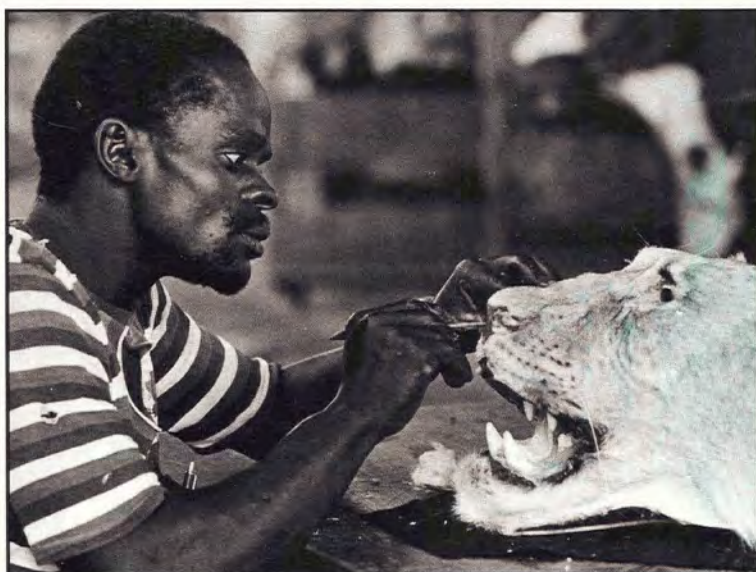


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DEVELOPING ENTREPRENEURS

An Evaluation of Small Scale Industry Development in Botswana 1974-84.



By J-O Agrell, B D Bergman, P Hallerby, K Ring.



The views and interpretations expressed in this report are those of the authors and should not be attributed to the Swedish International Development Authority, SIDA.

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DEVELOPING ENTREPRENEURS
an evaluation of small scale industry
development in Botswana 1974-1984

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DEVELOPING ENTREPRENEURS - AN EVALUATION OF SMALL SCALE INDUSTRY DEVELOPMENT IN BOTSWANA 1974-84

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FINDINGS AND RECOMMENDATIONS

Present set-up of institutions

There is a striking number of institutions involved in the promotion of small scale industry in Botswana. There seems to be no lack of financial resources to assist viable enterprises.

Government representatives have expressed the wish to improve integration of activities among a few of the existing institutions in order to provide more effective and streamlined services. The Evaluation Team supports this move and believes that improved quality of services can be supplied at the present or at a lower cost level through measures such as:

- 1 merging the Rural Industrial Officers' (RIO) programme with BEDU;
- 2 merging the Business Advisory Service (BAS) with BEDU;
- 3 establishing closer links between the Industrial Division of the Ministry of Commerce and Industry (MCI) and the BEDU management by moving the latter into the same building as the former; merging
- 4 BEDU planning, administrative and financial functions with those of the Industrial Division of the Ministry;
- 5 establishing closer links between BEDU and the Brigades through the usage of the Brigades Development Centre's (BRIDEC) facilities for BEDU training programmes and by inviting Brigades trainees to participate;

Achievements of the Botswana Enterprises Development Unit (BEDU) Programme

Achievements can be assessed against different criteria.

Assessed against targets set for the Programme, it has developed 38 % of planned number of enterprises. 65 enterprises have been developed, 27 of these to the status of fully viable enterprises. The corresponding percentage for employment created is 33 %. 915 jobs have been created counted on a full time basis. As regards

the use of local raw materials and the independence objectives, no quantified targets were given. However, the usage of locally available materials has been very low. An average of 1 % of imports in the relevant subsectors have been replaced. Export creation is more or less insignificant. Today it is obvious that the targets for the number of viable enterprises to be developed and for employment creation were very ambitious.

In comparison to SIDA supported programmes in Kenya and Tanzania performance regarding enterprises developed and employment created is on a comparable level to the Kenya programme and clearly less costly than the Tanzania programme.

The Programme has also been assessed by the team through analysis of reports, discussions in meetings and interviews. In our view BEDU progressed very well during the initial two years 1974-75. After that period BEDU's performance weakened considerably. The construction section is an exemption to this, having performed well during the whole period.

During recent years BEDU has had difficulties to open up and reach the business community outside those enterprises given concentrated assistance. The main reasons behind this are:

- staff with appropriate business qualifications have not been attracted to join BEDU to the extent required
- an attitude within BEDU which focusses on internal administrative work rather than on service to entrepreneurs
- the process to identify and phase out 27 viable enterprises and 30 judged non viable from assistance.

There are however positive signs during recent times as well:

- improved staffing
- improved extension services including rural areas through membership in countrywide Production Development Committees (PDC's) the presentation of training programmes and advisory services in a catalogue "Ask BEDU how" and the setting up of mobile workshops in mechanics and carpentry.

Financial assistance

BEDU supported enterprises have had access to a loan scheme. About 750 000 Pula¹⁾ have been lent during 1975-80. The arrears ratio in repayment of loans is about 34 %. Loans 1981-83 by the National Development Bank to BEDU supported entrepreneurs amounted to P 147 000.

Present arrangements with loans to small scale entrepreneurs provided by the National Development Bank (NDB) are found suitable.

BEDU's present function and organisation

BEDU is presently working with the final parts of the implementation of the Consolidation Plan. The need for extensive training is being stressed and plans for the up-grading of consultancy ability amongst the local staff are being drawn up.

The Bulk Purchase Facility is still with BEDU, although there is a policy decision on the transfer of the same to a suitable organization like Tswelelo (Pty) Ltd.

The present organisation is weak and the lack of certain routines is obvious. Job descriptions are missing in many cases, and decision-making arrangements, including the responsibility for decisions taken, are unclear.

BEDU's future and possible role

It is clear that BEDU is re-orienting its activities away from the industrial estates and towards a more geographically dispersed programme of training and business extension services.

BEDU will have to liaise with other local authorities systematically and in close collaboration with the same.

SIDA's future role

The effectiveness and efficiency of the BEDU-programme has been low for the last eight years. However, during 10 years of aid to the programme experience and knowledge has been built up that will undoubtedly be of value for the future. A number of policy measures have

¹⁾ Pula is the Botswana currency. Its present value is six SEK to one Pula. In the text there are variations in the exchange rate, due to actual fluctuations in the past

been taken by the Government and are being implemented. These will enable a more efficient management of the BEDU-programme and of promotion of small scale industry as a whole in Botswana. A new concept for BEDU is being developed, and planning for BEDU's new role has been initiated. The Government is keen on keeping SIDA as a donor to an extended BEDU-programme. There are still some P2,5 m unused funds under the present SIDA agreement.

Our conclusion is that the Swedish support should be continued for a two year period to enable BEDU to develop along the lines now planned. This period will show if the organisation will be able to develop in the right direction. Through cautious and continuous monitoring the Government and SIDA will follow the performance closely. This should be a prerequisite for continued support.

No new financial obligations will be necessary. A decision on future Swedish support after this two year period will be based on BEDU's performance.

An institutional arrangement to give BEDU direct access to Swedish organisations/consultants for direct participation in the programme will ease some administrative work for SIDA.

Recommendations

- 1 The evaluation team strongly supports the Government's efforts to create a powerful countrywide extension service organization for the small scale industry sector through integration of BEDU, BAS and RIO cadre activities. We recommend that integration in practical terms is implemented as soon as possible.
- 2 BEDU shall in the future direct its activities towards integrated extension services dealing primarily with the training of entrepreneurs and an extensive business consultancy service. The consultancy service shall include a programme for the transfer of technology to Botswana.

To perform the duties in a professional, and for the development of small scale industry in Botswana, satisfactory way, BEDU shall liaise and work in close collaboration with other institutions and train the local staff in accordance with individual training programmes.

The extension services, as well as the training programmes and courses, shall be directed towards citizens of Botswana throughout the country within the small scale industry Sector.

- 3 In order to work in an organised manner as an advanced consultancy and training service unit, we recommend an operational organisation as shown in page 49-50.

This organisation takes into consideration the immediate need for localization of some posts at management level.

In order to increase BEDU efficiency in its new role, the Bulk Store facility and the estates administration should be handed over, without delay, to appropriate institutions. Tswelelo seems appropriate for the Bulk Store and the Department of Surveys and Lands for the estates.

- 4 To fulfil the policy of integrated extension service, there is an immediate need for training the extension service officers. The training to become more qualified business management consultants will provide skills in dealing with other organisations and lecturing and consultancy skills.

The basis for the training should be individual training programmes, which cover local training as well as overseas.

- 5 An Advisor to the Director will be needed for an initial two year period as soon as the Director post has been localized. Two other Advisors should be engaged, preferably on a short term basis for specific projects.

Short term consultants will be required both for training and advisory services, including work in connection with the Technology Transfer Scheme.

Resources required total an estimated P1,4 million for a two year period.

- 6 An institutional cooperation between BEDU and a Swedish organisation is suggested. An agreement for such cooperation will allow for fast availability of required services for instance of consultants for training courses and for different types of studies in Botswana, and for training visits to Swedish sister companies by Botswana entrepreneurs.

Financial resources required for such institutional cooperation could possibly be deducted from the tied part of the Swedish country allocation, and debited to the SIDA Small Scale Industry Programme.

- 7 The Financial Assistance Policy (FAP) programme which includes extension services provided to a great number of newly created

or expanding enterprises needs to be followed up. BEDU will have an important role to play here with regard to small scale and medium scale enterprises in rural as well as urban areas. We recommend that BEDU in its work-plan should put special emphasis on enterprises given FAP-support.

- 8 Payments due under the BEDU financial assistance programme ought to be actively followed up by the National Development Bank.

Payments due which are impossible to collect ought to be written off formally.

It should be clarified how repayments are channelled back to the NDB and used.

- 9 We recommend SIDA to enter into a new agreement to support an integrated industrial extension services programme for a period of two years, using remaining funds under the present agreement.

During that period the programme shall be monitored closely against well-defined targets and objectives.

The performance against such targets and objectives shall be the assessment criteria for SIDA, on which to base a decision for possible long term support to the programme.

- 10 The present agreement between the Government and SIDA makes it possible to start implementing new activities. We recommend that such work start with immediate effect. Some targets and criteria for the assessment of performance have been described in this report. These should be worked out in more detail by April 1, 1985 before a new agreement is entered into.

- 11 We recommend that SIDA and the Government shall monitor the performance of the Programme through Annual Programme Reviews (October 1985 and June 1986).

1. SMALL SCALE INDUSTRY DEVELOPMENT IN BOTSWANA 1974-84

Swedish assistance to small scale industry development in Botswana dates back to 1973. SIDA assisted the Government of Botswana to set up and run the Botswana Enterprises Develop-Unit (BEDU). BEDU was established as a department within the Ministry of Commerce and Industry. The objective of BEDU was to promote local enterprises and to establish small scale industries.

In 1979 the Swedish assistance was widened to allow for support to other institutions in addition to BEDU. The National Development Bank received funds for lending to the small scale industry sector.

This evaluation looks at the whole environment in which entrepreneurs in Botswana act. BEDU is, however, in focus of the evaluation and the main target for possible future assistance by SIDA. In chapter 1 the overall network of supporting institutions are described and analysed, this puts BEDU in the overall picture. BEDU is dealt with in detail in the following chapters.

1.1 Industrial development in Botswana

The Botswana economy has traditionally been highly dependent on cattle and minerals, particularly diamonds. High export earnings from these areas, a lack of industrial tradition and trained manpower, as well as revenues from the Southern African Customs Union (SACU), have hampered industrialisation of the country. Botswana is surrounded by two highly industrialised neighbouring countries with which there are free trade relations. This has also had an adverse effect on domestic small industry development.

However, attempts have been made through industrial policies to create preconditions for the development of an indigenous industry within the framework of a free market open to foreign investment and with limited government subsidies.

There are several ways to measure industrial developments in a country. Here we use employment, Gross Domestic Product and ownership distribution. However, data is sometimes difficult to obtain, especially for the informal sector. Some of the small scale entities and most of the family based rural enterprises undoubtedly belong to the nonformal sector. Thus, data is hard to find and sometimes contradictory. There are, however, some recent estimates made.

The numbers of licensed manufacturing companies were 65 in 1975 employing some 3 800 people (2 500 excluding BMC) equalling about 6 % of formal sector employment. In 1979 the number of establishments were 88 employing 6 200 (4 600) or 7,8 % of formal employment. In addition to these 88 there were some 90 enterprises outside the licensed sector, including most of those supported by BEDU. After a relative decrease, the numbers of new licensed establishments picked up during 1982-83 reaching a level of some 200 employing more than 10 000 people.

Sources differ regarding numbers. Even if the figures are not completely consistent above it is clear that a 30 % increase in employment, as well as in numbers of manufacturers, has taken place during the last couple of years. In an evaluation of the Financial Assistance Policy (FAP), April 1984, the explanation given for this development is the economic policy measures undertaken (devaluation, wage freeze etc), influx of Zimbabwean entrepreneurs and the FAP.

The same evaluation study indicates that the informal sector employment in 4-6 000 businesses to be 6-9 000 persons (out of a total estimated informal sector employment approaching 30 000). It is, however, very unclear how many of these could be termed manufacturers and how many are service establishments.

The share of manufacturing within the Gross Domestic Product has increased from around 5 % in 1968-1974 to around 9 % in 1981/82. The value of production has almost tripled in constant prices between 1974 and 1982. Part of the informal manufacturing is included in these figures, although the extent cannot be ascertained.

Ownership in the formal sector has shown the following development: (in per cent)

	1976	1979	1983
Batswana ²⁾ owned	22	9	14
Mixed ownership	9	26	26
Foreign owned	69	65	60
	100	100	100

BEDU enterprises, as well as informal sector enterprises, are 100 % Batswana owned. Adding these figures to the above gives a more positive picture of the ownership situation in 1983.

²⁾ "Batswana" is the plural form for Botswana citizen

1.2 Industrial Policies

During the period under study, the Government industrial policies have slightly changed. The National Development plan IV (NDP) emphasized the promotion of foreign investment in large specialized industries and the diversification of sources for such investments and, at the same time, the promotion of locally owned businesses. In NDP V however, increased emphasis is placed on employment creation, larger economic independence and diversification.

In NDP V ways to influence such developments include the creation of a favourable environment by encouragement and advice (extension) and more direct Government involvement through BEDU, Botswana Development Cooperation (BDC) and parastatal enterprises.

Specific means to promote industrial development are based on the principles of selective import substitution, export promotion, use of the local raw material base (however limited) and linkages with the mining industry.

Emphasis has also been placed on rural industrialization either by means of creating rural enterprises where the local market exists or as agrobased enterprises.

In this context BEDU was supposed to work with rural industrialization as well as with urban or semi-urban small scale ventures.

The Presidential Commission on Economic Opportunities identifies problem areas in the development of industry and commerce:

- (1) The sector is lagging behind the general growth of the economy.
- (2) Development has been dominated by foreign companies and entrepreneurs.
- (3) There are few opportunities for Botswana to participate.

Thus, one of the important issues is to improve the knowledge among Botswana of opportunities and of how to operate enterprises. A bottle-neck is said to be the 'rather fragmented and uncoordinated nature of the extension system'.

A number of recommendations are being made on coordination of extension services and funding sources. These include a coordinating body within the Ministry of Commerce and Industry (MCI) and the upgrading of the Rural Industrial Officers' Programme.

The Industrial Development Policy Paper 1984 has the same general emphasis as NDP V, i.e. continued emphasis on employment creation, diversification, rural industrial development and increased domestic production.

A higher emphasis is put on local preference for Government purchases. The infant industry rules of SACU may be used more frequently.

As to the small scale and informal sector the policy highlights the importance of rural industries for employment creation for the poorest section of the people and that this is a relatively cheap way to create jobs. Since the lack of people with entrepreneurial and technical knowledge is great, a step by step development of such entrepreneurs is envisaged, enabling them slowly to grow into formal sector businessmen.

The constraints of small scale and informal sector development, access to credits, input supply, technical, marketing and management problems are to be resolved by integration, as suggested by the Commission of Economic Opportunities, i.e. including districts, MCI coordination, credit system and existing programmes for extension and training.

The estate approach of BEDU should, as already stated in NDP V, be reoriented towards more geographically dispersed programmes. According to recent plans within MCI, this will be done through integration of BEDU, the Business Advisory Service (BAS) and the Rural Industrial officers (RIO).

1.3 Institutions established to promote small scale industry development

To whom does the potential entrepreneur turn to get assistance to realize his business idea?

If he lives in a rural area he should contact the Rural Industrial Officer in his district. He will advise on further steps depending on what kind of support is required.

If he lives in either of the towns he can visit the National Development Bank in case he requires a loan. If he needs advice he can turn to BEDU, the Ministry of Commerce and Industry or Tswelelo. They will listen and find out which institution is the most suitable for his needs, if it is not their own.

<u>Requirement</u>	<u>Institution</u>
Loan	National Development Bank (NDB)
Contribution grant to start business	Financial Assistance Programme, (FAP), Ministry of Commerce and Industry (MCI)
Advisory services and training to manufacturers and construction entrepreneurs	Botswana Enterprises Development Unit (BEDU)
Advisory services and training to entrepreneurs in the informal sector	Partnership for Productivity (PPP)
Advisory services and training to retailers	Business Advisory Services (BAS)
Advisory services and financial assistance to guarantee small and medium scale business projects	Tswelelo (Pty) Ltd, a subsidiary of Botswana Development Corporation

Below follows further information on these institutions:

1.3.1 Rural Industrial Officers (RIO)

RIOs are the extension staff of the Ministry of Commerce and Industry posted under the District Commissioner's Office in each of the 12 districts.

A main objective for the RIOs is to be responsible for the implementation of the industry part of the District Development Plan.

This plan is an integral part of the National Development Plan. RIOs play an important role in identifying new industrial projects and in following up implementation. They assist in the preparation of applications for the Financial Assistance Programme. RIOs also serve as secretaries of the Production Development Committees.

The RIO programme started in 1979. It is supported by USAID. Most RIOs are expatriate American volunteers, but they have local Botswana assistants. Two posts are held by Botswana.

So far 644 projects have been submitted to get financial assistance through the Financial Assistance Programme.

1.3.2 National Development Bank (NDB)

NDB was established by the Government in 1963, with a mandate to operate in the various productive sectors.

It concentrated over the years in providing small loans, normally of less than US\$5 000, to small farmers and livestock holders. Only since 1980 has the Bank financed commercial agricultural projects, commercial enterprises and small and medium sized industrial ventures. NDB is wholly owned by the Government, which appoints members of the Board of Directors from the private and public sectors.

In 1980 NDB had offices in Gaborone and Francistown. Today the Bank has six regional offices and 12 district offices. There is a staff of 130 employees.

NDB has a portfolio of 14 000 credit projects, 90 percent fall within the agricultural sector. The majority of the remaining 10 percent are commercial projects. Only a minority fall under manufacturing small scale industry. In financial terms the loan portfolio amounts to Pula 43 million in outstanding credits. The main contributors are The World Bank, African Development Bank, EEC, West Germany (KFW) and the United States (USAID), whilst Sweden, through SIDA, have contributed on a limited scale.

NDB has a differential system of charging interest. Projects in rural areas are charged less, as well as projects contributing to more employment. At present the minimum interest is 16 percent.

1.3.3 Financial Assistance Programme (FAP)

FAP is one of three main forms of industrial incentives used by the Government. The other two are Local Preference Scheme and Protective Measures e.g. tariff protection, exclusive manufacturing licence etc.

FAP was launched in 1982 to provide financial assistance in the form of contribution grants to

- create more employment
- promote productive businesses
- allow for a greater degree of import substitution
- promote the export of goods produced in Botswana

The idea behind FAP is that part of Government revenues from mineral and beef industry exports should be used to assist projects that are sound but not financially attractive enough to potential investors. Small scale projects are considered to be of particular relevance. Grants for such projects range from 50-80 percent of the total project cost. The assistance to small projects is graduated to give incentives to owner operated activities, remote areas and the creation of a large number of jobs. The NDB administers the disbursement of FAP assistance.

About 500 projects have been approved so far in small scale industry projects. P550 000 has also been disbursed out of a total allocation of P1million.

FAP is a decentralised programme in the sense that the decision-making on small grants is delegated to the districts. District Development Committees (DDC) are the planning and coordinating bodies. Under DDCs, Production Development Committees (PDC) operate. Both NDB, BEDU and RIOs are represented in the PDCs.

1.3.4 Botswana Enterprises Development Unit (BEDU)

See chapter 2, page 18, for a presentation of BEDU.

1.3.5 Partnership for Productivity (PFP)

PFP falls under Botswana Development Corporation. Its services are directed mainly towards the cottage industry, e g enterprises engaging less than P5 000 in assets.

1.3.6 Business Advisory Services (BAS)

BAS is operated on a modest scale by the Ministry of Commerce and Industry (MCI). BAS provides advice and training to retailers and other businessmen. There is a concentration on record keeping and business management. Advice is given at the place of business, using actual business records as instruction material.

1.3.7 Tswelelo (Pty) Ltd

Tswelelo started its operations early in 1984. It is run by a staff of five. However, Tswelelo can strengthen its capacity by utilizing the Botswana Development Corporation.

The objectives of Tswelelo are to:

- assist the small and medium scale business sector on specific problems regarding production, marketing, financing, management and other areas of the business enterprise
- promote and conduct seminars, lectures, and other educational activities relating to the business sector
- provide financial assistance to small and medium scale enterprises, particularly in equity participation and loan guarantee schemes.

Services are to be directed to citizen owned enterprises or to enterprises where a citizen is a majority shareholder.

Tswelelo is owned by BDC and NDB, each 35 percent, and the remaining 30 percent by other parties, among them the Dutch FMO.

1.3.8 Brigades and BRIDEC

The Brigades movement falls under the Ministry of Education. It is administered by BRIDEC, Brigades Development Corporation.

The first brigade was established in 1965 to train primary school leavers. The aim was to stimulate village based industries and to create rural employment outside the agricultural section.

Brigades combine production and training. The intention is to cover at least recurrent costs by revenues from sales of produced goods and services.

There are 21 brigade production units in the country, mainly in construction, textiles, carpentry, mechanics and plumbing. 700 trainees are engaged.

Management and finance are the main problems of the Brigades today. As has been the case with BEDU, BRIDEC has tried to consolidate production units. There is a focus on production upgrading.

BRIDEC has excellent facilities for training in Gaborone. There are modern lecture halls, catering services and accommodation for a little more than 100 students. BRIDEC has already an established cooperation with BEDU. BRIDEC has expressed its willingness to extend this cooperation on the condition that Brigade trainees could be invited to participate in BEDU training activities.

There are still more institutions involved in the promotion of rural small scale industry:

the attitudes of farmers to give way for industries is a tremendous task that may take more than one generation.

However, with so many different organisations a situation of competition may have arisen. This could well benefit the consumers. At the same time the country is large. To cover all corners there may be a need for more combined efforts.

Government and donor organisations have offered resources for the sector of small scale industry development. Government has paid 1 million pula for domestic development funds for the small scale part of the Financial Assistance Programme. Government further pays the bill of all recurrent costs of involved Government organisations.

The question should, however, be put: are the development efforts carried out in a cost-effective way? There seems to be a consensus that a streamlining of organisation of extension services and training could benefit the efforts. Resources could be utilized better to give a higher quality of services to the business oriented society.

An improvement discussed by representatives of the Ministry of Finance and Development Planning and the Ministry of Commerce and Industry springs from the concept of 'integrated extension service'. The Government is aware that it will not be in a position to cater for all the needs to develop small scale industry. It will, however, provide a core of integrated services.

BEDU should become the main vehicle for providing advisory extension services and training to Batswana entrepreneurs in industry, construction and commerce. RIOS should become part of BEDU and be the extended arm of the organisation in rural areas. Rural areas are defined as everywhere outside the five towns. BAS should, as well, be merged with BEDU.

In the running of training courses a further close link should be established between BEDU and BRIDEC. Each organisation is separate, but BEDU could use BRIDEC training ground and facilities. BEDU in its turn could open its course programme to Brigade trainees.

A closer link could be established between the Industrial Affairs Division of the Ministry of Commerce and Industry and BEDU. To gain a closer link between the Division as a policy directive body and BEDU as an implementing agency it might be advantageous to have

certain functions together: planning, administration and finance. There are plans to host BEDU management in the same premises as the MCI.

In a long run perspective it seems necessary to reach a much more streamlined institutional set-up than is being planned today. However in Botswana's initial phase of industrial development a variety of institutions may well be motivated.

2. BEDU 1974-84

In 'Botswana - A Review of Commerce and Industry 84/85' BEDU was presented by the Minister in an advertisement as follows:

'BEDU was launched in 1974 to encourage and promote local entrepreneurs. How? By providing a comprehensive framework of assistance - management and technical - where that is needed, as well as practical help in the important spheres of management and marketing. BEDU is a department within the Ministry of Commerce and Industry, and we also have valued assistance from the United Nations Development Programme (UNDP), the Swedish International Development Authority (SIDA) and the American Peace Corps, to name a few of the international organisations that we can call on for expert know-how.

Whom can we help? Well, BEDU-assisted enterprises vary enormously. Some depend on the skill and ideas of one individual; others are full scale operations employing hundred's of Batswana. Some supply the needs of a rural community; others again are proud that the goods they manufacture find a ready market in the four corners of the world. Textiles, garment manufacture, leather goods, metalwork, woodwork, jewellery, pottery, furniture, building constructions ... you name it, someone in Botswana wants to do it, can do it, and with BEDU assistance is going to make a go of it.

And they all have one thing in common - they are helping to make Botswana self-reliant, helping our economy GROW.'

How did it start and develop? Which problems did BEDU face?

2.1 BEDU objectives

Sweden signed an agreement in 1974 to support BEDU. The aims of the BEDU programme were given as part of this agreement:

'The Programme aims in the long run at:

- 1) The establishment of fully viable enterprises owned and managed by Botswana entrepreneurs.
- 2) The creation of new employment opportunities in both the urban and rural areas.
- 3) The establishment of enterprises using locally available skills and, as far as possible, locally available raw materials.
- 4) A more equitable distribution of income, in particular between the urban and rural areas.

- 5) An increased degree of direct participation by Botswana entrepreneurs in the industrial and commercial development of Botswana.'

The fourth aim was not mentioned for phase III.

The Programme was organised to provide the entrepreneurs with two kinds of assistance, extension services and financial assistance including loans and provision for leasing of workshops, use of common workshop facilities and bulk buying facilities.

2.2 BEDU programme phase I, january 1975 - june 1976

The first industrial estate was established in Gaborone and the area of activities included metalwork, building and construction and garment making. This estate was followed by a leather estate in Mochudi and a construction estate in Gaborone. The remaining industrial estate to be constructed during Phase I, in Francistown, was delayed due to difficulties in provision of land and supply of power, water and sewages.

Another major delay in implementation was the completion of the tannery in Mochudi.

Already by December 1975, altogether 30 enterprises occupied the three estates and about 230 people had been employed. There had thus been a high degree of implementation. Most employment took place in the construction companies, which each employed between 30 and 40 employees. The textile and leather enterprises had between one and eight employees. Half of the entrepreneurs were woman but the majority of the workers were men, due to the fact that most of the employment took place in the construction sector.

BEDU also gave support to two manufacturers of school furniture in the rural areas and a concrete block factory in Ramotswa. By the end of Phase I, 35 industries had been established and the annual turnover of the enterprises was over 1 million. About 360 people were now employed. In all eight UNIDO and SIDA experts had been provided.

BEDU had a 'functional' approach to the estates. This means that each estate focused on a specific industrial branch. For reasons of convenience and because it was considered to have the best chance of success, the estates were localised to urban areas.

Initially there was an absence of any effective demand for BEDU services and the first thing BEDU had to do was to find and create its own businessmen. The first BEDU Director, ter Haar, found it difficult to screen entrepreneurs. No systematic selection criteria were used.

For the construction sector, however, there was a wide selection - out of 85 entrepreneurs in the Gaborone area only five were chosen for Phase I. It can be noted that the construction entrepreneurs have experienced the highest level of success later on.

One of the major constraints on Batswana entrepreneurs was their limited financial resources and the difficulties in raising capital or cash for raw materials purchases. To help the entrepreneurs overcome this problem BEDU instituted a financial assistance programme.

In addition to direct financial assistance, different schemes were established such as the machinery and equipment lease-purchase scheme and the bulk-buying scheme. BEDU's funds for financial assistance were deposited with the National Development Bank and NDB had an Agency Agreement with BEDU.

Under this agreement financial assistance funds are deposited with the bank and used in accordance with the BEDU Loans Committee, a committee responsible for the screening of requests for financial assistance. NDB is responsible for the overall administration of the BEDU account, the provision of funds and debt collecting. An agency fee is paid by BEDU to cover costs incurred.

According to ter Haar in 1975 virtually no entrepreneurs were in arrears on debt repayments and rentals.

2.3 BEDU programme phase II, april 1976 - march 1978

This phase aimed at increasing BEDU's capacity by one hundred percent in terms of additional enterprises and employment opportunities. The programme called for an expansion of the garment estate in Gaborone, the Gaborone construction estate, the Mochudi estate, the Francistown estate, as well as the completion and expansion of the tannery at Mochudi. But there were also new activities, for instance the establishment of a construction estate in Kanye, the construction of a

concrete products testing laboratory, and the construction of factory shells in the Gaborone Industrial Area. The idea behind the last activity was that the first BEDU entrepreneurs would move out of the BEDU estate and into regular industrial areas.

There were also plans for the expansion of construction companies all over the country, for establishing a brick factory and special emphasis was given to metalworking factories producing for the public sector. This phase required additional personnel.

The BEDU programme continued to concentrate on a relatively small number of companies through the estate approach, but also viable projects outside the estates were to receive technical assistance when possible. Joint ventures with foreign companies were also envisaged for Phase II as well as the establishment of BEDCOL (Botswana Enterprises Development Company Ltd), shopping centres and research and prototype development. The focus on rural industrial development had started and the BEDU programme was to spread to 12 different geographical areas creating 140 new enterprises, employing 1 500 people and reaching an annual turnover of between 9 to 10 million Rand.

In 1977, when BEDU had been in operation for a little more than three years, the attitude towards BEDU hardened and a series of critical papers were written in 1977-78. Two of these were made by John Hunter of the Institute of Development Management: 'Things fall apart; an analysis of the problems of 13 small Botswana firms' and the second 'The Successful and the Unsuccessful Enterprise'.

According to Hunter the main reason for the problems facing the entrepreneurs were their lack of management skill and, maybe even more, the absence of management and marketing assistance. Productivity of the labour force declined during the third and fourth years.

The entrepreneurs, with one exception, contended that their businesses could have been more successful, if they had had more capital. The majority of the BEDU officers interviewed by Hunter agreed with these entrepreneurs. Hunter does not find any evidence to support this opinion but felt on the other hand that the relative abundance of capital in 1976 and 1977 might have encouraged less control than would otherwise have been the case.

Sales had increased steadily over the period but in 1977 there was also an increase in the inventory of finished goods, which

gave cause for concern. All but one of the entrepreneurs believed that the lack of assistance in marketing was the major reason for their lack of success in sales. Five out of eight BEDU officers agreed with this.

Hunter's conclusions from his second study were:

- BEDU should not tolerate firms that were failing or going nowhere.
- BEDU should run their own marketing company which could place orders with the individual companies. There was a fundamental defect in the functional estate approach.
- BEDU advisers had a tendency to play an overly active role in the daily operations of the enterprises. The danger was that some might not be able to stand on their own feet in the future.

SIDA also engaged a consultant to analyse the worsening situation and to find solutions to overcome problems. I Roostal presented two reports in 1978: 'BEDU its Past and Future' and 'Increasing the Internal and External Efficiency of BEDU'.

The Auditor General remarked in his report of 1978 that not enough control was being exercised in BEDU and that because of non-existence of a sound credit control system, entrepreneurs who owed large sums of money, continued to obtain goods on credit.

2.4 BEDU programme phase III, september 1979 - june 1985

Before the launching of Phase III, BEDU was subjected to a lot of scrutiny, which culminated in a general freeze of SIDA funds and a reorientation of the whole project. Implementation of the Phase was delayed for two years - a 'go slow' period, during which no new projects were undertaken. During this time domestic bridging finance was used.

This was a period of confusion and changes. There was a Swedish decision not to encourage any joint-venture in view of the potential marketing in South Africa. The abrupt change to and implementation of the rural-development-only-policy was confusing to BEDU. There was a new "Hard-headed" business approach - unprofitable businesses were to be phased out and new enterprises were expected to expand from the second to the fourth year and become independent in the fifth. MCI and MFDP introduced new procedures for the disbursement of development funds.

The Agreement for Phase III, signed in September 1979, pointed out two priorities:

- continuation and consolidation of activities agreed upon between Sweden and Botswana under earlier Agreements on support to small scale industry
- support to small manufacturers and service enterprises in rural areas.

BEDU's targets for Phase III were an additional number of 85 enterprises assisted and an additional employment of 2 100 persons. The budget for Phase III was P5,5million, approximately 50 percent of this was to be used for rural-based development programmes.

In February 1982 the Government decided to restructure BEDU along the following lines:

- Immediate implementation of a consolidation programme involving those of the existing BEDU entrepreneurs that had been assessed to possess reasonable prospects of operating viably on their own, subject to concentrated financial and technical support³⁾; such programme to continue as necessary until 1984.
- Immediate termination of all BEDU support for those of the existing entrepreneurs that had been assessed to possess no prospects of ever attaining viability⁴⁾, in their present form, over the period up to 1984.
- Termination of support for those entrepreneurs that had been assessed capable of operating independently of BEDU support⁵⁾.
- BEDU to be reorganised into an industrial extension service unit concerned solely with the provision of technical and management support to Botswana industrial entrepreneurs through out the country, including the Brigade operations; such reorganisation to be gradually achieved over the period up to the end of the consolidation exercise (1984).

³⁾ Called group II

⁴⁾ Called group I

⁵⁾ Called group III

- BEDU to retain the existing workshops (but not factory shells per se which, if any exist, should be incorporated into the existing factory shells project) for the purpose of on-site training of aspiring new Batswana industrial entrepreneurs and/or their employees or providing refresher courses for existing ones.
- During the period between 1982 and 1984 a concentrated training programme should be instituted for all local (as against expatriate) BEDU technical and administrative personnel aimed at enhancing their capabilities of providing an efficient training/advisory service to Botswana industrial entrepreneurs throughout the country.

Although a great deal of confusion remained within BEDU on priorities, organization and duties, the original targets of Phase III were abandoned. Instead a concentrated effort on carrying out the consolidation programme took place. By the end of 1984 most of the programme parts had been completed.

The consolidation process has been successful in the sense that support to viable and potentially viable enterprises has been identified and implemented.

However, growth potentials for these enterprises have not been sufficiently explored and virtually no expansion has taken place in these enterprises measured either in terms of turn-over or employment.

BEDU assistance was also turned to new activities in rural areas to a limited extent: extension service to brigades, development associations cooperatives and private entrepreneurs. BEDU became a member of the District Production Development Committees with the understanding that it should advise FAP-grant receivers. A mobile mechanical workshop started training courses all over Botswana in 1982. However, the funds set aside for rural based development programmes were only utilized to a very limited extent.

The BEDU programme had slowly moved away from its industrial estate orientation and started helping entrepreneurs anywhere in the country. In 1984 BEDU presented, for the first time, a course and seminar catalogue to guide potential consumers of the BEDU assistance supply.

By 1984 BEDU is in the process of transferring the Bulk Stores facility to Tswelelo and administration of the estate workshops to the Department of Surveys and Lands.

2.5 SIDA - policies and role

There is no particular SIDA industrial policy. The general objectives for Swedish development assistance are valid for direct supported industrial projects as well. Swedish assistance shall lead to

- economic growth
- economic and social equality
- democracy in society
- economic and political independence

(See further chapter 3)

In addition to these objectives there is the policy of supporting the poorest part of the population. This means that there is an emphasis on rural areas in Swedish aid.

An important feature in Swedish development co-operation is that SIDA does not implement any project itself. SIDA assists the Governments of the recipient countries. Obligations and responsibilities of both parties are specified in agreements for each project/programme. The reason behind this rule is to ensure the long term responsibility of the recipient Government administration for implementation and result. When Swedish financial and technical resources come to an end there shall remain a will and competence to run and maintain the operations which were the aims of the project/programme in the country.

SIDA shall operate mainly on an overall operational level. This means contacts with the concerned ministries and with the BEDU management at times agreed. The purpose of such meetings is to see that plans are adhered to and to agree on new plans. During the last four years the main contacts have been during the Annual Reviews.

Brian Egner gives his personal view of the Swedes and the joint review missions in his report 'BEDU in retrospect, Notes for the SIDA Evaluation Mission', 26 November, 1984:

'The writer has formed the impression, which could of course be a wrong one, that there are the Swedes in BEDU, the Swedes in SIDA, Gaborone, and the Swedes in Stockholm. This third group, which is just as devoted to free speech and pessimism as the other two, tends to arrive in Botswana for a fortnight every few years, listen to the complaints of the other two groups about each other

(plus the complaints and suggestions of private sector Swedes about both), listen to the much lower-key and more politely expressed and optimistic views of Botswana Government officials, and finally to lend an ear to the agonised complaints of the more vocal (not necessarily the best informed or even the most capable) BEDU entrepreneurs.

Dazed by all these contrary and irreconcilable viewpoints, and with one eye on the imminent date of their return to Stockholm, the missions then render written reports of joint evaluations which stress the importance of good administration and the identifiable achievements of the programme. They repeat none of the accusations and counter-accusations the members heard in the course of their work in their report, because by repeating them, (at least in writing) they would not contribute to the administrative solution of BEDU's problems. Since from 1978 onward, all such missions have been under pressure to find the root cause of the problems or to find radical new directions, and since in truth they cannot do so, the pessimistic (and in bureaucratic terms, faint hearted and opportunistic) strain which says 'call the whole thing off and get SIDA out of it', grows in strength with every year that passess.'

SIDA gets involved in day-to-day activities on request, is asked to provide resources or to carry out specific tasks like the provision of sister companies in Sweden. SIDA may also be involved in solving problems that arise. It should be noted that personnel recruited and contracted by SIDA are not actually part of SIDA. They are part of the resources paid for by SIDA but put to the disposal of the Government according to domestic rules and policies.

SIDA accepted the original plan to establish BEDU in estates in urban areas. It was considered that only here was there a market and infrastructure to allow for industrial production. On the other hand, as was mentioned in the SIDA project paper of 31 October 1973 the intention with BEDU's second phase was to extend its service to rural areas. Thus, from the time of the second phase around 1977 until 1981/82 there was a pressure from SIDA to follow this line. From 1982 BEDU became involved in extension services in rural areas to an limited extent. This was caused by the Cabinet decision to open BEDU throughout the country and by the involvement of BEDU in the Financial Assistance Policy. At the same time SIDA reconsidered its definition of rural area to be more moderate. It seems to be a con-

sensus today that the rural areas also include the major villages, i.e. everything outside the five towns.

Sweden pays great attention in its foreign policy to opposing apartheid. As a consequence SIDA has given high priority to 'the independence objective' mentioned above in the relation between Botswana and the Republic of South Africa. SIDA would have liked to see more emphasis on the development of enterprises operating with products which could substitute for imported goods. An example of the difference in emphasis between the Government of Botswana and SIDA may be the provision of school furniture to primary schools. SIDA has argued for restriction of procurement to local entrepreneurs only and in particular those supported by BEDU. Government has accepted this but been more inclined to keep this restriction for only a limited period and later buy wherever cheapest to a given quality. SIDA has, however, appreciated Government's efforts in this area especially with products such as school furniture, school uniforms and building materials.

2.6 The entrepreneurs views of BEDU

An interview study was carried out as a preparation for the evaluation. A sample of 20 enterprises was drawn, containing five from group I, 10 from group II and five from group III.⁶⁾

Three types of questions were put to the entrepreneurs.

- 1) facts on employees, turnover, status of loans etc
- 2) attitudes towards BEDU and their own company. Awareness of change of BEDU activities and present BEDU programme.

A special analysis was also made of three group III companies (chosen by BEDU staff) in order to find out reasons for success.

Conclusions drawn from this interview study were the following:

- most enterprises in group II and III seem viable,
- most enterprises are breaking even although there are still problems of overdue loan repayments,
- there were no large inventories of unsold products,
- marketing seems to be a much neglected area and there is a strong need for marketing assistance,

⁶⁾ For explanation of grouping, see page 23 and Annex 1

- the entrepreneurs who have made a study tour to sister companies in Sweden seemed to have benefitted, through better organisation of the enterprise and higher product quality,
- most entrepreneurs need more factory space,
- successful entrepreneurs come from all sectors. Ability of individual entrepreneurs is the main explanatory factor for success,
- entrepreneurs only have a vague idea of the present function of BEDU and what kind of services that could be supplied by the organisation,
- there were mixed views on the present assistance received from BEDU. Some respondents claimed that BEDU offered no assistance, four had asked for financial assistance but been rejected, three felt they knew how to run a business and that BEDU had nothing to offer. Six companies are at present receiving assistance (three in the technical area, two in management and one in tendering),
- almost all companies felt that BEDU assistance had had a positive impact on them,
- 14 out of the 20 companies felt they needed BEDU in the future.

2.7 Achievements by BEDU and supported enterprises

Here follows a comparison of achievements in relation to targets. Overall aims were presented in chapter 2.1 page 22.

2.7.1 The establishment of fully viable enterprises

Numer of enterprises

	1st Phase	2nd Phase	3rd Phase	Altogether
Plan	50	35	85	170
Outcome	35	-	30	65

An additional 30 enterprises have been supported but phased out as not viable in the consolidation programme. The accumulated turnover of supported enterprises was roughly P1m after 18 months, in December 1975 and P2,8m 1984.

A list of supported enterprises is attached as Annex 1.

2.7.2 The creation of new employment opportunities in both the urban and rural areas

Number of employees

	1st Phase	2nd Phase	3rd Phase	Altogether
Plan	300	360	2 100	2 760
Outcome	360	240	315	915

During the first phase most employment took place in the construction companies, between 30-40 persons in each.

Figures of total employment today are estimated at 580 employed and 670 day workers for construction. Day workers have been counted as 50 % of full time workers.

Employment by the construction companies occurs partly in rural areas. A share of other employment created, Pilane and Kanye estates, falls under rural areas.

2.7.3 Utilization of local raw materials

The utilization of local raw materials has been very low indeed. This specific objective has not been quantified and is, therefore, difficult to assess. Perhaps it would be more relevant to look into backward linkages created by the programme, taking into account the resource endowment of the country.

It seems as if the implicit strategy by BEDU has been to put this objective low on the priority list and probably rightly so in the short run. Creation of viable enterprises meeting a local demand has been more important and an easier way. From a purely economic point of view and also taking the independence objective into account it is naturally better if total local production is indigenous. However, the market situation has to be taken into account.

Within construction and woodwork/carpentry sectors local materials are being used and to some extent in the leather sector too.

Backward linkages have been created in the construction area, and possibilities exist in the leather and wood areas. Exports of local raw materials to be reimported after processing seems to prevail in both these cases. This situation is bound to prevail as long as it is profitable for all involved and local markets are restricted and export potentials that prevail are not being exploited (e.g. leather).

A study, 'Prospects for diversification of the small scale enterprise sector in Botswana' (Economic Consultancies, September 1984) gives a very clear message on potentials in Botswana for small scale development through compendium advantage based on the resource endowment of Botswana.

The BEDU Bulk Store facility that supplies a great number of enterprises with raw materials makes most of its purchases from the Republic of South Africa.

2.7.4 Reduction of dependence

This aspect could be analysed in terms of reduction (replacement) of import and expansion of exports.

The construction, garment and metalwork sectors are specifically relevant here.

The indicator used here to measure achievement is gross output of the subsector compared to turnover of the enterprises supported by BEDU (group II or III) and where the trade statistics permit a comparison with actual imports.

In terms of value the construction sector has been successful in competing with outside contractors. Data on the situation in 1984 is not readily available. In 1981/82 the share of these companies of the construction sector as a whole was 2,5 % in terms of gross output. The employment share is probably higher. With the expansion of the construction sector and success of some BEDU entrepreneurs the market share has increased to an estimated 7 % recently.

In the textile/garment area the total gross output of BEDU supported enterprises equals about 1 % of the total imports of 1981/82 and 1,5 % of the indigenous production.

The most successful area in relative terms seems to be metal products. Turnover of BEDU supported enterprises equals 20 % of the gross output of that subsector and 2 % of imports.



photo: Patrik Sjunnesson

Grinding of horns for the making of ornaments and sewing in a textile enterprise. Two jobs created by the small scale industry programme.



photo: Riggert Andersson



Furniture carpentry and
shoemaking are examples
of production supported
by BEDU.

photo: Mats Sundgren



photo: Paul Rimmerfors

There are 21 brigade production units in Botswana, mainly in construction, textiles, carpentry, mechanics and plumbing. 700 trainees are engaged.



photo: Charlotte Thege



Learning mechanics in the Brigades Vocational School in Gaborone.

photo: Paul Rimmerfors



photo: Marianne Enge

The BEDU support is wide in scope. Production of steel fences like leatherworks and furs are assisted.



photo: Paul Rimmerfors

As emphasized in the previous section, dependence of imported raw material is high. Thus the fact that some imports are substituted at the present time means an increased import of raw material or semi-finished goods.

2.8 Inputs of human and financial resources to run BEDU

Resources provided to run BEDU originate mainly from the Government, SIDA, UNDP/UNIDO and the US Peace Corps Volunteer organisation.

The human resources input has been:

	Number of established posts	Number of filled posts	Number of Peace Corps Volunteers
1974/75	21	17	8
1975/76	30	25	5
1976/77	25	25	5
1977/78	27	27	4
1978/79	49	35	9
1979/80	50	46	9
1980/81	76	56	8
1981/82	76	58	5
1982/83	84	55	-
1983/84	82	55	-

SIDA has catered for an additional 3-4 advisors and occasionally a few more throughout the 10 year period. UNDP/UNIDO have kept about the same number of posts filled. Other volunteer organisations like NORAD and GVS have provided a few volunteers at different periods. The Federal Republic of Germany provided two experts 1976-78.

SIDA has provided funds for investments, construction of industrial estates, a revolving fund, equipment and contingencies:

	<u>MSEK</u>	<u>MPula equiv</u>
Phase I Jan 1974 - June 1976	2.9	0.5
Phase II April 1976 - March 1978	5.0	0.8
Phase III Sept 1979 - June 1984 ⁷⁾	13.6	2.3
Total spent 1974-June 1984	21.5	3.6

⁷⁾ The agreement for Phase III ends in June 1985. There is a balance by June 1984 of MSEK 16.4. MSK 3.5 has been lent by NDB and not been limited exclusively to BEDU-supported entrepreneurs.

The estimated values of the five estates and BEDU headquarters by November 1984 are, in million Pula:

Table 1: Estimated values of BEDU property

	<u>Today's estimated production cost</u> (Million Pula)	<u>Estimated market value incl plots</u>
Metal estate, Gaborone	0.40	0.60
Garment estate, Gaborone	0.25	0.33
Construction estate, Gaborone	0.15	0.23
Leather estate, Pilane	0.35	0.35
Francistown estate	0.48	0.55
Kanye estate	0.10	0.10
BEDU headquarters, Gaborone	0.25	0.38
BEDU complex, Maun	<u>0.08</u>	<u>0.08</u>
Total estimated value	2.06	2.62

Source: Construction Section, BEDU.

Of loan funds provided under the Programme by SIDA, totalling P986 648 (MSEK 6.4), an amount of P224 747 is estimated to have been lost, thus leaving P762 000 as still operational funds.

Estimated market stock value in the Bulk Store is approximately P280 000. Inventory value given by BEDU per 1984 03 30 is P492 849.

UNDP Annual Report gives figures for the externally financed technical assistance on activities falling under BEDU. As a comparison other expenditures for promotion of industry by the external donor organisations are also shown.

Table 2: Externally financed technical assistance projects related to small scale industry (Thousand US dollars)

	BEDU UNDP	PEACE CORPS	SIDA	OTHERS	TOTAL BEDU	OTHERS
1974	309	8)	8)	-	309	2 233
1975	363	8)	478	-	841	1 737
1976	166	18	478	-	663	721
1977	206	8)	396	-	603	759
1978	167	54	413	16	649	1 021
1979	134	100	300	22	556	980
1980	216	98	90	17	421	626
1981	96	-	121	-	217	974
1982	<u>46</u>	<u>-</u>	<u>98</u>	<u>20</u>	<u>164</u>	<u>1 057</u>
Total	1 703	270	2 374	75	4 423	10 108

Source: UNDP Annual Reports

Government of Botswana actual recurrent expenditures have been:

Table 3: Recurrent expenditures for BEDU

(Thousand Pula)

1974/75	36 553
1975/76	91 119
1976/77	126 233
1977/78	152 057
1978/79	188 524
1979/80	203 786
1980/81	373 931
1981/82	433 195
1982/83	455 813
1983/84	<u>555 167</u>
Total 10 years	2 616 378

Source: Annual Statement of Accounts, Government of Botswana.

8) No cost for volunteers given

An attempt to give a full expenditure picture of the inputs needed to run BEDU shows the following:

Table 4: Inputs to run BEDU in financial terms

	<u>MPula</u>	<u>MSEK</u>
Capital input gross	3.6	21.5
<u>Less</u> estimated market value of estates	-2.6	-15.6
<u>Less</u> still operational loan funds	-0.8	- 4.8
<u>Less</u> estimated Bulk Store value	-0.3	- 1.8
Technical assistance	4.4	26.4
Recurrent expenditure	2.6	15.7
Total input gross	10.6	63.6
Total input net	6.9	41.4

It can be argued that the SIDA capital input is still maintained due to the increase in the value of the infrastructure constructed at the beginning of the programme. SIDA has consequently only had to pay for its part of the technical assistance, estimated to US dollar 2 374 000 (table 2) corresponding to roughly MSEK 14 or MPula 2,4.

The total input on a net basis has been shared by the Government (recurrent expenditure), SIDA and other donors (technical assistance).

2.9 BEDU financial assistance programme

BEDU funds for financial assistance were deposited with the National Development Bank under an Agency Agreement signed in August 1974 between the two institutions.

The NDB was to receive, administer and account for such money as might be remitted by the Government represented by BEDU for the purpose of improving business enterprises which were owned and controlled by citizens of Botswana.

A BEDU Loans Committee was set up. The chairman and members were appointed by the Permanent Secretary of the Ministry of Commerce and Industry. This Loan Committee operated until 1981 when loans for BEDU-assisted entrepreneurs were taken care of by the NDB and integrated in the ordinary loan activities of the bank.

The loan commitments of the Loan Committee are shown below.

Table 5: Loans approved to BEDU sponsored projects by the Loans Committee (figures in Pula)

Year	Number of projects	Amount disbursed	Average/project	Amount outstanding	Repayment % per 30/6/84
1975	16	108 278	6 767	26 855	75
1976	2	13 051	6 525	858	93
1977	13	105 613	8 124	16 870	84
1978	9	71 578	7 953	38 766	45
1979	6	63 230	12 646	25 047	60
1980	18	148 258	8 236	119 557	19
Total	63	510 008	8 095	227 953	55

Source: NDB

Interest varied between 5-9 percent. Loans repayment period varied between one to seven years.

The declining repayment situation 1978-80 has been attributed to a policy direction developed by the Chairman of the Loans Committee at that time. It was described as 'full speed ahead and damn the boilers'. The meaning of this can be explained by reiterating from Egner's memory a conversation between a guest advisor of the Committee from Barclay's Bank and the Chairman:

Halse: Mr Chairman, whose money is this committee lending out?

Chairman: What do you mean?

Halse: As a banker, I mean who is the depositor? A banker's prime duty is to look after the interests of the depositor, not the borrower.

Chairman: Oh, the money belongs to SIDA and they don't care what happens to it so long as it helps the government. It's foreign aid.

Halse: In that case Mr Chairman, my banking experience will be of no value to this committee. I am not trained for this sort of thing. Goodbye.

This is according to the report 'BEDU in retrospect', dated 26 November 1984, by Brian Egner (page 9-10).

Loans from the NDB to BEDU assisted entrepreneurs after 1980 are as shown:

Table 6: NDB loans to BEDU supported entrepreneurs 1981-83

	<u>Number of projects</u>	<u>Amount disbursed</u>	<u>Average/ project</u>
1981	-		
1982	3	25 000	8 333
1983	8	121 820	15 227
Total	11	146 820	13 347

Source: NDB

BEDU has specified the loans approved by the Loans Committee according to types of loans related to grouping⁹⁾ of enterprises. These loans and repayments are shown below in tables 7-10.

Table 7: Loans disbursed to BEDU-assisted entrepreneurs (Pula)

	<u>Group I- enterprises (30)</u>	<u>Group II (38)</u>	<u>Group III (22)</u>	<u>Total (90)</u>
Working Capital Loans	85 540	161 710	128 597	375 847
Lease Purchase Loans	11 444	74 094	49 649	135 187
Bulk Purchase Loans	99 799	113 481	27 347	240 627
Total	196 783	349 285	205 593	751 661

Source: BEDU

⁹⁾ For explanation of grouping, see page 23 and Annex 1

Table 8: Average loans to BEDU-assisted entrepreneurs

Working Capital Loans	2 851	4 256	5 845	4 176
Lease Purchase Loans	381	1 950	2 257	1 502
Bulk Purchase Loans	3 327	2 986	1 243	2 674
Total	6 559	9 192	9 345	8 352

Table 9: Repayments of loans by BEDU-assisted entrepreneurs

	<u>Group I - enterprises</u>	<u>Group II - enterprises</u>	<u>Group III - enterprises</u>	<u>Total</u>
Working Capital Loans	38 173	117 754	69 768	225 695
Lease Purchase Loans	-	40 987	40 236	81 223
Bulk Purchase Loans	59 845	104 852	26 202	190 899
Total	98 018	263 593	136 206	497 817

Table 10: Repayments as percentage of loans disbursed

Working Capital Loans	45	73	54	60
Lease Purchase Loans	0	55	81	60
Bulk Purchase Loans	60	92	96	79
Total	50	75	66	66

As can be seen average loan amounts were higher for group II-enterprises compared to group I-enterprises and slightly higher for group III-enterprises compared to group II-enterprises. Surprisingly, group II-enterprises show a higher percentage of repayment as compared to group III-enterprises.

According to information given by BEDU P497 009 has been forwarded to the NDB out of a total amount repaid of P497 817.

2.9.1 Analysis of figures

A comparison between information given by the NDB and BEDU regarding loans approved by the Loans Committee shows considerable differences:

<u>Loan amounts</u> (Pula)	<u>BEDU</u>	<u>NDB</u>
Lease Purchase Loans	135 187	-
Working Capital Loans	375 847	325 741
Bulk Purchase Loans	<u>240 627</u>	<u>184 267</u>
	751 661	510 008

<u>Number of loans</u>	<u>BEDU</u>	<u>NDB</u>
Lease Purchase Loans	21	-
Working Capital Loans	42	38
Bulk Purchase Loans	<u>33</u>	<u>25</u>
	96	63

The reasons given to this discrepancy has been explained to be caused by the facts that:

- 1) The NDB has excluded Lease Purchase Loans
- 2) The NDB has excluded information on loans which are fully repaid.
- 3) BEDU figures have not been updated since March 1983.
- 4) BEDU has included interest of loan amounts in an unspecified way.

The arrears ratio of repayment should be decreased as a consequence that fully repaid loans have been left out by the NDB. This is confirmed by Table 10 where also repaid loans have been said to be included. Here the arrears ratio is less than in table 5 or 34 %. No information has been given on amounts which are not yet due for repayment. If such exist in the tables the failure rate could be still lower. The arrears ratio could be compared to a figure of 68 % found in a similar SIDA supported programme in Kenya (see further page 40).

The conclusions that have been drawn from the BEDU financial assistance programme are:

- 1) Records on loans to BEDU sponsored projects 1975-82 are incomplete and difficult to read.

- 2) The NDB could probably obtain more repayments through active efforts towards BEDU supported enterprises classified as group II and III.
- 3) Loan amounts due to repayments but judged impossible to receive back should be formally written off.
- 4) It should be clarified how repayments are booked and utilized, for example if channelled back to new loans in the small scale

2.9.2 Loans 1982 - 1984

SIDA assisted NDB with loan funds 1982/83 amounting to SEK 3,5 or P500 000. These funds were directed towards 20 small scale industry projects but not tied to BEDU-supported enterprises. P318 200 went to rural based projects. About 112 new jobs were created.

The overall arrears ratio of the NDB, defined as anyone who is unable to pay outstanding amounts on the very day they are due for payment, is high.

During the last six months, e.g. the period March-September 1984, the total amount in default in the NDB has increased substantially and has now reached 23,7 % of P10,2 million in 8 932 loan projects.

In the small scale business sector there is an outstanding arrears amount of P1,6 million in 919 projects. The average outstanding amount is P1 699 per project or close to SEK 10 200.

2.10 Cost-efficiency analysis

Overall and simply expressed, 65 operational enterprises, employing 580-1 250¹⁰⁾ persons and a combined turnover in the region of MPula 2.8-5.7 (MSEK 17 - 34) have been developed through BEDU at a gross total expense of MPula 10.6. Thus, the cost per operational enterprise developed is Pula 163 000 (SEK 978 000) and the cost per job created is Pula 11 580 (SEK 69 500).

The first aim of the programme was the 'creation of fully viable enterprises' (chapter 2.1). BEDU has classified 27 enterprises as 'graduated' (group III) implicitly giving them the status of fully viable enterprises. 38 enterprises have been judged to possess reasonable prospects of operating viably, subject to concentrated support, by the end of 1984 (group II). 30 enterprises have been phased out of support as their prospects were judged non-viable (group I).

¹⁰⁾ 670 day workers temporarily in construction companies. Temporary jobs counted on half time basis.

One way to get indications of viability is to look at the rate of default in repayment of loans and payment of rents. As has been shown in chapter 2.9.1, out of a total loan amount of P751 661 approved by the BEDU Loans Committee 1975-1980, 34 percent is still outstanding. This percentage, however, also includes loans given to enterprises judged non-viable.

Out of 45 entrepreneurs in the estates only 19 have fulfilled their rent payment obligations. 26 enterprises defaulted per 30 september 1983 P12 795. This gives an average of P492 each.

After meetings with advisors and entrepreneurs and studies on the status of especially the medium group (group II) of BEDU supported companies, the evaluation team does not regard these 65 enterprises as 'fully viable'. They are operational and most of them may become viable in the future. But they will still require support for quite some time in order to survive.

Comparisons could be made with results and costs in other SIDA supported small scale industry programmes: Kenya Industrial Estates (KIE) in Nyanza province and Small Scale Industries Organization (SIDO) in Tanzania. The Kenya programme was evaluated in 1982 after nine years of service.

Table 11 Figures of comparison

	<u>BEDU</u>	<u>KIE</u>	<u>SIDO</u>
Number of supported enterprises	94	54	25
Number of still operational enterprises	65	40	25
Turnover in million Pula	4.3	1.0	11.3
Number of jobs created	915 ¹¹⁾	386	1000
Input in gross financial terms ¹²⁾ (million Pula)	8.0	3.3	15.4
Aid input per operational enterprises (thousand Pula)	123	83	616
Aid input per job created (thousand Pula)	8.7	8.5	15.4

Sources: KIE, Evaluation report 1973-82. Oct 1982 SIDA, SIDA fact sheet about SIDO.

¹¹⁾ Average of figures presented by BEDU
Excluding recurrent expenditure, due to missing figures for KIE and SIDO

¹²⁾ Excluding recurrent expenditure due to missing figures for KIE and SIDO

In comparison to the SIDA supported programmes in Kenya and Tanzania performance regarding enterprises developed and employment created is on a comparable level to the Kenya programme and clearly less costly than the Tanzania programme.

It can be noted that in the Financial Assistance Programme the projected cost per job created among medium scale supported projects is estimated at P5 165.

In the small scale sector (in FAP defined as fixed assets of P10 000 or below) the corresponding estimated figure per job created is P1 422.

The 'BEDU enterprise' normally falls into the medium scale category in the FAP terminology and should, therefore, be compared with that group.

Three aspects should be taken into account when comparing these figures. The FAP figures refer to planned employment whereas in the BEDU case they refer to actual employment. Reality will show that actual sustained employment in FAP will be much lower.

Secondly, part of BEDU employment is of a seasonal character (construction). Hence, two seasonal jobs are counted as one permanent.

If, on the other hand, temporary workers in construction are considered as full time workers, the figure of investment per job created goes down to P6 240.

Finally, it also has to be remembered that cost calculations are based on current prices which will mean that the figures for cost per job will have to be increased by roughly 50 %, since most of the costs were incurred early in the programme.

Comparison of planned activities and outcome show the following:

Establishment of viable enterprises:

Plan	170	
Outcome	65	(operational, not fully viable)
Percentage	38	

Creation of new employment opportunities:

Plan	2 760
Outcome	915
Percentage	33

As regards an evaluation of the performance of the expatriate staff, Brian Egner criticized in his report 'Notes for the SIDA Evaluation Mission' the advisors for often becoming too much involved in the entrepreneurs' affairs instead of maintaining an arms's length relationship between BEDU itself and its clients:

'As the BEDU advisors gradually became co-signatories of all the company's cheques, as they began doing all the talking and making all the promises in interviews with bank managers, and as they began telling debtors of the company that their payments should be made to BEDU, not to the entrepreneur, the line between advisors and clients sometimes disappeared. If the enterprise made profits, the difference between the advisor and the entrepreneur were easily patched up: the advisor went on drawing his expatriate salary, the 'entrepreneur' pocketed the profits, and each was satisfied in his own way. But if, as often happened, the enterprise lost money, the advisor could still draw his salary whereas the entrepreneur was left holding the debt, blaming the advisor, and (sometimes) silently resolving to avoid repaying the debt.'

'The staff of BEDU, on the other hand, including SIDA, USAID and Peace Corps personnel as well as Batswana, are civil servants who are bound to carry out existing government policy as handed down to them by the government of the day. If they disapprove of that policy they have a right to resign or ask for transfer, but it is no part of their duty to break the rules or make new policies.'

3. ACHIEVEMENTS IN RELATION TO OVERALL OBJECTIVES

The four planning objectives of the Government of Botswana as expressed in NDP V are:

- Rapid economic growth
- Social justice
- Economic independence
- Sustained development

The overall objectives of the Swedish aid policy are to support:

- Growth
- Social and economic equality
- Political and economic independence
- Democratic development

Thus, the objectives of both are more or less similar.

3.1 Economic growth

As pointed out in the previous chapter, the production of enterprises supported through Swedish aid has contributed to a varying extent to the national product (GNP) of Botswana. In some cases there have been backward linkages created. However, in a longer perspective the contribution to the growth of the economy has been rather stagnant during Phase III with the exception of the construction and to some extent metalwork sector. Thus, the BEDU programme has undoubtedly contributed to the economic growth of Botswana, but whether that will be regarded as sustained growth is still an open matter.

It seems, however, that a growth potential has been achieved through the viable enterprises created by the programme. Seen against the original objectives set for the programme this potential is, however, not very impressive. Again the construction sector seems to be the exception.

3.2 Economic and social equalization

This objective is normally evaluated in terms of an income distribution. A regional or rural/urban dimension is sometimes also applied.

From the first point of view the programme has mainly created employment for unskilled workers who otherwise would not have been employed. The skilled labour would probably have been employed without the programme. On the other hand the entrepreneur group has been able to improve their income, and the lack of the necessary control of funds at the early stage of the programme has enabled some conspicuous consumption. However, taking these effects together it is reasonable to assume that the programme has had a positive effect (in its limited context) on income distribution.

As regards the urban/rural dimension, the programme has not been spread outside urban or semi-urban growth centres. However, this was not the intention of the programme initially and later attempts to redirect the activities were not based on a reasonable understanding of the difficulties involved in such a redirection.

3.3 Economic and political independence and the democratic development of society

The objective of independence has been interpreted here as use of local rather than imported input, replacement of imports of final goods or expansion of exports. A dimension of diversification of import sources or export markets could be added.

As indicated in the previous chapter the use of local raw materials has been more or less non-existent. Most of the raw materials are still imported from South Africa. Import replacement has taken place but to a very limited extent. No export creation has been achieved.

Thus, as a whole, even if the programme has contributed to independence, it has been on a very limited scale. The objective of "Democratic development of society" has not been directly applicable to the programme.

4. BEDU'S FUTURE ROLE

4.1 A Proposed new role for BEDU

The role of BEDU in the future is defined in the drafted NDP VI, in a paper on Industrial Development Policy and in the ongoing O & M (Organization & Methods) Review.

In the Ministry of Commerce and Industry Keynote Policy paper for NDP VI, it is suggested that BEDU should be reorganized into an industrial extension service arm to provide technical and managerial assistance and training to Botswana small scale industrial entrepreneurs.

A paper on 'Industrial Development Policy' worked out by the Industrial Development Advisory Committee within the MCI clarifies BEDU's future role as reorienting its activities away from industrial estates and towards a more geographically dispersed programme of training and business extension services'.

The ongoing O & M Review stresses the importance of BEDU's role within a total impact operational strategy at field level.

To fulfill its tasks, BEDU is supposed to liaise with other local institutions systematically in the process of industrialization.

Hence, the major functions of the future BEDU will be in two fields, e.g.

- training
- business advisory services

Together with this, it should be noted that the entrepreneurs now ask for a more qualified type of consultancy services and training and that the demand for such extension services is in fact increasing all the time.

4.2 Integration

BEDU is one of the important departments of the Ministry of Commerce and Industry for the implementation of the Government's twin objectives of:

- (i) The promotion of small scale entrepreneurs both in urban and rural areas and
- (ii) the creation of employment.

There are quite a number of bodies both within and outside the Ministerial framework with the objective of promoting small scale industry and trade in many ways. As constraints are often inter-linked, the Government will develop a coordinated system for small business extension services.

Coordination in the rural areas will be performed by the Production Development Committees and Rural Industrial Officers. The Administrative Committees will have a similar function in urban areas.

On the national level the Ministry of Commerce and Industry will establish a coordination body.

All sources of credit, particularly commercial banks, the NDB and the FAP will be integrated in the system, ensuring that the advisory services and monitoring systems are interlinked with the disbursement of credit and with assistance.

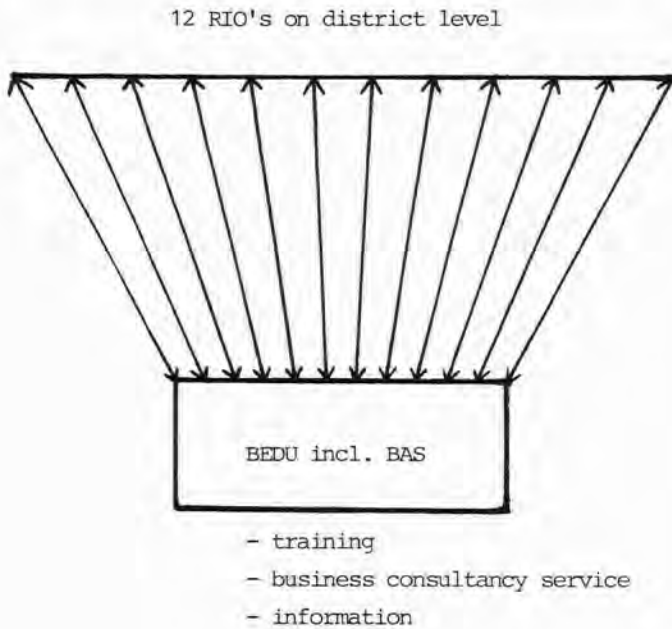
There will be an integration of the FAP programme and BEDU. This will probably be the case in the rural areas and with the smallest scale industry, particularly the so called informal sector.

The extension services of the Business Advisory Service (BAS) will merge with the restructured BEDU.

The present BAS organisation could probably be directly integrated with BEDU without any major complications. This will strengthen

BEDU's services to the entrepreneurs and also mean that established contacts between BAS and RIO's will continue. A simple model of this could be drawn as follows:

Figure 1 Integration between BEDU, RIO and BAS



4.3 Communications with other organisations

It is proposed that BEDU works in close collaboration with other development organisations and institutions such as the RIOs, Brigades, RIIC, FAP, NDB, etc., offering necessary assistance, so as to achieve the maximum utilization of the available scarce resources in order to obtain optimum results.

This will mean a pressure on BEDU to have open and continuous contacts with the other institutions. A communication network will have to be established, whereby BEDU publicises its services and, of course, also receives updated information about the demand for BEDU extension services. This will facilitate the working out of future plans of operation.

It has been suggested that BEDU should participate in all PDC meetings throughout Botswana.

The evaluation team finds this to be an expensive way of following the PDC work, especially taking into consideration that the RIOs are the secretaries of the same committees. Instead the communications with the RIOs should be strengthened through closer cooperation between BEDU and the RIOs.

It is suggested that an Information Unit should be formed inside BEDU in order to get the relevant information about the set-up and its services through to both entrepreneurs and institutions. This Information Unit will no doubt be a valuable asset in getting BEDU messages through to the consumer of its services.

4.4 BEDU's present set-up

4.4.1 Operations

BEDU's operational base is presently the Estates. In Gaborone: BEDU headquarters and three different estates are situated here.

- The Metal Estate consists of one administration block, one common facility workshop and six plots. Three of these include metalwork shops, one a printer, one a pottery, and one is empty. Connected to the estate there is a mobile workshop.
- The Garment Estate consists of one administration block, one Common Facility Workshop and eleven ordinary workshops. Seven of these have garment enterprises, one is a gemstone producer, one a silkscreen printer, one an engraver and one is doing silversmithing.
- The Construction Estate consists of one administration block and eight workshops. Five of these are construction enterprises, two are electrical workshops, one is a garment manufacturer and one is empty.

In Francistown: there are three different locations.

- Baseria Training Centre has training facilities for typing, sewing and knitting. One garment entrepreneur is located there.
- Lekgaba Centre is a pottery training centre with five potters' wheels and one workshop.
- The Francistown Estate consist of one administration block, one Common Facility Metal Workshop, one Common Facility Wood Workshop, one Concrete Laboratory and ten workshops, three of which are empty. Three wood enterprises two metal enterprises, one knitting unit and one construction enterprise are located in the workshops.
- The Pilane Estate consists of one administration block, one Common Facility Leather Workshop and twelve workshops, out of which one is empty. The Estate has three leather enterprises, one clog manufacturer, five garment workshops, one shoe repair workshop, and one radio repair unit. In Pilane there is also a tannery, which is no longer supported by BEDU.
- In Kanye there is one administration block and two workshops, one metal workshop and one garment workshop.
- In Maun there is one building for advisors with office and training facilities.

4.4.2 Organization

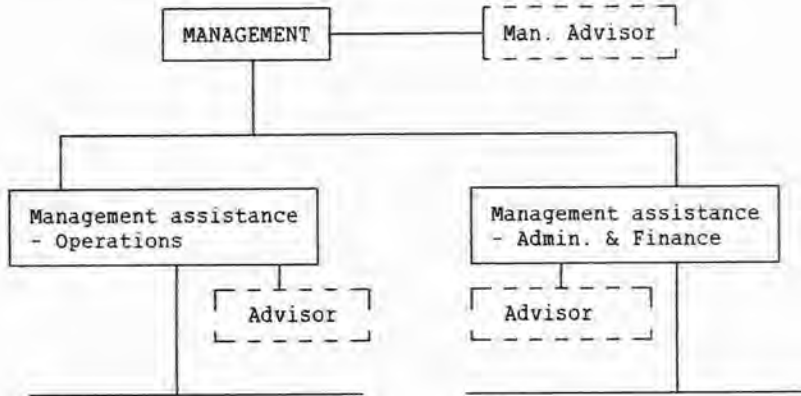
The BEDU organization is in process of change and a decision on a new organisation can soon be taken. In connection with this there is a state of confusion in the organisation. New job descriptions will have to be considered. A review of administrative procedures and the decision-making processes will have to take place. The responsibilities on an operational level remain unclear for individual officers.

There is also a noticable contradiction and perhaps a too vague policy outlined when facing some practical questions in the future such as: 'Do we support the formal and/or the informal sector?' 'Should we concentrate on urban or rural activities?' 'What services can be offered to existing enterprises? Should we concentrate on starting up new ones?' The importance of clear decisions as to what kind of services should be given to what kind of entre-

preneurs, where, by whom and with what priority must be stressed. Decisions like these will affect the kind of organisational set-up required.

A brief sketch of the future functions is presented below:

Figure 2 Sketch of BEDU functions



○ TRAINING AND INFORMATION
○ BUSINESS CONSULTANCY SERVICES

○ ADMINISTRATION
○ FINANCE

It is important that all posts with operational responsibility, e g on the Management and Management Assisting level, should be manned by Batswana as soon as possible. The suggested Advisor to the Management will probably be needed initially for a two-year period of time. The other two Advisors could preferably be engaged on a short term basis and for specific projects only.

Training and consultancy services will work hand in hand. Short term consultants could also be engaged, for instance, for a certain course or in connection with the Transfer of Technology scheme.

It should be noted that this sketch is fully in accordance with the Governments Industrial Policy for BEDU as indicated in earlier mentioned official papers.

4.5 Development of entrepreneurs

To be a successful entrepreneur one must basically be disciplined and determined and aware of the social environment - the political context and the market - and how it affects the application of modern basic business practices and principles.

The utilization of financial and human resources, the different techniques of costing, purchasing, marketing, the machinations and mathematics of labour laws, taxation, tariffs and transport costs, etc., will determine the future success or shutdown of any small scale industry.

In assisting the production of the first generation of entrepreneurs through the BEDU set-up, one should bear in mind that he or she has only a few years of experience.

One should also remember that during certain years of the programme, the lack of adequate, suitably qualified, experienced and competent staff, particularly in technical and management fields, has been a limiting factor which has prevented BEDU from extending assistance to more entrepreneurs.

These factors combined really stress the need for strong extension services, both in training and business consultancy.

To carry out a proper and efficient advisory service, the entrepreneurs concerned must be visited more often than now and on a continuous basis.

The staff involved in advisory services must be given more training - both locally and in some cases overseas - in order to make it possible for them to perform a proper service to the entrepreneurs.

The training of entrepreneurs in the form of courses seems to have definitely taken off during 1984. A catalogue of Training Programmes and Advisory Services was produced and distributed, covering the last part of 1984 and the beginning of 1985.

Within the framework of the present Plan of Operation, an Entrepreneurial Development Training Scheme (EDTS) was launched.

This scheme aims at developing the entrepreneurial performance at all levels of business and all entrepreneurs entitled to FAP assistance will be welcomed to participate. Preference will be given to Batswana entrepreneurs regardless of FAP considerations.

A catalogue of courses will be produced and distributed every six months to all parties concerned in the development of industry, such as District Councils, Brigades, RIO, BDC, etc.

The basic approach with this training will be to upgrade skills. This means in reality that some basic skills are requested before participants can join the training. An exemption will be made for areas in which no other training is offered by other institutions e.g. leatherwork and pottery. The mobile units activities will certainly include basic training within its operation. As much training as possible will be conducted by BEDU staff but if there are shortcomings, outsiders on short term assignments will be used.

The training will be conducted at the estates, provided they are equipped properly and suitably located. For some of the courses other organisations like the Brigades and RIIC will be requested to provide space and equipment.

As far as the training of local personnel is concerned, the team has outlined a brief training programme:

Approximately 5-6 officers will be given an extensive training for 3-6 months covering the necessary topics both inside and outside Botswana. Theory will be mixed with on-the-job training together with more senior officers. Emphasis will be placed on the future role as a business consultant to small scale entrepreneurs in Botswana.

A special programme will have to be worked out for the development of new educational material to be used for different courses.

4.6 Development of enterprises

The development of a new business can be characterized as:

- (i) the identification of the right business idea,
- (ii) the identification of the right entrepreneur to explore the idea,
- (iii) the implementation of the idea.

The identification of the right business idea is an extremely difficult task, however, sometimes lessened by the use of certain professional techniques such as a proper format for the pre-feasibility study and a careful market investigation including a price-control of both in- and output.

Probably BEDU has now reached a stage where more sophisticated areas will be looked into. The attitude from the entrepreneurs has hardened and the presumptive industries to look into are becoming more complex. This leads to greater stress on the correctness of a complete feasibility study.

Economic forecasts such as expected profit and loss accounts, unit price costing, estimates of overheads, etc. will no doubt play an even more vital role in the judgement of future BEDU involvement.

The identification of the right entrepreneur to explore a business idea that has been found viable has left a lot to be desired when looking at the first set of entrepreneurs moving into the estates. However, the consolidation exercise seems to have been successful and certainly improved the set-up of entrepreneurs being assisted by BEDU.

It is far more likely that the serious entrepreneurs who will approach BEDU in the future will be better prepared than the ones who sought the advice of BEDU at the time of its inception. They will also ask for a more qualified type of advisory service. BEDU will have to be able to meet these demands in order to perform successfully in the future.

The implementation process will also be more sophisticated in the future, perhaps involving the installation of advanced machinery, the need for a more decent factory lay-out, e.g. production line, more skilled labour involved in the production process, more financial resources involved, etc. The question is whether the present set-up around in the country is the most suitable one for such tasks.

Regional complementary theoretical training and on-the-job training will probably be needed to a large extent.

The development of enterprises will put the human resource in focus. Up-grading of existing manpower will be a necessity.

Transfer of technology can be a fruitful way to develop enterprises. Amongst the techniques mentioned in the present Plan of Operation are:

- (a) Study tours to manufacturers from where the technology is supposed to be transferred.
- (b) In-plant training in the above mentioned factory for a longer period.

- (c) Establishment of technical cooperation agreements between local and overseas producers.
- (d) Licensing or joint venture agreements.
- (e) Utilization of local or overseas short term consultants.

BEDU will provide sole support to entrepreneurs as long as they are independent and not involved in any joint venture, sister company, etc. As soon as such an arrangement is implemented the support will be given in close cooperation with other institutions, e.g. NDB, BDC, etc. It is important to avoid overlapping responsibilities among the development organisations.

4.7 Conclusions

BEDU will, in future, be more of an active advisory cum training body than before. The administrative set-up is supposed to have less importance in the future.

BEDU is also supposed to collaborate closely with other institutions in accordance with the policies laid down by the Government.

This should be done on a continuous basis, including contacts with the RIOs.

An efficient, integrated extension service will include more frequent visits to entrepreneurs and districts on a continuous basis.

The staff involved in advisory services must be given more training.

An Entrepreneurial Development Training Scheme (EDTS) will be launched.

Transfer of Technology is going to be tried in different ways using different techniques.

4.8 Resources required

An implementation of the above suggested recommendations will probably lead to increased running costs, such as travelling expenditure, postage and telephones, etc.

The extra training costs for approximately five of the local staff during a period of not less than six months each, might reach an estimated figure of P600 000 besides running costs.

One expatriate on a 2 year contract will cost roughly P100 000 per year or P200 000 in total.

Costs for short term consultants have been estimated at P200 000 per year totalling P400 000 for a 2 year period.

The costs for the development of new training materials are included in the above mentioned figures.

The Transfer of Technology Scheme is expected to cost P100 000 per year using the five different techniques mentioned above, e.g. P200 000 for 2 years.

Total extra resources required are estimated at P1,4 million for the 2 year period suggested.

5. FUTURE OPTIONS FOR SIDA

5.1 Phasing out

There are arguments for a phasing out of the Programme. The other three main programmes supported by Sweden in Botswana have a high rate of achievement. The achievements of the BEDU Programme have been low. The past 'estate' approach has been abandoned and, therefore, experience gained may be of limited relevance for the future.

Another argument is the alleged need to concentrate the Swedish country programme to Botswana in order to use the administrative resources of SIDA more efficiently mainly in the successful areas (water, education, district development). The present agreement on small scale industry support is coming to an end on 30 June, 1985. The financial resources in this agreement have been spent at a very slow rate, whilst the other programmes at times have been somewhat undersupplied with financial resources.

The implications of a strategy to phase out the Programme will be not to extend the present agreement and to phase out personnel presently in the Programme. This will allow for some overlapping for the purpose of localisation, possibly until a new donor has been identified. The contacts created through the Programme between Swedish and Botswana entrepreneurs could be developed through other institutions or directly through joint ventures.

5.2 Continued support

A number of policy measures have been taken in the field of improving the Government's involvement in the development of the small and medium scale industry.

The most important one is the integration of extension services discussed earlier in this report. This should enable a more efficient management of the small scale industry sector development. Another is the directives to use Botswana enterprises for Government and parastatal procurement of certain goods, e.g. textiles. A cautious use of the Infant Industry rules of SACU is another example. The high priority given to the Financial Assistance Policy through the Domestic Development Fund (DDF) points at the importance the Government puts in this sector.

The Government has declared that the new measures should be implemented if Swedish assistance will be continued or not. If SIDA seeks to concentrate its efforts to three areas the Government is prepared to discuss with other donors to finance some of the other sectors. The Botswana Government has explicitly expressed that they are keen on continued support from Sweden in this field. The Government argues that SIDA know-how and the smooth working relations built up in the sector will be difficult to substitute in the short term.

Relations have also been developed between Swedish and Botswana entrepreneurs. A phasing out will interrupt aid and commercial links that are of value to both parties. The time is probably not ripe for joint ventures without professional and financial support.

The very low rate of disbursement makes it possible to enter into a new agreement without any new financial obligations. It may well be that part of the undisbursed funds could even be transferred to other programmes. Still, most of the remaining funds should be retained in a new agreement.

5.3 Conclusions for the future

Having analysed these arguments, we have come to a conclusion that there are strong reasons in favour of continued support in the short term.

We suggest that a new short term agreement is entered into to support a programme for integrated extension services in small scale industry from 1 April, 1985. Careful monitoring against detailed targets and explicit criteria have to be carried out. If the Programme is developing in an efficient way, assessed against these criteria, Sweden should consider continued long term support.

The agreement for a two year programme will be worked out on the basis of criteria for assessment given below. There are also some overall targets that should be met within the general framework of such an agreement, e.g.:

- a final date set for the actual integration of the extension services organisations: BEDU, BAS and RIO
- a final date set for reorganising BEDU along the lines discussed in the previous chapter
- a final date for transferring Swedish staff into advisory positions.

5.4 Requirements for continued support

In order to strengthen the new role of BEDU and its new organization the evaluation team has identified seven projects dealing partly with BEDU as an institutional set up and partly with BEDU's extension services. A continuation of SIDA support will be dependent on the actual implementation of these or similar projects.

1. A training programme for business management advisers.

This would have to be a training in business management, consultancy skills, lecturing etc as well as routines, rules, forms and regulations concerning BEDU and other SSE supporting institutions.

2. Review of work plans and the decision-making process.

This will result in a clear picture of responsibilities and authority. Each employee needs an updated job description.

3. Strengthening of the management level with experts on a consultancy basis.

In order to provide technical skills at a proper level it is necessary to continue support of manpower with technical advice.

4. To speed up the localization of BEDU and the development of knowledge and skills it would be sufficient to use professional consultants on a short term basis.

These consultants are available in Sweden. If they are to work effectively their knowledge of Botswana's administration, legislation, of cultural differences and of the English language will have to be on a high level. These short term consultants should be used for training and technical advice as well as business development.

5. Development of lecturing-material and material for training.

In order to train the BEDU target group the training material will have to be prepared properly and thoroughly.

6. Studies to support BEDU development

Some research is required e.g. a study of the demand for training in the different districts. It is also necessary to systematically follow up what happens when an entrepreneur extends his business, which training and advice is appropriate and when. This might result in a Business Management Training Programme in Botswana.

7. International conferences and exchange in development of small scale enterprises

This exchange should be directed towards countries with similar infrastructures like Tanzania and Kenya but also with countries with a long experience of regional development and promotion of small scale industries like Sweden.

5.5 Criteria for evaluation

The future development of BEDU and the possible support from SIDA is dependent of an improvement of BEDU efficiency. The evaluation team recommends the following simple and quantifiable terms.

Evaluation of BEDU as an organisation:

- BEDU shall have a well-structured and confirmed organization
 - Job descriptions for each employee
 - A rational and clear decision-making process
 - Efficient administrative routines
- BEDU shall have a confirmed plan for development of the organisation and personnel
 - A programme for localization
 - A staff training programme

Evaluation of BEDU's achievement:

- Number of participants in training multiplied by number of days courses held.
- Divided into courses held by internal or external consultants
- Divided into rural and urban activities
- Number of days consultants have actively been giving advice.
- Broken down into internal and external, urban and rural activities
- Number of 'specific projects'
- Number of Feasibility studies carried out
- The status of the number of Implementation programmes
 - increase in number of employed persons
 - technology transfer
 - products and methods
 - overseas training
 - utilization of consultants
 - joint ventures
 - other schemes

Enterprises intensively supported by BEDU 1974 - 19841. Independent and viable enterprises (graduated) (group III)

<u>Enterprise</u>	<u>Location</u>
Bamalete Engineering	Ramotswa
Boikage Engineering	Gaborone
RT'S Metal Workshops	Kanye
Bosele Construction	Gaborone
Boswe Construction	Gaborone
E L B Construction	Gaborone
Eddie Brothers	Gaborone
Lion Curtains	Gaborone
Monqwaketse C Products	Kanye
Morwa Jersies	Pilane
Polokano Coffins	Francistown
Roka Textiles	Gaborone
S R D A	Kanye
Seralanyane Haling	Kanye
Tswana Electrical	Gaborone
Tswana Tanneries	Pilane
Tswelelo Pottery	Francistown
Tumelo Steel Industries	Gaborone
Yours and Mine Electrical	Mahalapye
Chadwell/Belopi	Pilane
Molepolole Chicken Project	Molepolole
Mothugi Mills - P K Botlheko	Thamaga
BB Construction	Gaborone
S G M Electricals	Gaborone
E M and Sons	Gaborone
Makgabana Building Construction	Gaborone
Kalahari Gemstones	Gaborone

27 enterprises

2. Judged viable enterprises by the end of the consolidation programme (end 1984) (group II)

<u>Enterprise</u>	<u>Location</u>
Mosupatsela Engineering	Gaborone
DD Welding Contractors	Gaborone
Moremogolo Pottery	Gaborone
GN Printing Works	Gaborone
Sunday Clothes	Gaborone
Tswelelo Fashions	Gaborone
Bothakga Handknits	Gaborone
Eunilz Textiles	Gaborone
Tshipidi Knitters	Gaborone
Boiteko Fashions	Gaborone
Itireleng Furniture	Francistown
Saw and Toog Sharpner	Francistown
Batawana Metal Works	Maun

Sefakwe Metal Works	Francistown
Ngandwe Construction	Francistown
Boswa Garments	Francistown
Itsholetseng Knitting Centre	Francistown
Zee Dee Kay Construction	Francistown
Makgabaksa Building Construction	Francistown
Bosa Electrical	Serowe
Botswana Leatherworks	Pilane
Burned Bricks Manufactures	Gaborone
Germ Electrical	Gaborone
Ya Rona Electrical	Mahalapye
Leather Bags Unlimited	Pilane
Molefe Furs	Pilane
Ngami Electrical	Maun
Krema Dressmaker	Pilane
Tsoga Oitirele Carpentry	Maun
Thusanyo Dress Maker	Pilane
Madibo Clothing Manufactures	Pilane
Garara Knit Serving Centre	Gaborone
Setswana Prints	Gaborone
Bontle Knitters	Gaborone
Pilane Clogs Manufactures	Pilane
Brick and Black Production	Francistown
J G Construction	Gaborone
Ditsotlhe Setsile Bakery Project	Ghanzi

38 enterprises

3. Phased out enterprises due to judge non-viability (goup I)

<u>Enterprise</u>	<u>Location</u>
Boikanyo Construction	Gaborone
Boiteko Upholstery	Gaborone
Botswana Engravers	Gaborone
Chobe Construction	Gaborone
Eddies Fashions	Gaborone
Francistown Duen Manufactures	Francistown
Francistown Tinsmith	Francistown
Francistown Upholstery	Francistown
Idah Knitwears	Gaborone
J M Solar Heaters	Gaborone
Kanana Tailor	Gaborone
Lobose Linens	Pilane
Madisa Craft	Pilane
Mastercraft Leatherworks	Pilane
Mathaithai Furniture	Francistown
Mochudi Leather Fashions	Pilane
Morukuru Furniture	Francistown
Okavango Ornamental Objects	Gaborone
Pauls Wooden Products	Francistown
Nthusang Metal Works	Francistown
Model Furniture	Francistown
Themba Printers	Gaborone
Thusanyo Pottery	Francistown
Tlou Construction	Gaborone
Tremas Ivory Products	Francistown

Tshosa Construction
Tswana Lily
L Mookodi (Owner Tswelelo Fashions)
Wayside Panel beaters
Mothakge Handknits/Tswana

Gaborone
Gaborone
Gaborone
Botle - Ramotswa
Gaborone

30 enterprises

STATEMENT BY THE MINISTRY OF COMMERCE AND INDUSTRY ON BEDU

With the context of Botswana's overall national development objectives, the Ministry of Commerce and Industry has the portfolio responsibility to promote the development of the commercial and industrial sectors of the economy, through a variety of public policy instruments, with the aim to enhancing socio-economic progress. In order to achieve this aim, emphasis is being placed on measures to increase the diversification of the economy with the corresponding growth in income earning opportunities, developing local entrepreneurship and increasing the participation of Botswana in all sectors and levels of business.

The development of small and medium scale industry forms an important part of the Ministry of Commerce and Industry's effort in promoting industrialisation in Botswana because it is essential that as the economy grows, citizens acquire skills and experience to enable them to become active participants in the development of commerce and industry. In this regard, BEDU was established under the Ministry of Commerce and Industry as an institutional framework for the effective promotion and development of local entrepreneurship.

From its inception, BEDU was geared to promoting the development of small and medium scale industry with a comprehensive support package consisting of loan finance facilities, supply of raw materials in bulk, workshops and a management and technical advisory services. BEDU has, however, recently been reorganised to enable it to concentrate on providing technical and professional leadership and direction for the effective delivery of an integrated commercial and industrial extension service as well as to facilitate the transfer of industrial technology. Under this new role, BEDU will be relieved of the burden of operating a loan scheme, raw materials supply and workshop facilities. These functions are being transferred to more appropriate institutions. The loan scheme has already been transferred to the National Development bank. Discussions concerning the

Bulk Store facility are still in progress with Tswelelo (Pty) Ltd. and if agreement is reached, a leasing arrangement will be concluded. With regard to the Workshops, priority will be given to existing viable entrepreneurs and BEDU has already been asked to initiate discussions with those willing and able to buy.

BEDU's new role of providing an overall integrated extension service has made it necessary that the functions previously performed separately by the Business Advisory Services Unit and the Rural Industrial Cadre be incorporated into BEDU as soon as possible. In this regard, BEDU's services will be open to Botswana small and medium scale entrepreneurs all over the country, instead of focusing its attention on a limited group occupying workshops in the estates as it has been the case so far.

As an operational arm of the Ministry of Commerce and Industry, BEDU will provide professional leadership on all matters relating to improved integrated commerce/industry extension services. With several institutions involved in small and medium scale industrial and rural development extension work such as Tswelelo, RIP, and Brigades, coordination has become essential so that their individual efforts can more effectively complement those of others and with Government policies as implemented through BEDU. To this extent, an Industrial Extension Coordinating Committee has recently been established at national level, chaired by the Ministry of Commerce and Industry, to provide guidance on matters concerning extension coordination. Membership of this committee includes BEDU as well as representatives from other institutions involved in industrial and rural development extension work such as the Rural Development Unit in the Ministry of Finance and Development Planning, NDB, PFP, BRIDEC, Botswana Technology Centre, RIP and Tswelelo. Liaison at field level with local authorities and non-governmental organisations will be maintained by BEDU and the Committee will receive regular reports on how effective the whole extension machinery is working so that coordinated action can be taken.

Government's efforts to promote and develop small and medium scale industries through BEDU have been supported by the Government of Sweden (i.e. SIDA) since 1973. This cooperation has enabled Botswana to have access to Swedish technology and long history of considerable experience in the development of small and medium scale industry. There has been noticeable improvement in the quality of local entrepreneurship, particularly over the past two years, as a result of this cooperation. A further extension of Swedish support is essential at this critical time when encouraging signs of positive results are beginning to show and Government's own policies on small and medium scale industry are being more clearly defined.

While economic growth during the previous Plan periods has been led by the mineral sector, growth to generate resources and employment must be concentrated in other sectors of the economy during the forthcoming Plan period (i.e. NDP VI 1985/86 - 1990-91) because no major investments are envisaged in the mineral sector besides the Sua Pan Brine/Soda Ash project. Industry is therefore expected to be one of the sectors that will play a key role and Government has committed itself to providing the necessary resources and incentives as spelled out in the White Paper on Industrial Development Policy (i.e. Government Paper No. 2 of 1984). The promotion and development of small and medium scale industry in Botswana must be seen in relation to these overall objectives.

MINISTRY OF COMMERCE AND INDUSTRY

29th November 1984

S I D A
Industribyrån

1984-09-18

Annex 3

EVALUATION OF THE SMALL SCALE INDUSTRY DEVELOPMENT IN BOTSWANA 1974 - 1984

BACKGROUND

Botswana Enterprises Development Unit (BEDU) was set up in 1973 as a Department within the Ministry of Commerce and Industry to promote local intreprenuers to establish small scale industries.

BEDU has received assistance from SIDA since 1974. SIDA has both through its office in Gaborone and the Industrial Division in Stockholm acted as a concerned participant in preparing and implementing the programme. In addition to regular discussions with the BEDU management and officers at Ministries concerned annual review have been carried out aiming at mutual agreements on how to smoothly implement the programme.

The original agreement - phase III, dated 24 September, 1979 - expired by the end of Juni 1984. Following an extension of the programme up to the end of Juni 1985 agreed upon during the biannual negotiations between the Governments of Botswana and Sweden in late March 1984 a comprehensive evaluation of the programme has been agreed upon. Particular emphasis shall be put on the role of BEDU and its achievements made during the last ten years.

In 1981 voices were raised in SIDA th phase out the Swedish assistance to the programme due to SIDA preferences of concentrating scare financial resources and administrative capacity on a few sectors where the impact of the assistance was considered more evident.

The principle of phasing out financial assistance to the programme during 1985 and later on technical assistance is still valid. However, new reasons to reconsider and remain in the small scale industry sector have been brought up:

- The Government of Botswana has given high priority to development of productive sectors of the economy
- SIDA has an interest to balance its support to social infrastructure with more more productive oriented support
- BEDU has opened its services countrywide during last years
- Cooperation between Botswana and Swedish small scale industries has shown a promising start which should be further encouraged
- The Ministry of Commerce and Industry is keen on keeping SIDA support further because of the smooth co-operation established and the experience gained

OBJECTIVES

The two Governments need up-dated information and justification for a decision to either phase out the SIDA assistance or to consider further support and if som the direction of such a proposed support. SIDA also requires evaluation of achievemdnst made of its supported programmes to be able to inform the Swedish Public, Government and the SIDA management.

1983 and 1984 joint review teams have given recommendations/proposals to carry out a comprehensive evaluation of the programme. Such an evaluation should take place during the second half of 1984 tentatively scheduled to late November 1984.

TERMS OF REFERENCE

The evaluation shall:

- (a) examine Government of Botswana's (GOB) efforts undertaken to promote the Development of the small scale industrial sector over the past ten years (1974-84)
- (b) study the institutions that have been established, their roles, achievements, problems, etc, with particular attention being paid to BEDU
- (c) analyse the present set up of the institutions identified in (b) above with a view to proposing a system that could improve their effectiveness
- (d) analyse the role of BEDU and its achievements in relation to costs with particular attention to the objectives directing the programme
 - Establishment of viable enterprises owned and managed by Botswana
 - creation of employment opportunities in both rural and urban areas
 - utilization of locally available raw materials and locally available skills
 - reduction of Botswana's dependence on suppliers in neighbouring countries for essential commodity goods
- (e) identify resources, both GOB's and others, needed to effectively promote small scale industries in the coming five years

- (f) on the basis of the above, make appropriate recommendations with regard to SIDA's continuing support for the sector or phasing out
- (g) identify requirements of possible technical assistance (personnel) and, if required, propose suitable posts to be filled by expatriates
- (h) present copies of the report to both SIDA and GOB

METHODOLOGY

In the exercise, the evaluation shall:

- (a) review various reports produced on small scale industrial development. See attache list.
- (b) conduct personal interviews with various institutions, persons and entrepreneurs involved in this sector

Annex 4

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ABBREVIATIONS USED

BAS	Business Advisory Service
BDC	Botswana Development Corporation
BEDU	Botswana Enterprises Development Unit
BRIDEC	Brigades Development Centre
FAP	Financial Assistance Policy
GDP	Gross Domestic Product
IECC	Industrial Extension Coordinating Committee
MCI	Ministry of Commerce and Industry
MFD	Ministry of Finance and Development Planning
MLGL	Ministry of Local Government and Lands
MMRWA	Ministry of Mineral Resources and Water Affairs
MOA	Ministry of Agriculture
NDB	National Development Bank
NPV	Net Present Value
PDC	Production Development Committee
PFP	Partnership for Productivity
RIIC	Rural Industrial Innovation Centre
RIO	Rural Industrial Officer
RSA	Republic of South Africa
SRDA	Southern Rural Development Association
SRIO	Senior Rural Industrial Officer
UNIDO	United Nations Industrial Development Organization

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SMALL SCALE INDUSTRY IN BOTSWANA

The SIDA-supported development of small scale entrepreneurs in Botswana proceeded quite well in its initial stage, but thereafter weakened considerably. A reorganisation of the Botswana Enterprises Development Unit is proposed by the authors of this evaluation to better suit the needs of entrepreneurs.

The report was produced by a team consisting of *Jan-Olof Agrell*, Head of the SIDA office in Zambia, *Bo Dan Bergman* of SIDA's Industry Division, and the two external consultants *Kenneth Ring* and *Per Hallerby*, specialists in small scale industrial development.

Sweden's bilateral development co-operation, handled by SIDA since 1965, comprises 17 program countries: Angola, Bangladesh, Botswana, Cap Verde, Ethiopia, Guinea-Bissau, India, Laos, Lesotho, Mozambique, Nicaragua, Sri Lanka, Swaziland, Tanzania, Vietnam, Zambia and Zimbabwe.

Each year about 30 of SIDA's over 200 projects are evaluated. Most of these evaluations are published in the Evaluation Series. Copies of the reports can be ordered from SIDA, S-105 25 Stockholm, Sweden.

