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F I N A L R E P O R T

MID-TERM EVALUATION OF THE
BOTSWANA PRIVATE ENTERPRISE DEVELOPMENT PROJECT (BPED)

September 20, 1994

Presented to:

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

Prepared by:

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in association with Labat-Anderson Incorporated

BOTSWANA PRIVATE ENTERPRISE DEVELOPMENT PROJECT (BPED)

MID-TERM EVALUATION

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BOTSWANA PRIVATE ENTERPRISE DEVELOPMENT PROJECT (BPED)

MID-TERM EVALUATION

S U M M A R Y O F R E C O M M E N D A T I O N S

1. The Grant Agreement to finance the Botswana Private Sector Enterprise Development (BPED) Project was executed between the Government of Botswana (GOB) and the United States Agency for International Development (USAID) on May 14, 1991. Project implementation began in earnest during the first half of 1992 and picked up substantial momentum in 1993.

2. As is customary with USAID projects, a **Mid-term Evaluation was planned from the outset**, in order to give all participants the opportunity to assess initial impacts and to consider what refocusing of BPED energies, if any, might contribute to increased effectiveness during the final phase of the project. It is particularly timely to carry out an evaluation now, because the major partners in BPED have scheduled a **Strategic Planning Workshop** during the second week of October. Moreover, the coordinating entity, BOCCIM, is about to launch a study of its own organization; and USAID's decision to close the Botswana country mission will require rethinking of administrative and logistical arrangements.

3. This report was prepared by the three-person Team, fielded by Eccles Associates of New York City (in association with Labat-Anderson of Arlington, VA), which visited Botswana July 19-August 11, 1994, as a contribution to that evaluation process.

BPED Purpose:

4. The **overall purpose of BPED** is to increase productive employment in the non-mineral sectors of the economy by promoting domestic and foreign investment, broadening opportunities for citizen entrepreneurs, and encouraging more effective dialogue on policy issues between the private sector and government (partly with a view to reducing regulatory and procedural constraints and strengthening implementation capacity).

5. This purpose fits within the larger **USAID/Botswana program goal** of creating and nurturing conditions necessary to sustain continued improvement in the economic and social well-being of the average Botswana household. BPED activities are designed to be fully supportive of the **Government's development objectives**, as spelled out in the Seventh National Development Plan (NPD 7), most notably in giving the private sector a lead in the diversification of economic activities.

Initial Accomplishments:

6. The major activities of BPED in the three years since initial Agreements were signed can be summarized as follows:

(a) **Long-term policy analyst/advisors** for MCI and BOCCIM took up their posts 12 and 14 months respectively after the intergovernmental Agreement was signed.

(b) Two **long-term advisors to BDC** started their assignments in early 1993 as financing from BWAST ended. **BOCCIM's Management Advisor**, focusing mainly on outreach or industrial extension services to SME members, took up his duties at about the same time.

(c) Partly because of the growing capability of **BOCCIM's** citizen staff, it was decided that its **training program** would be best served by a **half-time Advisor**, who took up his duties in August 1993.

(d) As foreseen, USAID/BPED financing is contributing significantly to **BOCCIM revenues needed to cover operating expenses**. AID money finances 30-40 percent of BOCCIM's indirect costs. Conservative estimates indicate that AID financing of direct (i.e., salaries for accountant, program assistant, policy analyst et al) and indirect costs combined with the revenues from BPED-sponsored activities (e.g., training) is equal to (and probably even somewhat larger than) revenues received from member subscriptions (dues). Looked at another way, BPED funding (even excluding funding for long-term advisors) contributes an amount roughly equal to or slightly larger than BOCCIM revenues from membership payments for dues and services.

(e) **Major policy studies** have been completed

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(e) **Major policy studies** have been completed with BPED funding and others are under way. There is growing respect for BOCCIM as a competent and fairly representative spokesperson for private sector needs and concerns. However, the Government response to most policy recommendations so far has been limited, indecisive and therefore disappointing. As the recession deepens, proposals for restoring growth and reducing poverty are being debated vigorously; but no strong consensus has emerged and no new "engines of growth" have been identified convincingly. Government fears that protectionist measures favored by the private sector will do more harm than good, even in the short run; nevertheless, renewed efforts are being made to redesign procurement practices in ways that favor local suppliers and contractors.

(f) There appears to be only modest use by BDC of BPED funding for **feasibility, expansion and sector analyses**. This sluggishness may reflect poor general business conditions, but the project envisaged use of these funds in a pro-active mode, precisely to overcome static inertia and to generate enthusiasm for new investment. Perhaps cost-sharing arrangements are too onerous or BDC has resources of its own to satisfy the need. The Evaluation Team recommends that PIC instruct its secretariat to analyze this major shortfall relative to original BPED expectations and consider whether at least some of those funds should be reallocated for more urgent purposes.

(g) **Training** has been the most active of BPED programs. **Short, in-country courses** appear to be popular and effective, especially for citizen-owned SMEs; participation is now running at a rate close to the 1,000 per year, as planned. BPED funding subsidizes these courses to the extent of more than 90 percent of cost. Therefore, there is concern that this very active and valuable program cannot be sustained at its present level once foreign assistance ends.

(h) **Short-term regional training** seems to have fallen well below the rate foreseen in the Project Paper (40 trips over a five-year period) although records on this are not clear. Assistance in financing courses in Kenya, South Africa and Zimbabwe is reported and seems to have been put to good use in the few cases that were reviewed.

(i) **Short-term "international" training** has benefitted about three dozen participants so far (out of 80 envisaged for the entire project period). Two-thirds of them attended a well-received three-stage course mounted by Arthur D. Little in Gaborone, covering financial analysis, project planning and the development of writing, leadership and negotiating skills. Others went overseas for programs tailored to the particular needs of individual trainees on subjects such as influencing public policy (6), financial restructuring (2), investment promotion, and policies to encourage private sector development. Some financing earmarked for this BPED activity may be another candidate for re-allocation to more urgent uses.

(j) **Long-term, graduate-level training overseas** was envisaged for 20 high-level policy makers. Fourteen Batswana have benefitted from (or are currently participating in) Masters degree programs, including six officers from the Ministry of Finance and Development Planning (MFDP), four from MCI, two from BDC and one each from the Ministry of Labour and Home Affairs (MLHA) and the National Development Bank (NDB). Studies were arranged to match their particular interests and needs, which included industrial relations, standard MBA programs, industrial relations, and international business services. Participants all rated courses "very satisfactory" and the support they received from the BPED Contractor "very good"; they all expect that the graduate training they received will contribute significantly (and positively) to their prospects for career advancement. This element of BPED assistance contributes to a much larger GOB-financed program of overseas training for its most promising young officers.

(k) There have been several **trade promotion and investment support missions**.

7. Readers will note a degree of uncertainty in these findings regarding specific activities and limited evidence that increased investment, employment or other impacts foreseen in the project design can be attributed to BPED.

This results largely from the fact that **the data base to register both activities and impacts** is still being developed. Given the present recessionary climate, even the best reporting system in the world, noting achievements of very effective program interventions, might find itself measuring impacts in terms of some slowing in the general rate of decline in jobs, new investment, business start-ups and expansion, and government decision-making. Moreover, the full impact of policy change, training, extension services and other activities sponsored by BPED is more likely to be felt over a 5-10 year time-span than immediately. It is also recognized that the success of any particular business venture or policy initiative is the result of many inputs. For BPED it is enough to be seen as a player of significance.

8. The facts are that (i) despite two-and-a-half years of Project activity and several person-months of consulting to structure an appropriate data base, a robust project monitoring system is not yet in place, (ii) earnest efforts are now being made with active support from the Deloitte & Touche team to initiate proper monitoring within the next few months and (iii) due to general economic malaise during the Project period new investment has been scarce and trends in non-traditional (what the Project calls "non-mineral" meaning "not in agriculture, mining or government") employment are disappointing.

9. **The outstanding achievement of BPED to date has been the expansion of BOCCIM activities**, the revision of its Constitution and organization along more democratic lines, and growing recognition in official circles of its role as spokesperson for a wide cross-section of private sector activities. In the absence of other equally active and representative organizations, BOCCIM plays the role of prime spokesgroup for businesses and business people in Botswana.

10. **BPED project goals coincide with BOCCIM's main purpose**, which is to promote economic growth driven by competitive, market-oriented enterprise. Inputs from BPED strengthen the Confederation's ability to fulfill its mission, serve its members and articulate their needs. By strengthening its analytic capabilities and expanding membership development, BOCCIM gains the credibility and power needed to influence public policy. BPED resources also provide BOCCIM members with opportunities to enhance bottom line results by improving their business skills, productivity and effectiveness in voicing concerns to public officials. The most important of these developments are hard to quantify but they are quite real. It remains to be seen how many will prove to be sustainable when external financial assistance ends.

11. In addition to progress already made the Main Report notes several **possibilities for further improvement at BOCCIM**. For example:

- (a) The already excellent **accounting** system needs to be refined so that **analysis by activity cost-centers** is routine.
- (b) Of broader consequence is the **organization study**, for which proposals have just been received and are being

evaluated; on the assumption that the Finance and Management Committee carries out the study in a way that encourages full membership participation and confronts the difficult issue of long-term sustainability of programs, its recommendations can be of cardinal importance to the future success of the Confederation.

(c) Also requiring attention is the **lingering perception that BOCCIM is dominated by the larger businesses** which do in fact contribute the bulk of its membership revenues; the leadership needs to continue to implement programs that serve firms in the SME sector, reassure them regarding Management's commitment, and continue to deliver services (and policy prescriptions) that are of genuine value to citizen entrepreneurs. BOCCIM management recognizes that SME have interests that are quite different from those of its largest members, and it must continue to reach out to its least sophisticated members and to offer programs which serve the needs of both groups.

(d) Of particular value for fledgling businesses would be a BOCCIM **initiative to create the type of business "incubator"** which other communities have found more cost-effective than more common forms of outreach and extension. The concept of business incubation, properly designed and implemented, offers a bridge between the intensive care required daily at the site of the business and a more structured program of training. Subject to further study, Francistown could turn out to be an excellent location for testing the validity of the business incubator concept in Botswana.

(e) BOCCIM should continue to encourage its membership outside Gaborone to **take the lead in organizing Regional Development Committees.**

(f) Initiatives to assist SMEs in meeting their insurance needs are to be commended but should also **try to accomodate the interests of BOCCIM members who are insurance brokers, enlisting them as partners in expanding the Confederation's membership** as well as insurance sales, rather than appearing to compete unfairly. The reduced revenue margin for BOCCIM might well be counterbalanced by a greatly increased volume of sales. Similarly, heavily subsidized training programs may well undermine the proper growth of private profit-making providers of training.

(g) In the unending search for cost-effectiveness and sustainability of programs BOCCIM must reconsider its practice of offering **heavily discounted prices for training**, even to members who can well afford to pay full costs. By combining a cost-based fee schedule with scholarships (or vouchers) for truly needy members, BOCCIM would encourage healthy competition among training providers with strongly beneficial effects on the quality of services they provide.

(h) The voluntary association of business people gets work done through two structures -- membership committees and professional staff. Among BPED advisors at BOCCIM (i) the Training Advisor has both of those structures supporting and localizing his skills and contributions (that is to say, a Training Committee of the Council and a full-time training staff); (ii) the Business Management Advisor works very rapidly with Outreach and B-Map staff and with several membership committees (i.e., there is plenty of interaction but it is less focussed); and (iii) the Policy Advisor works with ERU staff but has no separate Council Committee (so that policy matters go onto the already heavy agenda of the Finance and Management (alias "Executive") Committee. BOCCIM management should encourage all advisors and senior staff to utilize the Training group's approach, which helps to leverage scarce resources as well as increasing the capability of staff.

(i) It would be well for relevant BOCCIM Committees to review formally all BOCCIM programs for effectiveness, impact (in terms of investment, jobs and other BPED objectives) and sustainability.

Recommendations: An Agenda for Action

12. The Evaluation Team offers a number of more general recommendations for consideration by individual participating entities, their coordinating body (PIC) and/or USAID. These recommendations are offered in the paragraphs that follow with all the humility and hesitation that seems appropriate for individuals who had time to meet only a few of the people involved and to scan rather than study much of the very considerable documentation that has been developed by and about the Project.

13. **Recommendations are intended to stimulate discussion among BPED stakeholders;** they are offered in the hope that constructive action will follow as quickly as may be appropriate, but recognizing that the action to be adopted is likely to be a refinement of, and certainly an improvement on, what is written here by Team members with limited awareness of all relevant circumstances and under extreme time pressure. If some judgements appear harsh, we trust that readers will understand the Team's intention, which is solely to identify lines for further inquiry in terms which are both clear and concise.

14. **Sustainability and Self-Reliance:** USAID is closing its country mission in September 1995. In this regard the Evaluation Team was asked to consider questions such as each individual implementing entity's capability to assume responsibility for programming, managing and accounting for the receipt and use of Project funds and to manage and provide all logistical support required by expatriate advisors. It is our judgement that such general capability exists in all implementing entities and has been proven by handling other external and GOB sources of funding for BPED-like activities. Nevertheless, prudence would suggest that the Mission should

transfer as much of this responsibility, along with appropriate briefing and instructions, as soon as possible, so that capabilities will be tested while AID country-mission personnel are still available for consultation and any corrective action that may prove to be necessary.

15. More general questions also need to be addressed. USAID's decision, mandated from Washington, is part of a larger trend, which sees **declining overall levels of development assistance from many sources and a shifting of limited funds toward countries not so blessed with diamonds as Botswana**. While some foreign-assisted projects may continue, it would not be prudent to count on this and certainly not at such substantial levels of external support as at present. The Team would urge BOCCIM and its PIC partners to consider, as a matter of urgency, how it might use the final phase of BPED to prepare for a more self-sustaining, citizen-driven mode of action.

16. Questions of sustainability seem **particularly important for BOCCIM**. BDC, after all, is relatively strong financially and has other (mostly internal) sources of potential financing for all of the BPED-type activities in which it participates. Similarly, MCI has access to large GOB programs for training at all levels as well as for policy research studies; if access to such funding involves tedious procedures and damaging delays, MCI, together with any other similarly disadvantaged ministries, must lobby within government to see that procedures are streamlined. In such circumstances many observers would consider continued external assistance a disservice to the country's development objectives, insofar as it delays reforms that may be long overdue.

17. BOCCIM is in a quite different position from its two major BPED partners, being without alternatives so close at hand. But **BOCCIM has one overwhelming advantage -- a large and growing membership**. Its success will depend on how well it serves their needs, which in turn depends on the quality of its products and members' ability to pay. As noted above, some members now benefitting from heavily subsidized training courses can afford to pay what they cost; others, particularly those in the SME sector, will continue to need scholarship assistance for the next few years. BOCCIM could perhaps explore whether there is some way to put away BPED funds during this final phase in a manner which would be acceptable to AID and **create an income stream over the next ten years or so to finance future scholarships**.

18. In all situations where there are **BPED advisors** it is not too early to plan for life after their departure. It is time to **begin phasing out, to encourage them to disengage, and to ensure that counterparts are in place and trained properly** while the "coach" is still easily accessible for frequent consultation.

19. **Management and Oversight:** As a general rule of management, it is wise to reconsider from time to time the proper role and functions of all administrative units or decision-making bodies within an organization and to write clear terms of reference (TOR) for each. The Team believes

that the forthcoming Strategic Workshop provides an excellent opportunity for BPED to do this and proposes that "rules of engagement" (e.g., procedures, TOR and evaluation criteria) for all major BPED structures and approval processes be rewritten by agencies concerned and reviewed by PIC.

20. The proposed review will require drafting, debate, redrafting and possibly some experimentation before workable decisions are reached. Such an exercise would in no way dilute the mandate to rule by consensus, that appears in initial project documents (i.e., Project Paper, Grant Agreement etc.). Either such TOR and rules of procedure are already clear, in which case drafting the necessary document will be quite simple, or they are not, in which case steps to arrive at some explicit understanding are a matter of urgency.

21. What is required is an **explicit mission statement** for all administrative departments, divisions or committees heavily dependent on BPED funding (for example, BOCCIM's Economic Research Unit, Training Department and Outreach Office; and the PIC itself). These statements are quite different from the familiar six-month work plans. They should be kept brief (1-2 pages), indicating precisely, but also concisely, the **fundamental purpose, duties, responsibilities and major activities of each unit**. Of equal importance is clarification of the **rules under which the Project operates**. (For example, one such rule might state that studies requiring more than X-thousand Pula cannot be approved for funding unless a draft Scope of Work and Preliminary Budget have been presented to and reviewed by an appropriate technical group, which would make its recommendation to those who have decision-making authority).

22. It would be surprising if the **role of PIC** itself and its procedures were not clarified by the proposed review. The Team heard various comments, complaints and questions about present arrangements for management and coordination of BPED activities. Even without such criticism it is timely to reconsider these arrangements in the light of nearly three years experience. Moreover, the Consultant's new Chief of Party/Technical Coordinator is in place, many activities are well under way, and BPED's "mid-term" has been determined officially by the scheduling of this evaluation exercise.

22. Having examined the structures in place, the Team decided to step back briefly to consider the **underlying principles**. As a result of considerable discussion, three points are emphasized:

(a) **The original determination to find a mechanism whereby the three major partners could coordinate their activities** is very much to be welcomed; every effort should be made to confirm and re-enforce that partnership -- preferably a partnership among equals, but since BOCCIM has been assigned special responsibilities, perhaps the Confederation should continue to be seen as "more equal" than MCI and BDC, but hopefully not much more.

(b) There is need for periodic (say, quarterly) **high-level oversight** -- a kind of governing council. A

primary function of the council would be to demand results from all activities, to insist on measured impacts, and to look for ways to increase synergies, productivity and sustainability in all BPED undertakings. The council could also play a useful role in disseminating results, policy proposals, GOB responses and other information of concern to economic managers in Botswana who do not have immediate BPED implementing responsibility. It would set policies, establish the operational agenda, approve major programs, monitor performance, and establish guidelines for technical review and approval of specific proposals within established criteria. If PIC were to **redefine its responsibilities with this strategic, leadership and oversight role in mind**, its meetings would pay less attention to individual trees in order to give more attention to the shape of the entire forest.

(c) It is also essential to provide for **timely, technically sound, rigorously objective decisions regarding particular proposals** requiring (or already spending) BPED resources. Such a technical management committee would meet no less frequently than monthly and might best be **scheduled on a fortnightly** basis (since it is much easier to cancel an unnecessary meeting than to schedule one "off cycle" or on an emergency basis). In addition to decision-makers from the three participating entities this group could receive technical input from the USAID personnel, the prime Contractor, Advisors (in appropriate cases, including qualified experts from outside the immediate BPED circle) and other appropriate stakeholders. The committee would be in a position to question representatives from agencies proposing specific uses of BPED funds and to make commitments against those requests within guidelines laid down by the council. The Management Committee would also see that approved projects are moving forward on schedule and make whatever adjustments are necessary to maintain an efficient pace of action. Subcommittees may also be advisable to deal effectively and promptly with major topic areas (e.g., government economic policies, investment promotion, entrepreneurial training, and export performance).

24. **Impact Assessment:** As noted above (paragraph 7), there is no proper system in place for monitoring and evaluation of Project activities and their impacts. Work has begun to remedy this situation and should be pursued vigorously with full support from PIC leadership and regularly reporting to all three BPED partners. Every possible effort should be made to have a satisfactory system agreed and in operation before the next quarterly review of Project activities. The impacts of various training programs, in terms of increased employment, investment and productivity should be measured just as rigorously as a program for sponsoring trade missions.

25. **Integration of Programs:** Consideration should be given to ways that will **increase linkages among activities and programs**. A good example of such linkage is the training given to those who prepared industry profiles in order to

equip them to participate more fully in the MIGA Conference. On the other hand the Construction Industry study, which recommended reconsideration of GOB procurement policies, noting a very substantial loss to the economy from present practices, does not seem to have led to new training programs. The Team found no evidence that the conclusions of policy studies are systematically reviewed by persons responsible for planning training programs to determine the need for relevant training of procurement officers and/or bidders or to maximize other linkages.

26. In future it would be wise to arrange for all policy or sector studies to be **analyzed routinely** in order to determine what training needs would result from or be necessary to the full implementation of its recommendations. More generally, all studies should be required at the outset to **prepare proposals for implementation, including an effective dissemination of policy findings and recommendations**. Impacts expected from the implementation of proposals should be stated explicitly in all policy study reports. They should also record essential details of the work such as the method of selecting the study team, the principal client(s), evidence that participants in the reference group represented all stakeholders, workshops held, and the thoroughness of preparatory review of competent prior studies of similar issues.

27. One purpose of PIC or any similar coordinating body is to **integrate activities initiated from different sources** and to seek complementarities or synergies that generate results greater than the sum of its various parts. Unless discussions are repeatedly refocused on possibilities of mutually supporting action, coordinating committees run the risk of simple horsetrading, even though that was certainly not their intent.

28. **Selectivity in New Commitments:** Given the concern for sustainability mentioned earlier and frustration expressed at the Government's slow response to private sector concerns, it would seem wise for BPED managers to adopt a policy of considerable selectivity in making new commitments. A period of review and consolidation seems appropriate, at least for the next few months.

29. **Policy studies** already in process or completed should be **revisited to consider what can be done to expedite follow-up action and implementation**. (It is not enough to say that GOB is not responding or dragging its feet; representatives of the private sector need to keep searching for effective ways to obtain constructive action in response to their most urgent concerns, and representatives of Government need to press for answers to questions that have delayed decisions.) In this connection it would be desirable to revisit all studies completed or in process in order to prepare (or revise) implementation plans.

30. Members of PIC and other **trustees of BPED must be committed to asking "Why?" not just "How?"** Beyond that, is the program being driven by activities? by a budget? by last

year's priorities? or by national and BPED goals and the interests of citizen entrepreneurs?

31. **Policy Agendas:** Documents from early years of BPED suggest that both BOCCIM and MCI (perhaps BDC as well) were expected to prepare Policy Agendas, indicating what issues they considered ripe for analysis and/or dialogue and the priorities they assigned to each such topic. For example, is now the time to put the high cost of electric power and telecommunications service on the BPED policy studies agenda? What about the proposal to lower corporate income taxes to 10% or zero? It is reported that a BOCCIM Policy Task Force has drafted a policy agenda, which may be discussed and refined at the Strategic Planning Workshop in October. It is recommended that each item on the approved policy agenda also be reviewed by PIC from time to time to consider its potential impact, its contribution to BPED objectives, and the degree of consensus among the three participating entities as to its priority.

32. The Team was told on several occasions that the private sector expressed frustration at the most recent Francistown Conference, because **the Government had not responded adequately to points raised three years earlier**; but it found that despite whatever efforts representatives of the private sector had made to pursue those points (i.e., that agenda) with Government in the interim many issues remain unresolved. If these issues are important to the nurturing of citizen entrepreneurship, the promotion of new investment and the creation of new job opportunities -- in other words the diversification of Botswana's economy and the emergence of a stronger private sector -- **they need to be followed up relentlessly** in the period between conferences.

33. **Regional Opportunities:** The Team notes with enthusiasm the attention given to regional marketing opportunities in BOCCIM's submission on "Developing and Implementing Botswana's Competitive Edge for Diversification" and recommends that high priority continue to be given to analysis and discussion of the new regional context, resulting from recent political and economic developments in Southern Africa. There is a danger that the new political opening with an economy as large, sophisticated and powerful as South Africa may seem more of a threat than an opportunity. However, the task for BOCCIM and its BPED partners must be to identify and exploit opportunities and to resist the fear of competition which might otherwise come all too naturally to Botswana business leaders after so many years of separation. Changes resulting from "structural adjustments" in Zambia and Zimbabwe, the independence of Namibia, and relative peace in Angola and Mozambique also offer opportunities for Botswana.

34. **Cooperation with Other Programs:** BPED objectives and activities have benefitted substantially from support and collaboration with other programs. Cooperation of BOCCIM outreach personnel with Peace Corps volunteers, the Government's IFS and FAP programs, and Tswelelo comes immediately to mind. The BDC/Peace Corps initiative is another case in point. These links with complementary activities that are nevertheless outside the BPED framework can be developed even more consciously in future and could be

made the subject of routine reporting to PIC (or the proposed Governing Council). It is valuable to keep in mind that several organizations are committed to objectives similar to BPED's and to explore ways of leveraging each other's work in order to accomplish those objectives expeditiously.

35. Case Studies: The Team recommends that a conscious effort be made to write up a few dozen case studies of private sector experience in Botswana. Both successes and failures involving foreign investors should be studied along with the problems faced by SMEs and firms far from Gaborone. Case studies have proved to be valuable tools of policy analysis elsewhere and are an excellent way of helping officials understand the kind of constraints and risks that businessmen confront on a daily basis. Inevitably, there is a gap in perceptions between businessmen and officials. To cite but one example, for business, time is money, whereas in government time is safety; for business, delay means loss of sales and reduced profits, whereas in government if you do not act you usually will not go wrong and the problem may go away. Case studies are one way to bridge these gaps in understanding. They may also help identify policy constraints and training needs; they will certainly illustrate positive impacts from training, extension service and policy change.

36. Facilitation at the Strategic Planning Workshop: The Evaluation Team welcomes plans for a BPED Strategic Planning Workshop, currently scheduled for the fourth week in September and recommends that serious consideration be given to using an outside facilitator there. Considerable evidence supports the view that strategic planning processes for business and many other types of organizations benefit significantly when outside facilitators are employed. It should not be difficult to find an appropriate person for this assignment, i.e., someone knowledgeable about Botswana but not at all closely tied to the BPED experience.

37. Additional Recommendations: Elsewhere in the body of the Main Report most of these recommendations are discussed in greater detail. There are also proposals for streamlining the administration or effectiveness of particular activities and organizations. Only the most general recommendations have been included in this Summary.

United States Interests:

38. The commitment of the United States to Botswana is continuous since Independence in 1966. USAID is determined that this commitment continue even though the Country Mission is closing. Fortunately, all partners in the BPED program are determined that it, like other important cooperative ventures, leave a permanent legacy. The common intention is that programs and the richness of public discourse, which advanced under BPED, find some way to continue in the life of the private sector and the Botswanan nation as a whole. As the May 1994 Newsletter of BOCCIM, The Entrepreneur, noted,

"Democracy requires the development of institutions or organizations based on individual freedom, individual

incentive, individual opportunity, individual responsibility and individual accountability. By building and strengthening private sector organizations committed to these values, it is believed that the democratization of African countries, like that of any other country, would be based on a solid and sustainable foundation."

39. Such is the challenge to BPED. The Mid-term Evaluation Team is grateful to all those who made its work possible and also enjoyable and inspiring. We wish you every success in the months ahead.

LIST OF ACRONYMS

AID/W	Agency for International Development (in Washington)
API	Assessment of Project Impacts
BDC	Botswana Development Corporation
BEF	Botswana Employer's Federation
B-MAP	Botswana Management Assistance Program
BOB	Bank of Botswana
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
BPED	Botswana Private Enterprise Development Project
BWAST	Botswana Workforce and Skills Training Project(s)
CIPE	Center For International Private Enterprise
CIDA	Canadian International Development Agency
COP	Chief of Party (of Deloitte & Touche)
DIA	Department of Industrial Affairs (of MCI)
DPSM	Directorate of Public Service Management
ERU	Economic Research Unit (of BOCCIM)
FAP	Financial Assistance Policy (of GOB)
GDP	Gross Domestic Product
GOB	Government of Botswana
GTZ	German Agency for Technical Cooperation
IBRD	International Bank for Reconstruction and Development (World Bank)
IDM	Institute of Development Management (of GOB)
IESC	International Executive Service Corps
IFAD	International Fund for Agricultural Development
IFS	Integrated Field Services (of MCI)
ILO	International Labour Organization
LOP	Life of Project
MBA	Master of Business Administration
MCI	Ministry of Commerce and Industry
MFDP	Ministry of Finance and Development Planning
MIGA	Multilateral Investment Guarantee Agency
MLGL	Ministry of Local Government and Lands
MOA	Ministry of Agriculture
NCCI	National Chamber of Commerce Industry
NDB	National Development Bank
NDP7	Seventh National Development Plan
NEMIC	National Employment, Manpower and Incomes Committee
NGO	Non-Governmental Organization
NIR	National Institute of Development Research and Documentation (University of Botswana)
OPEX	Operational Expert (for example, under BWAST)
OPIC	Overseas Private Investment Corporation

P	Pula
PCV	Peace Corps Volunteer
PETC	Productive Employment Technical Committee
PIC	Project Implementation Committee
PIR	Project Implementation Report (for BPED)
PRE	Bureau for Private Enterprise (AID/W)
REDSO	Regional Economic Development Services Office (AID)
RSA	Republic of South Africa
SACU	Southern Africa Customs Union
SADC	Southern Africa Development Community
SAMDP	Southern African Manpower Development Project
SEPROP	Small Enterprise Professionals Organization
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprise
SOW	Statement of Work
TA	Technical Assistance
TIPA	Trade and Investment Promotion Agency (of MCI)
TOR	Terms of Reference
UNDP	United Nations Development Programme
USAID	United States Agency for International Development (Country Mission in Botswana)
WID	Women in Development

PREFACE

The Mid-Term Evaluation Report on the Botswana Private Enterprise Development Project (BPED) owes much to the courtesy, candor and patience of many people who met with mission members and in Botswana during their three-week visit in July-August 1994. Despite our best intentions errors of fact will have crept in; perhaps this is inevitable where so complex a project is involved, and we must take full responsibility for them. It is our earnest hope that neither errors nor gaps have distorted the basic judgements arrived at and that recommendations offered in the Report will be of use to everyone concerned with BPED despite any lapses on our part.

It should be noted that the International Executive Service Corps (IESC) was originally intended to play a major role in BPED and in fact did field a few teams in connection with the Project. As we understand it, financing for those IESC services was provided by USAID but not from BPED funds. In any case IESC services played a relatively small part in the BPED-related activities and are not discussed in the Report.

One final comment: There is perhaps more background factual material than some readers (especially those quite familiar with BPED in Botswana) would wish. The authors themselves would have preferred to produce a leaner document, limited mainly to recommendations, especially since the focus of the report is on the future rather than the past. Nevertheless, it was found useful to include a few background details not simply for the sake of readers without previous knowledge of BPED but also for many of those we met in Gaborone who seemed to be unfamiliar with some of the basic information included here.

Needless to say, we would welcome comments and, above all, corrections.

Dr. Jack L. Bishop, Jr.
Neil W. Currie
Gregory B. Votaw

BOTSWANA PRIVATE ENTERPRISE DEVELOPMENT PROJECT (BPED)

MID-TERM EVALUATION

F I N A L R E P O R T

I. INTRODUCTION

Chapter 1. BPED Purposes and Origins

1. The **overall purpose** of Botswana Private Enterprise Development Project (BPED) is to increase productive employment in the non-mineral sectors of the economy by promoting domestic and foreign investment, broadening opportunities for citizen entrepreneurs, and encouraging more effective dialogue on policy issues between the private and public sectors (partly with a view to reducing regulatory and procedural constraints and strengthening implementation capacity).

2. This purpose contributes to the achievement of the Government of Botswana's (GOB) overall social and economic objectives, as articulated in the **Seventh National Development Plan, 1991-97 (NDP7)**, and in particular to the strategy of giving the private sector a lead in the diversification of economic activities. The BPED purpose also fits within the larger **USAID/Botswana program goal** of creating and nurturing conditions necessary to sustain continued improvement in the economic and social well-being of the average Batswana household.

3. These broad purposes are being served through a **wide range of activities**, including (i) policy studies (partly with the assistance of long-term advisers, for which 26 person-years were budgeted preliminarily), (ii) training programs (long- and short-term, mainly in country but also regionally and overseas), (iii) financial support to cover a portion of BOCCIM's direct and indirect costs (mainly associated with expanding services to citizen members and other small- and medium-sized enterprises [SME]), (iv) short-term, specialized advisory services, studies, business linkage trips and other investment promotion, and (v) project administration and coordination.

4. BPED has **built on the successes of previous AID activities**. The Botswana Workforce and Skills Training Projects (BWAST I and II) grew out of an earlier Southern Africa Manpower Development Project (SAMDP), which also included assistance to Lesotho and Swaziland. BWAST I provided short- and long-term training for Batswana in both government and the enterprise sector, including long-term "technical assistance" in order to staff a number of important posts in government departments while citizens were on leave to complete advanced professional training. BWAST II expanded those efforts but focused on training Batswana in positions

which were thought to foster employment generation; it also supported increased in-country training for the private sector.

5. In what the BPED Project Paper calls a "ladder type of relationship, one project leading to the next" the 1991 Project built on **BWAST experience** and even dovetailed with some BWAST II activities (for example, using up BWAST funding for some expatriate personnel to continue service in the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) and the Botswana Development Corporation (BDC) before recruiting new advisors under BPED). There are, however, **significant differences** such as:

(a) Whereas BWAST provided support to a large number of government departments, BPED assistance is available mainly to (and through) **only three entities** -- BOCCIM, BDC and the Ministry of Commerce and Industry (MCI);

(b) BPED provides more substantial and direct financial support to **expand the services of BOCCIM** to its members, to enhance the Confederation's policy analysis capability for more effective open dialogue with Government on behalf of the private sector, and generally to enlarge the organization and give it a central role in coordinating many Project activities;

(c) Terms of Reference for long-term experts under BPED show a **strong preference for an advisory, coaching or training style of performance** whereas "OPEXers" under BWAST were responsible for accomplishing the work assigned to specific line positions;

(d) Training, feasibility studies, promotional tours and other BPED-financed activities are available primarily for **private sector clients** (plus a few government officials charged with nurturing citizen entrepreneurship and other private sector development); and

(e) BPED envisaged valuable public-private synergies emerging from **close coordination among its three main participating entities** -- BOCCIM, BDC and MCI -- partly as a result of the quarterly meetings of the Project Implementation Committee (PIC), which was given authority to review, coordinate and accept each of the three partner's six-month activity plan and quarterly implementation report (before these plans and reports are forwarded to USAID for approval).

6. The **Grant Agreement** to finance the Botswana Private Sector Enterprise Development (BPED) Project was executed between the Government of Botswana (GOB) and the United States Agency for International Development (USAID) on **May 14, 1991**. The Project Cooperative Agreement with BOCCIM, a major participant in the Project and its coordinating entity, was signed on June 28, 1991. Shortly thereafter, a similar agreement was signed with BDC. The role of the third major implementing partner, MCI, was already covered by inference in the inter-governmental agreement.

7. A Contract with **Deloitte & Touche** of Washington, DC, signed in early February, 1992, provides for assistance to the major implementing entities in **recruiting long-term advisors** and mounting appropriate **training and investment promotion programs** as well as in handling foreign exchange disbursements. While BPED activities were initiated in the second half of 1991, the pace of project implementation did not begin to accelerate substantially until 1992.

Chapter 2. Mid-Term Evaluation Team and Timing

8. The **Mid-term Evaluation Team**, consisting of Dr. Jack L. Bishop, Jr., Neil W. Currie and Gregory B. Votaw, was fielded by Eccles Associates, Inc. of New York in association with Labat-Anderson Incorporated of Arlington, VA. The Team visited Botswana from **July 19 to August 11**, spent many fruitful hours in Gaborone examining files and discussing various aspects of the Project with a wide range of business and government leaders (including officers of participating agencies, businessmen, trainees and other knowledgeable individuals), and also had the opportunity to meet with business and community leaders in Francistown, Kanye, Kasane and Lobatse.

9. The purpose of an independent evaluation at this time is spelled out in initial project documents (including Agreements with major participating entities) and elaborated in the Statement of Work forwarded to the Team in June 1994: namely, to **examine BPED's design and implementation as they relate to the Project's goal, purpose and outputs**. The Team has been instructed to examine the ongoing effectiveness, relevance and management of Project-funded long- and short-term training and technical assistance, the quality and usefulness of policy and feasibility studies, and evidence of progress in the area of policy dialogue. (Attachment I reproduces the text of the Statement of Work.)

10. To accomplish these tasks the Team is expected to draw from data bases and other information maintained by implementing partners, the coordinating Contractor and USAID. Such **monitoring systems** were intended to measure *inter alia* success in (i) nurturing **citizen-owned enterprises** (with special emphasis on entrepreneurial opportunities for women), (ii) augmenting domestic and foreign **investment**, (iii) reducing delays and diseconomies caused by unnecessary **government procedures**, and (iv) the effectiveness of incentives intended to increase remunerative **employment**.

Chapter 3. Economic Context

11. BPED was conceived toward the end of a period of extraordinary economic and social development. **Per capita income had grown eight times in the 25 years** since Independence (1966), increasing 13 percent per annum over the entire period and 10 percent per annum in the 1980s. Much of this growth in household incomes was due to an **explosive increase in public spending** and the jobs that spending generated.

12. The government was completing the construction of basic **infrastructure** throughout the country, including roads to link widely dispersed centers of population and to ensure easy access to neighboring countries; telecommunications, electric power, potable water and the other **basic utilities** required by a modern economy; and **housing, health and education services** (for example, increasing enrolment in secondary education for 7 percent of the relevant age group in 1970 to 40 percent in 1990, compared with an average of 17 percent for Sub-Saharan Africa as a whole).

13. By the end of the 1980s the **largely agricultural economy had changed** to one dominated by mining, whose earnings provided funds to expand the civil service (in March 1993 accounting for nearly 42 percent of total employment, if Central and Local cadres are combined with parastatals'), but was also **diversifying gradually** into construction, manufacturing, tourism, financial services and a wide range of commercial activities.

14. Much of the country's economic expansion has been financed by **earnings from diamond mining**, which had grown at annual rates of 15-20 percent in the 1970s and 1980s. Indeed the central question of economic management in Botswana has been -- and remains -- one of how to reinvest diamond earnings in ways that underwrite sustainable future growth and welfare or how to recycle diamond income in ways that contribute to the well-being and development of the entire population -- in short, how best to distribute the "diamond dividend."

15. Even with diamond revenues projected to grow no more than 4 percent per year for the rest of this century, they already account for so large a share of GNP (and an even larger share of government revenues) that their **reinvestment strategy** must remain the principal pre-occupation of Botswana's economic and **political leadership**, which for many years has managed the country's economic affairs **very prudently** and with widely acclaimed success.

16. Since major elements of infrastructure were built and diamond revenues were growing more slowly, drafters of the **National Development Plan - VII (NDP 7)**, covering the seven years 1991-97, sought ways to diversify the economy and to identify new engines of growth. Long committed in principle to a **free-enterprise outward-looking economy**, the government is constantly seeking practical ways to put such concepts into practice.

17. Botswana is said by many to maintain the most **liberal exchange and payments system** in Africa and has recently reaffirmed its adherence to a "policy of progressive liberalization and simplification of exchange controls" (Budget Speech, 7 February 1994). It considers **domestic entrepreneurs** (and foreign investors who can be attracted to Botswana) directly responsible for identifying viable opportunities for profitable production (including exports) and recognizes the government's responsibility to **establish and improve a policy environment** conducive to rapid expansion and diversification of the private sector. In his Budget Speech the Vice President and Minister of Finance and

Development Planning (MFDP) also noted that "as Government and the economy have grown larger and more complex, the lag between policy decisions and their implementation has become too long."

18. BPED, although designed more than four years ago, responds to today's needs and **provides resources** to assist the economic **diversification** effort, strengthen the ability of the **private sector** to identify and exploit opportunities, and engage the nation's leaders, both in government and in the private sector, in a lively dialogue regarding **policy choices and strategies**.

19. In the four years since the Project Paper was written its underlying analysis has been confirmed by events; with the passage of time many of its concerns have become even more urgent. **Open unemployment** is now a serious concern (even though as recently as 1993 a World Bank report asserted that unemployment was not a major issue). With the "recession" (i.e., a slow down in the rate of growth) many fledgling businesses have failed while others have retrenched. For the first time in many years the growth in GNP has fallen below the rather high rate of population growth (recorded as over 3.5 percent per year); of even greater concern than this statistical decline in percapita income are **signs of increasing poverty and hardship**, particularly as the nation urbanizes and cuts itself away from traditional rural safety nets. The hardship perceived in the language of NDP 7 as a distant threat to be avoided by sound economic management is now experienced in very real and painful ways by many citizens.

20. In 1994, however, there has been one dramatic change from the situation to which the project responded in 1991. **Apartheid has ended in neighboring South Africa**, and the transition to majority rule has brought peace, stability and democracy to a large regional market, long plagued with violence and uncertainty. With hostilities ending and **independence secure in Angola, Mozambique and Namibia** the markets of Southern Africa are even more inviting. In addition, other neighbors of Botswana, notably **Zambia and Zimbabwe, have undertaken structural reforms** which also promise to accelerate economic progress in the region.

21. It is still too early to say whether the economic boom which is building in democratic South Africa and elsewhere in the region will benefit or harm Botswana. Much depends on the **reaction of local business leaders**. Will they seize the opportunity to develop new markets? Will the country find ways to exploit its advantages of location, honest government and stability to attract investors who can provide skills and employment for its workforce? As BOCCIM noted so persuasively in its submission to preparation of the 1994 Budget speech, "Botswana must reevaluate its policies..... [to] determine the areas [sectors] where it can be most competitive regionally."

22. These **regional developments are of historic proportions** and clearly represent the most important change in the context within which BPED operates since the Project was designed. They would appear to make the need for citizen

entrepreneurship, correct policies (including effective incentives for investment), training to upgrade skills, and pre-investment analysis and promotional activities of even higher priority than before.

II. FINDINGS

Chapter 4. Botswana Confederation of Commerce, Industry and Manpower (BOCCIM)

23. Under the Cooperative Agreement of June 28, 1991, BOCCIM is assigned a leading role in BPED. The Confederation undertakes to implement an **ambitious three-pronged agenda of activities** that parallels the goals of BPED itself:

(a) Vigorous participation in **public policy analysis and advocacy** discussions, in part by organizing (i) workshops for members on issues of current importance to the private sector and (ii) national conferences that facilitate dialogue between the private sector and representatives of government.

(b) Development of **citizen entrepreneurship** through (i) outreach programs of management training and advice and (ii) targeted promotion of business linkages that increase investment in Botswana.

c) **Training programs** (i) **in-country** with special attention to management and supervisory skills and the special needs of citizen-owned businesses, (ii) through **on-site consultancies**, (iii) in short-term **courses** (i.e., measured in weeks, not months) both **in the Southern Africa region** (mainly for trade skills) and **in the United States** (with emphasis on financial, marketing and general business management, policy advocacy, and investment promotion) and (iv) at the **Master's degree level** in the United States for one BOCCIM-staff policy analyst and one other carefully selected candidate from the private sector.

24. To assist in carrying out these activities BPED provides **strong institutional support** to BOCCIM:

(a) **Three long-term advisors** (an estimated total of 10 person-years over the life of the project) in Policy Analysis, Small Business Management, and Training and a budget to cover **short-term consultancies**, as needed. The allocation for these purposes accounts for roughly 30 percent of the illustrative budget.

(b) **Financial assistance in meeting direct and indirect costs** of the expanded program: Specifically, funds are provided to (i) hire **four additional staff** to implement BPED -- an accountant, program administrator, policy analyst and secretary; (ii) **purchase** four vehicles, five computers and other **essential equipment**; (iii) **train selected staff** and members; and (iv) **meet a portion of** travel, communications, printing, office maintenance and

other **indirect costs**. Roughly 32 percent of the Illustrative Budget.

(c) Additional financing to assist in (i) **designing and delivering in-country training** (including management assistance) programs to citizen members and (ii) **facilitating** travel to and from the United States to explore **linkage possibilities** with individual investors and trade associations. Roughly 38 percent.

25. In addition to its own very full agenda under BPED, BOCCIM carries **special responsibility as convener and secretariat for the Project Implementation Committee (PIC)**. The Director of BOCCIM, Mr. Modiri J. Mbaakanyi, serves as the Chairperson for PIC and in that capacity is accountable for ensuring consensus, cooperation and careful planning of all BPED endeavors.

26. Clearly, as the Cooperative Agreement stated, "A major objective of BPED is to **strengthen BOCCIM**." With BPED's support BOCCIM has enlarged its role as a most vocal, and the most representative, **spokesperson for the private sector** in policy discussions with Government. Moreover, as Chair of PIC, the Confederation is positioned to encourage **coordination of selected programs** with the Ministry of Commerce and Industry (MCI), the Botswana Development Corporation (BDC) and other entities responsible for vigorous growth in the private sector. Partly due to the success of these immediate activities, BOCCIM is now positioned to achieve one further objective stated in the Cooperative Agreement, which is to **become a fully self-sustaining organization**. The Confederation recognizes that it must **depend increasingly on membership support** to maintain various services and programs now that financial assistance from international sources is due to decline.

Recent Institutional Developments

27. Performance against these ambitious objectives has been very good. In terms of **institutional strengthening** the **membership expanded** rapidly after the 1988 decision to enlarge the Botswana Employers Federation into a more broadly representative confederation of commercial and industrial organizations. The rate of growth of membership, reported at over 1350 in March 1993, has leveled off in the last year or two. The membership includes both privately and government owned entities, whether incorporated or not.

28. In 1992 the BOCCIM membership approved new by-laws which **restructured** the Confederation into **18 sector groups** (e.g., construction, engineering services, parastatals, exporters, textiles, and health care), each electing its own representative to the Executive Council. This structure provides for significant **membership participation** in program development, especially at the sector level; some sectors have been much more active than others. Four at-large seats on the Council have been used to ensure representation of interest groups deserving special attention (e.g., small businesses generally and women-owned businesses more specifically);

further consideration is needed to ensure adequate representation of members from more remote areas of the country, especially now that emphasis is being given to encouraging members' to meet regularly in Regional Councils.

29. In addition to the **BOCCIM Council** (President, two Vice Presidents, Treasurer, 18 Sector Chairpersons and four at-large members), a six-person **Finance and Management Committee** (President, Vice Presidents, Treasurer, Director and Chief Accountant) functions as an executive committee. Reports indicate that there are three **other standing committees** at present, dealing with Training programs, Northern Region activities and the Botswana Management Assistance Programme (B-MAP). Earlier reports make reference to committees on industrial relations, legislation, export promotion, small business and a women in business association; chapter 11 below recommends reconsideration and some expansion of this committee structure.

30. Another evidence of success in strengthening BOCCIM from an institutional point of view is the **excellent accounting system** developed in recent years and strong staff development in this area. Recent audit reports have been very positive. The staff is capable of making further improvement in accounting procedures to permit **analysis of expenditures and revenues by cost-centers**; the Evaluation Team supports this enhancement as a matter of some urgency, so that BOCCIM management can ascertain (and control) the net cost of each major program as a step toward ensuring its own financial independence and continued provision of services most in demand from members.

31. Reference should also be made to BPED's role in providing **formal training opportunities for key BOCCIM personnel**, including short-term courses in the United States for the President, Director, Chief Economist, and another member of the Council. Training was also provided outside Botswana in the Southern Africa region for BOCCIM's Training Officer and Managers of the B-MAP, Northern Region and Outreach programs.

Training Programs

32. BOCCIM has developed a very active training program for members' personnel, has been providing **more than 900 person-courses each year** and aims to top 1,000 this year or next. Many of these courses are **designed by BOCCIM** or by contractors at its behest; generally, participants (or, more precisely, their employers) pay a flat registration fee for each course, regardless of the complexity of the course or the beneficiary firm's ability to pay. On average these **fees cover only a small percentage of course costs**, and BPED finances the balance. These BOCCIM-designed courses play an increasingly important role in the overall training program. In addition, BOCCIM offers **scholarships to members** to assist their personnel in **attending standard courses** available routinely from various training organizations operating in Botswana.

33. In addition to concern regarding the high levels of subsidy currently supporting these programs, the emphasis of

presently offered courses is weaker than originally intended in the area of **managerial, marketing, accounting and other entrepreneurial skills**. However, **Outreach and B-MAP programs** deal much more directly with the development of entrepreneurial skills and solving the real-life immediate problems of individual citizen-owned businesses, most of which are in the small and medium size (SME) category. A newly proposed program of **SME business consultancies on a partial-reimbursement basis** would also benefit citizen enterprises with coaching or training in their own premises. Much more information about BOCCIM (and other BPED-funded) training activities is found in Annex 2 of this Report.

Citizen Entrepreneurs

34. The broadening of BOCCIM membership in the years since 1988 drives the need for activities that serve the needs of citizen entrepreneurs, who now comprise the vast majority of members (although BOCCIM revenues from membership dues, which are based partly on the number of persons employed, still come mainly from larger members, including some of significant size which are not citizen-owned). Some, but by no means most, "classroom" training activities are directed toward the development of entrepreneurial and management skills. Moreover, outreach activities, although initially intended to contribute to the expansion of membership by letting organizations of all sizes and in remote locations know about the Confederation, focus mainly on the needs of citizen managers.

35. Now that membership has grown dramatically to include mostly SME in a variety of sectors, the BOCCIM staff finds it imperative to **improve the qualitative content of its programs** in order to provide significant and noticeable "bottom line" benefits to members receiving training and advisory assistance.

36. Many Outreach and other entrepreneurial development activities benefit from **collaboration with other organizations** and programs, and a major function of BPED is to encourage this cooperative spirit. The very concept of B-MAP involves assistance to SMEs (largely) from personnel with greater experience in financial, production or sales management, often from larger established firms. Another example of useful collaboration is the Business Management Advisor's work with NGO groups (e.g., the Small Enterprise Professionals [SEPROP], a relatively new group of consulting professionals which, as their name implies, is interested in providing better advisory services to the SME sector) and government organizations such as the Trade and Investment Promotion Agency (TIPA).

37. **Trade and investment promotion missions** were foreseen as part of the BPED design. Valuable contacts have been made by BOCCIM through regional and international conferences, trade missions and study tours. Opportunities in Africa seem particularly promising given the recent changes in South Africa. Moreover, BOCCIM has become the **model for regional business associations**, having carried out a Center for International Private Enterprise (CIPE) contract to assist in

the expansion of business groups throughout the Southern Africa Development Community (SADC) area. Based on experiences in recent years, trade and investment **linkages within Southern Africa** are likely to have more immediate impact on SME development than more distant contacts. Locally, the most successful trade promotion activity of BOCCIM was the **Francistown Trade Fair**, which is to be repeated as an annual event and led to an invitation from Government for BOCCIM to play a major managerial role in organizing the traditional International Fair in Gaborone in 1995 and thereafter.

Policy Dialogue

38. Arguably BOCCIM's **increasingly active role in public dialogue on economic policy issues** may have more ultimate impact in terms of job creation and the development of citizen entrepreneurs than many activities with more immediately visible effects. It is easy to count the number of trainees in various courses; it is more difficult to cite the precise market-place effects of a BOCCIM-sponsored conference or policy paper. It is clear that three years is **too short a time period to measure all impacts** from policy advocacy; and it is equally clear that BOCCIM's growing importance in policy discussions is one of the most dramatic results of BPED support.

39. The **Francistown Conference**, first convened in 1988 in response to a United Nations Development Programme (UNDP) initiative and repeated in 1991, held its Third and most important session in May 1994 under the auspices of BOCCIM with "Botswana: Developing a Competitive Advantage" as its theme. The President of Botswana, Sir Ketumile Masire, not only opened the Conference but stayed to listen to most of the deliberation among 130 representatives of private business, parastatal enterprises and major government agencies. The Ambassadors of Sweden and the United States, the High Commissioners of Zambia and Zimbabwe, and observers from India, Libya, Norway and Russia were among those who attended.

40. The Francistown Conference has become a **focal point for policy discussion between government and the private sector**. It is the place where policy options are explored and to some extent the medium-term policy agenda is set. As Conference organizer, BOCCIM has considerable **leverage in determining major themes and speakers**. Increasingly, members have expressed the view that BOCCIM management must be held accountable for follow-up and periodic reporting on progress concerning issues raised at Francistown.

41. Other evidences of its role in high level policy discussions are formal invitations from the Minister of Finance and Development Planning (MFDP) to BOCCIM to **comment on (i) the Government's Mid-Term Review of NDP7 and (ii) themes appropriate for the February 1994 Budget presentation**. Responses from BOCCIM are highly professional, thoughtful, lucid statements of major issues, potential solutions and action priorities. Given the time pressure, their preparation probably did not involve much participation from the Council,

let alone the membership at large, but the resulting **documents merit wide distribution and discussion** in order to strengthen public support for policy actions recommended to government.

42. These salient events should not obscure the importance of more **continuous activities in the policy arena**. To staff this area of concern BOCCIM has established an **Economic Research Unit** (ERU) and appointed as Chief Economist a very well-trained and articulate professional, Dr. Pelani D. Siwana-Ndai, on leave from the Bank of Botswana. The Unit gives important support (and eventually could provide sustainability) to work undertaken by BPED-financed Policy Advisor. In addition BOCCIM is an active player in the policy studies program, also financed by BPED.

43. **Major studies have been completed (or are well advanced)** on such important topics as (i) further liberalization of foreign exchange activities (leading to a Government decision in principle to such liberalization and initial actions, which were expected soon after the Evaluation Team's visit to Gaborone; (ii) export incentives, (iii) collective investment undertakings (what others might call "mutual or investment funds"), (iv) preference for domestic undertakings in GOB procurement, (v) the feasibility of Botswana becoming a financial services center, (vi) the construction industry (including special consideration of components manufactured or fabricated in Botswana and later a general assessment of the industry, its short-term problems and future prospects), (vii) inflation and recession, (viii) the special credit needs for small enterprises (including women-owned businesses), (ix) advantages and disadvantages of the Southern Africa Customs Union (SACU) from Botswana's point of view, (x) tourism industry development needs and prospects, and (xi) several other topics.

44. For many of these studies BOCCIM has played an initiating role. **In all studies the Confederation is an active participant**, developing consensus for BPED support and clarifying objectives in its **coordinating role through PIC** and, generally, having one or more representatives on the **Reference Group** (a traditional technique in Botswana for providing oversight in policy studies and ensuring that major stakeholders have a say in research design and an opportunity to critique progress reports and draft conclusions).

45. Finally, mention should be made of the fact that BOCCIM **personnel are appointed routinely to Government Boards and Committees** in order to represent the views of its membership and the private sector generally. BOCCIM officers serve on Government Advisory Boards (or Committees) concerned with (i) Labour, (ii) Minimum Wages, (iii) Apprenticeship and Industrial Training, (iv) Factories, (v) the National Conservation Strategy and (vi) the Control of Smoking and on Committees (or Sub-committees) concerned with (vii) Employment, Manpower and Incomes (NEMIC), (viii) Incomes, (ix) Manpower, (x) Productive Employment Technical questions (PETC), (xi) Central Bursaries, and (xii) Regulations Reviews. BOCCIM is also represented on the Board of the Institute of Development Management (IDM).

46. A much more complete account of BOCCIM organization and operations is presented in Annex 1 and further details on BPED-financed training in Annex 2. In addition to suggestions in the foregoing paragraphs, major recommendations relating to BOCCIM are found in the Summary of Recommendations at the beginning of this Report. Further proposals for BOCCIM consideration are in Chapter 11.

Chapter 5. Botswana Development Corporation (BDC)

47. Under the **Grant Agreement of July 5, 1991**, BDC undertakes "to assist in business development and investment in order to provide increased employment opportunities" and, more generally, to advance the goals of BPED. As Attachment 1 (Schedule) to the Agreement puts it (with emphasis added):

"BDC is uniquely situated and has been **particularly successful in promoting investment** and implementing activities similar to tasks which it will perform under this Grant. Project Grant funds will enable BDC to **expand its ongoing investment promotion and support activities without substantial USAID involvement.**"

48. BDC takes responsibility for presenting semi-annual reports that "**describe project progress in relation to objectives** exceeded or failure to achieve objectives and corrective action to preclude future occurrences." The reports are to be **quantitative** and concentrate on (i) the **results** of project-funded feasibility studies and business linkage activities, (ii) the **usefulness of short-term training programs** to the trainees and their employers, (iii) **performance assessments of long- and short-term technical assistance**, and (iv) [citizen] enterprise development and **jobs created**. Reports are to examine BPED "progress towards the achievement of outputs in meeting project commitments" and discuss "constraints and problems and proposed actions to resolve them."

49. BDC also "agrees to incorporate **environmental considerations** into various feasibility studies, industry sector analyses, business expansion studies and other appropriate activities under the Project to the extent [it] may influence the conduct of such studies and activities."

50. Further details regarding BDC's role in BPED are provided in the Agreement's 12-page Attachment 2 (Program Description). Only **highlights** can be reported here. Again quoting:

"BDC is clearly one of the key players in the investment scene in Botswana.... BPED will complement and assist BDC's professional staff by financing.... two long-term advisors during the life of the project. Additional **institutional strengthening support for BDC under this Grant is not required** since it has the administrative, professional and financial resources to implement the activities under this Grant. The feasibility studies and business linkages to be financed.... are well within BDC's purview and existing capabilities.

"Substantial USAID involvement is not required since Grant funds will be used to expand similar ongoing activities currently being successfully implemented by BDC.... Although BDC will participate in the quarterly.... PIC meetings...., it is not required to obtain the Committee's approval for funding of specific activities illustratively identified in its implementation plan."

51. The **Illustrative Financial Plan** attached to the Agreement summarizes cost estimates for the BPED activities with which BDC is primarily concerned. **Total costs** for the 1991-97 life of the project (LOP) were estimated at **\$5,853,000, including the amounts to be contributed from BDC's own resources and private sector enterprises** sponsoring training assistance or particular feasibility studies.

52. The **BPED contribution** (including allowance for contingencies and inflation) was estimated at **\$3,375,000, subject, of course, to the availability of USAID funds.** Of this total a little over 10% would finance a portion of costs incurred in local currency (Pula) for in-country training. In the Illustrative Budget the services of **long-term advisors account for 42.4%** of the BPED contribution, **short-term technical assistance for 41.4%**, and the expense of **business linkages travel and external training** (along with a very small allocation for the purchase of essential technical assistance support materials) for the final **16.2%**.

53. The agreed Program Description records a number of **specific quantitative targets** under four major headings. In the summary that follows information from the Illustrative Budget helps to round out the Agreement's presentation of BDC's intended activities within the BPED framework.

(a) **Investment promotion**, including "well researched business linkage trips.... [to] strengthen **trade association linkages** between the U.S. and the Batswana business community." BPED financing is pledged for:

(i) Up to 3 person-trips to **represent Botswana at international trade association events in the U.S.** or other foreign countries; \$25,000 from BPED for foreign exchange costs plus \$13,000 equivalent from private sector sources.

(ii) Up to 5 person-trips to **identify U.S. and other foreign investors** and alternative suppliers for Batswana producers; no separately identified cost estimate.

(iii) An estimated 10 person-trips from **U.S. trade associations to Botswana**, for which "the return on investment appears greater" [than trips from Botswana]; \$140,000 from BPED and \$25,000 from other sources.

(iv) Costs in Botswana for up to 15 person-trips by **"potential U.S. investors** willing to finance their own airfare to and from Botswana;" \$52,000 from BPED and \$90,000 from private investor sources.

(v) **Short-term technicians** arranged through the BPED Contractor (Deloitte & Touche) to address specific investment constraints; described in the Budget as 5 technical assistance consultancies for "institutional/staff strengthening," financed with \$50,000 from BPED and \$25,000 from private beneficiaries.

(b) **Investment support** (i.e., "support for BDC to continue promoting investment"):

(i) "The **long-term advisors** assigned to BDC will coordinate efforts to identify, analyze, and formulate policy recommendations and implementation methods for both foreign and local investors.... and continue to identify domestic and foreign investors for specific projects and non-specific but declared general interest areas.... " Costs estimated at \$1,100,000 from BPED plus \$320,000 from GOB or private sector (i.e., BDC?).

(ii) Approximately 40 **industry-specific feasibility studies** on the following cost-sharing basis, 50% from the project sponsor ("soliciting firm" or enterprise), 25% from BDC's own resources and 25% from BPED; however, BPED funds may be used to pay for a higher percentage of costs for citizen-owned enterprises, if necessary (i.e., because neither BDC nor the sponsor has the required financial resources). In the Illustrative Budget provision is made for 35 feasibility studies financed with \$625,000 from BPED and \$1,300,000 from BDC and private sponsors; there is also provision for 5 institutional/staff strengthening consultancies, which were counted above in subparagraph 53. (a) (v).

(iii) **Expansion studies** (plans) for 15 "existing viable enterprises [that] remain stagnant due to lack of cash flow to explore new product lines, etc.... [since] the expansion of already viable businesses is the safest way to.... create sustainable employment...." BPED to provide \$150,000 matched by \$150,000 from other private (including BDC) sources.

(iv) Approximately 20 firms are to receive assistance in the form of **short-term on-site pre-production and production training**, provided they provide the training site, administrative support and trainees' salaries during the training period. Again BPED's contribution, in this case \$300,000, is matched equally with \$300,000 from beneficiary firms.

(c) **Industrial Sector Analyses** and policy studies, starting with a thorough review of export potential for Botswana-based industries: Among other tasks the export study is to (i) quantify expected benefits from both direct and indirect employment generation, (ii) list key export and investment incentives that could be offered to attract investors, (iii) recommend specific legislation or regulations, and (iv) stimulate public interest in export-oriented policies. Three additional sector studies (for instance, of tourism and micro-enterprise potentials) are

foreseen, using a total of \$250,000 from BPED plus \$60,000 from other (mostly local) sources.

(d) **Professional Development**, generally in the United States:

(i) **Short-term training** for 15 (the Illustrative Budget says 10) persons selected from the private sector, studying such topics as business management, private sector policy formulation, financial market development, banking and others. The preliminary allocation from BPED is \$100,000 to be matched by \$150,000 from private sources.

(ii) At the **Master's degree** level for two key staff members at BDC or private sector associations, also focusing on such topics as policy analysis, investment financing, economics, labor economics and others. From BPED \$100,000 (i.e., \$25,000 per person year and assuming each Masters candidate needs two years) plus \$45,000 equivalent from other sources.

54. The Evaluation Team finds the most important feature of this program is the **wide latitude provided to use BPED funds in many different ways to support and enlarge BDC's ongoing activities**, especially with respect to investment promotion. By supplementing the Corporation's own resources, BPED made it possible to speed up the implementation of several important kinds of activity, including individual feasibility analyses, broad sector studies, and the training of client company workers as well as its own professional staff, should BDC find prudent opportunities for such acceleration. The Corporation has made good use of the flexibility offered by the way BPED structured its assistance.

55. In the circumstances it is not surprising to find that BPED **spending under various BDC sub-project headings has been at lower rates than originally projected**. Reasons for this vary. There were, for example, fewer promising opportunities for business linkage and investment promotion trips than was originally foreseen. As far as long-term advisors are concerned (with far larger implications in terms of the budget), one was paid until January 1993 with BFAST II funds (also intended to foster employment generation and to increase in-country training), thus reducing the amount drawn from BPED; the other came on board in March 1993.

56. Although the Evaluation Team neglected to obtain an accounting of **expenditures compared with Illustrative Budget projections**, it is under the impression that overall expenditures to this midpoint of the original project schedule are substantially less than half of what was foreseen in 1991, reflecting that fact that BDC has been very prudent and thrifty in its use of BPED funds.

57. **Senior investment professionals** were provided on a long-term basis (i) to help identify new sources of investment capital and new projects for financing, (ii) to prepare investment strategies and policy papers, (iii) to assist in negotiating shareholder, technical, loan, and joint venture

agreements, (iv) to monitor existing investments in order to improve their returns on investment and favorable impacts on employment (one advisor reported 40 such consultations in a typical six-month period, providing operational, tactical and strategic support to portfolio companies), (v) continuously "to upgrade the inventory of citizen skills" (as BDC's 1993 Annual Report put it in a more general context) through on-the-job coaching of counterparts on BDC staff and arranging other training necessary to achieve their full professional potential and (vi) to perform such other **advisory or action tasks** as Corporation management required.

58. BDC staff has made substantial use of **short- and long-term training** opportunities. Individual training needs and interests are ascertained as part of the Corporation's annual personnel performance review. BPED funds are used to supplement BDC's other training resources. One recent Annual Report indicated that eight staff members were pursuing graduate and post-graduate training -- representing a very high percentage of the relatively small professional staff and substantial financing for this purpose other than what is available to BDC from BPED.

59. The Corporation has **commissioned several major consultancies to improve its own operations**: for example, (i) to streamline the organization structure and financial/operational control systems, (ii) to prepare a cohesive strategy to meet its information technology needs, (iii) to develop a Five-Year Strategic Plan (aimed inter alia at generating 10,000 jobs and increasing citizen participation in BDC-aided companies from 33% to 50%), and (iv) to facilitate orderly progressive sale of BDC investments, partly in response to the GOB decision to stop providing generous annual subventions and thus to encourage BDC to become more self-sufficient and diversified in its sources of financing. The divestiture program is considered important for the overall financial health of BDC and also could encourage management to be even more active in seeking new investment opportunities as cash is released from "mature" projects.

60. **Studies with more general policy implications** have also found BDC to be an active partner. Much work has been done to develop a more robust **export promotion strategy** for Botswana, to arrange for pre- and post-shipment credit facilities, and to provide export insurance coverage. **Unit Trust Legislation** is being drafted to develop and control "collective investments" and thus provide additional financial and capital market products in order to enhance savings mobilization. BDC had a vital interest in the **Foreign Exchange Liberalization Study**, already mention in the BOCCIM chapter, and work is under way to consider the prospects of Botswana developing into an **international financial services center**. While BDC's **privatization and divestiture** study was focused mainly on its own portfolio, it also has important national policy implications. The Corporation has also taken an active part in **construction industry studies** and in efforts to make **government procurement procedures** more accessible to local suppliers.

61. Although BDC's mandate focuses mainly on larger projects, its management is very conscious of the **importance of the SME sector and the needs of citizen entrepreneurs**. This is evidenced in a number of ways -- for example, by the work of its associated company Tswelelo, where BDC owns 39% of shares and carries a Pula two million plus loan at a preferential 4% interest rate (compared with 11-17% for other "associated" companies).

62. Sixty **investment opportunity profiles** were prepared for a conference in May 1993, co-sponsored by the MCI's Trade and Investment Promotion Agency (TIPA) and the World Bank's Multilateral Investment Guarantee Agency (MIGA). An ongoing **investment location study** aims to identify and document 40-60 more opportunities for private investors as part of the Corporation's overall marketing plan to intensify promotion activities. To some extent this work on "profiles" represents an alternative to the more intensive enterprise-level feasibility studies contemplated at the time of the Grant Agreement.

63. A number of feasibility studies were undertaken (e.g., coal gasification for a brick and tile manufacturer; the potential for prestressed concrete products) or proposed (e.g., a study of agate jewelry prospects; leather industry). Nevertheless, a **major shortfall in spending on enterprise feasibility studies merits more careful analysis**, given the need to diversify the Botswana economy and increase the rate of new job creation.

64. The relative sluggishness of the economy compared with two previous decades of more rapid growth may be both the reason why there have been so few detailed enterprise-level feasibility studies and an argument for pursuing such work more actively; there would seem to be relatively **few project sponsors requesting such assistance**, but management could embrace this fact as a persuasive reason for initiating their own analyses as part of **BDC's proactive policy** towards attracting investment. Another possibility is that increased spending on more general policy and sector studies will prove to be a cost effective way of identifying opportunities for new investment; however, experience elsewhere suggests that **intensive enterprise-level studies are an essential complement to broader sector analyses** if significant investment is to occur.

Chapter 6. Ministry of Commerce and Industry (MCI)

65. MCI is the third major partner in BPED. There is no separate Cooperative or Grant Agreement nor any elaborate list of particular tasks assigned MCI, since The Ministry's role is referenced in the main Agreement between the Government of Botswana (GOB) and USAID. In this context MCI's responsibility is perhaps the most difficult of the three major participating entities, since it is expected to **represent both its own ministerial interests and those of the government as a whole** in PIC and other routine BPED deliberations.

66. MCI is the **natural partner of BOCCIM** (whose Director is a former senior officer of the Ministry) **and BDC in achieving the major investment promotion, job creation and citizen entrepreneurship objectives of BPED.** The Ministry is represented by its Department of Industrial Affairs (DIA), whose program of industrial promotion, training and extension pursues objectives closely aligned with those of BPED itself. Through BPED the Department is positioned to enlist more active interaction with BOCCIM and BDC in the formulation and implementation of its programs and the articulation of common policy concerns.

67. Within the BPED framework MCI must also see that more general GOB interests receive appropriate attention; and at the same time MCI carries a special **responsibility to assist in conveying private sector views to the government** as a whole. MCI is the principal formal conduit for routine communication between government and the private sector (just as within government MCI is obliged to see that private sector interests are fully understood and appreciated).

68. The first **long-term advisor** to take up duties in Botswana under BPED auspices was the Senior Policy Advisor assigned to MCI, who arrived in May 1992 just 10 weeks after the Consultant's first Chief of Party. The Advisor has played a very active role within MCI as an analyst of key policy issues, the manager of critical tasks, and above all as coach and tutor to less experienced personnel. On several occasions he has served as Acting Chief of Party for the Consultant's team, provides an important element of continuity within the BPED community, and is widely respected by Batswana and expatriate colleagues.

69. As already noted in the discussion of BOCCIM and BDC, **policy studies** have played an important role in the overall BPED program. MCI has also been an active participant in reference groups for studies already mentioned (e.g., foreign exchange liberalization, export promotion, etc.). In addition, the Ministry has taken the initiative and been particularly active in connection with studies critiquing (i) the effectiveness of the government's Financial Assistance Program (FAP), (ii) a World Bank report on the country's Opportunities for Industrial Development, (iii) GOB's Industrial Incentives Policy, and (iv) Local Preference or Citizen Reservation schemes in connection with government procurement. A study to improve the investment promotion strategies of MCI's Trade and Investment Promotion Agency (TIPA), originally proposed for BPED assistance, received alternative financing from the European Union.

70. Much attention has been given to fashioning a **purchasing policy for school uniforms** to ensure that local apparel makers are used to supply an important market with economically and aesthetically acceptable products. What an outsider might see as a trivial problem actually proved to be an important test case for both producers and consumers and a pivotal learning experience for policy-makers. Also of great importance to citizen entrepreneurs has been DIA's programs of **pragmatic assistance to local contractors**, including special training

sessions, financial advances, and concessions with respect to performance bonds.

71. MCI has benefitted from **BPED-financed training at the Masters level in the United States** for four of its personnel, including one who studied economics at Clark University in Atlanta and two attended the University of Illinois, reporting that its School of International Business Management gave them access to an excellent network of contacts throughout the world (which they expect to use for many years to come) as well as fine academic training. While financial assistance is also available to the Ministry from other sources, MCI appreciates the possibility of BPED funding both because it **facilitates study at institutions in the United States** and has been known to service candidates more quickly than other GOB programs. (Many college graduates in Botswana join government service in the expectation that they will be given the opportunity to earn advanced degrees abroad within a year or two; one BPED-financed trainee from the Ministry of Finance and National Development (MFND) reports that she worked for MCI during her first year out of college and then moved to MFND in order to improve her chances of winning support for overseas graduate work, which was in fact approved after a year at MFND. It is possible that she would have received the same approval after her second year at MCI, but this individual shares the widespread perception that some ministries have much better access to overall GOB training funds than others.)

72. MCI personnel have also taken advantage of BPED-funded **local training** in computer skills, and three DIA officers attended the course in project analysis, which was organized by Arthur D. Little under BPED. Under its Integrated Field Services (IFS) program **MCI runs its own extensive training programs for business personnel** throughout Botswana, using materials developed by the International Labor Organization (ILO). Such training is parallel to courses designed by BOCCIM, although IFS courses are free and tend to cater more to micro-enterprise personnel than to BOCCIM's somewhat larger member firms.

73. Other MCI **industrial extension programs** are complementary to BOCCIM outreach and B-MAP activities. Moreover, the overall mandate of the DIA to promote industrial development, technology transfer, market-oriented policy instruments, and in general to increase employment opportunities through local entrepreneurship and economic diversification is similar to that of BDC, albeit with a different perspective. Clearly, **the original BPED concept providing for close consultation and co-ordination through PIC and other committee structures is sound and deserves to be continued and enriched long after BPED itself has passed into history.**

74. Successful completion of MCI's **transition from a regulatory to a supporting role** with respect to the private sector is as important to its BPED partners as it is to the Government itself; and the urgency with which it moves to improve its various services (including computerizing and otherwise strengthening statistical data bases) serves all

those who seek to develop and diversify the economy of Botswana.

Chapter 7. The Contractor (Deloitte Touche Tohmatsu)

75. Nine months after its Agreement with GOB, AID signed an agreement with the Contractor (generally referred to as Deloitte & Touche throughout this Report) to provide **leadership, coordination and a variety of contracting and accounting services** to the BPED effort. The first Chief of Party arrived in Gaborone the next month (March 1992). The first pair of Senior Advisors AID requested, for MCI and BOCCIM, arrived in May and July 1992, respectively. On the surface it appears to have been a fairly quick mobilization by the Contractor after a somewhat lengthy selection-and-negotiation process by AID, but the Evaluation Team has not reviewed that history in any detail.

76. The Consultant (with appropriate assistance from subcontractor Development Alternatives Inc.) has **supplied a series of first-rate experts** to fill technical and professional manpower positions in all three project entities as called for in the basic project documents. These arrangements were vetted under the time-line established by USAID/Botswana. Other recruitment (e.g., administrative support for long-term advisors), procurement, accounting and administrative assignments have been performed smoothly as far as the Evaluation Team has been able to determine, including the handling of **all payments in foreign exchange** required for activities under the immediate supervision of BOCCIM, BDC and MCI.

77. Detailed arrangements for overseas training in response to properly approved requests from the field are managed competently by **subcontractor Development Associates**, which also provides logistical support and technical guidance to trainees while they are in the United States.

78. **Leadership in the field** suffered somewhat when the original Chief of Party had to be replaced at the end of 1992; interim arrangements in 1993, while appearing somewhat uncertain in the paper record, were appropriately pragmatic as evidenced by the steadily increasing pace of BPED activities throughout the year. Because of changes and uncertainty during the two previous years, the new Chief of Party moved into an awkward situation in March 1994 but quickly developed a clear sense of the strategic issues. The Evaluation Team arrived in Gaborone during her fourth month on the job but witnessed abundant evidence of her firm and effective leadership. BPED is fortunate to have a person of her maturity, insight and commitment to high quality standards during these final 18 months of Contractor services (due to be phased out by the end of September 1995).

79. Generally, **reports required by Contract** have been prepared on schedule. However, now that BPED has well over two very active years of experience, it would appear desirable to consider ways in which these reports could be consolidated, made more accessible to readers (partly a matter of being more

concise), and supplemented to provide cumulative Life of Project data. In recent months, building on the work of the Assessment of Program Impact (API) mission of October 1993, the Contractor in close partnership with USAID has been pressing urgently to put in place a **system that measures project impacts** (in addition to mere activities and expenditures); all parties understand that this is both difficult and long overdue.

80. One member of the Evaluation Team, who spent considerable time with project reports and files, recommends that the Contractor revise reporting forms and procedures in order to establish a **more transparent written record of both activities and accomplishments**. This would help to ensure that all participating entities know what the others are doing in areas that may affect their own work and that BPED accomplishments are fully and fairly represented to interested outsiders. Reporting mechanisms established more than two years ago no longer leave an easily accessible record that does justice to the wide range of Project outputs, their impacts or the pragmatic way in which BPED resources have administered.

Chapter 8. Project Management and Coordination

81. The **principal mechanism established for overall management of BPED** is the Project Implementation Committee (PIC), consisting of representatives of BOCCIM (convener and secretariat), BDC, MCI, the Contractor and USAID. The Agreements signed in 1991 give PIC primary responsibility for coordinating all aspect of BPED but require that **"USAID must approve in writing [all] implementation plans** presented to the PIC" which require BPED funding (although other language seems to exempt most BDC activities from this requirement). The PIC meets quarterly and operates on the basis of consensus. Its principal mechanism of management is the review and acceptance of the six-month activity plans prepared by each of the three operating entitites (plans which are updated quarterly) before submitting them to USAID for review, approval and the required financial advances.

82. An **Operations Committee has been established at the working level** to focus on difficult issues (e.g., full implementation of the long-planned system for measuring BPED impacts) and to assist in preparing documentation that would make PIC meetings more strategic in focus, subproject details having already been worked out.

83. While most PIC participants have found Project coordination adequate, at least for the start-up years of BPED, the Evaluation Team concluded that **review and redefinition of PIC functions would be desirable now** that so many activities are ongoing, being launched or require follow-up. Recommendations on this point are found in the Summary of Recommendations. The Team would urge that careful consideration be given to these issues at the forthcoming **Strategic Planning Workshop**, scheduled for October 11-12, even though there are also other urgent topics to discuss during what is likely to be too brief a period for so lengthy and difficult an agenda.

III. CONCLUSIONS AND RECOMMENDATIONS

Chapter 9. Conclusions

84. Before turning to recommendations for future action this chapter offers the Team's general conclusions. To structure this summary performance is reviewed briefly in terms of objectives, indicators and assumptions summarized in the Preliminary Logical Framework dated 10/11/91. At the outset let it be said that the **Team's overall evaluation is positive**; this is also the view of virtually everyone interviewed on the subject. BPED was an appropriate follow on the its BWAST predecessors and very definitely a **good and significant project in the right place and time**. Ironically, one good indicator of this generally positive conclusion is the tendency of almost all observers to suggest, often passionately, improvements and refinements; virtually no one has suggested trashing the whole concept.

85. Improved Policy Dialogue: All indications suggest that the policy dialogue between GOB and the private sector is **more active** than four years ago and **significantly richer**. Equally, there is no question that the **private sector has improved its ability to participate in policy discussions** at a high level of sophistication and that BPED-financed policy advisors and studies have made a major contribution to that improvement. Issues are better understood on both sides and often handled more collaboratively, analysis and advocacy skills have been enhanced (both in GOB and the private sector), program proposals are formulated more soundly, and the overall importance and influence of BOCCIM as spokesperson for a wide spectrum of private interests has increased. Policy implementation capacity has also been improved both by the quality of programs sketched in BPED-financed policy papers and by training experiences of GOB (not all financed by BPED) and representatives of the private sector.

86. The trend is strongly positive. Inevitably, soft spots remain:

(a) As BOCCIM gains in sophistication, there is always a danger that **large segments of its membership could be left behind**; the professionalism of analysis must be matched by effective programs of dissemination and education -- not simply to change the minds of GOB decisions-makers but also to improve understanding within the business community and public at large.

(b) Many businessmen (less so women) have experience in the government sector and understand its **way of thinking**. Government officers are less likely to appreciate the true mind-set of business owners and managers. An increase in formal conferencing might help; to Logframe target of five per year has not been reached. Well presented business case studies could also be attentive. The point is to work constantly and by various means to **bridge the inevitable gaps in understanding**, based on differences in experience, interest and objectives.

(c) The Logframe emphasized **continued relaxation of licensing requirements, controls, and other restrictions.** The trend toward liberalization ante-dates BPED and is continuing, although the pace is slower than many would wish. Liberalization has been aided by BPED (e.g., foreign exchange liberalization study) but is not the project's principal preoccupation, since well-articulated sector programs (e.g., construction industry needs, tourism prospects) seem more likely to save or generate jobs. Policy watchers in Botswana should keep in mind that worldwide, although the private sector is strong on liberal rhetoric, it often favors specific, efficiency-threatening controls (e.g., certain types of local supplier set asides) and market distortions (e.g., subsidized credit and utility charges).

(d) Women's concerns are emphasized in the Logframe. Upgrading of BOCCIM's Women's Affairs Unit is mentioned specifically as are policy analyses in this arena. On the positive side the **40% target for women's participation in training programs appears to have been exceeded by a substantial margin.** Some constraints preventing women from playing a more active entrepreneurial role have deep social roots (e.g., dominance of a "cattle culture", especially among men, which diverts savings from other investment options) that may go well beyond the domain of BPED. Moreover, **many of the problems faced by women in business are faced by all SME,** whatever gender owns and manages them. As IFAD's SADC study pointed out in 1986, more general programs to assist all SME almost certainly will be of more benefit to women entrepreneurs than policies targeted solely for them.

87. **In many areas GOB has already gone beyond well beyond Logframe assumptions.** For example, it is generally accepted that incentives superior to the Financial Assistance Program (FAP) are needed; the continuing riddle remains how to devise something better. More than two financial incentive studies have been approved by PIC; similarly export incentives have been analyzed along with various investment incentives (generally focused on particular industry or sector situations). (N.b., the Logframe distinction between financial and investment incentives is not entirely clear to the Team.)

88. Broader Opportunities for Citizen Entrepreneurs: The Mid-term Evaluation confirms most of the Logframe analysis. A critical assumption was **the ability of BOCCIM to expand its implementation capacity;** this has been done dramatically and with very good results. The concern now is over the Confederation's ability to sustain the essentials of its very much enlarged program once BPED and other overseas support is reduced or withdrawn. Similarly, the Logframe emphasis on **nurturing entrepreneurship outside Gaborone** is reflected in the activation of Regional Business Councils and BOCCIM's (and MCI's) attention to delivering outreach services (including B-MAP assistance) throughout Botswana.

89. One key to **developing citizen entrepreneurs** is seen to be training. On the surface BOCCIM's in-country training programs have come close to meeting the Logframe target of "5,000 business people receive training," since courses were delivered to about 900 people in both 1992 and 1993. However, important caveats are in order:

(a) The intention reflected in the Logframe was that 80% of courses would **focus on improved managerial or supervisory skills** in production, marketing, and finance. While there has been a tendency to increase the number of such courses over time, perhaps half of the BOCCIM program is still delivering support-level training (e.g., administrative and computer skills). It is imperative that BOCCIM give more attention to the design and development of training for entrepreneurship.

(b) The target of 5,000 needs clarification. It makes sense if it means 5,000 training "interventions" (i.e., 5,000 course participants), on the understanding that **many participants will take several courses** -- courses that have been developed on BOCCIM/BPED initiative in packages (e.g., management 1, management 2 etc.). Citizen entrepreneurship is most likely to be advanced if 500 enterprises with 5-25 employees recorded 10 course-participations each, involving two or three, or even more, key personnel in each firm.

(c) The Logframe was correct to assume that an adequate level of **cost-sharing by beneficiaries** would be crucial to the success and sustainability of training programs; cost and pricing issues remain critical, as noted elsewhere in this report. (Cost-sharing was also called for most dramatically in connection with the proposed program of feasibility studies, for which both the GOB and private sector were to provide matching funds; the scarcity of such matching funds may be one reason for the shortfall in this type of activity, also aimed critically, although not entirely, at assisting citizen entrepreneurs).

90. BOCCIM's BPED-financed programs have already **exceeded the Logframe target of 100 on-site consultancies** in support of citizen entrepreneurs. Quite properly, these programs started extensively to let large numbers of businesses know of their availability and are now stressing more intensive (including repeated) visits to enterprises where the assistance is most likely to bear fruit. Also of great assistance to citizen entrepreneurs has been recent activity, in which all three BPED entities collaborated, to make GOB procurement practices more Botswana-friendly. The Team is not certain what the Logframe means by reference to "constraint studies" but suspects that this target has been met by various policy and sector analyses.

91. Increased Domestic and Foreign Investment: A higher level of investment was targeted as a means to increase employment, productivity and household income. Presumably, a net increase is desired, and even in the best of circumstances, this would be particularly **difficult to**

measure, let alone to attribute to BPED activities. The Deloitte & Touche team, including the Senior Advisors, is working with AID officers and others to develop satisfactory (and credible) **quantitative measures** along the lines of Logframe targets: (i) new businesses with an investment value of \$22 million equivalent, (ii) gross sales up by \$40 million, and (iii) 4,000 new jobs in the private sector (30% women). Meanwhile, from **qualitative observations** the Evaluation Team has little doubt that **BPED activities have had a significantly positive impact** on all these parameters.

92. Comment is called for on assumptions noted in the Logframe:

(a) Some quantitative measures will **depend on enterprises** that participate in BPED activities **reporting their sales, investment and employment experience**. Reports, in turn, depend on properly designed and administered reporting forms; the Team understands that efforts are currently in hand to develop appropriately practical (and simple) reporting forms and to conduct representative sample surveys of BPED impacts and BOCCIM membership interests.

(b) BPED assistance was expected to be particularly valuable when businesses were already close enough to a decision so that **"marginal" inputs from BPED could trigger action**. This implies a selective approach to intervention (for example, as practiced by BDC based on seasoned judgements of which business sponsors are most likely to make a success of their ventures -- and inter alia repay loans).

(c) The Logframe made explicit the assumption that a **sufficient number of businessmen** and investors would be identified in both Botswana and the United States to **pursue business linkage opportunities**. So far insufficient interest has surfaced to meet Logframe targets. At this writing it is not clear whether this reflects recessionary conditions worldwide or inadequate promotional activity by BPED partners, or some combination of such factors.

93. Responsibility for Programming, Managing and Accounting for

Project Funds: Should BOCCIM, BDC and MCI be confronted with a situation in future where they need to assume **increased financial responsibility without close USAID mission supervision**, they have administrative and accounting structures in place to do so, provided that reporting requirements are explained clearly and training in detailed procedures is provided. All three agencies make good use of non-AID financing and receive satisfactory reports from those agencies and auditors.

Chapter 10. Lessons Learned

94. During this Mid-term Evaluation the Team observed factors which, in its opinion, carry **lessons for USAID and its partners** as they fashion and implement similar projects in future. These "lessons" were not necessarily "learned" by anyone else, and the observations recorded here do not imply that judgements are shared by others, let alone project entities themselves.

95. These comments are offered for consideration and comment by those who have lived with BPED during any part of the five years since the project was identified, negotiated and translated into action. The intention is to **raise questions which may be helpful as new private sector development programs are fashioned in other times and places**, recognizing that those different circumstances will call forth their own responses, illuminated by experience in Botswana but by no means identical.

96. There is great value in projects that reflect a **sustained commitment**. This is particularly true where cooperation is intended to **support a difficult transition process**, such as the development of a robust private sector where previously the government had supplied most engines of growth and imposed many regulations or restrictions. On balance, therefore, the Team finds that BPED benefitted from its roots in BWAST and other predecessor projects.

97. At the same time it is well to recognize that such **roots can involve handicaps**; if so, there will be a need to be overcome them by conscious, possibly constant, effort. For example, the switch from the OPEXer emphasis on doing to BPED's preference for mentoring of counterpart citizen "doers" requires persistent attention and most probably would **benefit from occasional workshop processes** that ensure all parties are alert to the importance of the change and aligned on how it requires new patterns of work. (The transition from a federation of one or two hundred large, often foreign-owned companies to a much more widely representative Confederation with more than 1,000 SMEs spread nationwide also requires a change in mindset, which will inevitably need renewal from time to time.)

98. Project circumstances required that each Advisor develop a slightly different balance between "doing" and "coaching". During the next few months all will have to develop an **appropriate strategy for the final phase-out** of BPED assistance. These adaptations to changing circumstances are best handled through occasional frank discussions among partners. USAID's instructions to the Consultant changed over time in order to clarify the doer-advisor distinction, but it is not at all clear to the Team that those **changes were discussed, understood fully, and accepted by management in partner entities** in Botswana.

99. On a broader level the advantage of **strategic plans** (and mechanisms such as the Logframe) particularly if they are made explicit in writing, is that they **communicate a shared vision**, which can be reviewed from time to time and, after achieving consensus among partners, **modified to accomodate changed circumstances**.

100. Three years appear to offer **too narrow a window of time to select 20 top quality candidates for 18 months of overseas training** at the Masters level. In the case of BPED the problem was mitigated somewhat because GOB has many such programs; therefore, BPED funds could be used to supplement other resources, especially for cases where training in the United States was most desirable, and incorporated into agencies' ongoing career development programs.

101. The **Illustrative Budget** associated with original Project documents proved to be a **particularly valuable reference** document. It is concise and yet reasonably detailed. Initial targets (both physical and financial) are valuable, so long as they are not applied too rigidly. Comparing experience with what was originally expected allows managers (and evaluation teams) to consider whether new circumstances require new expectations and/or sluggish performance merits more effective implementation arrangements. It is not clear that these illustrative "budgets" are known to all key players in BPED or much used by those who do know of them.

102. **Gender issues** remain of critical economic significance in most countries. Botswana is no exception. A DIA report notes:

"Although men operate 10.4% fewer FAP assisted businesses than women, they account for 65% of the [Gumare] District's FAP failures. This may be due to the fact that (i) men tend to work less hours at their businesses than women, (ii) men rely less on income generated from their FAP assisted businesses than women due to the fact that the majority of them have other forms of income (71%) as opposed to women (29%). It was found that male producers received significantly less training than their female counterparts."

Other sections of the DIA Annual Report for 1992-93 contain gender specific information on financial and training assistance programs; unfortunately, this useful practice is not followed for all Districts nor in all BPED presentations.

103. Several lessons from training programs are reported in Annex 2, including:

(a) It is useful to **select candidates well in advance of short-term overseas training**, so that biodata can be forwarded to training providers and courses designed to meet the needs, interests and experience levels of participants.

(b) Programs like the University of Illinois' Master of International Business Administration include an important bonus; participants develop relationships with fellow students from all over the world and thus **establish a network of great value** as they seek to increase exports, technology transfers, and other **international business relationships** in future.

(c) **To the extent that participating organizations share in the cost, the impact of training improves.** The BPED

concept was correct in this regard; but the commitment to cost-sharing seems to have softened somewhat during implementation, partly due to a common tendency to measure performance by numbers of trainees (or dollars spent) rather than by impacts (on employment, productivity and investment). Again, DIA language is instructive:

".... factors such as free training, free transportation, free food coupled with training allowances and the ease of obtaining free money in terms of a grant, have contributed to the following attitudes of many of our local citizens: (i) The Government is expected to provide everything free. (ii) Attending courses is seen as a favor to IFS. (iii) The solution to a shortage of cash or materials is to apply for an expansion. (iv) A business failure is of no consequence. Obviously, the above mentioned attitudes are detrimental to the development process because.... entrepreneurs who possess such attitudes are bound to fail in the long term." (Emphasis in the original.)

104. Experience with policy studies underlines two important lessons. First, **policy work does not end when the analysis has been completed** or a report written, cleared with the Reference Group, and submitted to the Government. Determined and **persuasive advocacy** may be required over a period of years along with steps to education the wider business community and the public at large regarding the issues at stake. Second, **policy dialogue is as much a matter of listening as speaking.**

Chapter 11. Recommendations

105. This chapter presents a number of recommendations which the Mid-Term Evaluation Team offers for consideration by persons who will be responsible for the realization of BPED objectives in the next year or two. **The order of presentation does not necessarily reflect the Team's sense of priorities.** An effort has been made to group related recommendations. This chapter should be read together with the Summary of Recommendations offered at the beginning of this Report, since the authors have endeavored to minimize repetition. We believe that recommendations in this chapter are consistent with those in the Summary. But the **ultimate judges of the value and coherence of all these proposals must be the persons responsible for specific programs and strategies at BOCCIM, BDC, MCI, elsewhere in GOB, USAID, Deloitte & Touche, and in other interested organizations.**

11.1 Of Particular Concern to BOCCIM

106. **Participation:** As BOCCIM continues to grow, the Council and staff must continue to encourage and extend **volunteer involvement**, strengthen the spirit of association, and ensure grass-roots participation in decision-making.

107. Continued support for the growth in activities of **Regional Councils** is desirable, and ways should be found to

ensure that those more remote elements of the membership are appropriately represented on the Council and other decision-making structures.

108. **Many interests of SMEs are different from those of larger companies** that comprised most of the (much smaller) membership of the Botswana Employers Federation (BEF). Smaller companies often have different **policy interests** (e.g., may not be so concerned about further liberalization of foreign exchange restrictions) as well as **service needs**. The suite of activities offered to its members by BOCCIM must cater to both sets of interests and **enrich the dialogue within the business community** as well as between the private sector generally and government.

109. The Council, management and staff of BOCCIM should remain constantly on the alert to identify **special needs and concerns of particular constituencies** (e.g., women in business insofar as their needs may be different from those of smaller businesses generally).

110. **Programs** (whether services or policy advocacy) should be **driven by the grass roots membership**, their needs and wants, and what they are willing to pay for. In this connection the proposed (ongoing?) **membership survey** is of great importance and should be accorded the very highest priority by BOCCIM decision-makers.

111. Another study of great importance has been approved recently by PIC to **measure the impact of various training courses**. The impact study also merits very high priority in the BOCCIM work program and energetic support from BOCCIM leadership, since it will help to answer some cost-effectiveness questions that have been raised about various programs.

112. **Structures**: As noted above, constant care must be taken to ensure that membership in remote areas and other **special constituencies are properly represented in the decision-making process**. Continued use of at-large seats on the Council is one pragmatic tool for doing this.

113. At present the Team understands that BOCCIM's **standing committees** are (i) the Finance and Management Committee (serving ably as an Executive Committee of the Council), (ii) the Training Committee (working closely with the training staff and advisor), (iii) the B-MAP Operating Committee (working closely with the Business Management Advisor), and (iv) the Northern Regional Management Committee (ditto). These committees provide opportunities for members to participate actively in BOCCIM affairs, develop their organizational and leadership skills, and benefit from a two-way communication between membership and decision-makers.

114. **Additional standing committees would strengthen the organization**. A **Government Relations** (or Economic Policy, or Legislative) Committee would give more focused attention to policy issues and follow-up, provide better liaison between the membership and policy staff (i.e., the Policy Advisor, Chief Economist and other personnel in the ERU), and relieve

the Finance and Management Committee of some of its responsibility for dealing with policy details and the dissemination of policy briefs.

115. A **Membership Development** Committee would support the continued expansion of membership and help clarify and prioritize the grass roots agenda for BOCCIM activities. A **Service Development** Committee would look into opportunities for improving member services, including revenue-generating services such as the insurance discount scheme, and consider the cost-effectiveness of alternative ways of providing new services. It would also seem useful to re-activate the Labor- or **Industrial-Relations** Committee, given the pervasive nature of productivity and incomes-policy issues in the Botswana economy.

116. It is a useful rule of thumb to assume that **each major program should work with a standing committee representing the membership**, as the Training program has done so successfully over the years. A similar rule of thumb would **ensure that every Senior Advisor also work with a membership committee** in addition to reference groups which do not necessarily represent membership. Again Training is a successful example of this two-way educational process, enriching both the Advisor and the membership. The Senior Policy Advisor has worked with the Finance and Management Committee (F&MC) to plan major policy interventions, to the extent that the Committee found time to work through those complex issues.

117. The Business Management Advisor has worked with a variety of committees (i.e., B-MAP Operating Committee, Finance and Management, Manufacturers' Sector Committee, Small Business Division, Small Business Financing Task Force, the Northern Regional Management Committee and other Regional Councils, Francistown Trade Fair and possibly others). This collaboration, especially on particular tasks and events, is undoubtedly valuable; but there would also be value in appointing a single Member Services (or Outreach) **Committee that could provide strategic perspective and coordination** to all these activities beyond what the very able Advisor offers on a purely personal, and therefore transient, basis. Were such a committee in existence, it could give more focused leadership and liaison to the ongoing membership survey mentioned earlier.

118. Sustainability: This is the most important topic for BOCCIM to address in the next few months, now that it has built up a broadly representative membership and offered a wide selection of services. It is a **time for re-evaluation, consolidation, selectivity, and strategic thinking**. Which services are cost-effective? How can cost-effectiveness be enhanced? Which services are self-supporting? Why are we offering this service or activity or training program? Why have we organized ourselves the way we have? "How" to win more participation from implementing partners will depend on "why" a service is needed and "what" participants can gain or lose.

119. Considerations of **financial sustainability** are particularly relevant now that assistance from abroad is seen

to be ending from some sources and declining from most others. Sustainability of a program of work is based on the **members' willingness and ability to find resources for activities they consider of high priority.** Any program is at risk when outside revenues represent more than 25% of total revenues from dues ("investments") and service payments.

120. BOCCIM has developed **three categories of membership services.** First, there are **general services** that all members receive equally (e.g., newsletter, government affairs, general meetings, and membership listings). The cost of these services can be covered by membership "investments" or dues. A second category of **services is used selectively by some individuals, small groups or particular sectors** (e.g., training, outreach, B-MAP, trade fairs, "flea markets", or investment "linkage" missions). These services absorb general overhead and should be paid for on a cost-plus basis by those who benefit. Third, there are **services for which BOCCIM can negotiate on behalf of large groups of members** to reduce their costs or increase their sales (i.e., discounted group rates, marketing promotions). The negotiating fee paid to BOCCIM should cover overhead costs involved in negotiating these services.

121. Further refinement of BOCCIM's **accounting system to establish cost centers** and determine the full cost of each major program has been proposed and should be implemented as soon as possible. Meanwhile, it should be possible to estimate service costs per member, per participant and per job created.

122. Even without sophisticated analysis of, say, training costs, there is no compelling reason why (i) training is offered at a fraction of its cost, (ii) generous subsidies are provided equally to well-established, highly profitable members instead of being limited to those of proven need, and (iii) registration fees are the same for expensive (long, complex) courses as for simple, short training.

123. **Scholarships** are available to members to participate in training programs not designed by BOCCIM; awards are based mainly on need, since many larger, more affluent companies have their own training facilities. Similar needs tests are recommended before offering heavy subsidies to members attending Confederation-designed courses. Scholarship procedures should be kept simple -- and supportive of other GOB-BOCCIM goals -- by offering as much assistance as possible automatically to members with 10 or fewer employees in the Gaborone area and 25 or fewer in more remote areas of the country.

124. **Civil servants**, especially in support cadres, require **training** similar to workers in the private sector (for example, to master computer skills). Government should be encouraged to contract for such training with private service providers to achieve economies of scale for all consumers of training. Moreover, **mixed classes containing both private sector and government trainees would help establish informal networks** that could eventually facilitate better communication

between these groups, who so often have difficulty in understanding each other's perspective.

125. All BOCCIM programs should be reviewed to see how **self-sustaining mechanisms** can be organized for their support in future. **Revolving lines of credit, loan guarantees, trust funds or endowments** are among the concepts that should be considered to provide sustained, if partial, support for the most needy future participants in training and other business development activities.

126. Generally, programs that assist the development of citizen-owned businesses, especially those in remote locations, experience **high unit costs and offer mainly long-term impacts**; they might well be cut back early in any cost-cutting strategy unless **special provision is well planned in advance**.

127. **Grants** should be available on a competitive basis to training providers, including BOCCIM, to cover part of the **cost of developing new training programs** that respond to new needs in the business community.

128. Management and Entrepreneurial Development: Productivity in these BOCCIM programs is now high, but they are quite **vulnerable to staff loss or turnover**, particularly outside urban centers.

129. The time has come to emphasize the **quality, depth and thoroughness of service** of various outreach and business counselling programs as compared with the extensive approach of earlier years. Previously, it was appropriate to measure performance partly on the basis of the number of contacts or trainees. Now **numbers are less important than the quality of services rendered** and the impacts of those interventions, particularly impacts in terms of jobs created, profits increased, and investment to expand output.

130. There is always room for **better coordination among programs both within BOCCIM and with other agencies**. More frequent staff meetings may seem like a waste of time, but they are necessary to supplement less formal means of coordination and to establish meaningful priorities and reap the full benefit of synergies.

131. As the economy grows more complex, **coordination of "outreach" activities among various programs and agencies** will also require regular mechanisms of consultation. Even now, some of the techniques of creditworthiness appraisal developed at Tswelelo may prove useful to BOCCIM staff. Are different groups working on access to credit well coordinated? or has there been a deliberate decision to encourage multiple approaches to this issue because it is both intractable and vital to the healthy growth of citizen entrepreneurship? Are there any **new NGOs or donors** BOCCIM should work with?

132. All **policy studies** should be reviewed **systematically and routinely** to see what **new training programs (or emphases)** may be required to support proposed policies. Are improved skills in foreign exchange transactions required to support the

proposed liberalization? How can currently small but promising industries be encouraged through special outreach or classroom training interventions? Are new training courses needed to facilitate export marketing? improved access to government construction (and other) contracts? a larger share of the domestic market for consumer goods, especially through foreign-owned outlets?

133. Institution Building: Before BPED training funds are exhausted it would be useful to **extend regional**, and possibly some overseas, **training opportunities to Sector and Committee chairs**, Regional Council leaders and other volunteers within the membership. In addition to the value of the training itself such acknowledgement motivates all levels of paid and volunteer staff to continue working effectively to advance BOCCIM goals.

134. Wisely, BOCCIM recently commissioned an **Organization Study** under the general supervision of the Finance and Management Committee (F&MC) with oversight by a reference group consisting of the F&MC, other representatives of the membership, the USAID/B Project Manager and the Deloitte & Touche Chief of Party. It is hoped that recommendations and other sections of this report will prove useful to the reference group and consultants working on that study.

135. While in Gaborone the Team recommended strongly that the organization study be conducted with the **fullest possible participation of the membership** and was assured that this was the intention of BOCCIM. A participatory process will not only yield results representing the diverse interests, opportunities and constraints of the entire business community but should also help generate the energy which will **facilitate implementation of action plans resulting from the study**.

136. It is essential that the organization study approach issues from a **strategic perspective** and avoid being bogged down with administrative details. Keep those "Why?" questions always in mind.

137. As mentioned earlier in this chapter, **three critical questions** to be considered are (i) the sustainability of member services, (ii) further improvement in and monitoring of the quality of services and their impacts on job-creation and similar national goals, and (iii) increased integration of various BOCCIM activities and continued coordination with non-BOCCIM programs through PIC and other mechanisms, in order to leverage scarce resources and maximize results.

138. Policy Dialogue: It would be useful to prepare an **inventory of all major policy proposals** offered as a result of BPED-financed studies and advisory services (e.g., aforementioned letters to MFDP re '95 Budget Speech and Mid-Term Plan Review), noting the current status of those recommendations. Where BOCCIM advice has led to action, this record would be a valuable, if partial, measure of policy impact.

139. Where policy recommendations have not yet been implemented fully, BOCCIM leadership (with assistance from the

proposed Economic Policy Committee?) should **consider what further steps are necessary to advance the action**, assuming the original recommendation is still valid and of high priority. Can **new ways of policy advocacy** be developed to **expand the constituency** for particular actions?

140. As mentioned in connection with the Francistown Conference, BOCCIM membership seems to expect **periodic and systematic monitoring of GOB responses to private sector concerns**. A report on the current status of proposals still pending would be useful as a **regular feature of the newsletter**.

141. Preparation of an **explicit BOCCIM Policy Agenda** would assist members and management and remind all stakeholders of private sector priorities. Reasonable timetables (i.e., due deliberate speed?) should be kept in mind for GOB review of and action regarding major BOCCIM recommendations. The listing of past recommendations and/or major concerns expressed at Francistown III would be a relatively quick and easy way to develop at least the first draft of such an Agenda.

142. The current review of terms of reference (TOR) and **work priorities of the ERU** should consider how its activities can best support policy advocacy responsibilities of BOCCIM (as distinct from research with limited policy relevance or data and information services). How do ERU work priorities compare with the Policy Agenda of the Confederation and its members?

11.2 Of Particular Concern to BDC

143. BDC's **excellent record of tracking investment and job creation needs to be shared with its BPED partners** with a view to obtaining timely, reliable data on all impacts that can be attributed reasonably to activities under BPED. BDC points out correctly that observers should not be overly concerned with low levels of immediate impact, since many important programs have long gestation periods and will yield high returns only over a 5-10 year time horizon.

144. The shortfall in **enterprise-level feasibility studies** (and to a lesser extent linkage-related travel) relative to expectations when the Project was designed deserves thoughtful, objective analysis. Were targets set too high? should implementation be more proactive? are cost-sharing requirements a serious constraint? or is this merely a low point in the investment cycle, which will pass in due course? Dramatic changes vis-a-vis original plans deserve to be reported as part of the overall project implementation story just as much as new or planned activities.

145. A **more active program of trade missions**, especially in the Southern Africa region, should be considered in consultation with MCI, BOCCIM and other interested parties along with other export promotion actions. The region also offers significant business training opportunities, which BDC can help canvass more systematically than in the past.

146. BDC brochures and newsletters should be made readily available at **major tourist destinations** along with other **information of interest to potential investors**.

147. Investors should never lose sight of the **hazard of relying on consultants' reports**. Errors of fact and understanding are only part of the problem. Of more serious consequence is that reports are too easy to file before critical stakeholders are committed to action. This tends to be particularly true of policy analyses and recommendations. The end of a policy study is often only the beginning of **the real work when advocacy is pursued shrewdly but relentlessly**. A government's inaction is the failure of policy advocates, not of the government itself.

148. Policy dialogue is often effective behind closed doors and on the golf course, in a context of privacy which permits candor on all sides. At the same time policy advocates, particularly under the BPED banner, have an **obligation to facilitate public discussion** of and education about steps to improve the investment climate and to increase opportunities for productive employment.

149. **Access to credit** remains a major constraint for many citizen entrepreneurs (and would-be business men and women). Given its special expertise, BDC must remain tireless in its efforts to understand the reasons for the persistence of this constraint and to design of programs to overcome it. Pioneering assistance and support to Tswelelo is only a beginning. Additional loan funds for SME, vetted through the commercial banking system, are still needed to complement or (in the case of FAP?) replace existing programs.

11.3 Of Particular Concern to MCI

150. A systematic study of access to credit is recommended at various points in this report (including the immediately preceding paragraph that ends the subchapter addressed to BDC). MCI has **vital concern in the credit arena** and is already a vigorous participant in ongoing studies. The Ministry should continue to play an active (indeed, impatient) role to ensure that the country's bankers address the needs of SMEs in imaginative and effective ways.

151. MCI should **consider issuing tradable vouchers** to qualified SMEs, which could be used to pay for training programs, to purchase production equipment, to guarantee loans, and to pay for space at trade fairs; or simply sold for cash.

152. MCI, and especially DIA, are notorious for **the persistence of more than a few dozen staff vacancies**. Work programs should be revised in the light of realistic estimates of staff strength, and excess vacancies canceled. Meanwhile, aggressive recruiting is need, perhaps in combination with (i) work study programs and (ii) twinning with private companies (e.g., alternate years of service over an initial five-year period with MCI and, initially, a handful for Botswana's most successful private companies).

11.4 Of Particular Concern to Deloitte & Touche

153. Regular **consultation among advisers** in strongly recommended. A weekly or biweekly lunch has worked well in other settings. This is not a question of establishing some team loyalty that competes with duties to the particular agency to which the Advisor is assigned, which should remain the primary focus of their activity and concern. But advisers share many important interests. They benefit themselves, each other and their agencies by exchanging perspectives frequently (especially in the policy area), coordinating the programs to which they are attached, and seeking complementarities among activities with which they are familiar.

154. Meetings should be held routinely and all advisers should strive to attend. Meetings would last **no more than two hours**, which may include an informal luncheon to save time. The atmosphere should be **businesslike**; there are plenty of other occasions for socializing. A strong argument could have been made for such consultation from the beginning of BPED, even though only a few advisers were in place; but that is water over the dam. There will be **many topics to discuss in the coming phase-out and withdrawal period**.

155. The Consultant needs to continue addressing **issues of impact assessment** as a matter of urgency. It will be important to establish an efficiently working system before BPED-financing ends. Impact assessment will continue to be an important **management and programming tool** for agencies concerned and GOB as a whole.

156. **Project documentation** needs to be reviewed. It is unlikely that reports called for at the start of BPED are still the best mechanisms for keeping track of project activities and outputs, especially when one is seeking a Life of the Project (LOP) perspective. Nothing terribly elaborate is called for; a **common-sense review of existing practices and candid discussion** among PIC members will reveal what is needed and set the stage for design and trial of a new structure (which is both simpler and more comprehensive). Once that has been done, an intensive **orientation (training) of principal reporters** can be completed in a matter of hours.

157. A major difficulty with the current system seems to be the **lack of obvious continuity** in reporting on particular activities as they wax and wane from one reporting period to the next and as past actions blend with future plans. Training impacts as a result of mentoring by senior advisers are not captured, because there seem to be no records of **interactions with counterparts** (or even their attendance at meetings). Project Implementation Reports (PIR) should indicate **progress toward achievement of intended six-month and LOP outputs**.

158. To allow the **Chief of Party (COP)** more time to **concentrate on strategic issues**, particularly those concerned with the second half and phase out periods of the Project, it is recommended that the other "half" of the budget for a full-time Training Advisor be reallocated to **hire an assistant** for the COP, who would deal with details of all non-BOCCIM

training activities as well as many other administrative details which cannot wait and now distract from more strategic duties.

159. The COP should be freed from most administrative chores in order to give her full attention to strategic issues and actions to be taken during the next year. A **transition plan is needed** to provide for conscious phase-out of Advisors; the Plan must give reasonable assurance that essential activities can continue when BPED-financed advisory personnel are no longer available on a daily basis. Timely focus on these larger issues will determine the permanence of the BPED legacy.

160. The Consultant team must be in a position to review systematically, at least on a quarterly basis, what works, what isn't working, what is worth fixing, and what can be jettisoned. **Every subprogram should be scored** as having high, medium or low impact on BPED goals. A distinction can be made between impacts which are fairly immediate and those which may require a 5-10 year time horizon; those which seem risky (or untried) and those which are more certain. Subprograms should also be **ranked in terms of their cost per participant or impact beneficiary**. A "focus group" approach to such rankings within PIC could be particularly instructive.

161. Under the various Agreements with AID the **initiative for investment promotion and business linkages** is not left entirely or even largely with BDC. The Consultant is expected to play a very active operational role in this aspect of BPED activity. It would be timely to review, in consultation with BDC, MCI and BOCCIM, whether new strategies and/or energy are needed in this regard during the final year of the Deloitte & Touche contract.

11.4 Of Particular Concern to PIC

162. A major reconsideration and **redefinition of PIC functions** is recommended in the Summary. Old procedures served the Project well during its start up years. It is now time for PIC to play a **more strategic role**, setting policies, approving major initiatives, establishing criteria for financing subprojects, and **monitoring performance of cooperating entities** against high priority targets.

163. PIC can afford to **leave sub-project details to lower level management** and topic-oriented committees once it has established policies and standards.

164. There should be time at every PIC meeting to hear from principal agencies about their **programs which do not require funding from BPED but aim to accomplish similar objectives** (e.g., MCI-sponsored outreach and training programs, Peace Corps activities independent of BPED but providing similar services).

165. One primary function of BPED is to **establish habits of consultation and coordination among its three major players** -- BOCCIM, BDC and MCI. The agenda and minutes of each PIC

meeting should allow a brief space for reports from each cooperating agency about **important developments which may have no direct bearing on BPED** activities. In this way each player can keep in touch with the others' triumphs and difficulties.

166. PIC members should be **tireless in their search for ways in which programs can re-enforce each other**. Training programs that will complement recommended policy actions is one example already cited. Collaboration between otherwise independent outreach, training and financing schemes, particularly in remote areas, is also growing. At the same time it must be recognized that **competition is a form of cooperation**, at least where free market systems operate. As each subproject is approved, the principal sponsor should ask his or her PIC colleagues if there is anything in their own programs which would benefit from collaboration.

Concluding Comment

167. Readers are requested to remember, as the authors appreciate, that although recommendations may be listed of particular concern to one organization or another, BPED is a cooperative enterprise in which all parties play equally important roles. What appears under one heading often belongs under several others. But there is already too much repetition in the Report. **Readers are encouraged to borrow items from each others' menus** whenever they find the recommendation attractive or useful to them. Above all, it is expected that consensus will form around many of these recommendations and lead to concerted action.

STATEMENT OF WORK: MID-TERM EVALUATION

Botswana Private Enterprise Development Project

1. PROJECT DESCRIPTION

Project Number: 633-0253

Title: Botswana Private Enterprise Development Project (BPED)

Purpose: To enhance the enabling environment for increased private investment and enterprise growth in non-mineral sectors of the economy.

Authorized: 05/14/91

Current PACD: 03/31/97

2. BACKGROUND

BPED aims to i) increase domestic and foreign private investment in non-mineral sectors of the Botswana economy; ii) broaden economic opportunities for citizen entrepreneurs; and iii) increase the effectiveness of policy dialogue between the private and public sectors to improve the enabling environment affecting private sector expansion. Project implementation activities aimed at achieving the goals and purposes of the project are divided into three main categories:

- a. Policy Development and Implementation: This component aims to strengthen the capacity of the private sector to identify and analyze priority policy issues and concerns affecting business expansion and to advocate effectively for necessary changes to the policy environment. In the public sector, BPED will strengthen the capacity of the Government to develop and implement effective policies to support private sector development.
- b. Management and Entrepreneurial Development: This component enables citizen entrepreneurs to identify, develop, and benefit directly from profitable investment opportunities especially in non-mineral based sectors of the economy.
- c. Investment Promotion and Support: This component assists in developing and strengthening Botswana's business linkages both within the region and internationally. Particular emphasis is placed on developing closer trade and investment linkages between Botswana and the U.S. New business linkages will lead to increased private investment and accelerated job creation.

BPED project activities are implemented through three local organizations: the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM); the Botswana Development Corporation (BDC); and the Ministry of Commerce and Industry (MCI). Deloitte & Touche is the prime contractor, assisted by Development Associates, Inc. and Development Alternatives, Inc. Cooperative agreements with BOCCIM and BDC provide them with funding for studies, training and other project-financed activities.

The coordination of project activities is the responsibility of the Project Implementation Committee (PIC), consisting of representatives from BOCCIM, BDC, MCI, the Ministry of Finance and Development Planning, Deloitte & Touche, and USAID. The PIC operates on the basis of consensus, with BOCCIM serving as the secretariat. An Operating Committee of the PIC reviews the activity plans of the implementing entities prior to PIC meetings.

3. PURPOSE OF EVALUATION

The BPED Project Grant Agreement calls for an independent mid-term evaluation to examine the project's design, implementation and management as they relate to the achievement of the project goal,

purpose, and outputs. USAID/B has been targeted for closure in September 1995. Therefore, in addition to reviewing progress to date and recommending mid-course corrections, where necessary, the evaluation should recommend project management and programmatic configurations relating to Mission closeout and transition to regional management.

4. STATEMENT OF WORK

Personnel Requirements

The evaluation will require a three-member team consisting of: i) an Institutional Specialist, who will also serve as Team Leader, with extensive experience with business development programs and institutional development in Africa; ii) an Evaluation Specialist with extensive evaluation experience and a strong background in USAID project design and management, as well as significant experience working in Africa with private sector development projects; and iii) a general Private Sector Development Expert, with several years of experience in Africa working on private sector development issues, including training, policy reform, and business associations.

The team will work closely with the General Development Officer and the BPED Project Manager at USAID. In addition, REDSO has been requested to provide a Private Sector Officer who will coordinate his activities with the team. Each implementing entity has identified a liaison official to facilitate the evaluation process, and the team will work closely with the designated officials during the evaluation process.

Level of Effort

The assignment will require an estimated level of effort of 81 person days. This includes approximately 3 days pre-departure work, 2 days travel time, and 3 days for report writing and analysis, for each individual. An extra 3 days is allocated for the Team Leader. Work is expected to commence in mid to late July 1994. Six-day work weeks will be authorized.

Specific Tasks:

A. Institutional Specialist/Team Leader (29 days): This individual will be responsible for overseeing and co-ordinating the team's efforts and provide a focal point for the findings and conclusions of the evaluation, integrating team contributions into one comprehensive and stylistically consistent report. S/he will also evaluate the implementing institutions and their effectiveness through the following activities:

- Review the individual implementing entities in terms of their respective contributions toward achievement of project objectives. The consultant should assess the degree to which each institution has cooperated with BPED and the long-term advisors.
- Evaluate implementing entities in terms of their progress towards achieving institution building objectives. To what degree have the implementing entities acquired the technical capacities currently provided by the long-term advisors? To what extent are further institutional-strengthening efforts required and for how long?
- Evaluate the implementing entities in terms of institutional development and the capability of BOCCIM and BDC to assume increased responsibility for programming, management and accounting for the receipt and use of project funds. For example, are the implementing entities in a position to completely manage and provide all logistical support required by the expatriate advisors?

B. Evaluation Specialist (26 days): The evaluation specialist will address issues of project design and management and analyze BPED's progress toward achieving its stated goals and objectives. S/he will examine the following points:

DESIGN:

- How appropriate was the project design? What were the assumptions guiding project design and

how do they currently impact the project?

- Are the operating procedures and mechanisms suited to the goals and the current environment?
- Are the goals, purpose and outputs/impacts as defined by the project appropriate to the environment of Botswana?
- Were appropriate measures of outputs and impact structured into project design?
- Does the USAID Botswana's Assessment of Program Impact Report for Fiscal Year 1993 complement the BPED impact-measurement indicators?

IMPLEMENTATION AND MANAGEMENT:

- How effective are the planning mechanisms of the PIC and the Operating Committee, and how have they affected project implementation and the achievement of project objectives?
- Assess the services provided by Deloitte & Touche in terms of long-range planning, overall strategy development, implementation of an appropriate monitoring and evaluation plan, coordination and cohesion of project activities, provision of appropriate long and short-term technical skills, and ability to resolve issues that arise during project implementation.
- Review the performance of the Prime Contractor and the roles of the long-term advisors in terms of their contribution towards the achievement of project objectives.

- C. Private Sector Development Specialist (26 days):** This team member will examine the effectiveness and progress of the following individual components of the BPED project:

TRAINING:

- Assess the on-going effectiveness and relevance of project-funded training and the overall management of the training, including the international portfolio, which is managed by Development Associates in Arlington, Virginia, and the local and regional portfolios, which are managed by BOCCIM.

STUDIES:

- Assess the quality and usefulness of the project's special studies and the identifiable progress resulting from these activities.

POLICY DIALOGUE:

- Investigate the progress and effectiveness of BPED activities in support of improved policy dialogue.

ENABLING ENVIRONMENT:

- From a broad perspective, the consultant should provide an opinion concerning BPED's success in strengthening the enabling environment for increased private investment and enterprise growth in non-mineral sectors of the economy and in meeting the objectives of: i) increased investment in non-mineral sectors; ii) broadened opportunities for citizen entrepreneurs; and iii) improved effectiveness of public/ private sector dialogue.

6. METHODS AND PROCEDURES

An Evaluation Reference Group, comprising the designated liaison officials of the implementing entities and representatives of USAID, will guide the evaluation process. Secondary data collection will constitute the primary means of gathering empirical evidence to address the areas of concern detailed

above. Methods will include document review, key informant interviews, systems review, and site visits, as well as other methods deemed appropriate by the evaluation team in agreement with the BPED Project Manager. The evaluators will need to conduct interviews with Development Associates in Arlington, Virginia, and Development Alternatives, Inc. in Bethesda, Maryland.

Illustrative documents to be reviewed by the evaluation team include project documents (PID, PAAD, PROAG, PILs, PIRs), quarterly progress reports, PIC minutes, trip reports, feasibility studies, and reports from special studies conducted under BPED.

5. REPORTING REQUIREMENTS

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

- Executive Summary
- Table of Contents
- List of Acronyms
- Background
- Evaluation Purpose and Specific Objectives
- Methods and Procedures
- Presentation of Findings
- Conclusions
- Lessons Learned
- Recommendations (in order of priority)
- Appendices (as appropriate)

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.

Schedule of Deliverables:

- | | |
|--|---------------------------------------|
| 1. Inception report, including team workplan | end of first week in Botswana |
| 2. First draft of Evaluation Report | prior to departure from Botswana |
| 3. Final Evaluation Report | 1 month after departure from Botswana |

**BOTSWANA CONFEDERATION OF COMMERCE, INDUSTRY AND
MANPOWER (BOCCIM)**

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Attachments

1. Member Services Offered in 1994
2. Extracts from Report on B-MAP

BOTSWANA CONFEDERATION OF COMMERCE, INDUSTRY AND MANPOWER
(BOCCIM)

Chapter 1 ORGANIZATION AND ACTIVITIES

1.1 Background

The parent organization of BOCCIM, the Botswana Employers Federation (BEF) was founded in 1971. BEF's mandate was to protect and promote the interests of employers and to participate in the economic development of the country. The BEF started with approximately 50 members and a full time secretariat in Gaborone. The membership list included all of the largest employers in the country and the major programs included industrial relations and manpower development.

During the 1970's and 1980's economic growth and prosperity, largely due to public spending and incentive programs, made possible by the export of minerals and beef, gave rise to a growing number of retail shops, services and manufacturers. Some of the newer and smaller enterprises in Gaborone found value in the services of the BEF and joined but in general the mission of an employers federation did not fit the needs of the majority of small businesses which were spread out across the country. The newer members of the BEF began to demand services that are normally provided by a Chamber of Commerce and changed the nature of the organization.

In the mid 1980's several attempts to create a national chamber of commerce were unsuccessful. In 1988, the BEF's members voted to change the organization's charter to include commerce and industry. Since 1988, BOCCIM has continued to provide membership services in industrial relations, training, government affairs, small business advisory services, and trade and investment promotion.

1.2 Organizational Structure

BOCCIM is a registered, non-profit, private association which is open to all individual employers, firms, companies, associations, confederations, or other bodies and authorities whether incorporated or unincorporated. Its membership consists of most of the large local and foreign owned firms in Botswana as well as a good percentage of the medium-sized enterprises.

Starting in 1989, BOCCIM began to expand its membership base by actively seeking membership and participation by small scale business. Membership grew to 635 in the first two years of BOCCIM administration and the creation of a northern regional office and field extension officers began to open communications with entrepreneurs in remote areas.

In 1992, BOCCIM's membership voted to change the constitution to reflect the continuing growth in membership and services. Part of the change included the restructuring of the Executive Council in sector groupings. Operating at the sector level BOCCIM has begun the process of pushing policy discussion and problem solving closer to members and gives better access to decision making. There are still many adjustments to be made under the new structure but the Executive Council has proven its ability and willingness to adjust to change.

The new BOCCIM charter states the following objectives:

- to promote, improve, and encourage the development of commerce and industry and manpower resources,
- to promote the general business interests of all members of BOCCIM, including small and large enterprises,
- to work for the maintenance of good labor relations between employers and employees and for fair conditions of employment for both employers and employees in Botswana,
- to promote the general business interests of all members of the Confederation,
- to represent the views and policies of the Confederation or members of the Confederation concerning legislative and other matters affecting the interests of the Confederation or its members, to all authorities concerned therewith
- to advise and inform members on all matters which may affect the interests of the Confederation and its members,
- to form such committees or other bodies as may be deemed necessary to achieve these objectives.

1.2.1 Membership

BOCCIM membership has grown from the 50 original companies that started the BEF in 1971 to over 1,200 in 1993 and is reported to be in the order of 1,200 today. Membership compliance has been a problem with the smaller and newer members. Membership subscriptions are invoiced once a year and collections often take several contacts. As of June, 514 or 40% of the 1,257 active members have not paid their 1994 dues and a total of P225,000 is outstanding.

Membership contributions are calculated much the same way as they were in the BEF - on a sliding scale by number of employees with a ceiling of approximately \$6,000 and a floor of approximately \$60. While the larger companies contribute more to the operation of the BOCCIM secretariat (estimates indicate that the top 10% of the members contribute 80% of the membership revenues) and generally cost less, the smallest members pay a higher per employee cost.

Table A shows a comparison of membership statistics which indicates that overall membership has grown by over 60% since BPED's project paper was written. However, membership has fallen

65

by 3% when compared to the monitoring and evaluation baseline number of 1,300 proposed in 1993.

TABLE A - BOCCIM Membership Growth by Location, 1990-1994

Location	1990*	June 1994	%
Gaborone	497	704	41.7%
Francistown	121	192	58.7%
Lobatse	38	35	-7.9%
Selibe Phikwe	29	43	48.3%
Maun	33	45	36.4%
Kanye	23	32	39.1%
Mochudi	20	15	-25.0%
Other **	-	171	
TOTAL	761	1237	62.5%

*1990 statistics from B-PED project paper - January, 1991,

** New membership or members who were previously registered in Gaborone or the other urban centers are from the following locations Bobonong (2), Gabane(5), Hukuntsi(1), Jwaneng(4), Kang(5), Kasane(18), Lehututu(1), Letlhakane(1), Letlahakeng(1), Mabutsane(1), Mahalapye(23), Marapong(1), Mmadinare(1), Mogoditshane(16), Molepolole (15), Moshupa(1), Nata(1), Orapa(5), Palapye(15), Pitsane(1), Ramokgwebana (1), Ramotswa(3), Sebina(1), Sefophe(1), Serowe (21), Sowatown(1), Thamaga (3), Tlokwenng (7), Tonota(1), Tutume(1), Tsabong(4), Werda(1), Khakhea(1), RSA(6), USA(1).

1.2.2 Sector Committees

In 1992 the BOCCIM Executive Council, sensing a need to broaden opportunities for membership participation in the decision making process, began to restructure itself along industrial sectors. Today the members can voice their opinions and concerns and develop programs of work through the 18 sector committees that have representation on the BOCCIM Executive Council.

Table B shows the numbers of members and the total employment which each sector represents. The largest number of members are in the retail and professional services sectors which represent 38% of the membership. The three largest employers are the construction, mining and parastatal sectors which represent 11% of the members and 45% of the total BOCCIM membership employment.

TABLE B - BOCCIM Sectors: Membership and Number of Employees

Sector	Members *	% of Members	Number of employees (000)
Retail Trade	257	21.7%	4.0
Professional Services	196	16.5%	3.3
Construction	107	9.0%	11.0
Manufacturing	96	8.1%	5.9
Wholesale Trade	73	6.2%	5.1
Motor Trade	52	4.4%	1.6
Hotels and Tourism	50	4.2%	3.3
Engineering Services	43	3.6%	1.0
Textiles	37	3.1%	2.1
Transportation	37	3.1%	1.3
Exporter/Importer	34	2.9%	2.9
Petroleum and Chemicals	30	2.5%	0.9
Financial Services	29	2.4%	3.8
Agriculture	28	2.4%	1.5
Printing and Publishing	28	2.4%	0.6
Health Services	14	1.2%	0.3
Parastatals	12	1.0%	10.6
Mining	9	0.8%	12.0
Miscellaneous/others	55	4.6%	0.9
TOTAL	1187	100.0%	72.1

* Report from BPED-BOCCIM ERU spreadsheet. The June, 1994 membership statistics indicate that there are 1,257 members.

1.2.3 Executive Committee Functions

The revised constitution requires each sector group to hold regular meetings and report to the Executive Council through their representatives. The number of sector representatives is established by the constitution and Council members are chosen by the members in each sector. Appointments to four "at large" seats are made by the Council. At this time, although the regional business councils are required to hold regular meetings, there is no assurance that they will have access to one of the four "open" seats. Likewise, there is no formal provision for representation of other interest groups in the Executive Council; thus, other categories, such as size of enterprise (small business) or gender may feel under-represented on the Council, even though a conscious effort has been made recently to increase the representation of women entrepreneurs.

The Council administers most of its responsibilities through the Management and Finance Committee (comprised of the elected officers : President, Vice Presidents, Treasurer, Secretary and Chief Accountant). The Secretary is by definition the Director who is the top employee and chief operating officer of the BOCCIM Secretariat. Other standing committees include the Training Committee, B-MAP (Botswana Management Assistance Program) Committee, and the Northern Regional Management Committee. These committees are comprised of volunteer members, important sister organizations and the BOCCIM staff.

While the Evaluation Team was in Botswana several task forces and working groups were observed in various stages of development. The Small Business and Women in Business Divisions, which were created in 1989-90, have had difficulty sustaining their initial enthusiasm. It appears that only a handful of members can be mobilized at this time. Committees such as Industrial Relations and Legislative Affairs which are reported in previous annual reports are not mentioned in the 1992 or 1993 editions and do not appear to be organized.

1.3 Policy Positions and Dialogue

BOCCIM representatives sit on government committees and other Board of Directors such as the Labor Advisory Board, National Employment Manpower and Incomes Committee, University of Botswana, Institute of Development Management, Minimum Wage Advisory Board, Productive Employment Technical Committee, Apprenticeship and Industrial Training Board, Factories Advisory Board, Central Bursaries Committee, Regulations Review Committee, National Conservation Strategy Advisory Board, and others.

In these committees and Boards, BOCCIM has an opportunity to express the needs and concerns or points of view of the members and to promote needed change to improve the environment for entrepreneurship and economic growth in Botswana. Reports from these representatives are received by the BOCCIM Executive Council fairly regularly.

During monthly Council meetings BOCCIM policy on important issues is reviewed and positions are taken. Even on major issues (for example, competition and government regulation; manpower development, education and training; small business development; professional ethics; labor and industrial relations; and AIDS/HIV in the workplace) this process seems to be ad hoc and informal rather than the result of structured debate on a written draft policy statement. Those on the Executive Council understand the BOCCIM position on key issues, and a few formal statements, such as "Incomes Policy and Minimum Wage" or "Taxation," are written and published in the newspaper and the BOCCIM newsletter. But outside the Council room policy views are less likely to be discussed and are far less well known, especially regarding issues where there has been no need to take a formal public stand.

Dialogue between the public and private sector is a critical factor in the political and economic culture of Botswana. BOCCIM, with the help of BPED assistance, seeks to further enrich that dialogue as a means of advancing economic growth. It is uniquely positioned to promote discussion on policy issues in several different ways.

With BPED support, in 1994 BOCCIM organized the third Francistown Conference. The Francistown Conference series began in 1988 as a GOB-UNDP initiative and have continued to be held every three years since with sponsorship from USAID and other donors. The 1994 Conference is an example of BOCCIM's ability to attract key decision makers, including the President, Ministers and other top government officials to meet with leaders from the business community to find solutions to common problems.

Holding national conferences meetings between top level government and private sector representatives at regular intervals has increased dialogue and understanding, if not always agreement on major issues. Special meetings are also held in the BOCCIM Executive Council or at the Ministries to discuss timely topics. BPED funding allows the flexibility for BOCCIM to organize seminars and workshops on timely topics to discuss important issues with members and formulate strategies to address problems. The creation of the BOCCIM President's Forum in January, 1993 provides an additional format to expand the representation of the business community in the discussion of public policy and key issues facing BOCCIM membership.

BOCCIM has conducted sector specific studies to identify constraints on private sector growth and make recommendations to resolve issues. Studies which have been done, are in process or have been approved for funding under the BPED project include: Construction Industry Study; Southern African Customs Union Study; HIV/AIDS in the Workplace Studies (3); Industrial Sector Study; Foreign Exchange Control Liberalization Study; and the Credit Needs of Female Entrepreneurs Study.

BOCCIM members and staff participate in reference groups formed by government, BDC and other associations, such as the Hotel and Tourism Association (HATAB), in their search for solutions to problems that have been identified. As a result of these studies and the dialogue during the process, BOCCIM generally prepares a position paper which is forwarded to and discussed with relevant public officials.

1.4 Staffing and Advisory Support

The BOCCIM Secretariat is located in three offices, two in Gaborone and one in Francistown. The organization has 11 professional staff positions, 4 Advisors, and 10 administrative support staff. At the time of the evaluation the Industrial Relations Officer position was vacant, and the Team was told that it might not be filled. BPED funding is used to support two full time advisors and one half time advisor. SWEEDCORP provides one full time advisor to BMAP and another advisor is running a training course for local consultants.

The cost of advisors is not included in the BOCCIM budget or reported in the annual reports. On average since 1990 over 30 person months per year in advisory services have been provided to the BOCCIM secretariat by BWAST II, BPED, IESC, Peace Corps, and SWEEDCORP technical assistance. In August, 1994 there are four full time advisors working in BOCCIM offices and one running the consultant training course off site. (The half-time BPED-financed Training Advisor is filling in, full time, for the BOCCIM Training Officer who is on maternity leave.) The two SWEEDCORP advisors report that they will be finishing their programs by the end of 1994 and will not be replaced.

1.5 Summary

In summary, with BPED assistance, BOCCIM has continued to broaden its representation in the business community and enhanced its position as the prime spokesgroup for businesses and business people in Botswana. The BPED project goals coincide with BOCCIM's main purpose, to promote economic growth driven by competitive, market oriented enterprise. Resources, or inputs, from the BPED project strengthen BOCCIM's ability to fulfill its mission, serve members and articulate their needs.

By strengthening BOCCIM's analytical capabilities and expanding membership development, the organization gains credibility and power needed to influence public policy. BPED resources provide an opportunity for BOCCIM members to improve their results through improved business skills, problem solving, and voice their needs and concerns to public officials and administrators. BPED activities include public policy advocacy, training, management assistance and trade and investment promotion.

Chapter 2: BOTSWANA PRIVATE ENTERPRISE DEVELOPMENT PROJECT (BPED)2.1 Symmetry between BPED Objectives and BOCCIM Activities

The BPED log-frame design covers nearly every aspect of the BOCCIM program of work. The only major area not targeted for technical and financial assistance is the Industrial Relations Department. The three primary outputs of BPED satisfy the BOCCIM mission and objectives: namely, increased effectiveness of policy dialogue between government and the business community; strengthened human capital to increase productivity; and enhanced local capacity to attract domestic and foreign investment in the private sector.

Advisors supported by donor funding are providing expertise which would otherwise have to be hired from BOCCIM revenues or come from volunteers in BOCCIM membership or from the community at large. They account for significant hidden costs.

2.2 USAID/BPED Cooperative Agreement with BOCCIM

In June, 1991, USAID and BOCCIM signed Cooperative Agreement number 633-0253-CA-0001, which allows for funding of a total estimated amount of an equivalent of \$3,702,000 in local currency. The effective period of the Agreement is from June 28, 1991 through March 31, 1997. Coordination of BPED is assigned to a Project Implementation Committee (PIC), consisting of representatives from BOCCIM, the Botswana Development Corporation (BDC), the Ministry of Commerce and Industry (MCI), Deloitte and Touche (D&T), and USAID. BOCCIM is designated as the secretariat of PIC. Mr. Modiri Mbaakanyi, BOCCIM's chief operating officer, has served as a forceful Chairman of that Committee since its first meetings in 1992.

2.3 Institutional Strengthening

A major objective of BPED is to strengthen BOCCIM through the BOCCIM secretariat. Table C shows the Agreement's Illustrative Budget for the life of project (LOP).

Table C: Illustrative Budget for the Life of Project (US\$000)

Budget Item	Estimated Costs	
	Local Currency	F o r e i g n
Exchange		
Long Term Advisors		1,343
Direct Costs	371	
Indirect Costs	879	
Commodities		34
Short Term Technical Assistance		300
In-country Training	1,950	
Business Linkages		147
External Training		400
Evaluation /Audits	<u>50</u>	<u> </u>
Sub Total	3,250	2,224
Contingencies (7%)	141	151
Inflation (10%)	<u>311</u>	<u>231</u>
TOTAL	3,702	2,606

The foreign exchange funds are included in the BPED Contractor's budget for the payment of goods and services identified in the above costs subject to the terms and conditions of the contract between USAID and Contractor (D&T).

BOCCIM direct costs refer to compensation for an accountant, program assistant, secretary and policy analyst with cost sharing phased in starting in FY94. No cost sharing in direct costs has occurred, and due to delays in hiring the policy analyst the direct cost expenditures show a positive variance at this time.

Indirect costs include vehicle operating, hotels and meals, rent and utilities, telephone, newsletter, repair and maintenance and printing starting with \$187,000 in FY91, 225,000 in FY 1992 and gradually reducing to \$63,000 in FY 96. A balance of 45% of LOP budget exists as of June, 1994 indicating a slight positive variance (or underspending) in relation to original forecasts.

BPED indirect cost assistance represents 30-40 % of the BOCCIM indirect costs (indirect costs = expenditures less payroll costs). In relation to the share of BOCCIM revenues, the total of direct (payroll) plus indirect BPED assistance in 1993 represents an amount equal to 85-90% of membership subscriptions. Income generated by training fees, publication sales and other BPED funded activities are non dues-revenues that represents an amount equal to approximately 20% of the total membership subscriptions.

It is unrealistic to expect that the level of effort made possible by BPED funding can be sustained by membership contributions and non-dues revenues generated by the BOCCIM secretariat.

Commodities purchased include vehicles, computer equipment, and office furniture valued at \$229,703, representing 97% of the Illustrative Budget included in the project paper for the LOP.

The direct cost of advisors is not included in the above considerations. In business associations, the concepts of counterparts and localization are slightly different from government ministries and businesses. AS a voluntary association of business people BOCCIM gets work done through membership committees and professional staff. Among the BPED advisors at BOCCIM, only the half time Training Advisor has the advantage of both a specific standing committee and a specific staff counterpart to support and "localize" his skills and contributions.

In addition to several staff counterparts, the Policy Advisor and Management Assistance Advisor advise the Executive Council, Management and Finance Committee, Sectors and many different task forces and study groups. The sustainability of the BPED advisory capacity could be strengthened by specific and effective standing committees on Membership and Government and Legislative Affairs. The importance of the standing committee is its mandate from and link to membership through the Executive Council. This formal link has been missing, for example in the Small Business Division and might explain some of its difficulties.

BOCCIM members are contributing to BPED with direct and indirect local contributions, including the time of their paid staff and volunteers as well as sharing in approximately 1/3 of the direct costs of the BMAP program. Participants in BPED subsidized training programs are also sharing a small part of the costs of BOCCIM-contracted training in country.

2.4 Program Components

The Cooperative Agreement outlines three main components:

(i) Support of the Private Sector's role in policy development: This component addresses constraints to effective private sector participation in public policy decisions by providing a long term policy advisor, counterpart and counterpart training, short term consultancies, membership workshops, and national conferences.

(ii) Management and Entrepreneurial Development: This component addresses constraints to the development of citizen-owned enterprises, i.e., inadequate business skills and poor knowledge of opportunities. The activities in this component are intended to serve urban and peri-urban, small and medium-scale businesses which have limited access to training and management assistance. The services are targeted toward non-mineral sectors of the economy which are growth areas such as construction, tourism, professional services, and general manufacturing.

To support BOCCIM's key role in providing assistance to small- and medium-sized enterprises (SME) the Agreement includes a long term business management specialist, funds for strengthening the BMAP, Outreach, Small Business Division activities, and funds for sharing the cost of business linkage trips.

(iii) Training: This component addresses constraints to the development of citizen-owned enterprises in the area of business skills and attitudes. To support BOCCIM's role as a prime resource for business training in Botswana, the Agreement includes a training specialist, funding for in-country training courses, regional short term participant training, short term academic training and master's level training as well as on-site consultancies.

2.4.1 Support of the Private Sector's Role in Public Policy Development

The provision of long term advisors under the Agreement began with the Policy Advisor, Dr. Millard Arnold, who arrived July, 1992 and departed May, 1994. He has been replaced in August, 1994 by Ms. Ann McDermott. The job description of the technical advisors were amended in the contract with D&T in January, 1993. Ms. Pilane Siwawa, the policy advisor's counterpart, was seconded to BOCCIM by the Bank of Botswana (BOB) in mid 1993. One year later, June, 1994, she participated in a seven week academic training, organized through BPED, in Policy and Economic Development at the University of Pittsburgh.

During the two years prior to the evaluation, the policy advisor and policy analyst/chief economist, in collaboration with the Executive Committee and Sectors, commissioned studies on important issues, participated in policy analysis and reviews, researched issues, prepared BOCCIM positions in response to government requests, assisted in the dissemination of policy activities, organized the third Francistown Conference, prepared the terms of reference for strengthening BOCCIM's economic research capabilities, and initiated discussion regarding the formation of a joint government-private sector policy committee (That committee has not been organized).

A short-term technical advisor is under contract to develop an economic research unit (ERU) under the guidance of the policy advisor and the chief economist. A reference group, composed of experts from several fields and organizations, provides technical guidance. It is not clear how BOCCIM members provided input to the terms of reference or the reference group itself. While there seems to be a consensus on the need for an economic policy unit, as yet there is no clear understanding, so far as the Evaluation Team could determine, regarding the mission of the unit, its main outputs or its sustainability within BOCCIM.

2.4.2 Management and Entrepreneurial Development

The long-term Management Assistance Advisor, Mr. Wayne Meyer, arrived in March, 1993 and remains on the job. Prior to Mr. Meyer's arrival a BWAST II OPEXER occupied a position which coordinated the BOCCIM management assistance programs. The OPEXER was not replaced by a local counterpart. Mr. Meyer advises the Executive Director and his deputy and serves as management advisor to the BOCCIM staff, more specifically, the outreach regional officer in Francistown and the field officer in Gaborone. Occasionally, he supports the BMAP Manager who also uses the advice and support of a full time SWEEDCORP advisor. BMAP, unlike the outreach program, has a volunteer committee which supports it.

Mr. Meyer participates in studies and membership surveys; advises and supports Small Business Division and other interest groups; provides training and on the job counselling to the BOCCIM staff; helps strengthen regional business councils; supports business linkage activities, creates basic data bases for project evaluation and monitoring, organizes trade fairs, trade missions and several other small business activities such as the loan guarantee trust fund task force, the Small Business Division's work on flea markets, the task force on women's access to credit, and the reference group for the production of small business "how to" manuals.

In addition to the long term advisors, BOCCIM accessed further technical assistance through the US Peace Corps and IESC. The Cooperative Agreement foresaw three Peace Corps Volunteers working with the BOCCIM Outreach program. Apparently, for reasons related to a difference in expectations between BOCCIM and the volunteers, none of the volunteers remained long enough to permit full evaluation of the strengths and weaknesses of the concept. It is not clear, as of this writing, whether or not lessons from the experience can be used to improve future cooperation between BOCCIM and the Peace Corps.

Outreach program , the project goals of 1,344 contacts per year are general guidelines for level of effort and were based upon the added resources from the Peace Corps. The shortage of manpower needs to be taken into consideration in adjusting the number of contacts for the remainder of the project. The years prior to the evaluation, the evaluation team calls this phase I of outreach, were spent getting to know the needs of the businesses outside of Gaborone, gathering data for program development, selling the benefits of BOCCIM membership and solving individual problems. The project is now in what could be considered Phase II or the program implementation phase where the quality of contacts is much more vital than the quantity. Contacts have become a consequence of the on-going improvement of the quality and cost effectiveness of the existing and new program activities such as the Francistown trade fair, the on-site consultancies, BMAP expansion and outreach management assistance.

The BPED objective of 1,680 individual firms receiving effective management assistance over the life of the project is not realistic. Considering the total number of BOCCIM members who would be targeted for outreach, BMAP or on-site consultancies, the number of firms that can be expected to receive assistance during the 5 year period can be cut back significantly (more than 50%). The actual outreach cost per contact is difficult because indirect costs are global and outreach activities are not restricted to assistance. The actual cost per contact needs to be established and compared to other forms of assistance such as BMAP, on-site consultancies, incubators, small business development centers, training, or others.

The BMAP program activity involves matching volunteer counselors from successful Botswana firms with owners of emerging and expanding enterprises. BMAP has increased its client list through the Outreach Program and the Regional Business Councils as well as referrals from IFS officers. There are clients in over 29 locations. It has grown from 29 clients in 1990 to 44 in the first half of 1994 and a total of 171 entrepreneurs have been served. In 1994 the BMAP Manager met with 343 people, got 58 new clients (40% are female) and matched 45 of them (no gender breakdown available) with counselors. This represents 78% of the target set by the BMAP Board. The Cooperative Agreement sets a goal of serving approximately 240 businesses annually. (See attached extracts from a BMAP report for details on the evolution of clients and counselors as well as an assessment of the advantages and disadvantages of using Peace Corps volunteers to staff BMAP.)

A review of the B-MAP budget indicates that BMAP funds from the private sector totalled P3,000 per month in 1993 and BPED matching funds averaged P5,500 per month. Direct contributions to BMAP reached P105,000 in 1993. The B-MAP Manager has prepared an illustrative budget showing B-MAP expenses at P150,000 per year, including salary and indirect expenses. This estimate understates real costs such as a shared secretary and other BOCCIM overhead and depreciation which could bring the expenses to P200,000 per year in return for an effective capability to reach 65-80 clients (P2,500 per client). These calculations are educated guesses, because B-MAP income and expenses are incorporated in the BOCCIM consolidated accounts. A comprehensive client database is built and capable of measuring impact if data are collected and stored.

The BOCCIM Small Business Division is mentioned in the 1992 Annual Report as being revitalized and discussion with the Evaluation Team confirmed that it had a good annual general meeting in 1994 and is still reorganizing. Some of its leaders are participating in BPED supported activities such as studies, orientation tours, Small Business Loan Guarantee task force, developing "how-to" handbooks and starting a manufacturer's "flea market" in Gaborone.

To address the problems of its small business members, BOCCIM has begun to introduce tangible services, such as the insurance scheme for small businesses. Properly structured and marketed, this kind of service demonstrates that BOCCIM is listening to the needs of its members and may also raise modest revenues for the Confederation.

BOCCIM management excluded brokers from the insurance scheme because it would reduce the discounts to other members and revenues to BOCCIM. In fact, if the brokers participation were structured to increase sales and BOCCIM membership more members would benefit and BOCCIM revenues would be improved. The case indicates that generating BOCCIM revenues (and a fairly small amount) took priority over the interests of a group of its members. The need to generate revenues may in fact conflict directly with BOCCIM and BPED objectives if BOCCIM competes with small business using BPED subsidies and without paying taxes. Creative, win-win solutions are possible with open participation and competition to benefit members while building the non-dues revenue base.

Initial enthusiasm in the Women In Business Association (WIBA) has dried up after USAID funding for a coordinator ended. With the exception of task force contributions in credit studies and reference groups, the members have been inactive for some time according to reports. WIBA is an example of donor funds stimulating interest without sufficient membership involvement and any local sense of a compelling mission.

The business linkage activities foreseen in the Cooperative Agreement included support to BOCCIM to identify U.S. trade associations and marketing representatives to promote Botswana as an attractive place for investment. The targets in terms of kinds of linkages and numbers of businesses impacted are not being met. BPED linkage activities have been mostly in the region utilizing opportunities as they arise such as the Made in USA Expo in South Africa. BOCCIM is cooperating with the State of Virginia which has established a commercial office in Gaborone. Regional trade missions have taken place as well but it seems unlikely to the evaluation team that all funds originally budgeted for trips to and from the United States can be utilized productively. Trade missions to Zimbabwe and South Africa have been organized, and BOCCIM sponsored a training workshop, designed by Deloitte & Touche, for 37 of the entrepreneurs who participated in the MIGA/TIPA Investment Promotion Conference.

2.4.3 Training

In the area of Training, as defined in the Cooperative Agreement, BOCCIM was eligible to receive five distinct forms of assistance: (i) the long-term technical advisor, (ii) scholarships for long-term Masters degree training in the USA for two BOCCIM staff, (iii) short-term academic training, also in the USA, (iv)

regional training in nearby countries of Southern Africa, and (v) local training, including scholarships in outside courses and through courses contracted or delivered by BOCCIM with the help of contractor-providers in Botswana.

The Training Advisor, Mr. Brendan McConville, began in August, 1993 as a half-time advisor to the Training Officer, Mrs. O. C. Masire. Mr. McConville provides on-the-job training, advice and guidance to the training department and the BOCCIM Training Committee. He has dealt with diverse issues of scholarship administration, contracted training, needs assessments, arrangements to meet special training needs, and the design of human resource plans for the private sector. He advises on the development of terms of reference for the evaluation of training impacts and institutions. McConville also participates in task forces and study groups to improve the standards of private sector training in Botswana.

Under the advisor's guidance, the BOCCIM training department conducted a survey of private sector training needs, which resulted in the report, Training Needs for Business Growth, that is the foundation for the BOCCIM training calendar in 1994. BOCCIM addresses the training function in terms of supply as well as demand. The full impact of business training on employment and new business will continue to be difficult to measure precisely. Nevertheless, it should be possible to rate training activities by their expected degree of impact (i.e., high to low) and thus to become more selective in the use of scarce BPED and other preferential funding.

The BOCCIM Training Officer, Mrs. Masire, has been in her position since 1986 when she was awarded a BWAST II scholarship. She returned to her post in 1991 and had the support of an OPEXER for over a year. It is not clear in the BWAST II final report how the OPEXER-counterpart-Training Committee relationship prepared Mrs. Masire to assume full responsibility, but it is apparent that in 1992-93 training continued to be one of BOCCIM's most active and successful programs.

One of the major contributions of the advisor was to help focus on training impacts and the need to link training with economic growth. Although training needs surveys had been done in the past, a new survey was designed specifically to provide input into the BOCCIM training calendar. A representative sample of BOCCIM members (290 firms) was canvassed. A combination of interviews and questionnaires was used to collect data. Seventy-eight percent of the firms polled responded, making this the most successful survey ever carried out by BOCCIM.

The results of the survey were published in a report that is being sold. Significant findings include the fact that employers look at training as a productivity tool. This report has become the foundation for the in-country training calendar, scholarships and regional training. The major need areas identified include

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customer relations, computers, time management, planning, leadership, dealing with difficult people, improving profitability, and marketing. The survey highlighted vocational training needs as well, and those priorities are reflected in the criteria for regional scholarships. Given the population polled, entrepreneurial development was not identified as a top priority; this helps explain why topics like basic business planning and financial management were not rated as important as basic record keeping, personnel management and secretarial skills.

Other studies are scheduled, including an assessment of training impacts, which will be the first time that the quality of training programs (and perhaps institutions) in Botswana is measured systematically. A regional training-provider survey is also in the training department's plan of work. The results of these surveys may provide an indication of how to measure the results of overseas and regional training, but these questions have not been addressed specifically as yet.

In the area of Masters degree scholarships, the two slots available to BOCCIM under the BPED project were not utilized. The policy advisor/chief economist was hired later than expected but with excellent credentials. She attended a seven-week academic training on Policy and Economic Development at the University of Pittsburgh in 1994. Ms. Siwawa reports that the course content was geared toward privatization, an interest expressed by the majority of the participants. After the course she was flown to Washington on her way home for a few meetings which Development Alternatives helped arrange, She did not visit business associations, research units, lobbyists, congressional small business committee staffers or others who could have been useful.

The remaining long term slot, theoretically open for any BOCCIM member, was not used. There does not seem to be a high level of need or interest in Master's degree scholarships in the private sector.

Other short-term U. S. academic training opportunities for BOCCIM staff and Council Members were awarded to the Executive Director, Mr. M. Mbaakanyi, and an Executive Council member, Mr. T. Mothibatsela. They participated in a customized short course organized by Development Associates in Washington, D.C. with two other participants from BDC and one each from MCI and the Ministry of Finance and Development Planning. The course, entitled "Influencing Public Policy," was held in September, 1993. Similar training is scheduled for 1994 with other representatives of BPED implementing entities and top GOB officials working in the United States. Comparative analysis of the cost effectiveness of training in the USA and Botswana led the subcontractor, Development Associates, to conclude that costs for training groups of up to 18 participants can be organized in the USA at a lower cost per participant than taking the course of the same quality to Botswana. There is general agreement that

training design and participant selection are critical to the effectiveness side of such cost-effectiveness analysis.

Regional training scholarships have been used by BOCCIM's Training Officer and Regional Manager. Two other BOCCIM staff, the outreach field officer and BMAP Manager, participated in an Arthur D. Little course organized in Gaborone during the first half of 1993. That "Project Analysis Skills Development Course" ran for six weeks.

Several BOCCIM staff members took advantage of the BOCCIM in-country courses supported with BPED project funding. Further analysis of the kinds of training offered can be found in Annex II. However, an analysis of the budget for in-country training follows below.

In-country training was envisioned in the Cooperative Agreement to train an estimated 6,200 persons in short two- or three-day courses and seminars. Eighty percent of the courses were to address the needs of supervisors, managers, entrepreneurs and small business owners. The other twenty percent were expected to address specific needs of employees. The BOCCIM training department has approached the in-country training calendar systematically by surveying the membership to ascertain their evaluation of the quality of training and to estimate training needs.

BOCCIM encourages the use training courses already available from providers established in Botswana when appropriate, and offers BPED-financed scholarships when members request and are qualified for such assistance. To meet the need for training that is not yet available in Botswana (or communities outside Gaborone) the training department has negotiated contracts with local training organizations, for which members pay a flat (and quite modest) registration fee regardless of the per participant cost of the specific course or the participant/employer's ability to pay. The training officer and advisor have also delivered courses and seminars, which they designed in-house to meet particular needs.

As noted above, BPED funds have been used to provide scholarships for "outside" courses and to cover a percentage of the administrative costs of contracted training. Of the total initial budget for in-country training (P3,090,095) 49% had been utilized as of June 1994, which is just about on target for the mid-point of the Project. With number of participants slightly below the target and spending on target the cost per participant has edged over the project forecast at this point. This should not be a concern unless a trend becomes apparent.

In 1991 and 1992 there was an overlap of BWAST II and BPED training. BOCCIM reports also include courses organized in cooperation with other organizations during those years. The 1992 Annual Report indicates that 909 participants (representing 851 companies from 19 communities) were served in BOCCIM-

sponsored training in Botswana or overseas. Thirty-four BOCCIM designed courses were offered to members; 452 paying participants attended along with 443 who were awarded scholarships (for a 1992 total of BPED-sponsored in-country training of 895).

In 1993 a total of 836 participants were given in-country training opportunities as a result of BPED support. More BOCCIM-contracted courses were offered than in 1992; forty BOCCIM contracted courses reached 558 participants in six different communities. On the other hand fewer scholarships (278) were awarded to attend off-the-shelf courses. These numbers are summarized in the following table.

Table D: Participants in In-Country Training, 1992 and 1993

<u>1992</u>	<u>1993</u>	<u>Item</u>
909	887	Total participants trained**
452	558	Participants in contracted/delivered courses
P148	P110	Training revenues reported by BOCCIM (000)
34	40	Number of courses under BOCCIM contracts
19	25	Number of communities served by courses
443	278	BOCCIM scholarships awarded for courses in local training institutes

** Total participants trained includes regional training sponsored by BPED, and short term international scholarships.

The training data base is very comprehensive and analysis of the data is improving constantly. The result of the progress will be an ability to identify trends within the life of BPED.

For 1993 additional information is available from the BOCCIM training department. Courses have been attended in nearly equally numbers by women (51%) and men (49%). Twenty percent of the participants came from enterprises with less than 10 employees; 38% from firms with between 11 and 100 employees; 29% from the 100-1,000 employees category; and 13% from firms with more than 1,000 employees.

The training schedule for 1994 set an ambitious goal of reaching 1,000 people, 1/3 with scholarships and 2/3 in BOCCIM-contracted courses. The first half of the year did not start off well, since several courses in Francistown, Serowe, Kanye Selibe Phikwe and Kasane had to be canceled due to a lack of enrollment. One other item which stands out is the Secretarial Convention where 76 participants paid P610 to attend (except for two BOCCIM participants who paid P200 each). As the year winds down it becomes more difficult to meet the goal of 1,000 participants, 80% trained in entrepreneurship and management. The training

department reports that in past years schedules have been slow until the last half of the year and they expect to repeat in 1994.

So far there has been no formal evaluation of the impact on the BPED goals and objectives of the Secretarial Convention or other in-country training, and the Evaluation Team did not attempt to fill this gap in the time available to it. Nevertheless, it seems clear that some courses deserve a higher ranking than others. The Team was pleased to note that the training officer and her advisor are planning an impact evaluation study, which may well be completed by the end of this calendar year if given full support of the BOCCIM management and Board.

The in-country course schedule was developed based on the training needs assessment. Contractors have been selected carefully from among the best local training institutes, consulting firms, and trainers, including Price Waterhouse, Logical Solutions, PEER, PROMAN, and the Maun Business Center. Fees are negotiated by the BOCCIM training officer with assistance from the advisor.

BOCCIM's in-country training program is financially dependent upon BPED indirect funds. Per participant costs to BPED for contracted courses are on the average lower than most public scholarship courses with similar objectives and design. Nevertheless, no final conclusion regarding cost comparison is possible without closer study of the full cost of BPED sponsored training.

As previously noted, BOCCIM maintains a data base capable of producing a wealth of reports on courses, participants, companies and costs. Each year the analysis of data improves. The forthcoming study of training impacts will help improve the analysis of cost-effectiveness and set standards for training in Botswana.

In the courses for which BOCCIM uses local contracts for delivery, participants pay BOCCIM a registration fee which is fixed for most courses regardless of the actual costs. Training revenues reported by BOCCIM in 1992 were P148,290. In 1993 revenues fell by 26%. Revenues are included in consolidated BOCCIM accounts and are not earmarked but do defray the direct and indirect costs of the training department. Adding the direct costs of contracted service with the other payroll and indirect costs of BOCCIM training and dividing by the number of participants trained, the full cost per participant (regardless of course length and complexity) appears to be 10 to 15 times the fee being charged.

Although some members complain about paying the P200 registration fee, most are aware that these fees represent only a fraction of what the courses cost and that the service is heavily subsidized by BPED through BOCCIM. All members pay the same fee for almost

every kind of course. Non-members pay more, P300. Thus, a participant from a large well-established business going to a strategic planning course or a customer relations course pays the same fee as a small business that is just getting started. Non-members, large or small, are also benefitting equally.

The BOCCIM accounting system is capable of producing financial statements on demand but they have not been departmentalized in terms of cost centers. This is something the Chief Accountant has in mind. At present, therefore, the accounts do not automatically capture the costs or revenues associated with particular programs or departments and the general overhead of BOCCIM. A lack of departmentalized cost accounting introduces a high degree of subjectivity in decisions regarding the cost effectiveness, sustainability and role of the training department or the Francistown Trade Fair or the insurance scheme, etc.

It is unclear how the BOCCIM Training Committee or the department review their terms of reference and how they measure their contribution to the overall objectives of BOCCIM and BPED. Training is seen by many as a service to members that can also provide modest revenues to supplement dues. However, some BOCCIM members, especially those who supply training services, feel that the Confederation, by offering heavy subsidies, is distorting the training marketplace and even competing unfairly.

In the Cooperative Agreement on-site management consultancies are also listed under the heading of Training. Formal terms of reference for the on-site management consultancy program were presented to the recent (July, 1994) PIC meeting and approved in principle. Details on the criteria for selection of consultants, firms to be helped, costs or overall budget are to be worked out by the Management Assistance Advisor with assistance from a reference group.

The program will enable BOCCIM to assist members by financing contracts with local consultants to provide assistance that is tailored to meet the needs of businesses requiring special knowledge and skills, beyond those the Outreach Staff or B-MAP program have capacity to deliver. It may contribute to the development of the local consulting industry which is participating in a BOCCIM training program with the support of SWEEDCORP.

A new committee will manage the program which will run "much like the scholarship program." BPED funds will subsidize each consulting contract initially, but it is not yet clear how much beneficiaries will contribute or how the total costs of this important new BOCCIM service will be recovered over time.

While approving the program in principle, PIC members raised no questions regarding the market demand for this service or its sustainability. The evaluation team recommends that new initiatives which have been approved in principle be piloted

without delay in limited field tests to measure demand and ability to pay (cost sharing), structure, costs and impact prior to implementing a full scale program.

Chapter 3. Selected Issues

3.1 Contributions of BPED toward BOCCIM's Direct Costs

BPED-sponsored long-term advisors, training services, and studies (as well as contributions towards BOCCIM's indirect costs) play a significant role in strengthening the Confederation's ability to provide membership services. The Cooperative Agreement also provides direct cost support for BOCCIM staff members who contribute to the delivery of membership services and monitoring systems. Under the Agreement, BOCCIM assumes the responsibility of secretariat for the PIC, and BPED pays the direct cost of employing the accountant, an assistant and a secretary who help fulfill BOCCIM's administrative obligations to the project. Another key position funded is new -- namely, the economist/policy analyst. (The accountant and project assistant positions are not entirely new but had been supported, at least in part, through other donor projects managed by BOCCIM prior to BPED.)

The BOCCIM accounting department produces reports for BOCCIM and controls the BOCCIM portion of records and accounts for BPED, CIPE, SWEEDCORP and other donors, as needed. However, the accounting department does not produce global BPED financial reports for PIC.

The BPED project design called for a 50% reduction in direct cost subsidies in later years, with BOCCIM providing the other 50% of those costs. This cost sharing has not been implemented as of yet.

3.2 Sustainability

The BOCCIM Secretariat, with the guidance of the Management Assistance Advisor, is preparing a general membership survey. One of several survey instruments being discussed in BOCCIM (ERU statistics may also include a more limited survey). These surveys are essential for each program and although need to be done separately also need to be coordinated to reach optimal results. The membership survey should be done yearly. It is recommended that the timing of the survey be coordinated with the contractor selected to do the BOCCIM organizational strategy study. It may even be possible to have the contractor make final comments on the questionnaire and use the Sectors to administer them and participate in the analysis. The results of the membership survey about BOCCIM services is fundamental to the sustainability of programs.

The BOCCIM Executive Committee, represented by the Management and Finance Committee, is also concerned about the financial stability of the Confederation when BPED, CIPE, SWEEDCORP and other donor contributions are no longer available. The Management and Finance Committee requested that the secretariat organize a BPED-funded organizational study to address the problem. Terms of reference were prepared and proposals solicited by D&T.

The study will have the benefit of an earlier analysis by an IESC volunteer, which focused on questions of financial feasibility. That analysis was never finalized and was available to the Team only in draft. The new study has been approved by the PIC and proposals were to be evaluated in August, 1994 by a committee consisting of members of the BOCCIM Management and Finance Committee assisted by representatives of the BOCCIM secretariat and USAID.

The terms of reference for the study refer to tasks that depend upon preparation by BOCCIM management of a strategic plan and contingency plans. The TOR also emphasize the importance of the BOCCIM mission. The evaluation team was pleased to learn that the proposals presented all mention the importance of membership participation in the process.

Of a more specific nature the Team was interested to learn that the Government of Botswana has invited BOCCIM to submit a bid to manage (or participate actively in the management of) the international fair grounds in Gaborone. This request represents an acknowledgement of the success of the Francistown Trade Fair earlier in 1994, which also received financial and technical support from BPED and a second Fair is being planned. The opportunity is being taken very seriously by BOCCIM staff and volunteers and warrants attention in organizational strategy study.

3.3 Project Management Experience

BOCCIM management has a good track record managing complex projects with donor funding. It is mentioned by the Center for International Private Enterprise as a model business association in the region. After four years of working with CIPE grants on its own, BOCCIM was contracted by CIPE to manage an institutional strengthening project, designed to assist sister organizations in the SADC region. BOCCIM, also, has experience with hard currency accounts in Botswana and in Sweden, where they manage the SWEEDCORP funds in association with a prime contractor similar to D&T. However, the Confederation does not have experience in recruiting, selecting and maintaining long term technical advisors without the assistance of contractors.

The BPED audit done by Coopers and Lybrand in 1993 identifies a minor concern with management role definition due to the small staff. In addition to loosely defined management roles, turn-

over in key positions which demand specific skills (accountant, training officer, industrial relations officer, chief economist) will stretch scarce resources. Measures such as volunteer involvement and strategic planning help reduce the management risks inherent in a membership based not-for-profit organization. Implementation and monitoring of BPED, a remarkably complex and bureaucratically burdensome project, has met with overall positive reviews by the auditors.

BOCCIM has a decade of experience implementing USAID project activities. It has assumed an increasing role in the design, implementation and management of other donor projects and successfully managed a contract with CIPE to assist in the development of business associations in the SADC region. In the area of training and scholarship management, the BOCCIM staff and volunteer experience is good enough to recommend emulation in neighboring countries. BOCCIM can supplement its training and general management capability with special scholarship expertise available through the Academy for Educational Development's Botswana office, the Ministry of Education's Trust Fund or the Embassy of Botswana's Education officer) for assistance in placing students in long or short international courses in the region or overseas.

BOCCIM's success in managing projects has made it an attractive recipient for donor funding. That funding appears to be drying up at an accelerated pace with no relief in sight. Time is growing short, and while many alternatives are being developed, an explicit plan for a smooth transition to the end of BPED has yet to be developed. The transition plan can consider increasing the use of Botswana's overseas offices and using alternative technical support such as AED immediately.

The announced closing of the USAID Mission and end of D&T contract is practically one year off. That year will not be a year of gearing up for the contractors, sub-contractors, technical advisors and administrators who's jobs are coming to an end. This includes the international as well as local experts who provide services to BOCCIM. Although it is obvious, the terms of reference for the advisors, BOCCIM accountant and D&T chief of party do not mention that they need to manage the transition in coordination with the implementing institutions. The transition strategy needs contingency plans for key resources which may not be available until the end of the project. The forthcoming (October 1994) PIC retreat is planned to address the need for, and details, of a BPED transition plan. BOCCIM will have an important chapter or section in that plan of action.

3.4 BPED Project Design

Project design appears to be based on BOCCIM's strategic plan to become the spokesgroup for the private sector and promote broad based economic development in Botswana. The design recognized

the need to strengthen BOCCIM's delivery systems as a necessary piece of the strategy. It also recognized the need to enhance BOCCIM's analytical skill base and the importance of broadening the representation of BOCCIM membership. The design also took into account the fact that the resources required to be able to use resources and provided financing to assist with both direct and indirect costs. It took into consideration the need to balance donor funds with membership participation by planning for a reduction of direct cost subsidies after the third year of the project. Sustainability of project activities was recognized as a significant concern in designing BPED. As a first step it shifted the focus of technical assistance from OPEXER to Advisor and attached advisors to counterparts to promote sustainability.

The BPED design also called for some cost sharing in the training and international travel areas, which had been subsidized fully under BWAST II. On the other hand, it relied heavily on grants and one time subsidies to BOCCIM and its members. It did not include mechanisms such as revolving funds, guarantee schemes, lease-to-buy, trust funds or endowments. Sustainability and autonomy, or independence, continue to be reasonable objectives for both BOCCIM and USAID to aim at.

Project design emphasized the strengthening the BOCCIM secretariat as a means to achieve BOCCIM and BPED goals. Limited reference is found to the importance of strengthening the spirit of association and expanding grass roots participation in BOCCIM decision making.

Links between MCI, BOCCIM and BDC are created by the formal mechanisms of PIC, an operating committee, reference groups, and the various other BOCCIM and GOB committees. Studies that have been generated have increased the dialogue between the private sector and government on many specific issues. As a result, mutual understanding of different points of view has increased, but agreement has often been difficult. Perhaps that is as it should be.

The dialogue has not remained at the executive level. BMAP and the IFS officers are cooperating in many places around the country. The BOCCIM outreach program and the Ministry of Commerce and Industry (MCI) have built strong contacts through their common interest in organizing strong regional business councils. Training sessions have often provided additional opportunities for cooperation as well as a forum for open discussion that has helped break down traditional barriers between businessmen and officialdom.



Botswana Confederation of Commerce, Industry and Manpower

The Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) is a private non-profit organisation registered under the trade Unions and Employers' Organisation Act 1983. BOCCIM represents the interests of the Private Sector in total and is recognised by Government as fulfilling this task. BOCCIM influences Government policy affecting the private sector through its representation on various advisory bodies. BOCCIM has a membership of over 1200 firms.

Member Services Offered in 1994

1. **BOCCIM Small Business Insurance Scheme**
 - basic business insurance covers available at a discounted price to BOCCIM Small Business Division members
2. **Small Business Support**
 - short-term one-on-one management assistance from Outreach staff
 - advocacy of small business issues by Small Business Division--development of an informational booklet on small business financing, a small business loan guarantee proposal, and a debt collection programme for small businesses
 - consultants for small business available from the USA and RSA for a nominal charge
3. **Botswana Management Assistance Programme (B-MAP)**
 - experienced one-on-one medium-term counseling assistance for small and new start-up businesses
4. **Training**
 - courses for entrepreneurs in various part of the country based on a recent survey of private sector training needs
5. **Scholarships**
 - scholarships for In-Country and Regional training which will enable employees of Botswana companies to help their companies to expand
6. **Industrial Relations Assistance**
 - current information on labour issues, a booklet on employment laws, assistance with labour relations problems
7. **Promoting Botswana Businesses**
 - sponsorship of the Northern Trade Fair in Francistown, participation in the Buy Botswana Campaign
8. **BOCCIM Business Councils**
 - BOCCIM supports Business Councils in 10 communities across the country. These Councils provide a forum for business people to meet on a regular basis to discuss, and find solutions to, business and community problems
9. **Organising Third Private Sector Conference**
 - this third conference is being held in Francistown
10. **Advocacy on Economic Issues**
 - conducted study of foreign exchange controls and called for Government to substantially liberalize all remaining exchange controls, participated in the mid-term review of NDP 7, presenting competitive advantage seminars
11. **Sector Groups Interaction**
 - 18 sector groups offer the opportunity for members to communicate and interact with fellow members in similar industries. e.g. construction, manufacturing, etc.
12. **The Voice of the Private Sector**
 - BOCCIM is recognised by Government as representing the interests of the Private Sector and is continually interacting with Government on matters of concern to the private sector through representation on various boards and committees
13. **Export Assistance**
 - advocacy on implementation of the Botswana/Zimbabwe Trade Agreement, sponsorship of trade missions to Zimbabwe, support of establishment of State of Virginia (USA) Trade Office
14. **Assisting the Construction Industry**
 - conducting and implementing results of a construction industry study
15. **Supporting Women-owned Businesses**
 - through support of WIBA
16. **Communications**
 - regular newsletters, business bulletins, annual dinners in Gaborone and Francistown, workshops and personal contacts

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P.O. Box 432
Gaborone
Phone: 353459
Fax: 373142

Outreach And B-MAP Office

Phone: 312273
Fax: 312273

North Region

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Blue Jacket Square
Private Bag F/85
Francistown
Phone/Fax 214622

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EXTRACTS FROM REPORT ON B-MAP

STRENGTH OF THE B-MAP PROGRAMME

- + B-MAP manager highly motivated and competent for what he is doing.
- + B-MAP manager has a very wide area of contacts.
- + A big number of well qualified volunteers available.
- + Wide range of skills is available.
- + Low cost / high value for clients.

WEAKNESSES OF THE B-MAP PROGRAMME

- Very vulnerable program. It's success mainly depends on the B-MAP Manager who might get another interesting job-offer at any time.
- Highly qualified Volunteers are more difficult to find outside the Francistown/Gaborone area.
- Some clients don't turn up for the counselling sessions on the time they have agreed to - which is frustrating for a busy volunteer.

DIFFERENT ALTERNATIVE SUGGESTIONS ON HOW TO IMPROVE THE PROGRAM

- * We need to have two persons working together, based in Gaborone, to make the program less vulnerable.
- * We need a fulltime B-MAP officer to service the Northern part of Botswana.
- * Approach larger companies outside the Francistown/Gaborone area for volunteers, such as BCL, BMC, BCP etc.
- * Ask the local business councils for assistance to find suitable counselors for remote areas.
- * Recruitment of new clients through banks and local business councils including cooperation with IFS.

There are at least two different possibilities to accomplish this:

- a) employ a motswana to do the job
- b) make request for a peace corps volunteer

STRENGTH WHEN EMPLOYING LOCALLY
INSTEAD OF RECRUITING A PEACE
CORPS VOLUNTEER

- + The program will be less vulnerable
- + When the BMAP officer moves on to another job challenge, the knowledge of the BMAP will stay within Botswana and be useful for some other companies.
- + Communication in Setswana
- + A citizen will have a greater understanding and knowledge of traditions and norms of the people he/she is working with .
- + Continuity over a longer period of time
- + One more person locally employed i.e. another local breadwinner
- + Another tax payer contributing to the community

WEAKNESSES WHEN EMPLOYING
LOCALLY INSTEAD OF RECRUITING A
PEACE CORPS VOLUNTEER

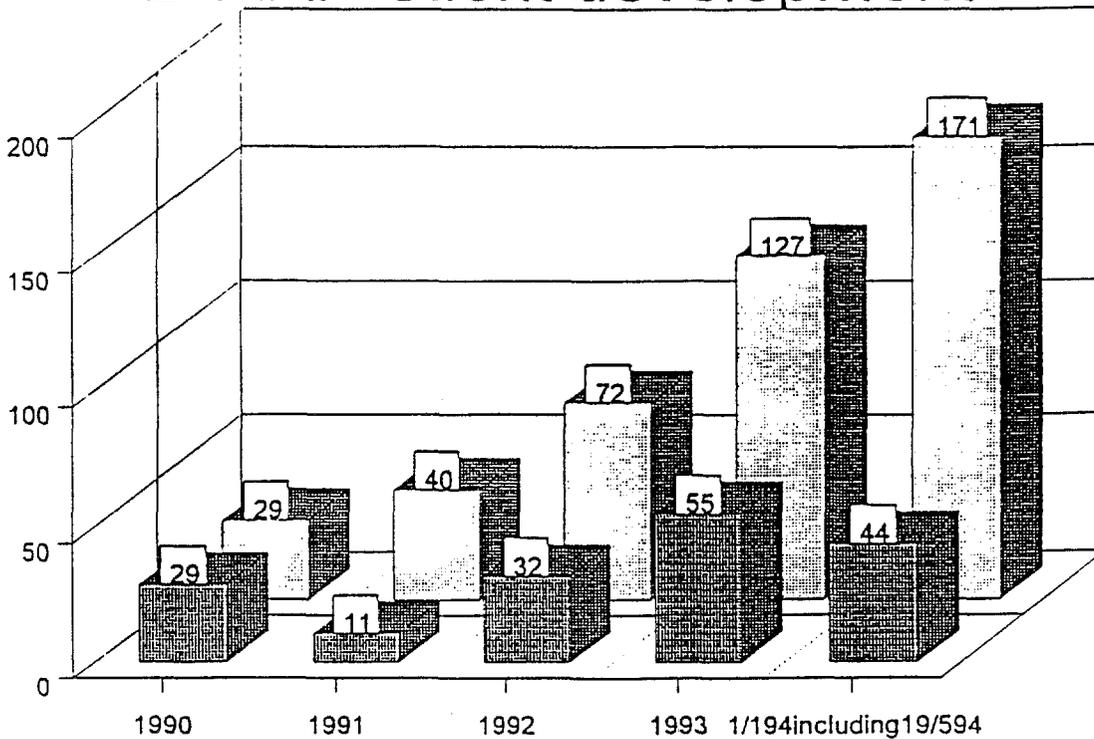
- New ideas from abroad will not come as easy.
- The cost is higher for employing a local person than using a Peace Corps Volunteer - free of charge.

24 May 1994

Past & Present Situation of B-MAP.

B-MAP Clients during the year of	1990	1991	1992	1993	1/1-94 including 19/5-94
Number of B-MAP clients	29	40	72	127	171
Number of new B-MAP clients	29	11	32	55	44

B-MAP Client development



BPED SPONSORED TRAINING PROGRAMS

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BPED SPONSORED TRAINING PROGRAMSChapter 1 BACKGROUND

It is generally accepted that the **scarcity of appropriately trained human resources in Botswana is a major constraint to economic expansion.** BPED sponsored training addresses the constraint at two levels. First, it provides training to strengthen the analytical and managerial capacity of government officials and business organizations involved in dialogue to create an enabling environment for entrepreneurship. Second, it strengthens the capacity of individual entrepreneurs and their employees to improve their management of resources and expand investment and employment.

BPED training is a welcome addition to the pool of human resource investments in Botswana. The larger employers in Botswana including the government, para-statal, banks, international organizations, NGO's, and the most profitable private businesses understand the strategic importance of training for their success and attracting investment.

As the largest single employer in the country, the GOB controls and or influences education and training in Botswana and overseas. **The limited size of the market for private sector and entrepreneurial training constitutes a significant developmental challenge.**

Although compared to estimates of total training expenditures in Botswana, BPED is a relatively small number of scholarships, **BPED support to entrepreneurial training is a niche that has been largely ignored by GOB sponsored training programs at local institutions and overseas.** BPED sponsored entrepreneurial training is contributing to the development of courses which will enhance the impact of GOB incentive programs such as FAP to meet the needs of entrepreneurs.

The impact of such indirect activities as training is difficult to measure. This fact increases the importance of guiding curriculum development by matching the expected results of training activities as closely as possible to BPED goals and objectives. To be eligible for BPED support (to be BPEDABLE), a training activity needs to show a link to economic growth and entrepreneurial development. Linkage or impact on project objectives can be rated (high, medium and low) and programs ranked. Costs can be rated in the same way.

BPED subsidies for programs with relatively low impact and high costs should be reduced to free resources for higher priority activities.

In addition to contributing to economic and entrepreneurial growth, BPED training strengthens BOCCIM's ability to attract and maintain members. The broad based representation of the membership portfolio is essential to build credibility and ability to represent business in public policy dialogue. The degree to which each course helps attract and maintain members is another dimension of being BPEDABLE which can be used to rank the courses.

Although this annex will focus on scholarships and courses, **on-the-job training is an important feature of BPED entrepreneurial development activities.** Small business advisory services and management assistance is a large part of the training provided through BPED advisors, BOCCIM outreach and management experts and BMAP volunteers.

Chapter 2 CATEGORIES OF BPED TRAINING

BPED training activities are divided into categories according to the geographic location, duration, and academic qualification. Each of these types of training is managed differently with very limited BPED coordination.

International training is based in the United States and subdivided into long term Masters degree programs and short academic training.

Regional training is held in Africa, outside of Botswana and is generally less than 12 months in duration. Regional training is guided by the priority needs identified in the BOCCIM Training Committee or other PIC implementing agencies.

In-country training is organized through the BOCCIM Training Committee and Secretariat and consists of contracted courses and scholarships.

The GOB coordinates scholarship programs for Bachelors, Masters and PhD degrees in several countries through multi-national, bilateral and national scholarship funds. International scholarship offerings are reported to be declining due to a reduction in donor support but the GOB continues to invest and diversify options for funding. An education trust and loan program has been created to fill part of the void. The grant/loan scheme provides for individual choice and increased market driven education and training. It is limited to higher education.

2.1. Long Term International Training

There were 20 long term master degree slots budgeted in the BPED project. Fourteen slots were used. BPED Masters scholarships went to technical experts from government offices, the National Development Bank and BDC. BOCCIM did not take advantage of the long term degree training.

Measurement of the impact of Masters degree training on BPED objectives is subjective. Twelve of the fourteen scholarships were awarded to junior government officers or BDC employees who work in areas directly related to economic policy analysis or entrepreneurial development. Two of those officers work in the Ministry of Education and the Ministry of Labor where the connection to BPED is less direct.

The Ministry of Finance and Development Planning obtained six (42.8%) of the BPED Masters degree scholarships. It received six awards (42.8%). The remainder was shared by BDC, MCI, Ministry of Labor and Home Affairs, and the National Development Bank. BOCCIM did not use either of the two slots originally reserved for staff and members.

Phone interviews were held with 6 of the participants who have completed their training. Comments indicate that even before they graduated from the University of Botswana, government officers expect a scholarship to get their Masters degree within the first three years of public service. One participant said that when she was not put on the list for Master's degree training after one year at the Ministry of Commerce she requested transfer to the Ministry of Finance where she got the BPED scholarship a year later.

The participants interviewed were all aware that BPED project funding made their education possible but without exception stated that with or without BPED they would have gotten a scholarship and probably would have gone to the US for training.

2.1.1. Placement - Four of the six interviewed reported that they had applied for their Masters degree prior to being selected. Having a letter of acceptance from a university improves their chances of getting the scholarship. Seven males and seven females will receive degrees. The course/major selection includes six MS economics and policy degrees, four MS in International Business, two MBA's, 1 MA Human Resources and 1 MS Public Management.

2.1.2. Support - the participants interviewed gave satisfactory or very good rating for the support from USAID, D&T in Gaborone and Development Associates Inc. in Arlington, VA. Selection of schools and placement was not needed for some participants who had already prepared their paperwork. All reported high levels of satisfied with the services they received during the course by Development Associates and the Universities they attended.

The course content was rated very highly related to their jobs and career aspirations. Three participants mentioned that the living allowance was low.

2.1.3. Impact - Assessing the impact of the Master's degree training on the goals and objectives of BPED is best done in relation to the number of people successfully trained, their career prospects and return rate of participants. Fourteen scholarships represent 70% of the total planned. All of the participants will complete their degrees by September, 1995 and have or will return to continue their careers in their respective organizations. The training they received is directly related to the analytical aspects of policy formulation and enterprise planning and development.

The degrees training has contributed to a larger pool of skilled human resources capable of advancing policy dialogue and supporting economic and entrepreneurial development in Botswana. The impact is expected to be stronger where participants jobs deal directly with economic policy and enterprise management (MFDP, FAP, BDC and NDB).

2.1.4. International Training Timetable - Project documents available indicate that the long term international training was to be completed in the first three years of the project. Selection and placement is complete and all participants will complete their courses by September, 1995. Thirty percent (6) long term international training slots were unused.

2.1.5. Lessons Learned - Considering the scarcity of trained people and the demands on the limited staffs of the BPED related organizations, finding 20 top level candidates available for 18 month Master's programs in a three year window of opportunity is optimistic. The long term training, which has a long lead time for selection and placement, needed to be planned well in advance.

The first group of participants was selected in time for placement in the 1992-93 academic year partly because they had already been accepted in degree programs. Second and third year selection and placement completed the master degree training. BDC placed the last long term participant and the Advisors reported that they would have liked to place more participants had it been possible to extend the time.

Short term academic training in the US and in the region could be an alternative to consider during the remainder of BPED to support human resource development plans as alternatives to long term degree programs.

The Master degree training component of BPED is a relatively independent activity. The project missed opportunities to engage participants and their instructors in BPED studies and policy issues that may have been good topics for independent study

projects or thesis. Thus far upon return none of the participants reported that they have participated in BPED related activities or formally shared what they learned with other specialists. It is possible that they have been involved with BPED without knowing it or remembering.

The international business administration program at the University of Illinois received positive ratings partly because of the mix of international students and the ability to establish good networks for future reference. The network could be useful to gather and share information on BPED policy issues.

2.2. Short Term International Training

International short term academic scholarships were awarded for training done in the United States as well as for contracting US based training to be administered in Botswana. The short term academic courses will continue to be administered through Development Associates, Inc. in 1994-95.

2.2.1. Contract Training in the USA - A course entitled Influencing Public Policy was held for 6 participants in the USA. The two week course was administered by a Development Associates consultant in Washington, D.C. in September, 1993. Participant selection was handled by the implementing agencies with support from D&T. Six participants representing BOCCIM (2), MCI(1), BDC(2) and MFDP(1) made it to the program which was custom designed for them. The consultant had the bio-data of most of the participants in time to make special arrangements for them and could have accommodated ten people as was contemplated in the design.

A second short course is being planned for the last quarter of 1995. The design is similar with up to 10 people to be trained and this time the selection will be based on the need to prepare for regional and international trade negotiations and policy. The course outline and selection were being discussed by D&T and the implementing agencies during the period that the evaluation team was in the field.

Customized courses are designed to integrate individualized activities into a core training curriculum. The flexibility brings a disadvantage when participants or their schedules change. The earlier the design, dates and bio-data on participants arrive at Development Associates, the better the course impact.

2.2.1.1. Impact - the participants in the Influencing Public Policy Course have leadership positions in policy discussions and contribute significantly to the formation and dissemination of economic policy. Policy dialogue between government and business has increased as a result of the course.

General comments from participants contacted were positive. It seems that although the training was customized for the participants, the lasting impact will be on the improved dialogue between their organizations. Participants contacted did not mention specific techniques learned but did take advantage of the meetings that were scheduled and the people that they met continue to be resources for the project.

2.2.1.2. Lessons Learned - training of policy makers can be more motivating if it deals with specific issues and uses resource people who have practical experience in handling similar circumstances to what Botswana's government and business community faces. Increased upper management participation in course design and selection of participants and instructors will improve commitment to the results of training.

Course timing and communications of participant bio-data is important to make arrangements for extra-curricular meetings and coordinate schedules. Changes in participants reduces training impact much more than an off the shelf courses. The number of participants could increase.

These lessons learned highlight the importance of the management of the training process in all BPED training activities.

2.2.2. Scholarships in Existing Short Courses - individuals or groups of two and three employees from the implementing agencies have benefitted from other short term academic training. Development Associates has helped select courses for employees at BOCCIM, MCI/TIPA, MFDP and BDC. One BOCCIM staff member, Ms. Pilane Siwawa, was trained at a course held at the University of Pittsburgh. Others were trained in programs run by Corporate Location and Global Market Opportunities Conference.

Short term academic courses are less flexible than contracted or customized courses. They can serve the needs of one or two people at a lower cost per participant. Finding the right course content, at the right time and for the right number of days or weeks is costly and less than scientific.

2.2.2.1. Lessons Learned - the individual international training programs are similar to other training activities, i.e. matching individual needs to course content is important. The actual course content and fit of short term international training to the participant's needs is more difficult than the contracted international and in-country training. Concise description of the participant's needs and goal setting is essential to proper placement.

On the other hand, short courses tend to be designed for specific populations and content can change according to the people who are registered. This seems to be the case of the BOCCIM Chief Economist who found that the course at the University of Pittsburgh emphasized privatization rather than policy

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formulation.

If possible, program design for international training should include academic courses and practical extra-curricular activities. Participants should be held responsible for initiating or recommending adjustments during the program to take full advantage of the developmental experience.

2.2.3. US Contract Training in Botswana - Development Associates contracted Arthur D. Little to design and deliver a customized course entitled Project Analysis Skills Development. It was organized in Botswana in 1993. The BOCCIM 1993 annual report states that half the course cost was paid by USAID and half by the participating organization. Course design, material development, logistics and candidate selection were coordinated through BDC and PIC with the support of D&T and Development Associates. An ADL representative was able to meet with people in Gaborone prior to the course's first module to fine tune the course objectives and outline.

The course was designed to fit the needs of experienced technical experts involved in evaluating business and investment opportunities or problems. It was done in three separate modules over a three month period in the first semester of 1993. Twenty four participants from BDC, BDC companies, private firms, BOCCIM, MCI, MFDP and banks attended the course.

Feedback from the BOCCIM participants indicate that the course was one of the better quality academic programs they had attended but the content was beyond their day to day needs. BDC participants and MFDP were also positive but could not point to specific new or improved techniques they have implemented on the job.

2.2.3.1. Impact - The impact of international courses on the supply and demand of local training is significant. International training can enhance local training techniques and curriculum and stimulate demand. If this is the objective, it should be specific in the project and local consultants and providers exposed to the program.

To the degree that the participating organizations share in the costs, impact of the training tends to improve. The full costs of quality training should be calculated and shared equally by beneficiaries. Scholarships or loans based on financial need can be included in the package but at full cost to help develop the sense of market value.

2.2.3.2. Lessons Learned - The strength of this training lies in the fact that it was based on felt needs that are directly related to BPED objectives. The course content matched the needs of a specific target population and delivery was professional. Results were positive but less useful for course participants who came from organizations not involved in the needs assessment.

Considering the relatively high costs of these international programs, the evaluation team suggests that follow up training could be useful to reinforce the participants awareness and capability to motivate entrepreneurs to use the technical skills they learned.

Links between performance management techniques and training need to be strengthened. The perception of training as an employee benefit needs to be changed. The quality of training should be measured by improved performance that can be traced back to the training and employees who participate need to understand why they have been selected and how the impact will be measured.

2.3. Regional Training

Training reports indicate that regional training in Africa is under utilized by the implementing agencies as well as BOCCIM members in general. Among the PIC implementing agencies, BOCCIM, TIPAA and BDC have used these funds for training less than 3 employees per year in courses outside of Botswana. The BOCCIM Training Committee manages selection of private sector candidates for regional training. Six private sector candidates are reported to have benefitted from regional training in computers, project management, and retail management.

The opportunities to use regional training, especially in South Africa, have increased since BPED was designed. A regional training provider survey is included in the BOCCIM plan of work. One BPED summary report indicates that the study was not done because only two scholarships were awarded. Regional training funds could be used as alternatives to long term degree training or to address both post graduate courses and entrepreneurship development currently needed in the local market.

Regional training offerings are not as plentiful and the quality control more difficult than in the US. The problems with using off the shelf programs are, however, the same. Finding the right course at the right time to fit the needs of a dynamic small business is a challenge and expensive.

In situations where the number of candidates justifies the cost, specialists from the region should be encouraged to bid on RFP's to design and run programs in Botswana competing with international suppliers like ADL and the BOCCIM contract courses.

Barriers to utilization include the perceived value added of participating in European or American training; the lack of timely information regarding regional training; and absence of a track record with or references on the quality of courses in the region. The regional training survey and increased use of contracted training with regional providers is recommended to help select courses and place participants and improve the

utilization and success rates of regional training.

2.4. In-country Training

(refer to Annex 1 for more information on the BOCCIM In-country training activity) BOCCIM is responsible for the management of the in-country training under BPED. Training is one of the most significant membership services offered by BOCCIM. With BPED subsidies training generates revenues through increased membership and course registration fees.

2.4.1. Training for Economic Growth - A national training needs assessment was carried out by BOCCIM and the 1994 BOCCIM Training Calendar for in-country courses, as well as the criteria for regional business training is based primarily on the results of the survey. The survey was published in 1994 under the title "Training Needs for Business Growth" and was reported as the best received membership survey that BOCCIM has ever undertaken. The success of the needs assessment is to be followed by an equally important survey to measure the impact of training on company results and profits. These two BPED sponsored surveys will prove to be among the most significant resources for matching supply and demand for training in Botswana and leave a lasting impression on the industry.

2.4.2. Contract Training and Scholarships - BOCCIM manages BPED scholarships to courses offered by outside institutions in Botswana. It also designs and delivers its own courses and contracts outside providers to assist in the design and delivery to satisfy membership needs.

BPED direct and indirect support (not to mention the need to produce reports) have helped build the training data base and analytical capacity. Trends will be easier to identify with more years of data but the progress that has been made is outstanding and points to a significant increase in BOCCIM organized courses as well as the number of locations represented by participants in BOCCIM training (see Section 4 for detailed charts).

The number of participants in BOCCIM organized training has been near 900 per year in 1992-93. Scholarships played a more prominent role in 1992 (443) than in 1993(278). For in-country courses members pay a P200 fee, non-members pay P300. The fees used to be lower and the increase is helping to cover administrative costs but are still a small portion of the total cost of contracted training.

The full costs of the contracted training reaches 10 to 20 times the registration fees charged. Although the cost of each training course is different, the fees are generally the same for all courses. Over time, subsidies can impede the development of a competitive and creative training service industry.

Courses should be ranked by the degree of relationship to BPED

goals (high, medium, low) and subsidies should be phased out for the relatively weak links (secretarial conferences, customer relations, basic computers, etc.). The total cost of training needs to be introduced in BOCCIM contracted courses shifting BPED funds to scholarships based on financial need and reducing subsidies for employees from large and very profitable BOCCIM members.

2.4.3. BOCCIM's Role in Business Training - The BOCCIM Executive Council should use the upcoming organizational study to review the Training Committee's terms of reference and the terms of reference for the BOCCIM training department to reconfirm the goals, objectives and policy of BOCCIM training. If BOCCIM programs are driven by financial considerations, there is a need for membership committees to check if they are consistent with the organization's basic purpose. In some cases, activities justified by the need to generate revenues do not contribute or may contradict what the organization stands for in the first place.

Chapter 3 BUILDING ENTREPRENEURSHIP

The needs of entrepreneurs vary according to the level of experience and profitability. Training is not the best solution to many entrepreneurial problems. The demographics of small business owners make training difficult - they have to travel long distances to get to courses and seldom have time to participate unless they expect to solve problems or make sales as a result of the sessions.

Generally speaking, off the shelf training is designed for the larger market of employees from older, larger organizations. These employees are motivated differently and learn differently.

The BPED project design offers assistance to fill the gap, help identify the training needs and designing courses for a relatively small market. The project paper divides in-country training into two segments and allocates 80% to the training of entrepreneurs and small businesses and 20% to administrative training for small enterprises. The BOCCIM data base and training reports do not have readily available data to substantiate the split. An educated guess would put the split closer to 50-50 or even slightly tilted toward the administrative training at this point.

The evaluation team is not suggesting that the data base be improved to capture the categories of trainees but it does feel that it would be worth the effort to package the entrepreneurial and managerial courses as part of a series that has a logical beginning and conclusion. Using the entrepreneurial series approach gives the training programs (and other BOCCIM small business support activities) a stronger link from one to the other, makes it possible to motivate participants and identify gaps.

Low cost practical information, education and communication activities can be added to the short course schedule to address the issues close to the heart and checkbook of the small business owner. Some of the existing courses would be the anchors for the small business package. New materials and methods can be captured from existing programs which help complete a complete series of activities designed specifically to help individuals and small business owners to improve their understanding of business and to improve their profits.

Chapter 4 SUSTAINABILITY

The level of effort that BPED funds allow will be difficult to sustain after the project. Technological and market constraints are still major problems for entrepreneurial and small business development activities. Unless provisions are made to create mechanisms that provide core resources which can generate a constant flow of development money, the ability and willingness to pay for training, or other management assistance activities, will continue to be mainly in the highly profitable enterprises and government offices. The evolution in training and other forms of entrepreneurship development will slow.

4.1. Alternative Mechanisms - Alternatives such as revolving funds for small business development or small business scholarship funds could be proposed by BOCCIM to sustain the level of activity in priority training and development areas which cannot continue without outside funding.

4.2. Unused Funds - BPED training activities are generally regarded as one of the most visible benefits of the project although the impact will be difficult to measure, even over time. The resources that are unused could be applied to increasing the level of effort during the remainder of BPED.

Considering the lessons learned during the first half of BPED and the concerns regarding sustainability of activities, increasing the level of effort would not be the best use of funds. An alternative could be to apply existing funds to create a revolving line of credit or a similar mechanism that would build a self-sustaining pool of development funds that can be tapped for small business projects like training.

4.3. Prioritization - Ranking each training course for impact on BPED goals and level of costs will result in cost-effective groupings. High cost, low impact courses should be subject to reduced BPED support and greater cost sharing by participants. High impact low cost activities are priorities for continued support and gradual reduction of subsidies to test what the market will bear. Other courses such as high cost, high priority

will definitely need continued subsidies if costs are reduced as much as possible. Proposals for sustainability should deal with priorities, not the entire portfolio of BOCCIM training.

Chapter 5 MANAGEMENT AND COORDINATION OF BPED TRAINING

BPED training has been managed by the implementing agencies and coordinated by the COP with the help of BPED advisors, including the BOCCIM Training Advisor, as well as periodic visits from the Development Associates training specialists.

The BOCCIM Training Advisor funded by BPED was originally a full time job. The reduction in the level of effort to a half time job makes perfect sense for BOCCIM training needs. BOCCIM has an experienced and capable Chief Training Officer, staff and Standing Training Committee to handle its training activities. During the evaluation he was substituting the Chief Training Officer while she was on maternity leave but even with a full BOCCIM staff, a half time advisor is fully absorbed in the BOCCIM training component which is a large part of BPED training but not all of it.

The evaluation team recommends that overall BPED training design and implementation be strengthened by adding a regular, half time position to help implementing agencies, establish and monitor the BPED training calendar and search for ways to support other project components through information, education and communication activities.

During the transition toward the end of the project, the half time BPED Training Manager could assure continued high impact international and regional training and free the time of the relatively new chief of party to begin to oversee all project activities in the transition phase.

Chapter 6 LINKAGE WITH OTHER BPED COMPONENTS

Training deals with fixing problems, improving awareness and preparing attitudes necessary for change and improving performance. As a tool for change it should be used by the other BPED components that envision change and improved private enterprise performance. Examples of training linkages with other components include, training in cooperation with investment promotion in support of MIGA Conference participants and public seminars to build consensus, identify problems in public policy.

A more systematic effort to provide training support to BPED policy and investment promotion activities is recommended. Solutions to important issues create training needs because they change the way things are done. At a minimum, every policy change envisioned creates a need for information, education and communication activities from the inception to the

implementation. Government officers need to know why change is important, how to implement it and how to adapt to take advantage of the change.

Changes presently under study will impact foreign exchange, imports and exports, government procurement, regional and international trade and bank regulations to mention a few. Training activities can help government officers understand and implement change faster and better. It can also help business prepare to hedge against new risks and take advantage of new opportunities. In the process of supporting change, training also helps identify unforeseen problems before they get out of hand.

BUSINESS INCUBATORS: A POTENTIAL TOOL FOR BOTSWANA

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BUSINESS INCUBATORS: A POTENTIAL TOOL FOR BOTSWANAChapter 1. AN INTRODUCTION TO INCUBATORS FOR BOTSWANA1.1 Introduction

The importance of the growth of small and mid-sized firms to economic development is stated sufficiently to have reached the level of at least folk wisdom. The assertions that small businesses are responsible for all (or most) of the job growth in the U.S. economy is balanced by equally startling figures documenting the high levels of failure associated with new firms through their first five years of operation. While these subjects are of interest in the mature U.S. economy, the same subjects become significant policy issues as economies world-wide deal with significant dislocations in moving from a centrally planned economy to a market-based system or sluggish growth in developing and developed economies. The success of such transitions is essential to accommodate employment growth while not being able to (willingly) tolerate the high rates of failure.

1.2 Challenges in Business Development

Three specific challenges can be identified that are faced by the business in both developed and underdeveloped economies:

- make the transition from centrally planned patterns of behavior to market-based structures in a period of evolving laws and regulations;
- embark on extensive market development efforts, from creating new channels of distribution to educating potentially large audiences in the nature and use of the product or service;
- somehow find the time and other scarce resources to identify opportunities, including bringing to bear understanding and overcoming cultural barriers to business success.

The combination of a new business satisfying (potentially) international market opportunities and a new (to the business, if not globally) economic structure is difficult cubed. Place this hurdle of pan-national business opportunity identification in the context of a lack of supportive services and infrastructure in the new firm, and you have a situation designed for failure, not success. The potential for failure exists since the business must simultaneously develop a multidisciplinary organization (production, marketing, finance and accounting, legal) and staff it (or identify and recruit professional

advisors from a modest population).

In spite of these hurdles, yet another barrier is placed in the path of the new business in the Botswana. For the best of motives, evolving government policy may be difficult to understand, much less react to, by small enterprises. Entrepreneurs may lack the political understanding to deal with government programs and requirements, as well meaning as they may be. The efforts of government to be supportive by evolving programs and laws intended to support business development may have the opposite effect since SMEs seldom have the staff to become aware of the programs, much less react to take advantage of them. Moreover, again due to limitations of staff, the SME may prefer unhelpful laws to "new and improved" measures which require time to read and understand... time taken from running the business.

Finally, entrepreneurs represent a dichotomy in that they can be characterized as the breakers of rules and organizational mavericks. At the same time the successful launching of a business may require the entrepreneur to seek resources available from, or controlled by, such organizations. While the popular conception of an entrepreneur is a lone wolf, the entrepreneur is expected to avail himself of the services of the what is popularly characterized as the most non entrepreneurial facet of the economy... government. "The challenge, of course, is how to make the best use of the tension between the formal organization's need for control combined with access to resources and the entrepreneur's need for independence combined with lack of resources."¹ These characteristics may appear even more challenging in an environment that may be only one generation from a cattle post.

Chapter 2. STRUCTURE OF AN INCUBATOR SYSTEM

2.1 The Rationale for the Incubator System

"When the manager is about to break away from ingrained traditions and adopt the identity of an entrepreneur, he will need the support of a mentor."² Both government and private initiatives that aid entrepreneurship acknowledge the need for the support associated with a "mentor" and attempt to develop programs that provide for such a need, either explicitly or implicitly. The U.S.A. initiatives of SCORE and Small Business Development Centers (SBDCs) characterize two forms of such governmental provision of "mentors" for new businesses.

In a broader sense, governments and private agencies use a variety of techniques / programs to support economic development, from centrally planned to decentralized approaches, from technology-driven to market-driven perspectives, from government through business to individuals, from top down to bottom up, from rural industrialization through infrastructure development to

consumption support. These programs may be characterized as bewildering in the variety of their design and, potentially, limited in their implementation to the term of a single governor or term of the parliament.

2.2 Business Incubator Defined

"Incubator" is one label applied to a variety of programs and activities, both public and private. Drawn from the warm, supportive, and temporary structure used to support the development of fertilized eggs into hatchlings (new chicks), the term "incubator" covers a variety of activities and structures:

2.2.1 Formal Business Incubators

Formal business incubators extend from a private, for-profit extensive / intensive system for the supportive development of a business, including extensive equity participation, (e.g. Genexus) through a wide variety of real estate and non real estate connected services. Others attempt to differentiate a commercial real estate development through advertising with little else. The services range from business staffing (from CEO and Board of Directors to secretaries and production workers) and financing (with associated venture funding) to undelivered promises.

2.2.2 Technology Commercialization Centers

Staffed with technologists and / or business people, these "incubators without walls" can provide a proactive interface between technology and the broader business community or a haven for tinkerers and hobbyist inventors.

2.2.3 Informal Business Incubators/Support Organizations

The same supportive functions are provided, to a greater or lesser extent, by a variety of loose associations and formal organizations. In the United States, local clubs (Rotary, Elks, Masons, Knights of Columbus, alumnae organizations) provide their members with a forum for the discussion of business concerns as well as a referral structure for screening consultants, customers, and suppliers. Formal groups provide more focused support through Chambers of Commerce, Young Presidents Organizations, professional societies (e.g. American Society for Computing Machinery, American Chemical Society, The Institute for Management Sciences, etc.). In addition, both non-profit and for-profit organizations have evolved to provide a wide range of support services (Small Business Development Center, Agricultural Extension Services, High Technology Societies)

Some private firms act as "incubators", forming a seedbed for the development of new firms, such as the extensive genealogy of semiconductor businesses started by National Semiconductor alumnae. Firms are reported to vary widely in their ability to "incubate" new businesses.³

Within this variety of structural organizations, the operational activities of business support programs can vary from minimal after-location support through vast and detailed programs for business development. Depending on the organization, its philosophy, and its capabilities, the support can range from a venue for "networking" to proactive, directed business development support. For instance, the State of Illinois Technology Commercialization Center program provided eight targeted services⁴

With the support services available through an incubator, both the entrepreneur and the supplier of resources may find a reduction of risk. The incubator reduces the need for capital for administrative support early in the development of the business while providing the mentoring function that extends the skills and knowledge of the entrepreneur. At the same time, the association of the entrepreneur with an established organization (from Control Data Corporation's incubators to those run by a variety of prestigious universities), provides an illusion of stability and security for suppliers and customers of the fledgling business.

2.3 Guidance and Expertise

Programs to help new businesses can provide the infrastructure that is missing in a new, developing business. Starting with the basic information of on how to get a business started (e.g. legal, technical, administrative), such support can extend to how to keep the new business going and growing (e.g. personnel, export). The needs for business support can be met by such programs highlighting needs for, and providing information about:

- government licensing and reporting requirements: what is required, e.g. incorporation, patent, trademark, tax supply of the relevant forms or referral to agencies
- legal services: tax, trademark, patent, etc.
- accounting requirements: bookkeeping and accounting services, payroll services
- insurance needs/suggestions: employee, key man, liability, business continuance
- financing possibilities, both organized and informal: loan, equity, grants, and off-balance sheet
- strategic partnering relationships: from contract manufacturing through distribution
- product and package design
- advertising
- marketing and sales
- prototype development
- contract production
- printing

2.4 Economies of Scale

The concept of an "incubator" represents an attempt to bring together the various elements under one physical or conceptual roof. The most identifiable services are associated with the real estate portion of an incubator.

2.4.1 Physical Services

Physical Services (Real Estate package) present the ability to sign a lease in one hour and be in business the next. Some attributes include:

- short-term, inclusive facility lease: *reduced credit requirements; rent, taxes, utilities bundled together in a single, predictable package*
- fully equipped facility: *furniture, telephone, utilities*
- copier
- FAX machine
- computer
- desktop publishing
- receptionist
- conference room
- secretarial service: *demand based, rather than full-time, fixed cost*
- shipping and receiving: *including express services*

Within the physical presence, the incubator has the potential to provide the social benefit of cross-fertilization of ideas between entrepreneurs. At the same time, the aggregation of entrepreneurs under one roof provides professional organizations (accountants, attorneys, etc.) with an effective means to reach this market, supporting the development of this infrastructure as well.

By providing modest cost, small space (one office, perhaps shared), the incubator provides the possibility of a gradual startup and a sequenced development of a new business. The entrepreneur can have the phone answered and mail delivered during the day while maintaining a "full-time" position in industry. The presence of such a facility affords the entrepreneur both with a cost effective means of beginning the business and with a mechanism to allow a (self)assessment of both the business concept and the readiness to accept the personal risks associated with the development of a new business.

Most importantly, the presence of an incubator provides the ability for a business to move from concept to product at an accelerated pace. Time and effort required to find space, arrange for furniture and telephone lines, order paper, and the thousands of other activities that are essential to the start of an enterprise are facilitated by the presence of the incubator, through its skilled staff. This facilitating service focuses the entrepreneur on business development, rather than infrastructure creation, and directs frequently scarce capital to the immediate

needs of business development.

2.4.2 Other Scale Services Available

Outside of the physical infrastructure, the main components of a full-range Business Incubator System can extend to finance, technology development, legal, accounting, marketing, warehousing, quality control, and a wide range of management expertise. This support, while less visible than the real estate components of the incubator, is the key to an Incubator. The ability to provide pro-active, on-site, expert support for business development is an essential, perhaps the essential, component of an incubator. This ability to diagnose, often before the business leaders, incipient problems... to recognize constraints to business development in sufficient time to remove them as constraints, to provide counsel to business leadership... these are the essence of the business incubation process. Often this counsel is directed to developing financing strategies for the new business through its rapid growth phases... counsel that is implemented both pre- and post- graduation. For this reason, some refer to this phase of the incubation process as representing the functions of *strategic planner* and *investment banker* for the SME.

2.5 Training

The incubator can have a special role in the development and implementation of training programs to support business development. The nature of small enterprises both illustrate the need for training programs to support the fledgling entrepreneur as well as highlight the challenges of implementing such training programs.

Small enterprises, by their nature, have few staff. Traditional training programs require attendance for several days (or weeks), which requires a substantial personnel commitment. The startup, with a few employees, must cripple the business by losing a key employee (such as the president / marketer or president / producer for the duration of the course. As a result, traditional training programs find reaching the new enterprise a significant, often insurmountable, challenge... resulting in training being provided to hobbyist entrepreneurs on one hand or businesses that reached significant size and maturity on the other.

Another challenge for the small enterprise lies in the multitude of problems, many amenable to amelioration through proper training. However, the problems come quickly and, without solution, the business may not survive until the training schedule surfaces the appropriate educational program.

An incubator can provide emergency care for the traumatized small enterprise. Through direct intervention and quick referral, the

incubation process can provide diagnosis and quick fixes to allow the small enterprise survive until proper training can be made available... the incubation process is the field medic, applying first aid counseling to allow the patient enterprise to live long enough to get the proper support from formal training programs.

Thus, the incubator can form a valuable role in enhancing the effectiveness of traditional training programs.

Chapter 3. APPROACH TO BUSINESS INCUBATION

3.1 Types of Approaches to Business Incubation

A variety of approaches are available to implement the concept of an incubator.

The nature of support services to be incorporated into an incubator, and extent to which they should be supported, varies. The temptation for a new incubator to offer everything proposed in the literature can be overwhelming. To provide some context for the evaluation of potential services, Vaughan and Pollard provide five guidelines, suggested by Mansfield⁵:

"First, policy makers should adopt flexible programs which can be operated on a decentralized basis, and should resist the temptation to undertake large scale 'crash' programs.

"Second, programs should never be targeted to economically distressed industries or areas.

"Third, governments should avoid involvement in the later stages of product development.

"Fourth, public programs should be restructured to encourage a 'proper coupling' between technology and the marketplace.

"Fifth, centralized planning should be scrupulously avoided in favor of pluralism and decentralized decision making."

Other lessons can be drawn from firms that serve as sources of new businesses, as well as firms that are not associated with such spin-offs of either technology or people. Vesper summarized the characteristics of firms acting as likely or unlikely incubators based on a variety of experiences:⁶

<u>More Likely</u>	<u>Less Likely</u>
High growth industry	Slow growth industry
Rapid tech. change	Slow technological change
Low capital investment	Heavy capital investment
Minor economies of scale	Substantial economies of scale
Small number of employees	Large number of employees
Product-decentralized	Functional-decentralized
Recruit capable ambitious people	Recruit average technical people
Region of high startup rate occur	Located where few startups occur
Afflicted with periodic crises managed.	Characterized as well managed.

3.1.1 Simplest Form

Without either a formal program or a physical location, an incubator environment can be as simple as individual, uncoordinated, but locally focused programs to support technology transfer (e.g. at a variety of local universities) and the presence of organized venture capital.⁷

3.1.2 Full-Feature Incubator

The characteristics of a full-featured incubator can be summarized as secure affordable space, support services, professional management, technical consulting, interactive entrepreneurial community, communication links to the community⁸

Chapter 4. IMPLEMENTATION OF INCUBATOR SYSTEMS

4.1 Incubator Systems in a Privatizing Economy

The development of an incubator in a privatizing economy has the potential to provide balance to existing policies for economic development. By supporting the development of a vibrant entrepreneurial industrial sector, the economic development of the country will be less dependent on the assumptions of the central planning staff.

Development of a robust service-provider sector that can spread the influence of the center beyond its walls. Commercialization of university / institute technologies, in cooperation with the government, provides a potential source of new business opportunities. Whereas these technologies may be characterized as "high tech", the major impact from the development of a strong business development center lies in the use of more modest and robust technologies.

4.1.1 Development of Support Center

To develop such a business development center (a.k.a. incubator), several standard items must be handled and put in place:

- Site specification ("appropriateness")
- Identification of partners, both private and public sector
- Sectoral focus (such as "biotech"), if any
- Target audience (entrepreneurs, small businesses, schools)
- Financing options (public, private; equity, loan, grant)
- Personnel (operating and support)

4.1.2 Do's and Don'ts

The operation of such a business development center can be summarized with a few simple Do's and Don'ts.

Do:

- Set up a program that is run like a business.
- Have a small seed fund available to invest in the businesses.
- Screen business opportunities carefully and thoroughly.
- Develop and maintain extensive relationships with government, private sector professionals, and universities.
- Be enthusiastic.
- Pay enough to get excellent staff.
- Be proactive

Don't:

- Concentrate on only high technology.
- Place the facility in either a rural area or as part of a university without a substantial deal flow.
- Try to help everyone and anyone.
- Have the program tied to short-term benchmarks.
- Have the program tied to a multiplicity of political agendas.
- Lose perspective on the nature of each business.
- Build a large empire.
- Save money on salaries and expenses.
- Be tempted to over-staff or over equip the operation.
- Wait for deals to come to the Center.
- Be passive
- Be bureaucratic

An incubator system is not a panacea for the economic hurdles that face either an entrepreneur or a private or public entity interested in supporting business and economic development. Carefully developed and competently implemented, incubators appear to be a viable policy instrument to support entrepreneurial initiatives on a broad scale.

Chapter 5. Conclusions

5.1 Next Steps

Business Incubators have established the potential to support economic development and privatization in both developed and developing countries. The development of a Business Incubator program has the potential to contribute to support economic development in Botswana by providing a proactive, supportive, integrated program, tailored to the needs and opportunities of Botswana.

The first step in assessing the specific potential for a Business Incubator program for Botswana involves fielding an Assessment and Planning Project (APP). The APP would require the services of a two or three person expert team, supported by local consultants, to (i) visit potential sites, discuss the program with potential participants and sponsors, (ii) propose a functional and financial plan for the development of a pilot, then rollout a Business Incubation program. This program could be initiated in approximately 6 to 12 months, require approximately 200 person-days effort by experts, and cost less than \$400,000. Such a project might be funded from BPED itself or an appropriate IQC.

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