

Annex I: Description of the Action "Support to the implementation of the Private Sector Development Strategy of Botswana and the Economic Diversification Drive"

1. SECTOR CONTEXT

Historically, the private sector in Botswana has played a peripheral role in economic activity. The government plays a major role in business activity with Government institutions providing private sector development services such as training and mentoring, product development, market research and financial support. The public sector employs over 40% of the formal workforce.

Estimates by the International Monetary Fund indicate that there was a decline in the private sector's contribution to gross investment (measured as a percentage of Gross Domestic Product (GDP)) from 18% in 2007 to 8.9% in 2009 while the same ratio for the public sector increased from 7.8% to 15.1% over the same period. The private sector's contribution to gross savings declined from 20.3% in 2007 to 9.9% in 2009, while the public sector's contribution declined from 20.1% to 12% over the same period. This situation to a large extent reflects the impact of the global financial crisis and the vulnerability of the private sector to external shocks.

The participation of the private sector in the economy is being encouraged by the privatisation initiative an example being the privatisation of the Botswana Telecommunication Corporation. Private sector participation in the economy will also be spurred by the Public-Private Partnerships (PPPs) with a framework for PPPs having been put in place in 2009.

It is the context of the above scenario that the Private Sector Development Strategy (PSDS) was conceived. The PSDS was developed through extensive consultations with various stakeholders and was launched at the height of global financial crisis in 2009. The PSDS is built on four priority areas, which are trade expansion, improving labour productivity, support to trade support institutions and improving the business climate. Four cross cutting issues which have a bearing on private sector development have also been identified and they are; gender, the youth, HIV and AIDS and the environment.

The main problems affecting the private sector in Botswana are:

- i. A small domestic market with a declining population growth rate;
- ii. Dominance of Government sector in economic activities including the Government led agenda for private sector initiatives;
- iii. Slow progress in the implementation of the privatisation process;
- iv. Vulnerability of the private sector to exogenous shocks;
- v. Weak labour market characterised by skills shortage, uncompetitive labour costs, low productivity and poor work ethic;
- vi. Limited Research and Development activity; and
- vii. Unfavourable private sector environment.



SWOT Analysis of the Private Sector in Botswana

Opportunities	Threats
<ul style="list-style-type: none"> Strong economic performance with real GDP expected to average 6% in the medium term. (GDP is expected to rebound to 8.4% in 2010 from -3.7% in 2009) Good business climate ranking (World Bank November 2010), Botswana had an aggregate ranking of 52 out of 183 countries and is ranked number 3 in Africa behind Mauritius and South Africa. Good platform for trade expansion. Preferences to local suppliers for goods and services. PPPs being promoted by the Government. Prospects of trade in services under the Economic Partnership Agreement (EPA). 	<ul style="list-style-type: none"> Botswana is landlocked with a small domestic market (population of 1.7 in 2008 and a declining population growth rate). Decline in Foreign Direct Investment from US\$1,821 million in 2000 to US\$938 million in 2006 Exports dominated by the mining sector with diamonds accounting for 74% of exports.
Strengths	Weaknesses
<ul style="list-style-type: none"> Investment in beneficiation and value addition of primary products in the country. Investment by the government in the development of human resources Well-structured private sector associations with competent staff. Potential growth in some sectors such as agro and the Information and communications technology (ICT). 	<ul style="list-style-type: none"> Little support to the private sector resulting in lack of growth. Skills shortage. Lack of market information. Little resources put into Research and Development. Delays in quality and standards testing and high costs charged by Botswana Bureau of Standards. Overlapping activities by private sector associations.

A number of factors have changed since the since formulation of the PSDS and these include:

- Economic recovery post-recession and the global financial crisis;
- The economic diversification drive;
- Government procurement targeting small, medium and micro enterprises (SMMEs); and
- The growing importance of services sector.
- As a result of this a PSDS needs and capacity survey was conducted. This survey's executive summary has been inserted below.

2. PSDP IMPLEMENTATION NEEDS AND CAPACITY SURVEY

A needs and capacity assessment was undertaken as part of the preparatory activities carried out during the design of the programme. The survey findings are summarised below.

SMME Capacity Building needs:

The prioritised capacity building needs for SMMEs in Botswana are presented below as follows:

Capacity Building Intervention	SMME Capacity Building Needs	Priority ¹
Technical Assistance <ul style="list-style-type: none"> Regional and international market access Export value chain management Regional and international financial financing schemes access. E-business solutions to enhance competitiveness. Business environment hindrances removal 	Assist selected SMMEs to identify and utilise market opportunities created through regional and international trade agreements.	1
	Provide advisory services to selected SMMEs on export value chain management i.e. supply chain management, export quality management and packaging.	2
	Provide selected SMMEs with sustainable and adapted e-business solutions to enhance competitiveness and facilitate access to market intelligence for better bargaining power in export markets e.g. connecting them to powerful export oriented websites e.g. for Botswana Exporters and Manufacturers Association (BEMA).	3
	Assist selected SMMEs in the identification and accessing regional and international financing schemes.	4
	Assist selected SMMEs to identify unfair business practices by dominant players and how to advocate for their removal.	5
Mentoring & Coaching. <ul style="list-style-type: none"> Regional and international strategic partnerships. Local, regional and international competition. Quality Assurance 	Coach selected SMMEs to enter into and maintain regional and international strategic partnerships.	1
	Mentor selected SMMEs on how to compete effectively locally, regionally and internationally.	2
	Coach selected SMMEs on quality assurance schemes to ensure production of quality goods e.g. ISO certification.	3
On the job training (OJT) <ul style="list-style-type: none"> Productivity & Quality Business skills development. 	Train selected SMMEs on the OJT and how to continuously train their staff on productivity and quality improvement etc.	1
	Train selected SMMEs on; <ul style="list-style-type: none"> Budgeting and cost analysis skills. Effective operations and manufacturing. How to effectively access Citizen Entrepreneurship Development Agency (CEDA) financing it and how to manage it. 	2
Workshops / Seminars	Train selected SMMEs on competitiveness e.g. export packaging, export marketing and branding.	1

¹ Priority 1 is the highest

Capacity Building Intervention	SMME Capacity Building Needs	Priority ¹
<ul style="list-style-type: none"> Export value chain management. Business skills development. 	Train selected SMMEs on; <ul style="list-style-type: none"> Export quality and supply chain management. Project proposal development to support credit applications. Effective negotiating skills. Business stewardship principles e.g. utilization of business credit obtained and advocacy and lobbying. 	2
Benchmarking / Learning Visits Practical learning of regional and international best practice by learning visits.	<ul style="list-style-type: none"> Assist selected SMMEs to undertake benchmarking visit/s to learn regional and international best practice vis a vis SMME competitiveness and productivity. 	1

2.1. SMME Support Institutions Capacity Building Needs.

The prioritised capacity building needs for institutions that are supporting SMMEs in Botswana are as follows:

SMME Support Institution	Capacity Building Need	Priority
BOCCIM	Support to Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) to have the capacity towards the implementation of the Private Sector Development Strategy.	1
	Assist BOCCIM to establish sector desks that would deal directly with sectors and strengthen priority sectors.	1
	Develop the capacity of the Women in Business Association under BOCCIM in order to make it an effective association with the ability to adequately represent its membership.	1
	Develop the capacity of BOCCIM to make the organization an Apex Body as indicated in the private sector development strategy.	1
	Coach identified BOCCIM personnel on carrying out research and economic policy analysis on internal and international trade, project management, sector co-ordination and SMME development.	2
	Assist in the identification and establishment of a mechanism for assessing and reporting the impact of services provided to members and train BOCCIM personnel on it.	2
	Train selected BOCCIM members on how to skilfully engage with government and development partners on technical issues.	2
BEMA	Provide technical assistance to BEMA to build trade and export database.	1
	Sponsor some expert retirees to be attached to BEMA for a period of time to work on specialist projects identified by BEMA.	2
	Assist BEMA to lobby and negotiate with the relevant authorities with a view to manage the cost of manufacturing and exporting in Botswana.	3
	Assist BEMA to market its services to exporters and manufacturers not currently BEMA members.	4

SMME Support Institution	Capacity Building Need	Priority
	Assist BEMA to negotiate with BOCCIM to take over all the exporting and manufacturers that are in BOCCIM's database with BEMA paying back to BOCCIM a percentage of the subscription fees of those that are so transferred. BEMA is a member of BOCCIM and so an agreement can be worked out. This will increase the BEMA member's subscription base.	5
Hospitality and Tourism Association of Botswana (HATAB)	Assist HATAB to develop a strategic plan to think through how they can deal with the human and financial constraints they face.	1
	Assist HATAB to develop a performance management system.	2
Botswana Training Authority (BTO)	Assist BTO with technical expertise to assist it to "think outside the box" vis a vis how to do more to assist the community based organizations given the current budgetary limitations.	1
National Development Bank (NDB)	Enter into a memorandum of understanding with Local Enterprise Authority (LEA) and CDE to influence the NDB members' capacity building.	1
Ministry of Trade and Industry (MTI)	Assist MTI with technical expertise to enhance its capacity to manage the PSDS.	1
BOBS	Assist BOBS to enter into strategic alliances with organizations already decentralized to negotiate and work out the modalities of how, BOBS' services can reach the rest of the country without it establishing offices countrywide.	1
Botswana National Productivity Centre (BNPC)	Provide technical assistance to BNPC and other assigned Parastatals to find synergies between PSDS and EDD work vis a vis capacity building of the Botswana private sector.	1
	Assist BNPC with technical expertise to assist it to "think outside the box" vis a vis renewal of itself in the face of dwindling government financial support in order to effectively support SMMEs	2
	Assist BNPC to extend the BNPC-Japanese productivity centre programme focused on carrying out "kaizen" and other productivity interventions at the company level to selected SMMEs.	3
CEDA	Assist CEDA with technical expertise to negotiate and look deeper in the relationship with LEA and how it can be arranged for the benefit of their mutual clients i.e. SMMEs	1
	Coach CEDA'S mentors on effective mentoring.	2
LEA	Pilot project on accreditation (training certification) with CDE	1
	Capacitate LEA consultants who are accredited by Botswana Training Authority (BOTA) and Botswana Bureau of Standards (BOBS).	2

2.2. SMME Support Institution's Capacity Building Cross Cutting Issues.

The crosscutting capacity building needs for SMMEs support institutions in Botswana are recommended as follows:

Cross Cutting Need	Description
Effective Information Dissemination	Train the SMME support institutions on effective information dissemination to SMMEs.
Performance Monitoring System	Develop web-based performance monitoring systems for all the SMME support institutions.

CDE-BOCCIM-BEMA- BEDIA (Botswana Export Development and Investment Authority) concept paper recommended cross cutting Issues.	Trade information, trade finance, quality management, trade promotion and national branding, enterprise development, export packaging and institutional strengthening
---	---

2.3. Criterion for Choice of Sectors to Focus On in the Capacity Building Programme

Based on the literature review as well as the findings of the survey, the recommended criterion is as follows:

- Botswana Government policy and areas already identified i.e. the sectors should be in line with the Botswana Government identified six focal sector popularly known as hubs.
- Sectors that are exporting or have a potential to export.
- CDE's area of expertise so as to bring in the regional and international expertise.

Following this criterion the recommended sectors for the capacity building programme² to consider in order of priority are as follows:

Sector	Rationale	Priority
Manufacturing including agro industries	Potential to make meaningful impact by targeting SMMEs that are exporting and or have a potential to export.	1
Tourism	Government of Botswana chosen area of focus.	2
Construction & Public Works	CDE has experience from elsewhere in the Africa Caribbean Pacific region (ACP).	3
ICT	Government priority.	4

3. LESSONS LEARNT AND COMPLEMENTARITY

3.1. Lessons Learnt

- There are problems in addressing all Non-State-Actors (NSAs) under one umbrella as defined in the Cotonou Agreement.
- There is limited communication and coordination among the different Business Development Service Providers (BDSP).
- There is limited capacity of intermediary organisations.
- There is lack of knowledge about services being offered by the different institutions.
- Support to the private sector has to be synchronised with the private sector development strategy.

² Usage of the term programme simply refers to a number of collective activities that are addressing a common thematic area.

- f) Capacity building and skills development has to be looked at from a broader perspective beyond the focus on formal training and workshops but also to look at mentoring, exchange visits, technical studies and reviews, coaching and on the job training.

3.2. Complementary Actions

There are some private sector support programmes in the region but they are not specifically for Botswana as the country is regarded as a Middle Income Country. The CDE has its regional office in Botswana but its means to support the private sector in Botswana are limited. The CDE together with the Ministry of Trade and Industry, BOCCIM, BEDIA, BEMA, CEDA, LEA and Botswana International Financial Services Centre (IFSC) have elaborated a project proposal to support the implementation of the PSDS under what is now defined as the Private Sector Development Programme (PSDP). Botswana has benefited from the deployment of a trade policy analyst under the Trade Com 'hubs and spokes' initiative. United Nations Industrial Development Organization (UNIDO) has indicated its intention to include Botswana in their Regional Supplier Benchmarking Programme dealing with among other issues capacity building and investment promotion.

The African Development Bank, in conjunction with the Government of Botswana, is developing a UA 632 000 project to build the capacity of the Public Enterprises Evaluation and Privatization Agency through transaction support, training and assistance in preparing a citizen empowerment policy.

The PSDP will ensure that it builds up and complements all these current as well as any new initiatives that are directed at building the capacity of the private sector.

4. DONOR COORDINATION

Specifically, no development partners are providing support to the implementation of the PSDP. It is envisaged that the Ministry of Finance and Development Planning (MFDP) through the National Authorising Office (NAO) will play a key role in donor coordination. The MTI is expected to lead donor coordination in all activities that are related to building the capacity of the private sector and in this regard, it is expected that a donor coordinating forum will be set up to ensure regular exchange of ideas and experiences related to the implementation of the PSDP. Mapping of donors actively supporting the PSDP will be conducted by the MTI and the results will be posted to the Ministry's website and updated regularly.

5. EXPECTED RESULTS

The implementation of the PSDP is expected to strengthen private sector intermediary organisations and companies and ensure that they contribute to the economic diversification process. The programme will also support the MTI as the lead ministry in the implementation of the PSDS. The following result areas are targeted under this project:

- a) **Result Area 1:** Capacity and competitiveness of SMMEs and Community Based Organisations (CBOs) including value chains is strengthened.
- b) **Result Area 2:** Service delivery of targeted Intermediary Organisations (IOs) and Business Development Service Providers (BDSPs) is enhanced.
- c) **Result Area 3:** Business environment for enterprises is improved. (Reduction of red tape and pilot on improved access to financing for SMMEs).



6. ACTIVITIES AND IMPLEMENTATION TIMETABLE

6.1. Description of Activities

The main activities under each of the result areas are described in detail in the following section below. It is noted that there will be flexibility by the Management Committee responsible for overseeing the implementation of the PSDP to add or modify these activities in line with the reality on the ground while ensuring that there is good complementarity with the implementation of the PSDS. These changes have to be recorded in minutes and endorsed by the EU. Annex I-A provides a useful baseline on the status of the implementation of the PSDS and will be used as a basis of measuring progress in the implementation of the PSDP.

Result Area 1: Capacity and competitiveness of SMMEs and Community Based Organisations (CBOs) including value chains is strengthened, in a selected number of economic sectors.

Activities under this result area will focus on capacitating SMMEs and CBOs in terms of their entrepreneurial skills. Training workshops as well as onsite mentoring and coaching will be provided for selected small groups of SMMEs to build their expertise in key business subjects. A special programme will be designed and implemented targeting the women and youth in order to build their entrepreneurial skills. In partnership with the key private sector organisations, an export focused entrepreneurship development programme will be implemented to nurture the SMMEs that can be showcased as successful models out of which the government can replicate the model on a wider scale.

Trade missions will be organised for the selected priority sectors³ targeting both regional (SADC) as well as European markets especially for the agro industry and tourism sector, which have growth potential. Prior to the launching of the trade missions, detailed surveys will be undertaken in the target markets. This will focus on building the capacity of the Women in Business Association to provide services to their members who are mostly women entrepreneurs with some engaging in cross border trade. There are several women's groups in Botswana that have targeted the export market – either through direct sales at trade fairs or through sales to tourists at retail outlets. One example is the Etsha weavers group, which brings together over twenty female weavers and produces unique hand crafted baskets. Another is Women's Work, which supports the production and sale of a range of products for export – including ostrich eggshell jewellery, baskets, and craftwork and beauty products. With regards to the exact nature of the products and markets to be promoted, it is important to bear in mind that the programme aims to support diversification and innovation, and ensure that those groups with drive are supported. Work assessing the potential for export, in particular at the SMME level, has identified the areas selected (sub sectors would include leather, honey, weaving, and community based tourism). However, the programme should not be over restrictive. Those seeking new markets with new products should not be ruled out without due consideration of the business case.

There will also be sensitisation of these SMMEs and CBOs on quality standards, which are important in terms of giving them a competitive edge on both the local and international market. Value chain linkages in the priority sectors will be strengthened with large firms and the government being encouraged to procure goods and services from the SMME sector. Linkages will also be established with international firms with trade missions being organised for selected sectors and markets. A gender programme that supports business services for women in international trade will be implemented. The programme called 'ACCESS!' has been developed by the International Trade Centre (ITC), which seeks to address specific challenges that are faced by women exporters in international markets. The intervention aims at improving business support services for women engaged in international trade with the ultimate objective to increase their export readiness and success on regional and international markets. 'ACCESS!' addresses the particular needs of businesswomen by enhancing their access to a comprehensive package of trade support services, including exporters'

³ Manufacturing including agro industries, Tourism, Construction & Public Works, ICT



training, mentorship, business counselling, product and market development, business networking and trade intelligence.

In relation to the Trade missions, the number of companies/persons that will benefit from support to explore international markets will be close to what is described below, over the duration of the programme. Only economy class tickets will be provided.

Sector	Number of companies	Missions	Per diem and Travel	Total
Agro industry	10	3	2500	75 000
Tourism	10	2	2500	50 000

The gender programme will also include gender mainstreaming of the key trade development tools such as the National Export Strategy, Investment Strategy and the Economic Diversification Drive. Mainstreaming will entail reviewing these programmes with a gender-lens to ensure that they specifically and comprehensively address issues that constrain women's fuller engagement in business and export especially access to productive resources, entrepreneurship competency, access to finance and market entry. Using the ITC-developed guidelines for gender dimension of export strategy gender-sensitive value chain analysis of the priority sectors will be done to reveal options for greater and more equitable economic participation of both men and women. Youth will also be considered under this.

Sensitisation on issues to do with environmental protection including the impact of climate change on business will be undertaken.

Activities are summarised as follows:

1. Conduct training workshops and provide on site mentoring and coaching to a select group of SMMEs to build expertise in key business subjects.
2. Design and implement a quality improvement programme for SMMEs. Conduct annual sensitisation workshops for manufacturers and service providers on quality standards.
3. Design and implement an export focused entrepreneurship development programme and in particular support women owned SMMEs to participate in international trade.
4. Organise a platform to promote closer business linkages between SMMEs and large firms as well as with the government and design a programme to nurture the SMMEs.
5. Conduct awareness campaigns to promote environmental protection among SMMEs and CBOs

Result Area 2: Service delivery of targeted Intermediary Organisations (IOs) and Business Development Service Providers (BDSPs) is enhanced.

Existing private sector associations will be targeted in terms of a review of their mandates and capacities. Support will be provided to establish or to strengthen an apex body to coordinate the private sector in Botswana. On account of its consistency in advocating for its members' interests and having in its membership the bulk of the big businesses in the country, BOCCIM has emerged as the most articulate voice of business. The government has found it as the most reliable and well-placed organization to partner with in addressing private sector concerns. Nevertheless there are several businesses, which do not ascribe to BOCCIM's modus operandi and therefore feel left out hence the frequent calls for an umbrella organization that would house the entire business community. Such could be a Private Sector Foundation (as in Uganda,

Tanzania, and Rwanda) or a National Business Forum (as in Zambia) or a Private Sector Alliance (as in Kenya). In line with this, the Government of Botswana would therefore like to have one representative, one voice from the private sector and BOCCIM, which is the most active association, could play this role. The plan is to facilitate dialogue with other associations and avoid duplication while promoting effective coordination and also to ensure that BOCCIM's new structure accommodates this new role. The PSDS identified a need for a private sector umbrella or apex body with a clear structural framework that effectively links with the sector associations and represents all sectors effectively. Assistance will be provided to strengthen the capacity of these IOs as well as the BDSPs. Support will be provided to BOCCIM to build their capacity to coordinate the implementation of the PSDS and the PSDP. A network of Trade Support Institutions (TSIs) will be established to promote a collaborative approach by the various institutions supporting the development of exports. Through training, coaching as well as advisory services, the programme will assist the TSIs to build their network as well as to identify key needs. Networking and collaboration will be promoted through an interactive web based platform, which will be established. The web tool will assist SMMEs to be aware of the type of services that are being offered by each TSI and BDSP. The intention is to roll out/promote usage of the Com4Dev platform elaborated by the ProInvest programme and to see how this tool can be used to provide information about TSIs and Business Development Service Providers (BDSPs) in Botswana. TSIs and BDSPs will be encouraged to register on the platform. Com4Dev is a web-based platform that aims at building a dynamic, interactive community of Donors, Public and Private sector organizations and companies across Africa, the Caribbean and the Pacific (ACP). Com4Dev allows users to network and share Information on regions, countries, organisations, companies, programmes, projects, opportunities, events, studies, reports and best practices. The target users are

- Intermediary Organisations
- Development agencies
- Export Promotion Agencies, Investment Promotion Agencies
- Consultants

Two of the programme's stakeholders, BEDIA and BOCCIM, were trained twice in Brussels on the Com4Dev platform. The objective is to encourage the registration of all the key private sector associations in Botswana.

A benchmarking learning platform will be created to provide information to managers of the TSIs as well as the BDSPs so that they can set their performance targets including areas where they need to improve and share lessons learnt. A major study will be launched to establish the level of women participation in the leadership of IOs as well as BDSPs. Based on the results; a capacity building programme will be developed to support the involvement of women in the governance structures of the IOs. A programme will be designed and implemented to build the capacity of IOs in policy research and analysis as well as in effective lobbying and advocacy. The programme will focus on public-private policy dialogue. The programme will facilitate the operations of the structures that are supporting the implementation of the PSDS. Capacity of MTI will be improved in its leadership role of implementing the PSDS. A system of monitoring and evaluating the implementation of the PSDS and PSDP will be developed and will be implemented.

The activities are summarised below:

- | |
|--|
| 1. Conduct a review of the mandates and capacity of key private sector associations; design and implement a programme to support the establishment of or strengthen an apex body to coordinate the private sector in Botswana. |
| 2. Establish a web-based platform (Com4Dev) to promote networking and collaboration and to inform SMMEs on services that are offered by TSIs and BDSPs. |

3. Establish benchmarking learning platform centred on TSIs and BDSPs to inform management and allow information sharing and interaction.
4. Conduct a study on the participation of women in the leadership of IOs and BDSPs and develop a capacity building programme to address challenges that hinder the involvement of women in governance structures.
5. Conduct training of IOs in policy research and analysis as well as in effective lobbying and advocacy
6. Support BOCCIM in the implementation of the PSDS. Establish a web based performance monitoring and evaluation system for the PSDS and PSDP at MTI and the implementing institutions.

Result Area 3: Business environment for enterprises is improved. (reduction of red tape and pilot on improved access to financing by SMMEs)

The registration and tax compliance costs for SMMEs will be reviewed. This could result in the creation of a single window for the creation of enterprises. A programme will be implemented to provide innovative access to finance solutions for SMMEs focusing on women and young entrepreneurs. To address the challenges faced by banks in rapidly assessing SMME needs, trade finance software will be customised and piloted in Botswana with the major banks that are offering credit facilities. At the same time, training courses will be offered for SMMEs on how to access finance. Essentially this will involve providing practical training for SMMEs on financial management and on how to access funding from financial institutions. The primary objective will be to work closely with financial institutions to unpack their requirements and develop standard, easy to use checklists for the SMMEs. This will be complimented by introducing the 'trade finance software' that has been developed by ITC. It is innovative in that it is a unique partnership between banks, Trade Support Institutions and loan recipients to enable early detection of repayment problems, coupled with targeted coaching of the SMME to address issues identified. CDE is already working on a programme with CEDA to support SMMEs through delivery of pre and post investment technical assistance and access to equity and loan finance. The intention is to deepen this support by involving other financial intermediaries targeting SMME development. There is clearly an appetite amongst financial institutions for innovative (not the "normal") approaches to better address the needs of the business community, as evidenced by First National Bank's Memorandum of Understanding with the Women in Business Association to support the latter's savings mobilisation scheme. Initial consultations done by the ITC and CDE during the development of the PSDP indicated a great interest by local banks on this project. The programme will strengthen the capacity of SMMEs on the pre and post investment phases, in order to present credible business plans to the financial institutions dealing with SMMEs. Support will be given to the private sector to submit input into the development of a micro finance policy framework for the country.

A trade facilitation consultative group will be established to review, revise and streamline import and export procedures. Capacity building will be provided to the members of the trade facilitation consultative group. A review of implementation of the Foreign Investment Advisory Service recommendations will be done with a view to see areas that still need to be tackled to improve the investment environment. Reviews of the labour laws will be undertaken to identify bottlenecks and recommend labour productivity improvement strategies. MTI has expressed their support in the review of labour laws, as this is an ongoing initiative, which they have been working on with the private sector. The focus of the PSDP will be on labour laws that facilitate

SMME development and those that promote investment. This will involve the Ministry of Labour and Home Affairs and MTI. IOs will be involved in this initiative to provide input on areas that require revision.

Support will be provided to BOCCIM for the supervision of the implementation of the PSDS/PSDP and a web based performance monitoring and evaluation system will be established for the PSDS and PSDP at MTI and the implementing institutions.

Activities are summarised below:

1. Review the registration and tax compliance costs and procedures.
2. Develop and implement an innovative trade finance scheme for SMMEs to provide access to finance solutions, with particular attention for women entrepreneurs.
3. Support the development of the micro finance policy framework.
4. Establish trade facilitation consultative group and provide capacity building services to its members.
5. A review of implementation of the Foreign Investment Advisory Service recommendations will be done with a view to see areas that still need to be tackled to improve the investment environment.
6. Conduct reviews of the labour laws to identify bottlenecks and recommend labour productivity improvement strategies.
7. Conduct reviews of the import and export procedures

The project will seek complementarities and synergies with other EU support programmes as CTA, Bizzclim, COLEACP and TRADECOM. The activities might be complemented with activities from the Commonwealth Secretariat and Channel.

7. RISKS AND ASSUMPTIONS

7.1. Risks

An analysis is made in the matrix of the main risks and mitigation measures that are anticipated in the implementation of this programme.

Main Risks	Mitigation Measures
Government has insufficient capacity to manage the project in accordance with EDF procedures.	The EU to enter into a Contribution Agreement with CDE to manage the programme under the supervision of the MTI and Technical Assistance (TA) specialised in EDF procedures to be seconded to CDE.
Government does not have sufficient financial and human resources to progress the implementation of PSDP.	The Government has started the process of structural reforms such as privatisation, which will encourage private sector growth without much of a financial burden.

AB *TM*

Main Risks	Mitigation Measures
The pace of implementing the PSDS continues to be slow.	The capacity building of both the government and the leading private sector associations will assist in addressing this risk.
Intermediary organisations and private sector players do not have the will to implement program.	Inclusion of the IOs on the PSC will ensure that they take full ownership and remain committed to the implementation of the PSDP.

7.2. Assumptions

The main assumptions are that

- The Government of Botswana through the MTI will actively support the programme and will provide office space, equipment, communication and transport costs.
- The Government of Botswana will provide financial guarantees for grants that are given to the Intermediary Organisations.

8. CROSSCUTTING ISSUES

Democracy, gender equality, environmental sustainability, good governance and human rights, the rights of the disabled, child and indigenous people and HIV and AIDS are covered by non-governmental organization (NGO) and CBOs with international treaties and conventions honoured with Government. They need to be engendered as part of good enterprise management.

Gender equality as well as support to the youth in business will be given special consideration in the activities to be implemented. In particular the increased involvement of women in the governance structures of the IO will be taken into consideration.

The programme will sensitise the private sector on the negative impact of climate change and seek to promote positive engagement of business to act as they realise that this is not just a public sector responsibility.

Good governance will be promoted through the capacity building initiative targeted at the IOs.

9. STAKEHOLDERS

The main stakeholders in the project are Private Sector Organisations, Government Ministries and Parastatals, the EU and other Development Partners. The following is a list of some of the stakeholders that have a key role to play in the implementation of the PSDP

- Ministry of Foreign Affairs and International Cooperation (MFAIC)
- MTI
- Ministry of Finance and Development Planning (MFDP)
- European Union Delegation (EUD)
- CDE
- Botswana Confederation of Commerce, Industry and Manpower
- BEDIA
- BEMA
- LEA
- BNPC
- Botswana Bureau of Standards
- CEDA

TTC

- Botswana Tourism Organisation
- HATAB and
- Botswana International Financial Services Centre.

10. THE TRADE SUPPORT NETWORK

Botswana has a broad network of institutions, ranging from private sector intermediary organisations to government agencies to international donor programmes that provide a comprehensive range of services to support trade. Services provided include training, product development, quality improvements, financial and marketing assistance and management development. The capacity and level of involvement varies greatly. And mandates often overlap. The lack of effective co-ordination has often led to ineffective and inefficient use of resources.

The following overview of the institutions comprising the trade support network is taken from “Analysis of Botswana’s Trade Related Strategies and Policies” Leon Skarshinski (2009)⁴. In addition to these generally cross cutting issues, there are agencies for specific areas of support. In addition to the International Financial Services Centre (IFSC) (listed below) there are also special economic zones to support the development of hubs for several areas – including innovation, diamonds and transport.

Market Promotion and Access

- MTI
- National Committee for Trade Policy Negotiations (NCTPN)
- BW Export Development and Investment Authority
- BW Chamber of Commerce Industry and Manpower
- BW Exporters and Manufacturers Association
- International Financial Services Centre
- Botswana Agricultural Marketing Board (BAMB)
- American and African Business Women’s Alliance (AABWA)
- Women in Business Association (WIBA).

Quality Control, Standards and Production

- Botswana Bureau of Standards
- Botswana National Productivity Centre
- National Food Technology Research Centre

⁴www.satradehub.org/.../Technical%20Report%20%20Botswana%20Trade%20Strategy%20Analysis.pdf

- Botswana Meat Commission
- National Vet Laboratory

Trade Policy Research

- University of Botswana
- BW Institute of Development Policy and Analysis (BIDPA)
- BW Council of Non-Governmental Organisations

Technology Transfer

- Botswana Technology Centre
- Rural Industries Innovation Centre
- Botswana Training Authority
- Ministry of Science and Technology
- National Food Technology Research Centre

Financing

- Citizen Entrepreneurship Development Agency
- National Development Bank
- Botswana Development Corporation
- Botswana Export Credit Insurance
- Women's Finance House

Entrepreneurial Development

- LEA
- BOCCIM
- CEDA
- Small Business Council
- United States Agency for International Development and United Nations Development Programme
- American and African Business Women's Alliance and Botswana Women in Business Association
- Women's Finance House
- BEMA
- BEDIA

AS *787*

11. ORGANISATIONAL SET-UPS AND RESPONSIBILITIES

This Contribution Agreement is signed within the framework of the Government of Botswana – EU Financing Agreement (FA), entitled: *10th EDF Empowering non state actors (NSAs) in Botswana*. There are two components in the larger financing agreement of which one, component 2, will be implemented through this CDE contribution agreement. Therefore, the organisational set-up within the contribution agreement will be aligned with the organisational set-up foreseen in the Financing Agreement.

The Financing Agreement foresees a quarterly steering committee under the leadership of the MFDP, to which the CDE, MTI and BOCCIM are part and will report on progress in the implementation of the specific contribution agreement and on progress in the implementation of the PSDP in the framework of PSDS and EDD, using annex 1.A

In addition the Financing Agreement foresees a management team/committee (MC) for component 2 under the leadership of MTI and to which the Long Term Senior Capacity Building expert, recruited under the FA, will be part. MTI will chair the Management Committee and will be represented at the level of Director. The Management Committee (MC) will meet on a monthly basis. The Economic Diversification Drive (EDD) Unit and the Planning Unit from MTI will also be part of the MC. The chairman will be supported by a secretariat taken up by the 'programme coordinating unit', which will be recruited by the CDE.

This Management Committee will further include a representative of the NAO, EU, CDE and BOCCIM. Representatives of each institution benefiting from this contribution agreement will be represented on the MC when a topic that specifically concerns them is to be discussed.

The Committee will give overall policy guidance for the implementation of the contribution agreement and approve the annual work plans. As the specified activities in the contribution agreement are divers and can not yet be worked out on the level of their specific embedment into the Botswana context and how added value will be transmitted from each activity to Botswana organisations, the Management Committee will approve ex-ante the proposed approach for the implementation and embedment of each of the activities, on the basis of proposals from the programme coordination team.

The implementation partners for this contribution agreement are MTI and BOCCIM. MTI is the ministry in charge of the implementation of the PSDS/PSDP, but has delegated the Monitoring and Evaluation of the implementation of the PSDS/PSDP to BOCCIM. The MTI's role is to ensure effectiveness of the programme through alignment with the larger government of Botswana development agenda especially on poverty reduction, development of SME competitiveness and citizen economic empowerment.

The following three key institutions of the MTI have been involved in the development of the PSDP: CEDA, BEDIA and LEA. These have initiatives within their programmes that address complimentary activities to those in the PSDP. Their participation is important because they cover the entire country and that they provide services generally within the entire private sector.

Boccim's role as implementing partner of this contribution agreement is to monitor and evaluate the implementation of the PSDS and PSDP therefore, 30.000 euro will be made available to have expert support to Boccim on the set-up of a qualitative monitoring and evaluation system and 60.000 euro will be made available to Boccim to strengthen its role as monitor and evaluator over the duration of the programme.

ITC is a specialised international institution which is sought to play an important role in this programme. ITC will take care of the following activities in result area 1 activity 3, result area 2 activities 1 and 4, and result area 3 activities 2 and 4. The cost of its participation is mainly in the provision of technical assistance. An indicative needs assessment is given below. A budget of 195.000 euro is allocated for ITC's participation as implementing partner.

Indicative: The total budget for ICT support is split below as follows based on the work plan

Expert	Monthly Fees	Transport	Perdiem	Average
International	15000	1300	3720	20000
Regional	8000	700	3720	12000
Local	3500			

For the daily management of the implementation of the contribution agreement, a 'programme coordinating unit' will be recruited by the CDE, including 5 staff, to support MTI and BOCCIM in the implementation of the contribution agreement. As the coordination unit has to be embedded fully into the Botswana structures, its staff will be complemented through secondment of 1 staff of MTI and 1 staff of BOCCIM respectively to provide guidance to the programme coordination unit. For this purpose and to guarantee embedment of the programme, all mentioned staff will be together and take up offices at BITC.

12. COMMUNICATION AND VISIBILITY

In line with European Commission Visibility Guidelines, acknowledgement of the EU contribution to the project will be made in MFDP, MTI, CDE and any other organisations' reports and publications as well as in any workshop or forum associated with this project. A budget allocation has been made to finance specific visibility activities.

13. PROCUREMENT AND GRANT AWARD PROCEDURES

All contracts implementing the Contribution Agreement will be awarded and implemented in accordance with the procedures and standard documents laid down and published by the CDE. For the implementation of the Contribution Agreement, guidelines will be developed through a manual for procedures which will be validated by MTI, BOCCIM, NAO and approved by the EU delegation.

14. LOGICAL FRAMEWORK AND PROPOSED IMPLEMENTATION PLAN

The Logical framework and the implementation plan for the PSDP is shown below.

 107