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Small and Medium-Scale Enterprises in Botswana: their characteristics, sources of finance and problems

By Lisenda Lisenda
Assistant research Fellow
BIDPA Working Paper No. 14
December 1997

Abstract

The study analyses the characteristics of Small and Medium-Scale Enterprises (SMEs) in Botswana, highlighting educational background of owners and exposure to business related training, geographic location of enterprises, premises of operation, age of enterprise, and size of enterprise by number of employees, sales and total investment and activity. Also considered is administration and financial sources of the enterprises. Record keeping is assessed by size of enterprise, gender of operator and source of finance of enterprise. Problems faced by SMEs are highlighted.

Keywords

Small-scale industry
Small enterprises
Medium-scale industry
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Their characteristics, sources of finance and problems

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I Introduction

The low employment elasticities of large modern mining establishments, accompanied by lack of capital and administrative capacities in developing countries in the mid 1980s led many economists to support small and medium-scale enterprise (SMEs) development as means of addressing development and employment problems in developing countries. The new approach to developing the small or traditional type of industries was based on the believe that it will groom modern entrepreneurs, who will in the process acquire relevant administrative skills that will ensure gradual take-off of these economies in the long-term. This, it was believed, will create the transition needed for these enterprises to graduate from small to medium to large scale operations, and thereby ensuring smooth industrialisation in developing countries. The new approach was further boosted by a number of studies which observed that the benefits of economic growth were not equally distributed in developing countries, and that was attributed to the use of large-scale and capital intensive techniques of production. Small and Medium enterprises were seen as appropriate ventures to facilitating a wider distribution of economic benefits to the majority of the population.

Some developing countries introduced policies that were in favour of small and medium scale enterprises development. Botswana, a free enterprise economy, realised the importance the SMEs sector can play in mitigating employment problems a few years after independence in 1966. Some of the factors that led to the realisation of developing small and medium enterprises were the rapidly growing labour force that far exceeded the rate of growth of employment opportunities in the formal sector, declining employment opportunities in South Africa and a narrow private sector. This led to the introduction of the Local Preference Scheme in 1978, which has lately been replaced by the Local Procurement Programme in 1997. The programme reserves 30% of the Government's annual procurement for SMEs (National Development Plan 8, NDP 8, 1998 - 2003). The Local Preference scheme was followed in 1982 by the introduction of the Financial Assistance Policy (FAP) which is a generous non-repayable grant scheme.

The introduction of these assistance schemes helped Batswana to set up their own small and medium scale enterprises. Approximately P159 million FAP disbursements to small, medium and large scale enterprises were issued during NDP 7, covering the period 1991 to 1995 (NDP 8). Small scale projects accounted for 92 percent of the projects, with a share of 34% of the total funds. The plan was to create 14 000 jobs. The medium and large scale projects received 66% of the funds and were projected to create 33 000 jobs according to NDP 8. This study covers some of these enterprises as surveyed in a nation wide census in 1994.

Previous studies conducted on the SMEs sector in Botswana observed that the sector seems to be expanding rapidly. The GEMINI study (Daniels and Fisseha, 1992), the most comprehensive ever conducted in the sector, estimated that the SME sector in Botswana consists of approximately 48 000 enterprises, employing 88 000 people or 20 percent of the national labour force. Similarly it was found that the majority of these enterprises are micro-enterprises, which tend to employ members of a single household, and that 75 percent of these enterprises are owned and run by women, who mainly are in business to produce

sufficient income to support their families (GEMINI study, 1992; Rempel et al, 1994). About 70 percent of these micro-enterprises, with an average of two employees were found to be located in rural areas, and 30 percent in urban areas. However, the majority of small businesses, with an average employment of 6 are located in urban areas (Briscoe, 1995).

Objectives of the study

The broad objective of this study is to analyse the opinions of structured interviews made during the 1994 country-wide field census of small and medium sized enterprises, with the view of establishing:

1. The general characteristics of the SMEs with reference to the educational background of the operators, geographic and industrial location of enterprises, age profile of enterprises, size distribution, business activities, training received by operators prior to establishing their enterprises, recordkeeping, and size of the enterprise.

2. The sources of funds utilised by SMEs.

II Characteristics of SMEs based on the Census Findings

Defining SMEs

Although it is difficult to find a standard definition of small business in Botswana, for purposes of uniformity with definitions of previous research studies, this study will use the number of employees to define these enterprises. The GEMINI study (Daniels and Fisseha, 1992) defined the micro and small-scale enterprises as non-farm enterprises whose entire labour force is less than 10 employees. This was followed by the University of Botswana study (Rempel et al, 1994) which defined the informal sector micro-enterprises as unincorporated enterprises that are not regulated, which produce or supply goods or services, and engage a maximum of 10 employees, and are accommodated in permanent or semi-permanent structures.

In analysing the SME census, this report defines all these firms as small business ventures. Further, the small enterprises are sub-divided into three distinct employment ranges. The small ventures in the 1-3 employment size range will be defined as the Micro-enterprise (ME) or the informal sector while the 4-10 size range as the small enterprises (SE). The over ten (> 10) band is defined as small medium sized enterprises (SMSE).

Methodology

The data used was obtained from the Ministry of Commerce and Industry. The Ministry through its extension branches, conducted the census of all existing SMEs in the entire country between September and November 1994. The data set used in this study includes additional information[1] that was not covered in the Ministry's report. It was obtained in tape, in a raw form, and considerable effort was used in cleaning the data to facilitate analysis.

[1] The Ministry of Commerce and Industry's report was based on 2513 projects, whereas this report covers about 2665 projects. The difference is made up of additional information received from extension branches after the ministry report was completed.

The census questionnaire in annex B, contained information both at the firm and entrepreneurial levels. Firm data included time of founding, location, amounts and sources of initial capital investment[2], number of workers, products. Entrepreneurial data included gender, age, proprietor's educational level, management training undertaken and recordkeeping.

The census covered a total of 2665 small and medium sized firms across the country. Of these enterprises, 987 were financed by equity or Non-FAP funds, 895 by FAP, while 44 were financed by other various institutions including banks and 739 did not specify their source of initial capital. About 181 of these enterprises were not operating. Some of the enterprises did not respond to certain questions, and that explains the differences in totals between different tables presented below in the analysis. The study avoided making strong worded conclusions in cases where they were missing data.

Educational background

The levels of educational attainment and training are relatively low. The results show that few, or about 1 per cent of the total 2552 respondents had tertiary education, 25 per cent of them had no formal education at all, while the majority, 61 per cent had primary. Only 13 per cent had secondary education, which include both junior certificate and secondary education.

Table 1.0: Educational Levels among SME owners

Size (Workers)	None	Non-formal	Primary	Junior Certificate	Secondary	Tertiary	Total
1-3 ME	562	41	1287	160	61	14	2125
4-10 SE	27	0	233	57	34	13	364
>10 SMSE	5	0	23	13	15	7	63
Total	594	41	1,543	230	110	34	2,552
Percentage	23	2	61	9	4	1	100

Source: MCI SMEs census, 1994

Table 1.1: Sectoral educational levels among SME owners in percentages

Size (Workers)	None	Non-formal	Primary	Junior Certificate	Secondary	Tertiary	Totals
1-3 ME	26	1	61	8	3	1	100
4-10 SE	7	0	64	16	9	4	100
>10 SMSE	7	0	37	21	24	11	100

Approximately 88 percent of the 1-3 enterprises have primary education or less, while only 12 percent had secondary and tertiary education. The majority of the 4-10 enterprises, 71 percent had primary or less, and only 29 percent had secondary and tertiary education. In the more than 10 enterprises (SMSEs), only 44 percent of firms had primary or less and 56

[2] The questionnaire did not seek information on the sources of current capital, the borrowing history from financial and other credit institutions by enterprises, nor data on the revenues and expenses that could have enabled estimation of annual value added.

percent had secondary and tertiary education. This analysis seems to indicate that larger enterprises require higher educational attainment of the proprietor, and that bigger enterprises are run by better educated proprietors.

Table A3 in the annex A, further shows that regardless of gender, ownership of small scale enterprises is dominated by people with basic education or less. Approximately 88 percent of women entrepreneurs in the sector have primary or less educational attainment, which compares with 79 percent of men entrepreneurs in the same range. Only 12 percent of women entrepreneurs had post-primary education, compared to 21 percent of men entrepreneurs.

The high levels of those who have never been to school show that Botswana still suffers from lack of universal access to primary education in the past. It also indicates to some extent that the introduction of the 9 year basic education in 1988 led to tremendous expansion in primary and junior secondary school enrolments, but was not matched by an equal expansion of places in senior secondary schools. Those who could not progress to junior and senior secondary schools and could not penetrate the high entry and competitive skilled-manpower formal sector, had no choice but to join the informal sector. Overall the figures show that a larger proportion of women have low educational attainment.

Despite the low educational attainment of entrepreneurs, it is expected that the new generation of entrepreneurs will be more educated, given the current educational expansions. The universal primary education policy will mean that the current generation of children will all get primary education, which was not the case in the past as evidenced by many entrepreneurs with no education. However, it is very important that the education should not encourage high academic achievement only, but should emphasise enterprise development skills.

Geographic location

The small local industries are widely dispersed both geographically and sectorally. The geographical dispersion means that the growth prospects of the sector is essentially dependant on local demand. Table 1.2 below shows that of the 2665 enterprises, only 22 or 1 percent were located in peri-urban areas (Peri-Urban Tlokweng and Mogoditshane), 16 percent in urban areas, 17 percent in primary villages and about 66 percent of the enterprises were located in rural areas - 54 percent in rural area east (RE) and 12 percent in rural area west (RW). In dividing the rural Botswana into rural area west (RW) and rural area east (RE), the method used by Phaleng Consultancy in the third review of FAP was adopted. An imaginary north-south line running 100km west of the main north-south railway line was used to divide rural Botswana into RW and RE. Rural areas East (RE) is the rural area to the east of that line, while Rural area West in the area to the west of the line.

Table 1.2: Geographic Location of SMEs							
Located	Not Operating	1-3	4-10	>10	Total	%	Av. empt[1]
RE	136	1,132	149	30	1,447	54	2
RW	19	238	52	2	311	12	2
PV	11	338	83	23	455	17	3
PU	0	7	11	4	22	1	9
UA	15	301	102	12	430	16	3
Total	181	2,016	397	71	2,665	100	

[1] Average employment

Note: Rural area west (RW) include Ganhzi; Peri-Urban areas is Mogoditshane and Tlokweng; Urban Areas (UA) include Selebi-Phikwe, and Primary Villages included Maun.
Sources: 1994 field census

The data show that more than 80 percent of the enterprises are found in the eastern part of the country. This is not surprising as the majority of the population is found in this part of the country, and it is the densely populated region with over 20 persons per square kilometre compared with less than 10 in the western part (NDP 8, 1998 - 2003). A large number of enterprises, employing more than 10 employees, are also found in this area. This is likely to be due to the fact that most of the country's economic activities take place in this region. That might have created a base for evolutionary graduation of the enterprises from micro to small and the medium scale operations. An enterprise employing 75 workers is reported to be operating in Gabane, which by Botswana standards might arguably be classified as a medium or large scale operation.

Most big villages and towns are found in this part of the country. This might also have created an opportunity for the small firms to cluster, and through collective efficiency gained as a result, experience economies of scale in their production, as well as a wider market. A cluster in this case is defined as a group of producers making the same or similar products in close vicinity. A number of studies on SMEs in Botswana and the world around find difficulties in getting raw materials and working capital as the major problems for these enterprises. However, if these enterprises could work closely in clusters, that could possible lead to the emergence of suppliers who will provide both raw materials, components, new and second-hand machinery for first generation proprietors, and spare parts; as well as the emergence of specialised producer services in technical, financial and accounting matters. Equally important, clusters could facilitate collective action to tackle common problems through the formation of associations providing services and lobbying for its members. However the absence of SMEs associations, seems to be a factor explaining part of the sector's lack of growth in Botswana, owners seem to be operating in isolation.

Most enterprises in Botswana, even if they make similar products, operate independently, they do not have associations or collaborate with one another as a way of tackling sector specific problems. A short field study conducted by Lisenda (1994) in Maun found three poultry projects that were doing fairly well, ordering their chicken feed from as far as Lobatse independently. They did not have an association through which they could place their orders in bulk on specific dates and as a result entice their suppliers to be timely, and achieving

quantity discounts. An association of this nature could lead to increased efficiency of the sector and as a result lead to lower failure rates of enterprises.

Similarly the majority of 136, or 75 percent of enterprises reported not to be in operation are found in the Rural area east, followed by 10 percent in rural area west, 8 percent in urban areas and 6 percent in primary villages.

Business Premises

Approximately 77 percent of the respondents reported to be operating from their residential premises, mainly back yards and small crowded houses previously built for domestic rather than business purposes. The majority, 86 percent of the micro entrepreneurs operate their businesses in residential premises, 11 percent were located in industrial premises (factory shells) and 3 percent in open spaces. For the small and medium enterprises, the majority are located in industrial premises. Table 1.3 below further confirms that most of Botswana's SMEs lack dedicated facilities.

Table 1.3: Business Premises

Enterprise	Industrial Premises	Residential Premises	Open space
1-3ME	228	1,850	79
4-10SE	242	150	0
>10SMSE	55	12	0
Total	525	2,012	79
Percentage	20	77	3

Age profile of enterprises

The average age of enterprises vary according to their source of finance. Although FAP was introduced 15 years ago, the average age of most *FAP funded enterprises* is 7 years. This could mean either that most beneficiaries of the scheme did not hear about it until 8 years later, or that the failure rate among FAP funded enterprises is high, after the initial 5 years of assistance. If it is the latter, then it confirms lack of continuity that is inherent in the Financial Assistance Policy. The FAP offers a once and for all non repayable grant as initial capital for starting projects, with the hope that projects will become viable and be able to sustain themselves.

Notwithstanding the good intentions of the grant scheme to cover the initial equity (which, however, many will not be able to afford without the assistance), the slow rate of turnover often influenced by seasonal swings necessitates significant amounts of working capital. Although one of the scheme's objectives is to promote rural industrial development, it does not have any contingency provisions to cover entrepreneurs in the form of working capital during times of bad business. This could be the case for FAP enterprises at the micro and small scale level, where they are predominantly operating in the clothing sector, and

appearing to have both high entry and failure rates. The survival rate seem to increase with the size of the enterprise. FAP assisted firms that employed more than 10 workers had an average age of over 9 years.

Table 1.4: Age profile of enterprises

Financed	*FAP*		*Non-FAP*		Total Firms
	Firms	Av. Years in operation	Firms	Av. Years in operation	
Micro-enterprises	547	7	863	14	1410
Small enterprises	259	7.2	73	8.4	332
Medium enterprises	47	9.2	10	5.6	57
Total	853		946		1,799

Non-FAP funded projects, though few responded, seem to live longer. Unlike FAP funded projects the smaller the enterprise the higher the average age. Table 1.4 show that non-FAP funded micro-enterprises and FAP funded small medium-sized enterprises have the highest survival rate. A small number of non-FAP funded projects reported to have been in operation before independence. One project in Tlokweng reported to have started operating in 1931. The micro and small scale FAP funded enterprises have low average years of operation. This, to some extent, confirms the notion that FAP assisted entrepreneurs are less committed to their projects, probably because they have little to lose, since they put less in the form of owner contributions into these projects.

*** Size Distribution by number of employees**

The size of SMES was measured by the number of workers, annual average sales and initial investment. The table below show the size by number of workers and gender distribution.

Table 1.5: Size Distribution

Firm type	Firms		Employment		Ownership		
	N	%	Total	Mean	Female	Male	Group
Micro-enterprises	2016	75	2914	1.4	1636	375	4
Small-enterprises	397	15	2225	5.6	191	194	10
Medium sized enterprises	71	3	1368	19.3	19	47	5
Sub-total	*2484*						
Not operating	181	7	0	0	135	46	0
Total	2665	100	6507	2.6	1981	660	19

The data show that approximately 76% of the 2665 firms fall into the *micro-enterprise sector.* The majority of these enterprises, about 81% are owned and run by women, while only 18% are run by men and the rest by groups. The sector employed 2914 workers, or 45% of all persons employed in firms covered by the survey, with an average of 1.4 employees per

enterprise. *Small-enterprises*, with 15% of the firms, employed 2225 workers, or 34% of all persons employed in firms covered by the survey, with an average of 5.6 employees per worker. The participation of women in this sector dropped significantly and that of men picked up. The *Medium sized enterprises*, with about 3% of the firms, employed 1368 workers, or 21% of all employees, with an average of 19.3 employees per enterprise. The percentage of men run enterprises is also higher in this sector.
Table 1.5 shows that 19 firms surveyed were run by groups[3]. These firms employed 222 workers with an average of 12 workers per firm. The largest firm employed 75 employees.

Overall the 2484 operating firms employed 6507 workers in 1994, with an average employment of 2.6 employees per enterprise. The sector is heavily dominated by women, operating 74 percent of all enterprises. Women are heavily clustered in the micro-enterprises. Further a large proportion of women in small and not operating enterprises to some extent show that they dominate in the micro and small enterprises. Their participation in larger enterprises is lower.

Their large participation in these risky projects, characterised by low investment capital and little expansion possibilities shows to some extent that women have restricted access to resources. It further indicates that women in the SMEs sector have limited choices of projects to invest in, beside the small and very risk ones. However, their increased participation in the SMEs should be encouraged as it can help in alleviating poverty among female headed household. A poverty study conducted by the Botswana Institute for Development Policy Analysis for the Ministry of Finance and Development Planning in 1996 observed that poverty is more severe in female headed households. It is therefore important to introduce a credit facility that can help potential female entrepreneurs to start their own firms and also to stimulate female owners of existing SMEs to expand and develop their businesses

Enterprise size by Sales and total investment

Average investment and annual sales figures further distinguish firms by their sizes. Table 1.6 below shows that approximately 69% of all micro-enterprises had an annual average sale of P6 919, and an average total investment of P10 527 in 1994. The small sized enterprise which account for one-eighth (12%) of the total enterprises had an average annual sale of P42 924, with 50% of them reporting to have an average total investment capital of P21 025 in 1994. The medium sector, with only 3% of the firms had average sales and investment figures of P163 204 and P27 021 respectively. However, responses for investment figures were low.

Table 1.6: Enterprise size by sales and total investment

Enterprises	Annual average sales		Average total investment	
	Firms	Pula	Firms	Pula
1-3 ME	1388	6 919	441	10 527
4-10 SE	322	42 924	200	21 025
>10 SMSE	62	16 3204	42	27 021

[3] Group run firms are analysed in details in Table A6 in the annex A.

Nonetheless these figures beg the question: does this mean the small scale enterprises are over capitalised or not? Have they gone into furnishing their workshops with expensive machinery because of both generous government and donor grants? Unfortunately, table 1.6 does not help in answering the question as to whether government and donor grants have induced small enterprises to purchase more capital equipment than they can use. However, another study on small scale FAP assisted enterprises in the clothing sector monitored in Maun (Lisenda, 1994), found some enterprises with at least two very expensive power driven sewing machines which were lying idle or barely used. The proprietors in that area attributed this to high labour turnover, and the low FAP owner contribution. The low owner contribution was reported to encourage workers to seek jobs in FAP funded projects for purposes of acquiring skills and to raise enough money to establish their own similar projects without the requisite managerial skills needed for a successful business. This may explain the high failure rate of these enterprises.

Enterprise size by activity

The industrial structure of the Botswana SME sector in 1994 was dominated by the 1-3 micro enterprises or survivalist sector, which as shown in table 1.7 below accounted for 81 percent of all operating enterprises. The entrepreneurs were engaged in different types of activities, but the majority were engaged in the clothing sector, which is the largest single category in both the micro (1-3) and small (4-10) sized enterprises. Approximately 51 percent of all operating enterprises surveyed were engaged in these sector.

Table 1.7: Enterprise size by activity, 1994

Activity	1-3 ME	4-10 SE	>10 SMSE	Total	Percentage
Food Manufacturing	206	32	6	244	10
Clothing Sector	1,120	143	11	1,274	51
Metal Based manufacturing and Maintenance	118	47	11	176	7
Building Materials Manufacturing	79	125	37	241	10
Wood based manufacturing	120	12	3	135	5
Beer Making	100	0	0	100	4
Leather works	28	9	0	37	2
Basketry	243	0	0	243	10
Others	2	30	2	34	1
Total	2,016	398	70	2,484	100

The percentages, in Table 1.8 show that beer making and basketry are exclusively micro-enterprises, food manufacturing, clothing, wood based manufacturing and leather work are predominantly micro-enterprises. The only sector that seem to have evolved from small to medium and to large scale operation is the building material sector.

Table 1.8: Percentage of enterprise size by activity, 1994			
Activity	1-3 ME	4-10 SE	>10 SMSE
Food Manufacturing	84	13	3
Clothing Sector	88	11	1
Metal Based manufacturing and Maintenance	67	27	6
Building Materials Manufacturing	33	52	15
Wood based manufacturing	89	9	2
Beer Making	100	0	0
Leather works	76	24	0
Basketry	100	0	0
Others	6	88	6

Record keeping

The census questionnaire also sought to establish the status of recordkeeping in the SMEs sector. The respondents were asked whether they kept or ever had kept the following accounts: Cashbook, Expense ledger, Debtors book and Profit and Loss account. The frequency of preparing the Profit and Loss Account was also sought. Recordkeeping will be analysed by both enterprise size, gender and mode of finance. This subsection will conclude by looking at the number of those entrepreneurs who attended bookkeeping courses and whether that had any effect on them.

a) By enterprise size

Table 1.9 below show that the majority of micro-enterprises hardly kept records of accounts. On average as much as 80 percent of the respondents in this sector did not keep either the Cashbook, Expense ledger, debtorsbook nor the Profit and Loss account. Approximately 84 percent of them never prepared the Profit and Loss Account. Record keeping however seems to improve with the size of the enterprises. The 4-10 and > 10 (over ten) enterprises kept their books. On average, 61 percent of the 4-10 enterprises and 84 percent of the over 10 (> 10) enterprises kept all records. Only 45 percent of the enterprises in the 4-10 sector did not keep their Profit and Loss account, while just 16 percent of the medium sized small ventures never did.

Table 1.9: Recordkeeping per cent													
Enterprise	Cashbook		Expense ledger		Debtorsbook		Profit and Loss A/C		Frequency for profit/loss A/C				
	Yes	No	Yes	No	Yes	No	Yes	No	H-Y	Y	M	Q	N
1-3ME	25	75	16	84	29	71	10	90	1	1	13	1	84
4-10SE	74	26	57	43	72	28	39	61	5	15	31	4	45
>10SMSE	91	9	80	20	80	20	84	16	3	42	32	7	16

Note: **H-Y** Half Yearly **Y** Yearly **M** Monthly **Q** Quarterly **N** Never

b) By Gender

Are the different rates of record keeping by gender statistically significant? In other words, do women keep better books than men, or the opposite? A statistical measure, the Z-statistic was used to measure the significance of the proportion of record keeping difference between women and men run enterprises at 5% significance level. Using a two-tailed test, the absolute Z-statistic greater than 1.96 will confirm significance, and vice-versa.

Table 2.0: Recordkeeping by Gender

	Men run firms			Women run firms			
Accounts	Yes %	No %	Total Respondents	Yes %	No %	Total Respondents	Z-Statistic for significance of proportion difference
Cashbook	44	56	594	30	69	1,863	6.3
Debtors Rec	42	58	583	35	65	1,851	3.1
Expense ledger	33	67	580	21	79	1,827	5.9
Annual A/C	26	74	630	15	85	1,908	6.3

The statistics in table 2.0 above show that men more frequently keep records than women. The statistical measure in the last column of table 2.0 further confirm this. It shows that the difference between rates at which men and women keep business records are statistically significant.

c) By mode of finance

The extent of bookkeeping by SME firms varies with the way enterprises are financed. The majority of FAP financed enterprises seem to keep the cash and debtor records better than the expense and the annual profit and loss account. Their rate of book keeping surpass that of enterprises financed by Equity or own savings.

Table 2.1: Recordkeeping by mode of finance								
		Men run firms			Women run enterprises			
Financed	Accounts	Yes %	No %	Total Respondents	Yes %	No %	Total Respondents	Z-Statistic for significance of proportion difference
FAP	Cashbook	73	27	200	68	32	613	1.3
	Debtors Rec	71	28.2	195	72	28	594	-0.3
	Expense ledger	60	40	195	49.6	50.4	589	2.5
	Annual A/C	45.7	54.3	210	27	74	622	5.1
Non-FAP (Equity)	Cashbook	29	71	217	13	87	709	5.5
	Debtors Rec	28	72	214	17	83	713	3.6
	Expense ledger	15	85	210	13	87	711	0.8
	Annual A/C	15	85	230	11	89	703	1.6

The statistical test shows that, *FAP* recipients of both sexes keep their cash and debtors record equally. The difference in the rate of record keeping is observed for the expense ledger and the annual profit and loss account, with men keeping the latter two accounts better than women. For *Non-FAP* financed enterprises, the majority do not keep accounts. However, the rate of those who do differs significantly. For the cash and debtors records, men seem to be doing better than women. Unlike the FAP financed enterprises, there is no difference by sex in keeping the Expense and the annual profit and Loss records in the Non-FAP financed enterprises.

However, more interesting from table 2.1 is the fact that FAP funded enterprises keep better records of accounts than Non-FAP funded enterprises. Approximately 73 percent and 68 percent of both FAP funded men and women respectively reported keeping their cash books. The figures for the same category of sexes in the Non-FAP funded enterprises are very low, indicating the dismal performance of these enterprises in keeping records of accounts. The majority of FAP funded enterprises reported to have attended business skills crutch courses sponsored by the Integrated Field Services (IFS). This indicates that technical assistance, in the form of training in business skills to FAP funded enterprises, has a positive impact in the area of record keeping. The results, as indicated in Table 2.1, shows that non-FAP funded enterprises are performing dismally in maintaining their records, which clearly indicates that the IFS should be interested in finding ways of extending their business skills training courses to this sector.

Business Related Training

The majority of respondents, mostly FAP funded enterprises, reported to have attended business related training courses offered by the Integrated Field Services. Of the total FAP funded respondents in Table 2.1 above, 73 percent and 68 percent of men and women respectively reported keeping their cash books. These figures differ quite widely with those of the same gender for Non-FAP (equity) funded enterprises, with the latter performing badly in keeping record books.

The results though, as per Table 2.2, show that skill training is minimal in the micro-enterprises, only 37 percent of the total 2016 of these enterprises reported to have received business related training. Approximately 67 percent and 59 percent of the 4-10 and > 10 small enterprises received training respectively.

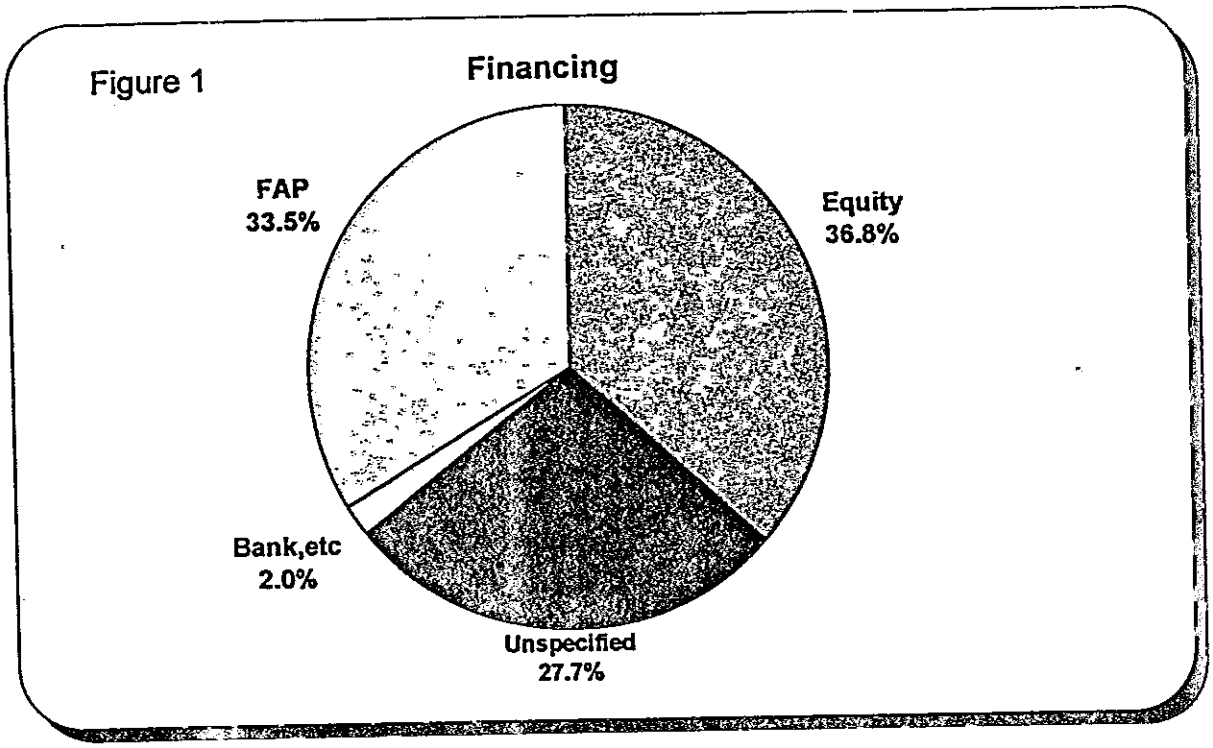
Table 2.2: Business related training	
Enterprise	% of Enterprises attended business related courses
1-3ME	37
4-10SE	67
>10SMSE	59

III Sources of Finance

A study by Babikanyisa et al, (1994) observed that personal funds accounted for 78 percent of the total funds available to small scale and micro-enterprises in Botswana, and that commercial banks contribute only 1.5 percent of the total cash requirement by this sector. The survey results reveal that initial capital for the enterprises came predominantly from three sources: FAP grants, equity and banks and other non governmental organisations. Equity (Non-FAP) or own-capital includes own savings from previous projects, gifts and small non-interest bearing loans from relatives.

The census as per Figure 1 below indicates the overwhelming importance of equity finance in the start up phase of small enterprises in Botswana. About 37 percent of initial finance is sourced from equity, followed by 34 percent from FAP. Formal institutions and non-governmental organisations accounted for only 2 percent of the enterprise financing. However 28 percent of the enterprises did not report where they sourced their start-up capital, which makes the analysis of credit less useful. The heavy reliance on equity as source of initial capital indicates to some extent the accessibility and cheap source of funds as there are both no direct finance costs involved and no legal obligation to repay the funds.

Figure 1



This survey indicates that about 60% of financing was from FAP and Equity (personal savings and loans from friends), which were the predominant sources during the start-up phase. Start-up capital extended to small and medium enterprises from commercial banks is negligible. This to some extent confirms the widely held view by the SMEs sector, that all foreign owned banks in Botswana are applying lending criteria that are irrelevant to local conditions, thereby systematically excluding SMEs from formal credit, and as a result undermining the growth of the country's small industrial base. On the other hand, it can be argued that equity is the most suitable form of finance for start-ups, especially for small scale businesses, because they are too small and risky to attract bank loans, let alone obligations to pay interest and repay capital which would be an impossible burden for small businesses in their early stages. Loans are more suitable for the expansion of businesses with an established record.

Financed by Bank loans

Only 9 firms out of 2665 firms reported getting some of their start-up capital from formal sources like banks. Three out of the 9 were financed by National Development Bank (NDB) loans. Four were relatively medium sized enterprises as indicated by their employment and sales figures, and were operated by men with post secondary education. Except for one firm, all other three of the four enterprises kept all business records, and also prepared their Profit and Loss Account on a yearly basis, as will be expected to qualify for bank funding.

All the nine firms were operated by men, except for one in Letlhakane. All were established between 1982 and 1994. Five of the nine proprietors had post secondary education, one secondary education and three with primary education. Three of these firms are fairly large, as indicated by their sales figures of P 200,000 per annum and above.

Table 2.3: Financed by bank loans

Established	Station	Sex	Education	Activity	Empt	Bank	Sales p.a (Pula)	CB	EL	DR	P/L A/C	FQ	Located
1982	Mahalapye	M	Primary	Milling	2	SCB	1,200	no	no	no	no	never	R
1984	S-Phikwe	M	Tertiary	Tanning	10	BA	80,000	yes	yes	yes	yes	yearly	I
1984	S-Phikwe	M	Tertiary	Tanning	15	BA	600,000	yes	yes	yes	yes	yearly	I
1988	Letlhakane	F	Primary	Sewing	2	...	9,600	yes	no	yes	yes	M	...
1989	Serowe	M	Tertiary	Bakery	24	...	300,000	no	no	no	yes	yearly	I
1990	S-Phikwe	M	Tertiary	Metal works	4	BA	200,000	yes	yes	yes	yes	M	I
1991	Bobonong	M	Cambridge	Milling	3	...	...	yes	yes	yes	yes	M	R
1992	S-Phikwe	M	Primary	Metal works	2	SCB	...	yes	no	yes	no	...	I
1994	Molepolole	M	Tertiary	Wielding	12	BA	48,000	yes	yes	yes	yes	yearly	I

Notes: Empt Employment
CB Cashbook
EL Expense ledger
DR Debtors Record book
P/L Profit and loss account
R residential area
I Industrial area
BA Barclays Bank
SCB Standard Chartered Bank
FQ frequency
M monthly

All firms reported to be operating throughout the year. The result as per the table above shows some interesting results. It slightly indicates that while women dominated the survivalist class of enterprises, made up of those employing one to three employees (see Table 1.5 above), their participation in bigger enterprises is lower. This will then seem to confirm the widely held view that female entrepreneurs are less likely to expand their business due to lack of resources.

IV Problems

Notwithstanding Government policies in favour of small and medium enterprise development, a number of problems have been found to constrain the growth of this sector. Previous research works show that the sector lacks attributes usually linked to enterpreneurship: dedication, initiative, hard work, readiness to jump at opportunities, and preparedness to take risk. Lack of entrepreneurship is reported to be the major obstacle to the growth of the sector.

The respondents in the survey reported a wide range of problems, as summarised below. The questionnaire was structured such that respondents will report their three most pressing problems in their ascending order. Due to lack of time to clean up the data for easy analysis, the figures reported here are for the first mentioned problems, as stated by 2018 of the 2665 respondents.

In general, about 26 percent of the respondents indicated finance as the major concern for their enterprises. This is stated more as a constraint primarily on working capital than on investment. Similarly, a study by Morewagae et al. (1995) reported that out of 1140 micro-enterprises surveyed in 1992, 74 percent identified lack of finance as the primary contraint. The GEMINI study (Daniels and Fisseha, 1992) which surveyed 1243 micro-enterprises also showed that, notwithstanding FAP grant support for an important part

of the investment, for 74 percent of micro-entrepreneurs finance remained a major constraint. Entrepreneurs indicated that the main constraint facing new or expanding indigenous enterprises is limited access to working capital credit at reasonable terms and conditions from both private financial institutions and Government aided development banks.

The second major problem is the market. About 25 percent of SMEs indicated weak demand for their products, and heavy competition from big South African companies as a major constraint to their growth and survival. A shift in taste, or lack of appreciation of locally produced products by Batswana to foreign products was also reported to be a factor causing low demand. Drought induced income-poverty, and the lack of income generating industrial activities in rural areas, resulting in limited purchasing power also constrained the survival of SMEs in Botswana. However, the low educational attainment of these entrepreneurs, to some extent explain their failures. Most of the projects are started without a thorough market analysis for the products.

The third listed problem is unreliable customers. About 9.5 percent of the respondents reported that everything in the SMEs sector goes on credit, and that unreliable customers who do not honour their debts in time drain their little cash flows. Rempel et al., (1994: 81) estimated that outstanding credits accounted on average for 30 percent of the working capital of most of the enterprises in the SMEs sector.

Table 2.4: Problems

Problems	Number of enterprises	Percentage
Lack of capital	516	25.6
Small market and low demand	493	24.4
Unreliable Customers	191	9.5
Raw Material	188	9.3
Machinery	110	5.5
Transport	106	5.3
Labour deficiencies in technical skills	95	4.7
Managerial deficiencies	78	3.9
Crowded Workshops	70	3.5
Poor Health	42	2.1
Seasonal	23	1.1
Utilities	22	1.1
Lack commitment	21	1
Sister projects divert attention	21	1
Government	13	0.6
None	29	1.4
Total	2,018	100

Although the Government's policy is to address issues of unemployment by encouraging SMEs and campaigning for new investment, the government itself is a reason and to some extent a factor in the collapse of some of these enterprises. About 0.6 % of respondents reported *delayed payments by Government* as a major constraint to their businesses. One

proprietor from Mopane who supply a few schools with meat, reported that though government would demand to be serviced, it usually takes two to three months to settle its debt, and in the interim it will still want meat. As a result, unless one have another project running, to supplement the other and beat the cash flow problems your business will collapse since banks are not willing to loan small business working capital. The same sentiments were expressed by two enterprises in Serowe during the 1996 Poverty Study survey of FAP funded projects. The two projects, a horticulture-poultry and a dairy project both supplied the local prison with milk, vegetables and eggs. The government purchase orders which are used as an order to supply are reported to take at least two months to be cleared, before payment is made.

However, this problem seem not to affect small business only, but also big establishments that Government do business with. A snap survey I conducted in December 1997 to establish whether belated payment by Government could be a problem for big businesses too, revealed the same sentiments. This short survey covered all hotels in Gaborone and one butchery in Gaborone. A butchery that supplies schools can expect to be paid after 30 days, whereas a hotel can wait for a year to be paid. The Cresta Hotel group reported being owed P2.7 million by certain government departments, which amount has been outstanding since January 1997, and feel that it might be forced never to accept Government Purchase Orders from these departments anymore.

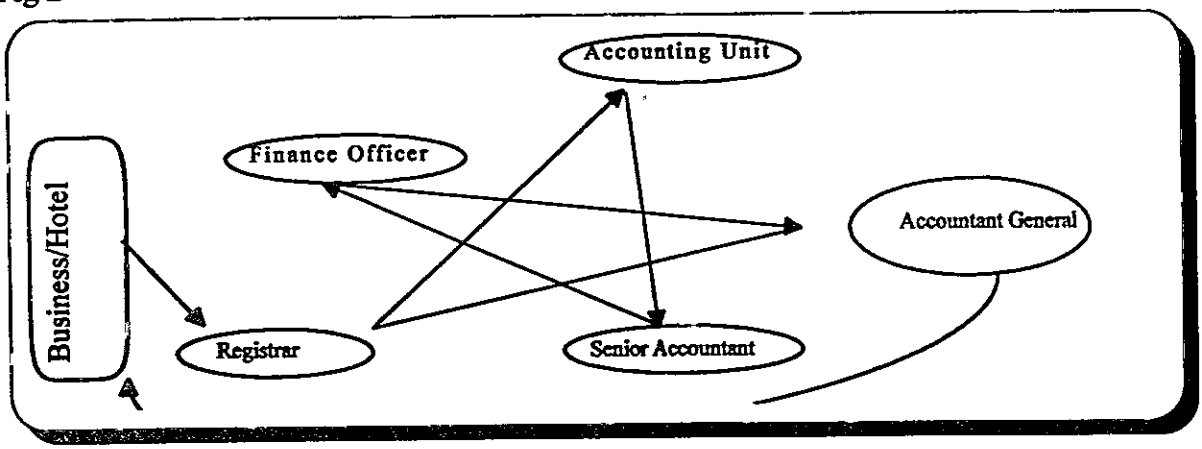
Other Hotels revealed that:

- 95% of their over 90 days outstanding debts are government debts.
- 20% of their over six months outstanding debts are government debts.

Most reported the delays to be caused by both the bureaucratic formalities that have to be followed and the incompetence of government employees, who do not have the urge to act swiftly. Although they reported that the Accountant General is more understanding and acts swiftly on their payment vouchers, which, when they reach his In-tray, take roughly a week to be processed, they did not hold the same sentiments with the line ministries and departments they find themselves dealing with.

What causes all these delays in these government departments?

Fig 2



In trying to answer the question, it was revealed that any bill or invoice will have to take the route indicated in Fig 2 above before it reaches the Accountant General for approval, and later payment. Within the ministries it will have to be seen by four different officers; the registrar, the accounting unit to prepare vouchers, Senior Accountant, and the Finance Officer for signatures. It is within this process that an invoice can take two, three months or even a year before it can reach the Accountant General's office before payment. This is a very pathetic situation and contradicts the Government's policy of job creation through economic diversification. Delayed payments of these magnitudes make it difficult for these businesses to plan properly, and to suspend any expansion projects envisaged. Unlike hotels, small and medium sized businesses with limited sources of working capital are severely constrained by such actions. The Government therefore has to look at this problem, and probably design a quick and efficient clearing system, that will lessen the time it take to clear bills.

Other reported problems that impair the intentions of SMEs in Botswana are: expensive and scarce raw materials, machinery and high transportation costs. These problems were reported by 9.3 percent, 5.5 percent and 5.3 percent of the respondents respectively. Most of the machinery and tools used by entrepreneurs were reported purchased outside Botswana and that there is limited capacity in the country to provide major servicing or to supply a wide enough range of spare parts for such machines. Other respondents listed their major problems as indicated in Table 2.4 above.

V Summary and Conclusions

The census covered a total of 2665 small and medium sized firms across the country. Of these enterprises, 987 were financed by equity or Non-FAP funds, 895 by FAP, while 44 were financed by other various institutions including banks and 739 did not specify their source of initial capital. About 181 of these enterprises were not operating.

Overall the 2484 operating firms employed 6507 workers in 1994, with an average employment of 2.6 employees per enterprise. The sector is heavily dominated by women, operating 74 percent of all SMEs. However, women are heavily clustered in the micro-sized enterprises. Their participation in larger enterprises is lower.

The levels of educational attainment and training are low in this sector. About 1 per cent of the total 2552 respondents had tertiary education, 25 per cent of them had no formal education at all, while the majority, 61 per cent had primary. Only 13 per cent had secondary education.

The results show that of the 2665 enterprises, only 22 or 1 percent were located in peri-urban areas (Peri-Urban Tlokweng and Mogoditshane), 16 percent in urban areas, 17 percent in primary villages and about 66 percent of the enterprises were located in rural areas - 54 percent in rural area east (RE) and 12 percent in rural area west (RW).

The study revealed that FAP funded projects keep better records than non-FAP funded enterprises, and some of these enterprises reported to have attended business crutch courses

offered by the Integrated Field Services (IFS). It is therefore imperative that IFS should consider extending all business related training courses they offer to all SMEs regardless of their source of initial funding. As revealed in previous studies this survey observed that the majority of SMEs enterprises are owned and run by people with low educational attainment, especially primary education, which further suggest that an effort should be made by the government to introduce business related subjects into primary schools.

The average age of the enterprises was found to range between 6 and 13 years. However, a small number of Non-FAP (equity) funded projects reported to have been in operation before independence. One project in Tlokweng reported to have started operating in 1931. Despite the youthfulness of these enterprises, low educational attainment of entrepreneurs, it is expected that the new generation of entrepreneurs will be more educated, given the current educational expansion. However, the education should not encourage high academic achievement only, but should emphasise enterprise development skills.

About one quarter of the respondents in the survey reported lack of working capital as the major constraint facing their enterprises. They indicated that a new business needs money to meet its operating expenses until the business can generate enough revenues to support its operations. In other words, the ability of many small enterprises to exploit profitable opportunities would be enhanced if external financing were more accessible. Although indications from previous studies show that banks do not normally risk lending to new investors, large or small, who do not have a track record, financial institutions in Botswana should try to focus more on ways of extending working capital credit as against investment loans to SMEs. Given the great difficulty for SMEs of getting even working capital from formal sector institutions, let alone start-up capital, the survey indicates the need for better access to credit facilities of financial institutions in Botswana.

A lot more problems mentioned as constraining the growth of SMEs in Botswana can be reduced if these enterprises could form associations. Thus, for example, a number of small producers of the same product and in the same area, or industrial villages of firms producing different products, may organise their purchase of energy, raw materials and equipment jointly; and in grouping together and forming such associations, they can also overcome the lack of political influence which small firms typically face if they act on their own.

The government must lead by example, and do what it preaches. It is quite pathetic for a Government which is trying to promote viable enterprises that can generate employment for the majority of Batswana, to be at the same time constraining the survival of such enterprises by delayed payment of services rendered to it. It is therefore important that the government reviews its payment system, with the hope of coming up with a quick clearing system.

Lastly future survey questionnaires should try to find information that can establish the value added by the SMEs to the economy's total output. So that the sector's real potential can be known.

VI ANNEX: A

IFS data statistical summary

Table A1: Enterprises by mode of finance, employment size and gender distribution																			
Financed	FAP				Equity				Others				Unspecified				TOTAL			
Employment	firms	empt	Gender F	Gender M	firms	empt	Gender F	Gender M	firms	empt	Gender F	Gender M	Firms	empt	Gender F	Gender M	Firms	Empt	Gender F	Gender M
Zero	28	0	20	8	57	0	41	16	1	0	1	0	95	0	73	21	*181*	*0*	135	44
1-3 ME	553	1185	474	76	846	986	672	174	36	49	24	12	581	694	466	113	*2016*	*2914*	1636	375
4-10 SE	266	1498	145	114	74	422	25	46	3	18	0	3	54	287	21	31	*397*	*2225*	191	194
>10 SMSE	48	890	16	29	10	200	1	9	4	126	0	3	9	152	2	6	*71*	*1368*	19	47
Total	**895**	**3,573**	**655**	**237**	**987**	**1608**	**739**	**245**	**44**	**193**	**25**	**18**	**739**	**1,133**	**562**	**171**	**2,665**	**6,507**	**1,981**	**660**

Table A2: Enterprise by Educational Attainment							
Education	None	Non-formal	Primary	JC	secondary	Tertiary	Total
1-3 ME	562	41	1287	160	61	14	2125
4-10 SE	27	0	233	57	34	13	364
>10 SMSE	5	0	23	13	15	7	63
Total	594	41	1,543	230	110	34	2,552

Table A3: Education by Gender							
Sex	None	Non-formal	Primary	JC	secondary	Tertiary	Total
Female	403	33	1,227	160	63	17	1,903
Percentage	*21*	*2*	*65*	*8*	*3*	*1*	*100*
Male	186	8	299	63	46	16	618
Percentage	*30*	*1*	*48*	*10*	*8*	*3*	*100*

Table A4: Frequency of Record keeping by Enterprise, Location and business related courses attended																	
Enterprise	Cashbook		Expense ledger		Debtorsbook		Profit and Loss A/C		Frequency					Located			# attended business related courses
	Yes	No	Yes	No	Yes	No	Yes	No	H-Y	Y	M	Q	N	IP	RP	UTT	
1-3ME	512	1,527	326	1,681	590	1,438	254	1,846	12	23	236	14	1,444	228	1,850	79	741
4-10SE	272	98	198	149	258	100	149	238	16	44	91	11	134	242	150	0	264
>10SMSE	63	5	55	15	55	14	58	13	2	29	22	5	11	55	12	0	42
Total	847	1,630	579	1,845	903	1,552	461	2,097	30	96	349	30	1,589	525	2,012	79	1,047

UTT Under the tree
IP Industrial Premises
RP Residential Premises
H-Y Half Yearly
Y Yearly
M Monthly
Q Quarterly
N Never

Table A5: Other Modes of Finance

	Firm Specific information							Entrepreneurial information			
	firms	Av. yrs in Business	Location	Av. initial capital investment	Sales	Total employment	Activity	Gender	Education level	Number attended training	Perceived problems
ARAP	9	16*	Home	.....	3,467	10	Food Processing & clothing	8F 1M	4 None 5 Primary	1	Lack of Capital & raw material
RADO	12	5	2 IP 10 RP	1293[a]	1,536	15	Clothing & Carpentry	6F 6M	9 None 3 Primary	7	Working capital, raw material & market
RIIC	2	5	2 IP	....	3,571	5	Welding	2 M	2 None	2	Poor Market

Notes: * for only eight firms
[a] for one firm
IP Industrial Premises
RP Residential Premises

Table A6: Group Run firms

Firm Specific Information								Entrepreneurial Information			
Firms	Av. yrs in Business	Location	Av. initial capital investment	Financed	Av. Sales per annum	Total & Av. employment	Activity	Gender	Education level	Number attended training	Perceived problems
19	12	14 IP 4 RI	27 574	Equity 3 FAP 12 NI 3 Others 1	50 403	222 Av. 12	Building material, clothing, Pottery & metal products	Group	1 Cambridge 3 Primary	11	working Capital, crowded workshops, Poor Market, members unproductive

Note: AV. stands for average

Table A7: Record keeping by Group Run business			
Accounts	Yes %	No %	Total Respondents
Cashbook	94	6	18
Debtors Record	73	27	15
Expense ledger	74	26	19
Annual A/C	67	33	18

VII ANNEX: B

BUSINESS PROFILE

(For Small Scale Manufacturing, FAP and Non FAP Businesses)

IFS/1 **STATION:**.....

SERIAL NO: ..... **DATE :** .....

INTEGRATED FIELD SERVICES

DEPARTMENT OF INDUSTRIAL AFFAIRS

1.1 Name of Company: _____

1.2 Postal Address (Bag/Box): <A> Number: _____

1.3 Physical Address (Town/Village): _____

1.4 Business Location and Plot Number: _____

1.5 [Telephone] Number: _____

1.6 [Fax] Number: _____

1.7 Telex Number: _____

1.8 Year Business was Established: _____

1.9 Name of Entrepreneurs/Owner: _____

1.10 Marital Status: _____

1.11 [Sex]: _____

1.12 Educational level of Business Owner: _____

1.13 Can you speak English fluently: <Y> Level: __

1.14 Are you the head of the Household/Family: __

2.0 Business Activity: _____

2.1 Products

Product 1: _____
Product 2: _____
Product 3: _____
Product 4: _____
Product 5: _____

2.2 Do you advertise your products? <Y>

2.3 Who are your major customers? _____

2.4 How do you get/attract customers? _____

3.1 Total Employment of project as at date: _____

3.2 Wage Rate (Total paid to all employees): _____
Daily/Monthly? ____

3.3 Total Project Investment: .....

Buildings: ..... Machinery: ..... Stock: .....

3.4 How were those assets financed? .....

3.5 Bank Reference: .....

3.6 Annual Sales : .....

4.1 Business Records:

Cash Book
Expenses Ledger
Debtors Records

4.2 Are final accounts (Trial balance, Trading, Profit or Loss A/C and Balance Sheet) ever prepared?

Yes No

4.3 Frequency of final accounts preparation:

Never Monthly Quarterly
Half-Yearly Yearly

4.4 Is business carried out throughout year or not?

Yes throughout year
Seasonal
Production inconsistent

If not carried out consistently throughout year, what are

the reasons for this pattern? ....

4.5 Power/Energy utilised:

Human only
Electricity
Diesel/Petrol
Gas
Other - Please specify .....

4.6 Where is industry located?

Industrial Site
Residential premises
Factory-shell
Under the tree
Other, Specify .....

5.0 INTERVENTIONS

5.1 FINANCIAL ASSISTANCE

DATE	FAP GRANT	OWN CONTRIBUTION	TOTAL INVESTMENT	PROJECTED EMPLOYMENT
i).....	.....	.....	.....	.....
ii).....	.....	.....	.....	.....
iii).....	.....	.....	.....	.....

5.2 BUSINESS RELATED TRAINING COURSES:

	DATE	FIELD OF TRAINING	VENUE
i)	.....	.....	.....
ii)	.....	.....	.....

5.3 State problems related to business development:

.....
.....

5.4 Is business training provided by IFS beneficial?

.....

If yes, how does it benefit your business:

.....

.....

If no, how should IFS improve on business training course offered to entrepreneurs?

.....

.....

5.5 What should IFS do to improve on services provided to small entrepreneurs?

.....

.....

5.6 Have you ever thought of venturing into any other projects activities other than what your are doing now?

.....

If Yes, what activities are they? .....

What prevented you from venturing into that activity?

.....

5.7 Do you have any business/investment ideas you would like IFS to promote in your area?

.....

.....

.....

6. <u>FOLLOW-UP VISITS BY IFS</u>

<u>Date of visit</u>: (Provide status report and main issues discussed)

i) .....

.....

ii) .....

.....

iii) .....

.....

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BIDPA Publications

Working Paper Series

BIDPA Working paper 1

Granberg, Per
A Note Concerning the Revision or rebuilding *of the MEMBOT Model. Some Preliminary Observations and Suggestions.* BIDPA, 1996. RESTRICTED.
The paper discusses the structure of the existing MEMBOT model (Macroeconomic model for Botswana). The limitations of the current model are identified and a need to revise it is noted.

BIDPA Working Paper 2

Granberg, Per
A Study of the Potential Economic Effects of AIDS. Some Preliminary Thoughts. BIDPA, 1996.
Given the current rate of HIV/AIDS infection in Botswana, there seems a need to analyse its economic impact. It is suggested that BIDPA may take an initiative towards this end. The paper presents some preliminary and tentative ideas about such a project.

BIDPA Working paper 3

Duncan, Tyrrell (ed.).
Study on Poverty Alleviation in Botswana: Inception report. BIDPA, 1996
This inception report sets out the various steps planned in completing the study, which comprises a statistical review of poverty utilising the 1985/86 and 1993/94 Household Income and Expenditure Survey. The study will focus six special areas: Basic Education, Preventative Health, Labour Based Public Works, Destitute Policy, Financial Assistance Policy and Arable Lands Development Programme.

BIDPA Working Paper 4

Isaksen, Jan.
Main Ingredients for a Public - Private Sector Strategy for Private Sector Employment Creation in Botswana: Prepared for the Fourth Private Sector Conference on Employment Creation, Francistown 26 - 28 May 1996.
The paper attempts to draw lessons from policy experiences in Eastern Asia. On the basis of such lessons, the paper suggests a number of practical policy steps which hopefully would be relevant to the policy debate in Botswana It argues that a resumption of rapid economic growth through diversification and industrialisation are the most important contributions to the acceleration of employment creation in Botswana

BIDPA Working Paper 5

Granberg, Per.
A Revised Poverty Datum Line for Botswana. BIDPA, June, 1996
The paper is part of a larger study of poverty and poverty alleviation in Botswana, undertaken by BIDPA for the Ministry of Finance and Development Planning. The paper presents revised estimates of the Poverty Datum Line (PDL) for Botswana, needed to analyse the household income and expenditure survey for 1993/94 and 1985/86 in terms of poverty.

BIDPA Working Paper 6

Gergis, Abdalla.
Regulation, Privatisation and Commitment in Botswana: Paper presented at BNPC's First Stakeholder Consultative Conference on Productivity: Productivity - Key to the future, November 6, 1996.
The paper notes the challenge facing Botswana, giving particular attention to the changing role of the state and the need to adjust the regulatory environment. Recent economic developments in Botswana are discussed, as are the questions of international competitiveness and the search for anew engine of growth for the economy.

BIDPA Working Paper 7

Fidzani, N.H., P. Makepe and J. Tlhalefang
The impact of trade liberalisation on Botswana's beef and maize sectors. **BIDPA 1997**

The paper examines the Botswana beef and maize sectors in terms of structure, main activities and market distortions. The origins and sources of these distortions are analysed to determine how their removal would bear upon the various stakeholders. The paper also attempts to sketch implications of regional integration.

BIDPA Working Paper 8

Isaksen, Jan.
Data Requirements and Methodologies for Multi-country Research.
The paper was presented at a workshop on developing a research agenda for accelerated development in Sub-Sahara Africa Held in Harare, Zimbabwe, March 1997. It presents data and methodology for co-operation at national, regional and continental levels in research. It concludes that there is need for international co-operation build on national priority research.

BIDPA Working Paper 9

Gergis, Abdalla
"To Privatise", What is & How? Paper presented at seminar on "Competition, Productivity and Privatisation: Commonwealth Experiences and for Botswana" organised by BIDPA and BNPC under the sponsorship of the Commonwealth Secretariat, Gaborone 21-23April, **1997 BIDPA, 1997**

The paper was presented at a seminar on Competition, Productivity and Privatisation. It draws on lessons of experience as well as existing knowledge about privatisation, briefly addressing the main issues discussing how privatisation can be planned and implemented successfully.

BIDPA Working Paper 10

Greener, Robert
The Impact of HIV/AIDS and options for intervention: results of a five -company pilot study.
BIDPA, 1997
The paper was written for the Botswana National Task Force on AIDS at the workplace. It presents results from a study of the impact of HIV/AIDS, based on a sample of five companies in Botswana It concludes that the impact to date has been small, because the HIV epidemic is still too recent to have developed into an AIDS epidemic.

BIDPA Working Paper 11

Harvey, Charles.
The role of Africa in the global Economy: the contribution of regional co-operation, with particular reference to Southern Africa. BIDPA' 1997

The paper was written at the request of the Vice President and Minister of Finance and Development Planning. The paper notes that Africa's importance in the world economy has declined over the years and argues that this, and the extreme poverty in most of Africa, calls for analysis of ways to reverse the trend. Prospects for regional co-operation and integration are discussed as possible ways to accelerate economic growth in Southern Africa.

BIDPA Working Paper 12

Ditlhong, Molapisi.
Poverty Assessment and Poverty Alleviation in Botswana BIDPA 1997
The paper discusses the nature and extent of poverty in Botswana, drawing data from the Study of poverty and poverty alleviation in Botswana conducted by BIDPA for Ministry of Finance and Development Planning.

BIDPA Working Paper 13

Gergis, Abdalla
Competition, Productivity and Privatisation. BIDPA 1997.
A summary report of the proceedings of the Seminar on Competition, Productivity and Privatisation.

BIDPA working paper No. 14

Lisenda, Lisenda
Small and Medium-Scale Enterprises in Botswana: Their Characteristics, Sources of finance and Problem BIDPA, December 1997.
The study analyses the characteristics of Small and Medium-Scale Enterprises (SMEs) in Botswana highlighting the educational background of owners and exposure to business related training, geographic location of enterprises, premises of operation, age of enterprise, and size of enterprise by number of employees, sales and total investment and activity. Also considered are administration and financial sources of the enterprises. Record keeping is assessed by size of enterprise, gender of operator and source of finance of enterprise. Problems faced by SMEs are highlighted.

BIDPA Working Paper No. 15

Granberg, Per.
A simple formula for forecasting the Botswana urban population total. BIDPA, February 1998
The paper establishes a simple relationship between urbanisation and economic growth. The relationship is intended as a simple "annex" to the revised MEMBOT model (forthcoming), capable of providing quantitative estimates illustrating the likely nature of urban population changes under alternative economic scenarios.

BIDPA Working Paper No. 16

Sesinyi, Magdeline.
Minimum wages and employment: literature review and background on minimum wages **in** ***Botswana.*** **BIDPA, 1998.**
Gives a brief literature review on minimum wages and their possible effects on employment, with particular focus on the likely effects of minimum wage introduction on the two excluded sectors, namely the Domestic and Agricultural Sectors. It briefly outlines research results on minimum wages from past studies, highlighting their main recommendations. The paper concludes that minimum wage increases results in trade-off, and no matter how well intended come with a price in the form of lost jobs for some and increased benefits for others.

BIDPA Working Paper No. 17

Jefferis, Keith, Charles Okeahalam and Tebogo Matome
International Stock Market Linkages in Southern Africa. BIDPA, 1999

Stock markets are taking on an increasingly prominent role in financial development, and many developing and transition economies are establishing stock markets as part of financial reform processes. In theory stock markets can contribute to the mobilisation of savings and the allocation of investment, but there are questions as to whether this works in practice. One important issue is whether stock markets are efficient (in the financial sense), and a related question is whether share prices reflect economic fundamentals; both of these questions are important in addressing whether stock markets properly allocate capital. Another issue relates to the question of international linkages between markets: with greater integration of capital markets globally, financial market developments appear to be rapidly transmitted between markets around the world. While this can have beneficial impacts, in terms of improving the global allocation and pricing of capital, it may be disruptive if international capital flows are large relative to national markets and economies. This paper addresses pertinent issues in the context of stock markets in three southern African countries: Botswana, Zimbabwe and South Africa.

BIDPA Working Paper No. 18

Dumcombe, Richard
The Role of Information and Communication Technology in Small and Medium Enterprise Development in Botswana. BIDPA, October 1998

The paper analyses the role of information and communication technologies (ICTs) in small and medium enterprise (SME) development in Botswana. It outlines the economic and policy background to SME development, and presents an analysis of the SME sector with regard to firm size, location and market sector. It presents the results of a pilot survey of firms in the SME sector examining the information and communication practices of a small sample of firms. Current developments in information and communication technologies are outlined, and some preliminary findings relating to ICT impact on SMEs are summarised. Finally, some policy considerations are mentioned and the objectives of the main fieldwork phase of the project are outlined

BIDPA Working Paper No. 19

By Harvey, Charles

The impact on Southern Africa of the financial crises in Asia and Russia BIDPA, June 1999

The countries of southern Africa have not suffered seriously from "financial contagion", which is the short-term and sometimes devastating impact of financial crises in other countries. The first stage of financial contagion occurs through the markets for foreign exchange, shares and bonds. The second stage, which can be even more devastating, occurs if trouble in financial markets causes a crisis in the country's banking system, as happened in several Asian countries. South Africa's economy is potentially the most vulnerable in Southern Africa to financial contagion, because it has highly developed financial markets which are open to inflows and outflows of foreign capital. However, the economic cost of financial contagion has been limited in South Africa because the country's banking system is sound. Zimbabwe has been similarly protected from the worst effects of financial contagion. Financial markets in the other countries of Southern Africa are very underdeveloped, which limits the first stage of financial contagion; this is fortunate, because some of them have unsound banking systems. All of these countries are actively trying to develop their financial sectors, however, so that their relative immunity to financial contagion may be reduced in the future. This will strengthen the case for maintaining macroeconomic balance, realistic exchange rates, and absolutely sound banking systems.

BIDPA Working paper 20

Jeferris, Keith The *Long Term Impact of Structural Economic Change on Government Spending*. BIDPA, June 1999

Botswana's current economic objectives centre on diversification away from its historical dependence on diamonds and government. Such diversification will change the structure of the economy, and has important implications for the ability of government to raise revenue through taxation and therefore for its ability to finance its expenditure. This paper explores the likely impact of diversification on government's revenue raising ability and hence on the magnitude of its overall role in the economy. It uses projections over a 20-year period to simulate possible scenarios for taxation and the size of government. The key point is that any diversification will cause government revenues to fall, in relative terms. The diamond sector is extremely profitable, and those profits are taxed at a very high rate; as the economy diversifies, other sectors will emerge that will be less profitable and less highly taxed. The projections in this paper show that under a variety of different assumptions about sectoral growth rates, and taxation and spending, government will have to significantly reduce its role in the economy. Such a change will have major implications for choices to be made about the allocation of public expenditure.

Publications Series

1. Gaolathe, Ndaba "Botswana's booms and recession experience: a discussion" IN: Salkin J.S., D. Mpabanga, D. Cowan, J. Selwe, M. Wright (eds.) *Aspects of the Botswana Economy.* Gaborone: Lentswe La Lesedi, 1997 pp: 37 - S2.

In the years around 1990, the Botswana economy experienced a period of "boom" conditions, eventually followed by a "burst". The paper sets out to analyse this experience, trying to explain the underlying factors, and to draw out policy lessons.

2. Gergis, Abdalla (ed.)
Botswana's New Industrial Development Policy BIDPA/MCI. Gaborone: Government Printer, 1997.

The publication contains the proceedings of the joint BIDPA/MCI seminar held in September 1996. The volume includes the seminar report on group discussions of the draft industrial development policy and the background papers presented by speakers at the seminar. The report summarises the issues raised during the two days of discussions.

3. Gergis, Abdalla (ed.)
Prospects of EU/MCP relationship with particular reference to Botswana: Conference held at the Grand Palm Hotel, Gaborone 25 - 26 September 1997: Conference highlights Gaborone: Government Printer 1998.

This document presents highlights of the conference and of papers presented by speakers. The report captures the essence of the debate on the future of Lome Convention and highlights main issues that emerged from the consultation process.

4. Granberg, Per.

Exchange rate, inflation and competition: an analysis of the relationship between Botswana's Exchange and Inflation Rates and its implication for the competitive strength of her producers
The publication contains findings of the project: Study of Botswana's exchange rate policy. The publication details simple input/output based model for analysing the exchange rate question, and employs it to draw out the implications for various sectors of the economy, under alternative exchange rate scenarios. It goes on to analyse the available statistical evidence, and draw comparison to model results. Finally, it discusses the rationale, and possible revision, of the current exchange rate policy for a broader perspective with special reference to the likely implications of following a significantly different policy.

Serials

1. ***BIDPA Briefing***
   A quarterly newsletter, with topical supplements, that provides regular comment and analysis on all aspects of Botswana economy.

   The BIDPA Newsletter

   A quarterly newsletter reporting on events, projects and general activities of the Botswana Institute for Development Policy Analysis (BIDPA).