establishment of the Standards Council and Bureau are important steps toward this objective. As one of its major priorities, the Bureau will be making arrangements with similar Bureaus in export markets for reciprocal recognition and harmonisation of product standards. This will make the acceptance of Botswana products in foreign markets much easier if they carry the appropriate standards approval.
- 33 In line with the need to liberalise the economy, and to achieve compatibility with Botswana's investment and trade commitments under the WTO, the provision of exclusive licences to operate in certain lines of business in Botswana must be eliminated. The Industrial Development Act of 1988 will be amended to remove the authority to provide such licences.
- 34 To achieve the goal of developing an efficient and competitive export-oriented industrial and service sector, the Government will adopt the following policies.
 - 34.1 **Trade negotiations within both bilateral and multilateral fora will be pursued to ensure that such negotiations lead to maximum market access for Botswana exports and lowest possible prices for the inputs required by Botswana industry.**
 - 34.2 **The decisions of investors in trade competitive sectors about location and technology to be used within Botswana will not be influenced through subsidies or land allocation policy so that they will be established on the most competitive basis. Infrastructure expenditures in anticipation of investment will be directed to areas with high potential for industrial location.**
 - 34.3 **The growth of the business service sectors to support manufacturers and exporters will be facilitated.**
 - 34.4 **Investment protection agreements and double taxation agreements will be negotiated urgently with the major source countries of foreign investment and sources of important input services.**
 - 34.5 **The provision of serviced industrial and commercial land by the private sector will be facilitated and unserviced land will be made available at cost. Local Authorities will also be encouraged to make land and services available to investors within their areas of jurisdiction. Special emphasis will be placed on making unserviced and serviced land available in areas likely to be of high investor interest.**

- 34.6 **The provision of factory shells by the private sector will be encouraged and funding will be provided for factory shells constructed to investor specification through development finance institutions such as the Botswana Development Corporation and Tswelopele.**
- 34.7 **The reduction of the real cost of utilities will be continued compatible with covering the full cost of such services, and any remaining cross-subsidization from the business sector to the urban and rural consumers will be eliminated where possible. Appropriate mechanisms will be established to develop rate policies for public utility monopolies, whether operated by public or private interests.**
- 34.8 **The Public Enterprise Monitoring Unit will be developed so that it can establish appropriate operating and cost standards for the utility parastatals.**
- 34.9 **The capacity to utilise international data banks to locate competitive inputs, identify export opportunities and make such information available to the private sector will be developed. A counterpart data bank on Botswana industrial and export capacities will also be developed, made available to the public and kept up to date.**
- 34.10 **In association with private sector organisations, the Ministry of Commerce and Industry will develop and support programmes to assist new and expanding exporters to develop the marketing, financial and administrative procedures necessary to increase their export activities.**
- 34.11 **An export credit insurance and guarantee facility will be created, including a reinsurance facility established by the Government.**
- 34.12 **The provision for exclusive licences will be eliminated by amending the Industrial Development Act of 1988.**
- 34.13 **Local authorities, in co-operation with the local business community, will be encouraged to design investment promotion strategies for their communities and assume responsibility for providing factory shells and other services.**
- 34.14 **Additional support for the tourism industry will be provided through assisting the industry to develop training facilities, improve their facilities, increase the promotion of Botswana for tourists, and develop attractions outside the wildlife and National Parks areas.**

D. TECHNOLOGY DIFFUSION AND PRODUCTIVITY

- 35 **Technology diffusion and productivity concern two important aspects of industrialization—the products that are produced and the technology and systems used to produce them. It is important that progress be made in both of these areas. Attracting producers of new products is of particular strategic importance for a country in**

Botswana's position. Although attracting the production of traditional and existing product lines can provide productive employment it also has to compete with established producers who have already covered their investments in design, engineering, capital plant and distribution facilities and are in a very competitive position. It also runs into established interest groups of labour and management. It is therefore one of the most difficult competitive strategies for a newly established industry to undertake. This handicap can be offset if more efficient technology and systems are used to produce the products than the existing competitors, but in an international context this does not occur very frequently.

- 36 New products are valuable because they do not run into existing competitive positions, and also because they are by definition in new and growing markets. The commercialisation of new products is therefore a vehicle for developing marketing, sales and service experience in a way that existing products do not. However, attracting the production of newer and modern products does not happen automatically and requires greater marketing skill to reduce the risk associated with new products. It will require the development of a process to identify new and promising products as soon as they are introduced in other parts of the world and to seek the rights to produce by local entrepreneurs or attract foreign investors to locate and exploit the product in Botswana.
- 37 The diffusion of new process technology is critical if all sectors of the economy are to reach the standards of productivity required for international competitiveness. Most of the new technology comes through foreign investment and education of the labour force. However, much new technology could be made available for existing entrepreneurs in Botswana who wish to licence and apply it to their operations if appropriate information systems were established. The challenge is to become aware of its availability and where to obtain it. The most effective way is to have a core of engineering and research professionals, especially in international companies located in Botswana who have contacts throughout the world. It can also be done through modern data banks and by monitoring intellectual property registrations. There are also publications on new technology and systems available. Appropriate arrangements can make this information available to Botswana industry.
- 38 There is need for a comprehensive science and technology policy. Technological development refers both to the development of labour and management skills that maximise the use of available technology and to broadening and upgrading the technological base of production. The level of these attributes is highly variable in Botswana and considerable scope exists for improvement. In general, the indigenously owned small scale and micro enterprises have the lowest level of technology, while formal sector small and medium scale industries have a better but still modest capability. There are a number of institutions in Botswana whose mandate is to improve the level of technology and related skills in these industries, but they do not work within a comprehensive policy. These include the Rural Industries Innovation Centre, the Botswana Technology Centre, the Botswana College of Agriculture, the National Institute for Research and Documentation and the Integrated Field Services. The operations and mandates of these organisations in both the area of technology development and in training tend to overlap. It will be important that co-ordination be achieved and that unnecessary duplication be avoided.

- 39 The legal environment for science and technology in Botswana needs to be brought up to modern standards. Current legislation does not provide adequate protection to current international standards, especially for new kinds of intellectual property such as computer programmes and music discs and tapes. A new Industrial Property Act, in line with internationally agreed standards will provide better protection for both foreign and Botswana innovators. A new Copyright Act will be introduced in the near future and a modernised Companies Act will also be legislated. Innovation comes from constant searching, learning and adaptation to better processes and products. The role of the Government is to facilitate that process and not impede it.
- 40 The Government will undertake to improve the environment for science and technology in Botswana through the following measures.

40.1 Developing a Science and Technology policy with objectives of-

Obtaining the participation of the private sector, organisations involved in the development of and dissemination of technology, and Government Ministries and parastatals,

Broadening and upgrading the technological base of production,

Improving the training in technological skills in both industry and training institutions,

Establishing information sources on new technology and disseminating such information to potential users.

- 40.2 **Developing and reviewing Intellectual Property legislation, including the Companies Act, in accordance with international standards to provide a sound and modern environment for the development and diffusion of technology in Botswana.**
- 40.3 **Assessing the performance and operations of institutions involved in developing science and technology policies and programmes to ensure that their training and consulting functions are streamlined and cost-effective.**

E. EMPLOYMENT CREATION AND SMALL BUSINESS DEVELOPMENT

- 41 Although highly efficient industry should provide good value added and an "engine" for the economy, it will not, in the short to medium term at least, provide directly all of the employment and income opportunities needed by the Botswana labour force. It is therefore an important element of industrial policy to address directly the issue of unemployment through the encouragement and support of small and medium scaled business. The Government of Botswana has had programmes to support small and medium sized businesses in place since a few years after independence. A review of the record indicates that the results have been meagre. A number of constraints appear to

account for this. Over 52 percent of small businesses consist of one person, and have virtually no potential for growth. There is no specialisation within the business, and many owners are part time and devote much of their effort to traditional activities such as ploughing, cattle rearing or household duties. Many of these businesses have no suitable dedicated premises, and the owners have a low level of education and find it difficult to keep basic books that measure the performance of the business.

- 42 The policies which are appropriate for a highly competitive export oriented industry can often make conditions more difficult for small and medium scale local entrepreneurs. Liberal trade policies increase competition from imports. Small entrepreneurs find it difficult to exploit foreign markets opened up by lower trade barriers because they have limited marketing capacity and because quality standards and fixed delivery times are difficult to meet. Financing export shipments is also difficult and it takes time for the demand created by larger export industries to have an effect on their own operations. The impact of these disadvantages is partially offset by the availability of cheaper raw materials as a result of lower tariff barriers, but on balance a trade oriented development strategy presents problems for small and medium sized business, especially in smaller centres.
- 43 It is important to distinguish between small scale enterprises associated with rural industrialisation and those associated with urban employment and development. The distinguishing characteristics are not in the enterprises themselves, but in the environment within which they are trying to grow. Rural industrialisation has different factors and influences with which to contend than urban-based small industries. Both are primarily driven by demand, but the nature of urban demand differs from rural demand in size, diversity, quality, and fashion and style. The differences in the nature of demand dictate a different approach to entrepreneurial training, technological development and income generation.

Rural Industrial Development

- 44 Rural industrialisation is an integral part of rural development. Rural enterprises must serve demands arising from other rural based activities such as such as agriculture or tourism. Some rural demand will also be for local consumers whose demand is based on income from workers and family remittances, and certain special local programmes such as rural roads construction and drought relief. The provision of Government services such as education and medical care also provides an important source of income. Although the size of demand may vary with the size of the community, the variety and nature of products and services will be limited by the nature of the local markets.
- 45 Successful rural small scale industrialisation must recognise the nature of the demands identified above and focus on industries and services appropriate for them, and on the trade and management skills required. Utilising the limited resources available to do a few appropriate things well is more productive than spreading resources thinly over many enterprises. The latter course of action will lead to minimum standards and failure. The sources of demand for rural development suggest areas such as repair and maintenance

services for local agricultural, tourist and household consumers. Distribution and retail services (including transportation) and personal services will be another area. Processing of local products for local markets, or carrying out the initial steps of processing for urban and export markets might also be viable.

- 46 Agriculture is the main industry in rural areas. It will therefore provide the principal demand for small scale enterprises, and will provide the main inputs for further processing for others. The training and equipment needs of small business in rural areas must therefore be clearly based on requirements for maintenance and improved efficiency of the agriculture sector. Where cattle is the main agricultural product, enterprises such as the provision of vehicle and borehole maintenance services will be required, the supply of supplementary feedstuffs and minerals, pest control supplies and services, and fencing supplies and services. Where horticultural or more intensive animal husbandry is carried out, a wider range of services and supplies may be required including collection and distribution of products. The agricultural industry therefore provides a wide range of potential, but if this potential is to be realised, training and assistance programmes for small entrepreneurs must carefully focus on the particular type of agriculture carried out in their community.
- 47 In communities where tourism is a major activity, the nature of demand and training will be quite different. Maintenance of facilities and vehicles will have similar requirements to those of agriculture. But the tourism industry will place more emphasis on the provision of transportation facilities, food preparation and catering, training for guides and scouts, the provision of camping equipment and supplies and related types of services. Training programmes for small business in these communities should therefore focus on these types of skills.
- 48 Small scale enterprises operating in a demand environment determined by both agriculture and tourism need technical maintenance skills and a range of basic management skills including keeping accounts and programming work. They also need training that emphasises prompt delivery and quality services to their consumers. Their requirements for extensive training in technology, marketing analysis, export procedures, design, and logistics is very limited. The support services to this area of small business must reflect this characteristic of their demand.
- 49 The provision of support services to small scale business is particularly labour intensive and costly in rural areas. Furthermore, such services are best provided by individuals who have a direct, specialised and continuing interest in the projects. For this reason, local governments and non-government organisations may be more appropriate support organisations than the central Government in many of the smaller centres. Such a co-operative approach might provide more effective assistance at less administrative cost than at present. Although the Government must continue to carry the responsibility for policies and programmes, and to provide support services from regional centres, the Government cannot be everywhere. It may be more effective if local governments and NGO's operate and carry out the training and advisory services in smaller centres. A co-operative approach to small scale rural development which carefully preserves the missions and operating freedom of NGO's while supplementing their resources should be tried and, if successful, become a characteristic of rural development.

- 50 More basic infrastructure in the form of roads, electricity, telephone and education are also essential for any significant rural industrial development. However, cost will limit the provision of these services to population centres of several hundred persons or more. However, it should be clearly understood that good basic infrastructure has a mixed impact on rural development. It permits local products (and people) to leave the community more easily, and outside products to come into the community more cheaply. Infrastructure thus increases creates both difficulties and opportunities for small communities.
- 51 There are many stakeholders involved in the development of small scale enterprise at the level of local communities. They include several Government Ministries, local government entities such as Tribal Administrations, Land Boards and Councils, non-governmental organisations, and the local business associations. If the development process is to be effective, it is important that the work of these organisations be closely co-ordinated at all levels and especially at the local level. Efforts thus must be made to improve and extend the fora in which this co-ordination can take place. The establishment of Business Assistance Centres as a focal point for small business promotion would enable the Government to support the work of local governments and NGO's in the surrounding area. It would also improve the delivery of services and reduce the administrative burden on the central Government in the smaller centres.
- 52 Training constitutes one of the most important elements of the rural small business support programme. To ensure that trainees are sincere, that they are likely to use their training, and because they are the principal beneficiaries, they should be asked to make a larger contribution to the costs of their training. They should also be informed about those areas of skills which have excess capacity and are "over-traded". Further, some of the enterprises in local industrial development are now becoming large enough that the officers in both the Production Development Committees and the Integrated Field Services need to be upgraded to enable them to respond more adequately to the issues with which they become involved with their clients.
- 53 It will be necessary to undertake a fundamental review of the mission and operations of the Integrated Field Services Division of the Department of Industrial Affairs. The growth and evolution of the programmes and services now provided to the small business community in rural areas by IFS has changed their work load and orientation in significant ways. Further, the problems which face small business have changed and multiplied as they have grown as articulated in the IECC Workshop. Problems include a lack of linkages with the rest of the economy, a need to improve technology transfer, increased coverage of advisory services to more areas, poor identification of new investment opportunities and market trends, a lack of venture capital, poor data on the sector and poor monitoring of firms and performance, poor information on training programmes, a lack of literature in local languages and a need to improve the access of small business to better quality raw materials. The role of IFS in relationship to tourism enterprises, commercial enterprises, non-government organisations, parastatals, local government activities and the proposed Business Assistance Centres must be more clearly defined. Their mission and the focus of their activities must be established so that their activities can be monitored and assessed against clear objectives.

- 54 Finance for small scale firms, particularly in rural areas, continues to be a problem. Currently, small scale finance is provided by the FAP grants, and by Tswelelo which provides loans on commercial terms and conditions. On a small scale some NGO's such as Women's Finance House also provide finance. The major problem seems to arise when small firms try to move from the grant support of FAP to the fully commercial financing of Tswelelo. This is often a major step which their cash flow and asset structure cannot support in one step. Some form of intermediary step in which grant funds (perhaps in the form of equity) is combined with commercial financing is needed. Credit guarantees for part of the commercial risk that would permit small business to use commercial lending institutions should also be considered. Such guarantees would overcome the problem of lack of collateral which is at the base of financing problems for many small businesses. This implies that some form of venture capital or merchant banking operation for small and intermediate scale businesses should be examined. These functions require special skills in the assessment of risk for small business and in linking finance to development of other management skills in the business. These skills are not in adequate supply in the financial sector in Botswana. A Task Force to examine this problem and work out the details for an effective programme will be established.
- 55 To respond to the particular problems of rural industrial development and employment, the Government will initiate the following measures.
- 55.1 The Government will continue to extend basic infrastructure into the larger rural centres as a base for local industrial activities. Local Authorities and the private sector will be encouraged to provide the infrastructural facilities needed by local enterprises.**
- 55.2 A co-operative approach to rural industrial development with Local Authorities and non-governmental organisations will be developed and supported by a number of Business Assistance Centres. The Government will encourage existing business associations to provide training, advisory services and technical assistance. Consultative groups and business associations supported by the Business Assistance Centres, will assist in the design and implementation of programmes for each local community. Training and financial assistance to local communities and projects will be directed through the Business Assistance Centres.**
- 55.3 Trainees will be required to make a larger contribution to their own training costs, and training will not be provided for skills and occupations that are now over-crowded. Training will be provided to members of the Production Development Committees and the Integrated Field Services to prepare them for their advisory roles in areas of marketing, production control, financial analysis and monitoring of small enterprises.**
- 55.4 A fundamental review of the Integrated Field Services will be undertaken to refocus their mission, role and operations in the provision of assistance to rural small business enterprises.**

- 55.5 **The Ministry of Finance and Development Planning with the support of the Ministry of Commerce and Industry will establish a Task Force to formulate clear and concrete proposals to improve the range of financial services, including long term financing and risk-sharing guarantees, that is available to small scale enterprises in both rural and urban locations. The Task Force will consider the appropriate relationship between the provision of financial assistance to the provision of other extension services, and will consider how local governments and non-governmental organisations can be encouraged to participate in the provision of financial assistance to this sector.**

Urban Small Scale Industry and Linkages to Large Industry

- 56 In the past no special focus has been provided for the problems of employment creation and small scale industry in the larger urban centres. Their problems were incorporated under the general heading of small scale industry. However, they have some special problems, characteristics and possibilities that may warrant special attention. Urban small scale industries are much more affected by both domestic and foreign competition and by changes in design and fashion. Higher quality standards and customer service requirements usually prevail. They thus require higher standards of marketing and service skills if they are to survive. They also have the same financial hurdles as their rural counterparts when going through discrete stages of growth. Their labour force tends to be more mobile, and they must develop good personnel skills to retain skilled and good workers. Small and medium scale businesses in urban centres thus require a much higher calibre of business management if they are to survive and thrive.
- 57 Against these challenges, they have a number of distinct advantages. They have a much larger cash market, and can survive on a much smaller market share than a small business requires in rural communities. They have much better access to support services such as legal, accounting, banking, transportation, communications, consulting and information services. The choice and variety of skills in the labour force is greater. The access to and availability of inputs for their production is much better.
- 58 Most importantly, because of the advantages in their environment, small and medium scale businesses in urban areas have a much greater potential to graduate into export activities, either directly or through the provision of components for other exporters, than rural small business. It is from the urban group of small and medium businesses that future large scale export oriented businesses will graduate. Thus the policies and programmes provided for them should be focused on preparing them for this role. Training and support programmes would cover subjects such as quality control, inventory and delivery logistics, export procedures including those for export financing, financial control and receivable management and more advanced marketing analysis.
- 59 To encourage this process, it will be important to develop linkages between larger export concerns and the smaller manufacturers. A primary purpose will be to develop markets for components supplied by local producers. But linkages are also a way in which technology and new processes can be transferred to small and medium sized firms. Linkage is therefore a critical part of the process of developing indigenous competitive firms. The forms can range from simple supply contracts to joint ventures and

partnerships. These arrangements provide dependable contracts for small firms that enable them to raise capital and funding for their operations. More importantly, they normally provide technical assistance through production designs, drawings, quality control, pricing and a disciplined approach to distribution and just-in-time inventory and delivery schedules. All of these are essential requirements for any small industry to move into a competitive status. Programmes to help establish linkages establish only the initial contact. The relationship must then develop on its own between co-operating firms.

- 60 A number of programmes were established in the past to provide special support to small indigenous firms. These programmes have had mixed results at best, and are in the process of being evaluated. Although these programmes have had a minor aspect of linkage to larger firms, linkage was not their primary objective. It will be of greater long-term benefit to have support programmes designed to attach small enterprises firmly into the upstream or downstream activities of larger enterprises in the economy.
- 61 Special efforts will be made to develop value-added activities by small enterprises in the major resource areas of Botswana, agriculture, mining and wildlife and tourism. Although small service businesses now exist, and some horticultural and animal husbandry activities now exist, value-added activities in agriculture are relatively minor, especially for the export sector. The potential for value added products in processed meats is large, especially for regional markets, and regulatory changes that will permit this development must be put in place. Significant scope still remains for upgrading in jewellery and other products for the tourism industry, including clothing and fabrics of unique Botswana design.
- 62 To respond to the challenges facing small and medium sized business in urban centres, the Government will ensure the following measures.
 - 62.1 **Training programmes directed to small and medium scale businesses in urban areas will reflect their particular requirements for export marketing expertise, disciplined production and delivery schedules, quality control, banking and foreign exchange procedures, including minimising exchange control documentation, and developing contractual arrangements with existing business either in Botswana or in major export markets.**
 - 62.2 **The programmes and policies for small and medium sized business of the Ministry of Commerce and Industry and its associated parastatals will be refocussed to create linkages with larger competitive industries to provide them with a more stable market and improved access to new technology and processes.**
 - 62.3 **Linkages with the agricultural, minerals and wildlife and tourism sectors will be developed to provide additional employment and export possibilities for small and medium sized businesses. Legislation such as that for the BMC which prevent the export of value-added products by other entrepreneurs will be amended to allow for export to non-European markets.**

F PRIVATISATION AND THE ROLE OF GOVERNMENT

- 63 In a mixed economy, it is essential to define as clearly as possible the roles of the government and the private sector. Even at its simplest, the Government has a large number of important responsibilities. It must create and maintain the legal structure for the nation which gives legal existence to companies and organisations, which establishes the conditions for the enforcement of contracts, and which creates property rights both of a tangible and intangible nature. It must establish the conditions for citizenship and membership in the labour force. It must maintain peace and order in line with the laws which it creates to govern relationships between individuals, and the penalties it has established for violations of those laws. It must enforce the contracts and property rights which it has established. It must defend the nation against foreign incursions. It is responsible for negotiating the conditions of the relationship with foreign countries in the fields of economic, military and social relationships, including migration and immigration.
- 64 Most important, it is responsible for maintaining conditions of equity within the country that are compatible with the values of the society. It is under this objective that Governments become directly involved in the operation of the economy, especially in the early stages of development. Most infrastructure and basic services provided in a society could be provided by the private sector. However, in the case of "natural" monopolies, such as electric power, the provision of water, telecommunications and transportation facilities, the monopoly positions would permit private owners to extort excessive revenues and income from the public and therefore reduce the equity in the society. In the early stages of development, when the marshalling of capital for the construction of this infrastructure is difficult, this equity problem is usually addressed by the Government providing the infrastructure. It then ensures that the services are provided as widely as possible, and often at below cost to certain consumers. As an economy develops, however, the equity problem can be addressed by allowing the private sector to achieve efficiencies through owning and operating the infrastructure, but regulate the level and structure of rates to avoid the major inequities involved. This is the current stage of debate on utility, transport and communications parastatals in Botswana.
- 65 The major vehicle for maintaining equity, however, is the provision of publicly financed education and health care. Both of these services can be provided by the private sector. However, private fees that would cover the whole cost of either service are usually out of reach of the vast majority of the population, even in very wealthy countries. To the level that health and education services are universally used within the society, the provision of these services at reasonable standards and with no or modest fees therefore represents an enormous transfer of wealth to low income groups. This is the condition in Botswana and is the main way in which the Government meets its responsibilities for equity in the society.
- 66 Of more relevance to the issue of privatisation in Botswana is that range of functions and activities that are undertaken in Government but are not founded on either the basic responsibilities of Government or in equity issues. Both the history and the pattern of development in Botswana have led the Government to occupy many of the sectors and functions that would normally have been left to the private sector. At independence, there was little private sector presence in the trades and many commercial service sectors. It

was therefore necessary for the Government to develop and support these functions within its own organisation. Repair and maintenance operations, construction services including architectural services, publishing, and many office services and functions were developed within the Government sector. Although there is now some capacity in the private sector in most of these areas, the very large demand which the Government sector would represent for these activities is not available to them, and their growth and competitiveness is therefore severely curtailed. The present small and medium scale sector is marginalised by Government competition in many activities so that they have weak and fluctuating markets with little basis for scale or for future growth. In these circumstances the relative lack of success for Government support programmes to the small and medium scale sector is understandable.

- 67 Thus, a fundamental industrial development issue pertains to the scope for the private sector in the economy of Botswana. The larger and more varied the activities which the private sector can perform, the more critical mass it will have to become efficient, competitive and to provide lower costs for the economy. It can then begin to generate a wider range of experience and skills on which to build further expansion. In addition, the private sector must have a strong demand for its goods and services if it is to have a steady flow of income that will enable it to contribute to employment and output. To achieve this result, the private sector must occupy the major parts of the economy where these conditions exist.
- 68 There is a wide range of functions and services within the public sector which could be provided to Government or the parastatals by private sector businesses. By nature, most of these would be small and medium scale in size, and ideally suitable for Botswana entrepreneurs and managers. It would be an ideal source of training for local managers, and the larger and more dependable market which Government provides would create the stable revenue conditions that would enable them to obtain finance and to expand and develop their services for the domestic private market and ultimately for export. The whole range of Government and parastatal operations should be examined to identify those functions and activities that could be contracted out to the private sector, and to identify the procedures and steps that might be required to implement such actions.
- 69 The number and extent of Government regulations on the business sector have been significantly reduced in recent years. Yet there continues to be possibilities to reduce and rationalise regulatory procedures further. Continued efforts should be made to eliminate, simplify, or where possible combine application forms and permits. Public sector monopolies for both domestic and export markets should be eliminated where possible. Such measures would provide further freedom and scope for the private sector to grow.
- 70 To improve the scope for the development of entrepreneurship in Botswana and to improve the efficiency of Government, the Government will undertake the following measures.
 - 70.1 **An Inter-Ministerial Task Force under the chairmanship of the Ministry of Commerce and Industry will be established to identify functions and services in Government and parastatals which might be provided by the private sector, and to recommend the timetable, terms and conditions under which they might be privatised.**

- 70.2 **Ministries will review all regulations, licences, permits and public monopolies to ensure that they are still necessary, and if so, to examine ways to improve and expedite the administration of such regulations, licences or permits. The Inter-Ministerial Task Force will establish a deadline for the publication of these results of each review.**

G IMPLEMENTATION AND GOVERNMENT ORGANISATION

- 71 The ability to implement Government policies and programmes efficiently and expeditiously is critical to the success of any industrial policy. Good implementation can be associated with three general characteristics. The first is an effective consultation and co-ordination process between the major parties involved in industrial development. The second is the creation of appropriate organisations for the execution of policies and programmes. The third is the efficiency and effectiveness of existing organisations.
- 72 Industrial development involves many participants in both the Government and the private sector. An effective consultation process is therefore essential to ensure that goals and objectives are agreed and clarified and that implementation measures of the various parties are co-ordinated and mutually supportive. The major consultative mechanism required involves consultation between Government organisations, parastatals, and the private sector. The mechanism must be created at a senior level to ensure effectiveness, and must be supported by an adequate and competent staff to ensure that the documentation for the consultations will support productive discussion and decisions. The staff should preferably consist of the Government institution responsible for industrial and trade policy on a continuing basis so that adaptations can be made to policies and their implementation as circumstances require.
- 73 To ensure that consultation and co-ordination for implementation of industrial policy is effective, the Government will take the following step.
- 73.1 **A Ministerial Committee on Implementation of Industrial Policy will be established under the chairmanship of the Minister of Commerce and Industry.**
- 74 To support the consultative process and to ensure that industrial policy is implemented expeditiously, Government Departments must be appropriately organised and staffed and placed in positions where they can effectively carry out their functions. The Government has reached agreement in principle for the Botswana Development Corporation (BDC) to carry out the investment promotion function on behalf of the Government. The arrangement will require an annual subvention from the Ministry of Commerce and Industry and will be guided by a senior Advisory Council which will include private sector representation.
- 75 The Ministry of Commerce and Industry will continue to provide an investor's service centre to assist investors to establish themselves in Botswana. It will also continue to

provide supporting services for export development and export promotion. The Service Centre will assist industrialists to obtain pre-investment support services such as land, buildings, work and residence permits, licences and any other permit of clearance they may require. When investments become operational, the Service Centre will help to resolve other problems they may have with Government regulations. The Centre will not substitute for various institutions which are vested with the legal powers to issue clearances and licences. It will confine itself to maintaining a system of links with other Ministries and institutions in order to simplify and expedite the administrative formalities. It will operate using "Liaison Officers" designated at senior levels and will monitor the progress and speed of action for each investor.

- 76 The staff resources required to monitor and evaluate implementation and to develop new implementation policies and capacities in support of the senior committees will be organised in a more focused and coherent manner. The support of Inter-Ministerial Committees will require changes in the organisation of policy development and monitoring capacity, especially within the Ministry of Commerce and Industry. Such work will require complete and current data bases on projects and programmes and a staff trained and able to interpret such data bases for policy purposes.
- 77 In order to improve the capacity to implement and monitor industrial development projects and programmes, the Government will undertake the following measures.
 - 77.1 **The government will undertake appropriate institutional reorganisation within the Ministry of Commerce and Industry to improve the focus and capacity for project and programme administration in the field of industrial policies and programmes.**
 - 77.2 **The investment promotion function will be undertaken by the Botswana Development Corporation for the Government under an appropriate Memorandum of Understanding with the Ministry of Commerce and Industry.**
 - 77.3 **The Ministry of Commerce and Industry will create an Investors Service Centre to facilitate the establishment of investors in Botswana.**
- 78 Finally, successful implementation will require continued efforts to improve the efficiency and productivity of Government organisations and parastatals. Improving efficiency is a complex process that requires efforts at all levels of an organisation. It involves training, new organisations of work, and the application of new systems and office equipment. Improving efficiency is a continuous process requiring constant management priority and attention.
- 79 To continue to improve the efficiency of the implementation of programmes and policies, the Government will pursue the following action.
 - 79.1 **The efforts of the Work Improvement Teams will be expedited, and will be supplemented by measures to provide improved information and management systems and equipment, by management training of officers,**

and by a careful review of the priority of functions performed within the Government Ministries.

APPENDIX E

Foreign Exchange Control Liberalization Reference Group

B. Gaolathe, Chair	Debswana Diamond Company
M. Molefane	BDC
M. Mbaakanyi	BOCCIM
J. Murphy	Anglo American Corporation
N. Reed	FB Corporate Finance
R. Wolfe	BPED-funded Advisor to MCI
C. Howard	Standard Chartered Bank of Botswana Ltd.
C. Mallard	Standard Chartered Bank of Botswana Ltd.
L. Maika	Fisher Hoffman Stride
J. Swindell	Botswana Insurance Holdings
T. Johnson	Botswana Insurance Holdings
M. Hopkins	Botswana Insurance Holdings
D. Corea	Coopers & Lybrand (Botswana)
M. Arnold	BOCCIM Policy Advisor
P. Siwawa-Ndai	BOCCIM Chief Economist and Policy Analyst
T. Jordan	Lonrho Holdings
W. Picken	Stockbrokers Botswana Ltd.
N. Moroka	BP Botswana
R. Baum	USAID/Gaborone
P. Baresse	USAID/Gaborone

APPENDIX F

Collective Investment Undertakings Reference Group

R. Wood, Chair	BDC
F. Modisi	MFDP
P. Molefe	MFDP
T. Swindell	Botswana Insurance Holdings Limited
M. Hopkins	Botswana Insurance Holdings Limited
M. Mbaakanyi	BOCCIM
A. Fourie	Botswana Insurance Fund Managers
N. Reed	Firstcorp (Botswana) Ltd.
R. Motshekwane	Bank of Botswana
L. Clarke	Bank of Botswana
I. Kirby	Deputy Attorney General
C. Middleton	Barclays Bank
D. Price	First National Bank of Botswana Ltd.
H. Steverson	U.S. Peace Corps - Botswana
A. Norrie	Stockbrokers Botswana Ltd.
M. Molefane	BDC
C. St. Clair	BPED-funded Advisor to BDC
B. Eaton	BPED-funded Advisor to BDC
K. Munamati	BDC
T. Moremi	MCI
G. Motsemme	MCI
R. Wolfe	BPED-funded Advisor to MCI
W. Meyer	BPED-funded Advisor to BOCCIM
R. Baum	USAID/Gaborone
H. Handler	USAID/Gaborone
M. Musisi-Nkambwe	USAID/Gaborone
A. Richwine	BPED

APPENDIX G

International Financial Services Center Study Reference Group

K. Munamati, Chair	BDC
R. Wood	BDC
N. Reed	Firstcorp (Botswana) Ltd.
F. Modisi	MFDP
P. Molefe	MFDP
I. Sennayane	MFDP
A. Fourie	Botswana Insurance Fund Managers
M. Hopkins	Botswana Insurance Holdings Limited
M. Mbaakanyi	BOCCIM
D. Price	First National Bank of Botswana Ltd.
S. Koseff	Investec
C. Middleton	Barclays Bank
A. Norrie	Stockbrokers Botswana Ltd.
J. Jartby	Bank of Botswana
T. Tafila	Minchin & Kelly (Botswana)
S. Walkin	Mutual Federal
P. Honnet	Associated Insurance Brokers of Botswana (Pty) Ltd.
B. Eaton	BPED-funded Advisor to BDC
N. Armstrong	Armstrongs Attorneys
J. Stephens	Deloitte Touche Tohmatsu
T. Piper	KPMG Peat Marwick
O. Gaborone	Botswana Telecommunications Corporation
R. Baum	USAID/Gaborone
M. Musisi-Nkambwe	USAID/Gaborone
A. Richwine	BPED

APPENDIX H

International Financial Services Center Task Force

K. Munamati, Chair	BDC
M. Molefane	BDC
D. Porteous	Deloitte & Touche (South Africa)
A. Norrie	Stockbrokers Botswana Ltd.
M. Page	Debswana Diamond Company
P. Shah	Coopers & Lybrand
C. Leith	Bank of Botswana
D. Moroka	BOCCIM
B. Eaton	BDC
C. Diswai	BDC
J. Sentsho	University of Botswana
M. Mokubung	MFDP
F. Modisi	MFDP
P. Molefe	MFDP
M. Faber	MFDP
P. Bellos	First National Bank of Botswana Ltd.
S. Brailsford	BPED

At its first meeting, it was decided that this task force would be divided into three sub-committees, each with specific responsibilities. The sub-committees (marketing and education; legislation; and finance and management) were free to draw upon expertise from non-members as and when they deemed necessary.

APPENDIX I

IBC Reference Group

K. Munamati, Chair	BDC
M. Molefane	BDC
L. Gibson	Standard Chartered Bank/Institute of Bankers
P. Siwawa-Ndai	BOCCIM
P. Shah	Coopers & Lybrand
D. Williams	Minchin & Kelly (Botswana)
T. Tafila	Minchin & Kelly (Botswana)
C. Leith	Bank of Botswana
F. Modise	MFDP
P. Molefe	MFDP
M. Faber	MFDP
P. Bellos	First National Bank of Botswana Ltd./Inst. of Bankers
S. Segopolo	Attorney General's Chambers
K. Hudson	Firstcorp (Botswana) Limited
S. Chinyoka	University of Botswana
C. Ngongola	University of Botswana
T. Tlou	University of Botswana
A. Norrie	Stockbrokers Botswana Ltd.
P. Shah	Institute of Accountants/Coopers & Lybrand
N. Moroka	B.P. Botswana
M. Musisi-Nkambwe	USAID/RCSA
S. Brailsford	BPED Coordinator

APPENDIX J

Privatization Study Reference Group

E. Maphanyane, Chair	Botswana Housing Corporation
M. Mbaakanyi	BOCCIM
E. Dewah	BOCCIM
P. Siwawa-Ndai	BOCCIM
D. Molobe	BOCCIM
L. Tumaletse	Gaborone Business Council
D. Mosienyane	Barclays Bank of Botswana Limited
M. Tibone	Delta Motors
M. Maine	Karakele Drycleaning Boutique
K. Garebamoto	Botswana Agricultural Marketing Board
M. Sekwale	North-South Carrier Water Project
B. Mpho	Water Utilities Corporation
A. Motsepe	Botswana Power Corporation
T. Nyamadzabo	MFDP
J. Ramotshabi	Botswana Telecommunications Corporation
O. Gaborone	Botswana Telecommunications Corporation
S. Silo	Ministry of Works, Transport & Communications
A. Lionjanga	Ministry of Works, Transport & Communications
J. Beckwith	BPED-funded Policy Advisor to BOCCIM
S. Brailsford	BPED Coordinator
M. Musisi-Nkambwe	USAID/RCSA

APPENDIX K

Participants in Privatization Workshop and Seminar

Privatization Workshop (August 19 to 24, 1996)

N. Mogapi	Gaborone City Council
J. Mpetsana	Department of Supplies
D. Mokotedi	Botswana Housing Corporation
D. Santagane	Botswana Housing Corporation
J. Mokgosi	Botswana Housing Corporation
A. Mokgare	Ministry of Agriculture
M. Bingana	Ministry of Agriculture
K. Gosalamang	Dept. of Architecture & Building Services
T. Molotsi	Dept. of Architecture & Building Services
T. Gaamangwe	Ministry of Health
W. Musoke	Government Printer
A. Motsepe	Botswana Power Corporation
L. Mabote	National Development Bank
R. Phole	National Development Bank
R. Ketshabile	Botswana Meat Commission
A. Matlhaku	Office of the President
K. Regoeng	Accountant General's Department
T. Nyamadzabo	MFDP
B. Masete	MFDP
V. Mogwe	Ministry of Education
M. Madisa	Botswana Vaccine Institute
A. Modunswa	Water Utilities Corporation
D. Matlakala	Attorney General's Chambers
C. Diswai	BDC
M. Setimela	Labour Department
A. Slave	University of Botswana
B. Dimbungu	Ministry of Commerce and Industry
O. Masedi	Department of Water Affairs
B. Matiting	Ministry of Local Government, Housing & Lands
O. Merafhe	Air Botswana
M. Masire-Mwamba	Botswana Telecommunications Corporation

Seminar on Privatization (August 26, 1996)

E. Maphanyane	Botswana Housing Corporation
J. Galeforolwe	Air Botswana
J. Howell	National Development Bank
E. Mushayandebvu	National Development Bank
H. Sigwele	Ministry of Agriculture
A. Ramji	Botswana Railways
B. Mpho	Water Utilities Corporation
K. Munamati	BDC
S. Brailsford	BPED Coordinator
P. Abeykoon	Botswana Postal Services
T. Lebang	Ministry of Labour and Home Affairs
D. Matlakala	Attorney General's Chambers
P. Matsetse	Office of the President
A. Matlhaku	Office of the President
E. Chiepe	Ministry of Education
J. Swartland	Ministry of Education
M. Chakalisa	Directorate of Public Service Management
T. Moremi	Ministry of Commerce and Industry
E. Moncho	Lobatse Town Council
M. Mbaakanyi	BOCCIM
D. Molobe	BOCCIM
J. Beckwith	BPED-funded Policy Advisor to BOCCIM

APPENDIX L
1994 FRANCISTOWN PRIVATE SECTOR CONFERENCE
AGENDA AND RECOMMENDATIONS

I. AGENDA

May 22: **Registration**

Welcome by His Worship I. Ebrahim, Mayor of Francistown and BOCCIM Vice-President

May 23:

OPENING PLENARY SESSION

Introductory Remarks by Mr. George Kgoroba, BOCCIM President

Opening Speech by H.E. Sir Ketumile Masire, President, Republic of Botswana

Keynote Address ("**Competitiveness: Botswana in a Regional and Global Context**") by Mr. Colin Stoneman, Lecturer, Center for Southern African Studies, University of York

Point/Counterpoint. "Which Way Botswana: Defining the New Engine of Growth"

Presentation ("**The South African Customs Union: Implications for Botswana's Competitiveness**") by Professor Gavin Maasdrop, Director, Economic Research Unit, University of Natal

Presentation ("**The Nature of Competitiveness and Issues of Competitiveness**") by Mr. Uttum Corea, Partner, Coopers & Lybrand

SIMULTANEOUS WORKSHOPS

The Proper Role of Government in Developing a Competitive Advantage.
Presenter: Keith Jefferis, Department of Economics, University of Botswana

Fiscal and Monetary Policy and the Requirement of Competitiveness.
Presenter: Dr. L. Clarke, Bank of Botswana

Stimulating Productivity: The Key to Botswana's Competitiveness?
Presenter: Mr. J. Parsons, Botswana National Productivity Center

Competitive Corporate Strategy: Clustering Opportunities Presenter: Mr. F. Ferreira

A Vision for the Future: "Enterprise Botswana" as a Going Concern
Presenter: Mr. M.H. Abkenari, Solar Power

DISCUSSIONS OF COMPETITIVE ADVANTAGE

Video Presentation on Competitive Advantage

Telephone conference with Professor Michael Porter of Harvard University regarding competitive advantage.

May 24:

PLENARY SESSION

Presentation and discussion of summary reports from previous day's workshops.

SIMULTANEOUS WORKSHOPS

The Future of Parastatals: Privatization or Commercialization -- The Competitive Option for Botswana Presenter: Ms. Pelani Sewawa-Ndai, BOCCIM

Local Preference Scheme, Buy Botswana, and Protectionism: Can Competitiveness be Fostered? Presenter: Mr. C. Dambe, Trade World

The Current Environment: Is Botswana Competitive Enough? Presenter: Mr. A.L. Jordan, Lonhro Holdings

Botswana's Role in a Regional Economy: How to Develop a Competitive Position vis-a-vis our Neighbors Presenter: Mr. P. Ncube, Consultant

POINT/COUNTERPOINT

The Environment for Investment: Are Incentive Packages Necessary?

PLENARY SESSION

Presentation and discussion of summary reports from workshops.

Recommendations and Suggestions of the Conference

Closing Speech by the Honorable F.G. Mogae, Vice President and Minister of Finance and Development Planning

II. RECOMMENDATIONS

The specific recommendations that conference participants developed included the following:

1. Form a high level consultative council involving senior representatives of the public and private sectors to provide a forum for the private sector to contribute to national policies and strategies on a continuing basis.
2. Implement the recommendations of the BOCCIM/BDC Foreign Exchange Liberalization study (described in Part C above).
3. Further reduce company and personal tax.
4. Strengthen TIPAs by providing additional resources and greater autonomy.
5. Conduct a study on the provision of venture capital, long-term finance, and export finance.
6. Review the Local Preference Scheme.
7. Reduce the cost of services to industry (e.g., power, water and telecommunications).
8. Expedite the provision of serviced land.
9. Identify and hive off activities in the parastatal sector and relevant government department.
10. Develop the capacity to implement agreed policies or involve the private sector in implementing some government programs.
11. Focus industrial promotion efforts on niche markets and "cluster" activities around established industries.
12. Shorten the process of obtaining services.
13. Improve productivity by developing good managerial skills and performance based incentives.
14. Encourage and support establishment of counselling services for alcohol abuse.
15. Create a fund to assist citizens to participate in parastatal divestment.

16. Promote regional cooperation in trade and investment.
17. Develop a long-term, socio-economic vision for Botswana.
18. Review, at the next conference, the progress made on implementing the above recommendations.

APPENDIX M
1996 FRANCISTOWN PRIVATE SECTOR CONFERENCE
AGENDA AND RECOMMENDATIONS

I. AGENDA

May 26: **Reception**

Welcome Address by D.N. Moroka, President, BOCCIM

May 27:

OPENING PLENARY SESSION

Introduction of Conference Chairpersons: O.K. Matambo, Permanent Secretary, Ministry of Finance and Development Planning and I. Ebrahim, Vice President, BOCCIM

Presentation: "Our Future Employment: Hopes and Fears of Today's Teenagers" by three schoolchildren, Maleshwane Mauco, Boingotlo O. Morope, Zenzele Hirschfeld

Keynote Address: "The challenge of creating jobs: how the private sector can create employment and how governments can help this to happen" by C. Hunter, Anglo American Corporation (SA)

Panel and Floor Discussion: "Defining the Challenge of Employment Creation in Botswana" by T. Nyamadzabo, MFDP, L. Mosienyane, Mosienyane & Partners, H.C.L. Hermans, Bank of Botswana

Keynote Address: "Employment Creation and the New World Economic Order: Lessons and Challenges for Southern Africa" by Professor T. Hawkins, University of Zimbabwe

Panel and Floor Discussion: "Implications of the Changing Global and Regional Economic Order for Employment Creation in Botswana" by L.D. Lekalake, Kgalagadi Management Services, B. Blewitt, Tyre Services, and J. Salkin, Bank of Botswana

Presentation: "Employment Creation through Sustainable Business Development" by E. Setshwaelo, BNPC

Presentation: "Defining the Challenge of Employment Creation in Botswana" by B.O. Gaobakwe

Panel and Floor Discussion: "The Main Ingredients and Timeframes for Botswana to Progress along the Path of Productivity-Based Economic Diversification" by Mr. Mbonini, BCL, J. Lisindi, Debswana, E.M. Maphanyane, BHC

CONCURRENT WORKSHOPS

Lessons from Recent Experiences in the Expansion and Diversification of Medium- and Large-scale Manufacturers in Botswana by K. Jefferis, University of Botswana

Job Creation through Growth and Expansion of Small-Scale Enterprises: Evidence, Potential, and Needs by G. Kombani, Department of Industrial Affairs, MCI

Rural Employment by D. Inger, Rural Industries Promotions Company

PLENARY SESSION

Presentation: "Status Report on Preparation of a Revised Industrial Development Policy for Botswana" by T.C. Moremi, MCI

Floor Discussion: "Issues and Challenges for Preparation of a Revised Industrial Development Policy"

Presentations from Workshops

PLENARY SESSION

Introductory Remarks by conference chairpersons

Keynote Address: "Developing a Realistic Vision and Strategy to Guide National Employment Creation and Economic Diversification" by B. Hodgson, Segal Quince Wicksteed

Keynote Address: "The Dynamics of Employment and Economic Growth: the Case of Malaysia" by Jaafar B. Ahmad, Bank of Namibia

Panel and Floor Discussion: "Does Botswana have the Vision and Strategy Needed for Sustainable Job Creation" by H. Abkenari, Solar Power, B. Gaolathe, Debswana, and M. Modisi, SP Construction

CONCURRENT WORKSHOPS

Creating Jobs through the Development of Tourism by A. Chilisa, Chairman, HATAB

Implications of Regional Economic Trends on Employment in Botswana" by Professor R. Mokate, University of Pretoria

Strategic Thinking on Employment Creation in Botswana by U. Corea, Coopers & Lybrand

PLENARY SESSION

Introductory Remarks by conference chairpersons

Presentation: "Improving the Implementation of Government Policies and Resolutions" by D.N. Moroka, BOCCIM

Panel and Floor Discussion: "Improving the Implementation of Government Policies and Resolutions" by M. Mannathoko, BMC, E.W.M.J. Legwaila, Office of the President, P. Sethantsho, Ghanzi District Council

Presentations from Workshops

Presentation: "Main Ingredients for a New Public-Private Strategy for Private Sector Employment Creation in Botswana" by J. Isaksen, BIDPA

Panel and Floor Discussion: "How to Bring About a New Public-Private Strategy for Private Sector Employment Creation in Botswana" by E. Modise, E. Mbuya, Owens Corning, and R. Sikwane, BCCI

Conference Resolutions by conference chairpersons

CLOSING SPEECH by His Excellency F. Mogae, Vice President, Republic of Botswana

II. RECOMMENDATIONS

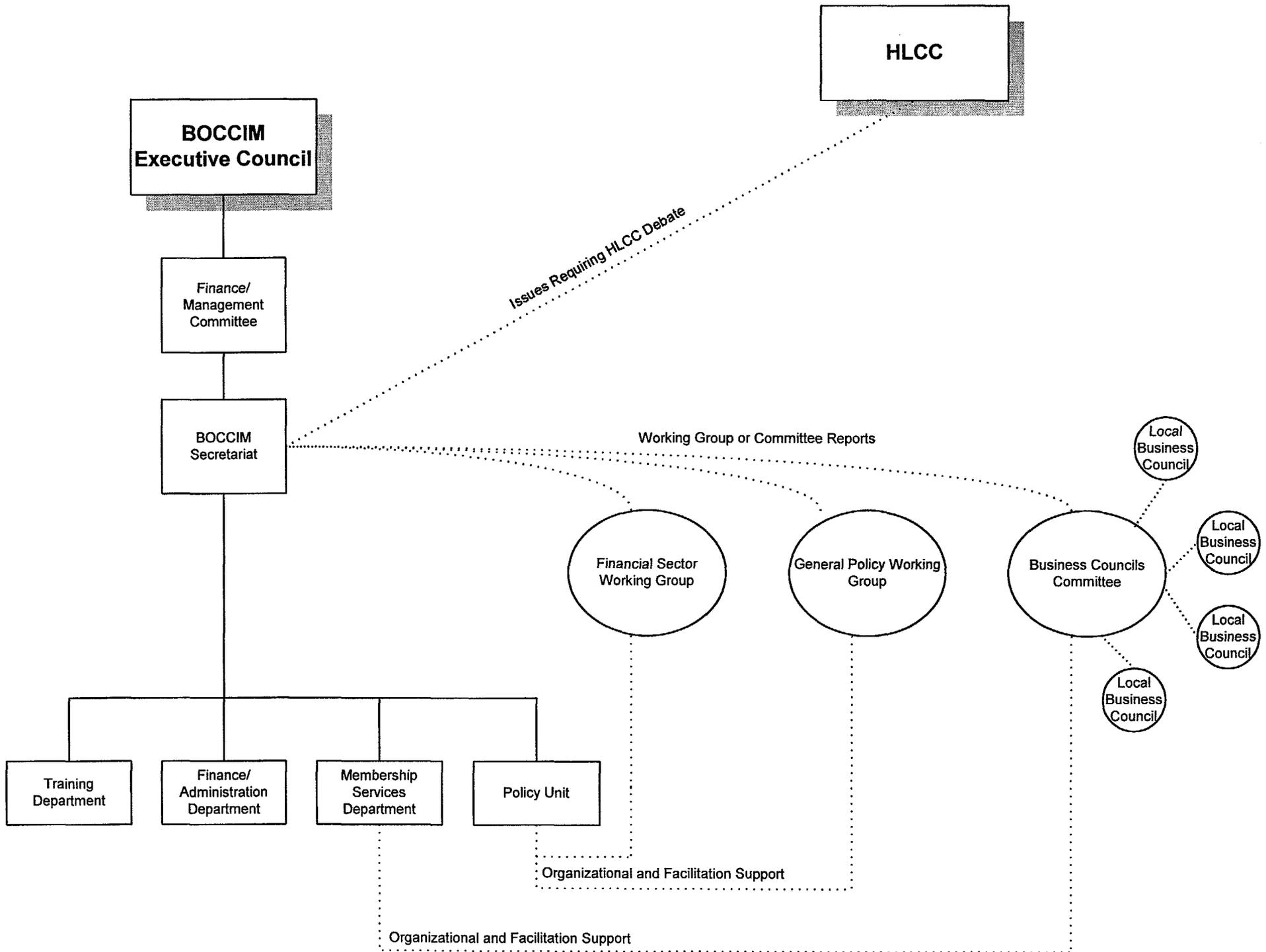
The following resolutions were adopted by participants at the 1996 Francistown Private Sector Conference:

1. Government should continue to follow policies of prudent macroeconomic management, sustainable development, and transparency, and agricultural development should continue to be accorded priority.
2. The BOCCIM biennial private sector conference should be renamed the National Business Conference in order to better reflect its national importance and to reflect the positive collaborative relationship that is needed between the private sector and government.

3. Botswana should prepare a long term vision for where it wants to be in 2020, together with a national strategy for achieving the vision.
4. The draft industrial policy should be distributed widely among the private and public sectors, with input from all interested parties obtained at a public seminar to discuss the draft policy.
5. Investment promotion activities should focus on Southern Africa.
6. TIPPA should be strengthened to enable it to recruit experienced investment promotion specialists and by ensuring it has sufficient budgetary resources and flexibility in using those resources.
7. Employers, employees and government should produce a national human resources development plan, to be integrated into NDP 8.
8. The private sector must become a full and equal partner with government in development, through institutionalized collaboration in the formulation of policies.
9. Botswana should establish a medium term goal of becoming an educated society, in which all children have the opportunity to attend school up to Form 5 or to opt for vocational training.
10. Government should conduct an in-depth independent audit of implementation capacity in the civil service to ensure that existing structures are conducive to speedy implementation.
11. To promote exchange of skills and knowledge, government and the private sector should investigate the feasibility of development and exchange or secondment program of their middle and senior level officials.
12. Employers should adopt incentive based payment schemes, improved training, supervision, and productivity bonus schemes.
13. Training of small scale enterprises should be improved by expanding the operations of the Improve Your Business scheme and Junior Achiever Program.
14. MCI should strengthen its capacity to support small scale enterprises.
15. MCI should expedite implementation of a local procurement scheme to benefit Botswana enterprises.
16. Through BOCCIM, the private sector should establish a code of conduct for private business.

17. A public-private sector task force should investigate how Botswana can derive more benefits, especially employment for Botswana, from tourism.
18. A national tourism board should be established as a matter of priority.
19. The Department of Tourism should be strengthened.
20. Government should intensify efforts to influence the direction of SADC and SACU to increase investment.
21. The private sector should adopt systematic training, business development, and advocacy programs.
22. The private sector should identify opportunities for joint ventures with SADC partners in infrastructure.
23. Inefficiencies, delays and monopoly of telecommunications, and delays in land allocation.
24. An updated assessment of exchange rate policy should be prepared.
25. Government and the private sector, through the HLCC, should agree upon prioritization, assigning responsibilities, achievable targets, and deadlines in order to operationalize and implement the conference resolutions, and to enable monitoring of implementation.

APPENDIX N
PROPOSED ORGANIZATIONAL STRUCTURE



134

APPENDIX O PROCEDURES TO FACILITATE WORKING GROUPS

The following procedures will help insure the transition from “BPED subcommittees” to “BOCCIM policy workgroups”. They are presented in relation to the recommendations made in section IV (Policy Unit) of the Organizational and Financial Assessment of BOCCIM.

Preliminary Steps (before workgroups begin meeting) These steps would preferably be carried out by the Deputy Director and the Policy Unit coordinator.

Step 1. Review each activity sheet from the BPED “Financial Sector Sub-committee” and the “Policy Subcommittee”. Determine which activities to pursue under the new workgroup structure, and who should be the “coordinator” for each activity.

Step 2. Decide who should remain or be added to the new “BOCCIM workgroups”

Step 3. Appoint a strong chairperson, with good organizational skills, to each workgroup. It is suggested that the current chairman of the financial sector subcommittee continue on as chairman of the financial sector workgroup.

Subsequent Steps (once workgroups begin to meet) These steps should be carried out by the BOCCIM Policy Unit Coordinator with the support of BOCCIM management.

Step 4. Supply the chairperson and all workgroup members with updated activity sheets at least one week before the workgroup meeting. Update the activity sheets on a regular basis.

Step 5. Set an agenda for each workgroup meeting and review with the chairperson.

Step 6. (during each workgroup meeting) - Assign someone to take minutes (and then follow-up with the person to make sure the minutes are produced). Take notes to facilitate the updating of activity sheets. Make sure that the next meeting date is set before the end of the meeting.

Step 7. (after each workgroup meeting) - Update the activity sheets. *It is recommended that the current BPED advisor transfer both disk and hard copies of all activity sheets to the Deputy Director and/or Policy Unit before she completes her contract.

Procedures for Contracting with Consultants and Firms for Studies and other Services

Step 8. Contracting: the following things need to be taken into consideration with the contracting process (*It is recommended that the current BPED advisor provide a summary of the contracting procedures used under the BPED project to the Deputy Director and/or Policy Unit before she completes her contract):

- Assess the competition
- Create a shortlist of firms
- Once firm is selected - create a memo to the file to justify selection
- Create a "reference group" within the workgroup to monitor the consultancy
- Develop Terms of Reference for the consultancy (have this reviewed by the reference group)
- Develop a budget (keep this confidential during the bidding process)
- Send terms of reference to short-listed firms (or make it available to all firms if there is open bidding)
- Do not accept any late proposals
- Create an "evaluation committee" to review each proposal based on pre-established criteria
- Choose a winner/send an award letter
- Negotiate terms/sign a contract
- Inform unsuccessful candidates
- Administer contract (monitor completion benchmarks, verify invoices, coordinate with accounting department, etc.) It is recommended that penalties be administered for late submittal of reports.
- Circulate drafts of reports to Reference Group/keep them involved!

APPENDIX P

BOCCIM'S PROJECTED CASH FLOW STATEMENTS FOR 1997

801

SUMMARY CONSOLIDATED PROJECTED CASHFLOW STATEMENT 1997

	<u>ADMNI</u>	<u>TRAINING</u>	<u>/RELATION</u>	<u>M/SERV-NTH</u>	<u>M/SERV-STH</u>	<u>POLICY</u>	<u>TOTAL</u>
RECEIPTS	800,000	435,000	96,000	254,000	43,000	20,000	1,648,000
PAYMNTS	821,098	339,641	84,049	243,292	102,710	97,167	1,687,957
(DEF)/SURP	-21,098	95,359	11,951	10,708	-59,710	-77,167	-39,957

ADMINISTRATION DEPARTMENT - PROJECTED CASHFLOW STATEMENT 1997

<u>RECEIPTS</u>	<u>PULA</u>
Subscriptions	625,000
Grants	0
Interest	110,000
Rent	45,000
Publications	5,000
Sundry	15,000
	<u>800,000</u>
 <u>PAYMENTS</u>	
Salaries	299,976
Pensions	29,414
Medical Aid	29,208
Vehicle costs	20,000
Hotel costs	9,500
Rent and utilities	30,000
Audit fees	4,500
Postage	12,000
Telephones	55,000
Stationery	30,000
Advertising	10,000
Subscriptions	12,000
Bank charges	2,500
Entertainment	4,000
Repairs and maintainance	15,000
Security	18,000
Meetings	2,500
Printing	30,000
BOCCIM HOUSE Loan repayments	132,000
Newsletter	27,500
Consultancy	24,000
Insurance	10,000
Miscellaneous	14,000
TOTAL EXPENSES	<u>821,098</u>
 CASH SURPLUS/(DEFICIT)	 -21,098

TRAINING DEPARTMENT - PROJECTED CASHFLOW**CASH RECEIPTS****PULA**

Training fees	35,000
Commission -Govt scholarships	10,000
Secretarial Convention	130,000
Special seminars	120,000
Business Convention	140,000
	<u>435,000</u>

ATTRIBUTABLE PAYMENTS

Salaries	90,888
Pensions	9,089
Medical Aid	8,364
Training expenses	22,632
Special Seminars	61,875
Secretarial Convetion	69,565
Business Convention	76,128
Government scholarship	500
Bank Charges	600
	<u>339,641</u>

CASH CONTRIBUTION**95,359**

MEMBERSHIP SERVICES NORTH - PROJECTED CASHFLOW 1997

RECEIPTS

PULA

Trade fair	200,000
Annual Dinner	40,000
Business Workshops	4,000
New member Subscriptions	10,000
	<u>254,000</u>

ATTRIBUTABLE PAYMENTS

Salaries	68,064
Pensions	6,314
Medical Aid	6,814
Stationery	1,800
Telephones	9,600
Trade fair expenses	123,000
Annual Dinner	19,000
Bank charges	500
Postage	3,000
Security	2,500
Miscellaneous	2,700
	<u>243,292</u>

CASH CONTRIBUTION

10,708

PUBLIC RELATIONS DEPARTMENT - CASHFLOW STATEMENT 1997

RECEIPTS

PULA

Business Focus Advertising	30,000
Dinner Brochure	21,000
Dinner Ticket sales	40,000
BB Cards Sales	5,000
	<u>96,000</u>

ATTRIBUTABLE PAYMENTS

Salaries	45,744
Pensions	4,574
Medical Aid	2,640
Annual Dinner Costs	28,000
Postage	3,091
	<u>84,049</u>

CASH CONTRIBUTION

11,951

1/21

MEMBERSHIP SERVICES SOUTH - PROJECTED CASHFLOW 1997

CASH RECEIPTS

PULA

Flea market	21,000
Insurance Scheme	0
New members subscriptions	0
BB cards sales	22,000
	<u>43,000</u>

ATTRIBUTABLE CASH PAYMENTS

Salaries	65,148
Pensions	6,515
Medical Aid	6,708
Advertising	5,000
Flea Market Costs	12,339
Bank Charges	0
Postage	3,000
Miscellaneous exp.	4,000
	<u>102,710</u>

CASH DEFICIT

-59,710

POLICY UNIT - PROJECTED CASHFLOW STATEMENT 1997

CASH RECEIPTS

PULA

Corporate Support	0
Economic Seminars	20,000
	<u>20,000</u>

ATTRIBUTABLE PAYMENTS

Salaries	77,934
Pensions	7,793
Medical Aid	740
Postage	1,200
Seminar Costs	9,500
	<u>97,167</u>

CASH DEFICIT **-77,167**

APPENDIX Q
AN OPTION FOR SUPPORTING ECONOMIC POLICY ANALYSIS
AND OTHER DEVELOPMENT EFFORTS IN BOTSWANA

GoB officials told the BPED evaluation team that private business leaders have a dependency mentality; they want Government to do everything for them. For their part, BOCCIM members accuse the GoB of the same fault. Unfortunately, both sides are right. The pervasive dependency mentality threatens to retard Botswana's progress along the entire front of economic development efforts. Time and again the BPED evaluation team pointed out the need for further work on key policy issues even though USAID is gone; the response, whether from the GoB or the private sector, often was, "Yes, we must find another donor."

Botswana does not need another donor. Perhaps that should be written into Botswana's "Vision 2020" — not as a distant goal, but as a guide for the country's march into the future. Botswana has \$4.6 billion in foreign exchange reserves, with much more on the way; although an enormous amount of work remains to be done to create a modern economy in Botswana, the means to do so are already in Botswana's grasp. This is not a call to run down Botswana's foreign exchange reserves, because policy reform work can be done at comparatively little cost: over a four-year period, USAID's BPED project spent less than \$12 million, or 0.0026 percent of Botswana's foreign exchange reserves. This means that Botswana alone can fund 375 more BPEDs should it choose to do so. (This is not a BPED evaluation team recommendation.) The key enabling environment issue facing Botswana today is whether the government is willing to pay for the policy research and analysis needed to help create it. This is in Botswana's national interest, for it is the means to escape reliance on mineral exports. It is in the Government of Botswana's interest, for removing controls frees public resources, including management skills, to do other tasks more effectively. The GoB has so much to gain from providing a proper enabling environment for private sector development that it amounts to a national security interest—Botswana's economic security.

With regard to the private sector, there is a special problem: private economic activity involves competition and risk, challenges that must be left to private entrepreneurs. Government need not, should not intervene in it. A private, nonprofit institution whose members are mostly private businesses, BOCCIM speaks to Government on behalf of its members. Preserving BOCCIM's independent voice is the private sector's responsibility. Therefore, BOCCIM's corporate members should step up their support.

Although the next point goes a bit beyond the terms of reference for the USAID Botswana BPED project evaluation, the team offers it in the spirit of providing Botswana greater flexibility in achieving its own economic development. The government of Botswana, not individual Botswana private investors, owns the country's most important economic resources, its diamonds. The result is that independent resources, in the hands of private firms or private individuals, are as yet insufficient to support a variety of nongovernmental organizations and institutions needed to satisfy particular social needs—to promote activities of a moral, artistic,

scientific, educational nature, etc. As Government gradually restricts its role to management by exception—dealing with problems as they arise rather than intervening at all levels of society—the need for such institutions will increase. An interim solution to this problem would be for Government to create an independent entity, called, for instance, the Botswana Foundation, to support the growth of such private institutions.

The idea might work something like this: Government establishes the Botswana Foundation as an independent, nongovernmental institution for the purpose of supporting private (individual and nonprofit organization) activities beneficial to Botswana. Government endows the Foundation with US\$50 million immediately and US\$10 million per year thereafter. The endowment fund is managed by a team of financial specialists charged with realizing optimum returns on endowment capital in accordance with prudent investment policies, operating in complete transparency, and reporting to a board of directors comprising respected persons. The board makes regular, audited public report on the Foundation's finances and program activities, which are supported solely from income earned by the endowment fund. Foundation staff review applications from persons and nonprofit organizations in order to award grants, stipends, and other support up to the limit of annual endowment earnings. Government can rescind its endowment only if Foundation management are adjudged in a court of law to have violated the Foundation's charter, which contains a provision forbidding invasion of the endowment principal. At the end of twenty years Government may, at its sole option, cancel the Foundation's charter, terminate the endowment, and reclaim its contributions; alternatively, the Foundation may continue to exist and receive annual Government capital contribution as before. Private individuals and other organizations may also make contributions to the endowment fund, but the bulk of financial resources is likely to come from Government.

Any nonprofit organization (including BOCCIM, for example) would be entitled to apply for Foundation support; its application would be judged in competition with all others. Awards would be made at the sole discretion of the Foundation, and the sums could cover all or a part of the amount requested. Such a mechanism would allow BOCCIM or any other nonprofit entity to share in Botswana's great wealth without in any way depending directly upon Government. In effect, the GOB creates its own internal economic development aid program. If the Foundation proved especially successful, it might entertain applications from individuals or nonprofit organizations in other parts of the southern African economic community.