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THE IMPLEMENTATION OF A SPECIAL-INDUSTRY INCENTIVES  
PROGRAMME IN BOTSWANA <sup>1/</sup>

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## I BACKGROUND INFORMATION ON BOTSWANA

1. The Republic of Botswana is 370,000 km sq in area (about the size of Kenya). The country is land-locked, being bounded by South Africa, Namibia, Caprivi Strip, Zambia and Southern Rhodesia. Its climate is continental and semi-arid with a low average annual rainfall (450 mm p.a.).
2. Botswana's population totals 624,000 (1973 Census). As in other developing nations, unemployment, in particular in the rural areas, is a serious problem.
3. Infrastructural shortcomings in many parts of Botswana have hindered accelerated industrial development to a considerable degree, as does Botswana's vast size and widely scattered population (just over 1 person per sq. km.).
4. At Independence (1967) Botswana's economy was almost entirely dependent on agriculture, in particular beef production. However, major mining developments at Orapa (diamonds) and Selebi-Pikwe (copper-nickel), industrial developments in Eastern Botswana along the North-South railway line, and substantial progress in the tourist sector have all contributed to a more balanced economic structure.
5. Although these developments lifted Botswana in 1974 out of the group of 25 least developed countries on the basis of per capita income, the capital intensive nature of most of these developments has only a modest impact on the national unemployment problem. However, the revenue generated by the mining projects enabled the Botswana Government to embark for the first time on large development programmes aimed at taking the benefits of those developments to a far larger section of the population, in particular to those living in the rural areas.

## II LOCAL ENTREPRENEURSHIP IN BOTSWANA

6. Before and immediately after Independence local entrepreneurship had not developed to any significant degree. Although this was partially due to historic and social reasons, the main constraint had been the lack of a comprehensive programme of assistance designed to help the entrepreneurs overcome the many obstacles which had retarded their development. It became the task of the Botswana Enterprises Development Unit (BEDU) to draw up and implement such a programme.
7. Before elaborating on the different aspects of the BEDU programme it is important to describe the type of entrepreneur which BEDU is attempting to assist. In virtually all instances BEDU deals with entrepreneurs who can be described as "small" in the real sense of the word. Such entrepreneurs have generally acquired technical skill, be it through traditional channels (father-to-son) or through on-the-job training received as an employee in a factory, often outside of Botswana. In some instances such training was received through a technical training institution. They will often have started some small venture within their field of technical competence, operating from domestic and non-permanent premises. A certain number of entrepreneurs have been operating as traditional crafters, while still others were employed in foreign capacities and joined a colleague to start a small industry in partnership. These "entrepreneurs" may employ one or two employees. Tools and equipment are invariably simple and hand-operated. Turn-over is low and erratic, ranging from perhaps US dollars 50 to US dollars 150 per month. This type of entrepreneur has generally no knowledge of even the most elementary aspects of management. He mixes personal income and expenses with those of the "business", and when asked

how he knows his business is profitable he may reply "because I can buy my food at the end of the week". Marketing methods are very rudimentary, mostly from house to house. Costing and pricing is undertaken using the rule of thumb; as long as the customer buys, the price is right; if he doesn't the price is too high. At times sales are made at a price which does not even cover the raw material cost element of the product. A common constraint to the progress of small entrepreneurs is their lack of accumulated savings, and the difficulties of having access to commercial credit facilities. The Botswana entrepreneurs are by no means an exception, and it is not at all unusual for BEDU to be approached by an entrepreneur who has not more than a few dollars in his pocket.

- B. It is this type of entrepreneur for whom BEDU designed its programme of assistance. It is important to stress that virtually no local entrepreneurship of a more elevated level than that described above existed in Botswana when the project commenced one and a half years ago. The relatively small number of larger industries operational in Botswana were invariably in the hands of non-local (i.e. expatriate) interests.
9. Although the validity of a precise definition of small-scale industry is relatively limited in the international context (such a definition will vary from country to country), the following general definition is used as a rule of thumb by the BEDU Project:

"Any undertaking which is operated from foral business premises for the purpose of profit and on a full time basis, in which up to 15 people are employed, including proprietors, and the capitalisation of which does not exceed 210,000 (US dollars 15,000 approx), excluding the cost of business premises, and which can be operated with relatively unsophisticated management skills".

It should be noted that this definition excludes all entrepreneurs operating along traditional lines, i.e. prior to becoming part of the BEDU framework of assistance. It also excludes those industries which, after having been set up with BEDU assistance, have outgrown the BEDU definition of "small", and as such are not entitled to the same package of assistance as their smaller colleagues.

#### 1. **BATSWANA ENTERPRISES DEVELOPMENT PROGRAMME: AIMS & OBJECTIVES**

10. About 2½ years ago extensive research was started in the field of small-scale industrial development. It was found that there was a substantial "Pool" of local skills in certain industrial activities which had to date remained dormant. It was also found that clear market opportunities existed for certain production lines which could be manufactured by these entrepreneurs, while locally available raw materials could be utilized in certain instances.

As a result of these findings a project memorandum was drawn up by a newly created department of the Ministry of Commerce and Industry named Botswana Enterprises Development Unit (BEDU), and in 1975 the Agreements on the Botswana Enterprises Development Programme were signed between the Botswana Government and the Swedish International Development Authority (SIDA) and UNDP/UNEDC. The total project costs of US dollars 1.2 million for its first 2½ year phase.

11. The Programme's broad aim is to assist in every way possible with the development of locally-owned and managed enterprises. More specifically, BEDU's aims are:-

- a) To assist with the establishment of fully viable enterprises owned and managed by Botswana entrepreneurs.
  - b) To create new employment opportunities in both urban and rural areas.
  - c) To assist with the establishment of enterprises using locally available skills and, where possible, locally available raw materials.
  - d) To realise a more equitable distribution of income, in particular between the urban and rural areas.
  - e) To increase the degree of direct participation by Botswana entrepreneurs in the industrial and commercial development of Botswana.
- It was found that the only effective way of realizing these aims was to design a programme of assistance for the small entrepreneurs that would cover every area which had proven to retard their development. As such each element of assistance is an essential requirement, and the omission of any one of these elements is likely to result in an unbalanced programme and distorted results. For example, the provision of financial assistance without remuneration would be a complete waste of effort and scarce funds, as would be machinery and equipment procurement without technical assistance to teach the use of such machinery and equipment.

Under the BEIU Programme the following elements of assistance are provided;

a). Provision of Workshops through Small Industrial Estates

- As virtually all small-scale industries were originally operated from domestic and non-permanent premises, it was essential for BEIU to provide such working premises without the entrepreneur having to involve himself in mortgages and heavy capital and interest payments.

BEIU therefore constructed several so-called "Small Industrial Estates". On these estates small-scale workshops were constructed. Each workshop, functional and cheap, would provide working space for up to 15 people and could be rented from BEIU. The design of the blocks of workshops ensured that internal walling was mobile, so that workshops could be increased in size from 25 square meters to 100 square meters (and vice versa) without the need for structural changes to be made. This design offers the flexibility required by many of the small-scale industries which can expand rapidly over a relatively short period of time. Security-fenced back-yards are attached to each workshop, thus providing cheap storage space for raw materials and finished products, or for use for production purposes during the hot summer days.

- The economic rental charged by BEIU for such workshops is US dollars 25 per 25 square meters. Rentals are calculated on the basis of a write-off period of only 12 years. An annual maintenance expenditure equal to 10% of the original construction costs is incorporated in the rental.
- In addition to the workshops the Estate has a small office for BEIU staff, as well as a common services facilities centre

16. A fundamental aspect of the BEMU programme is what has been called the "functionalized" approach on the estates. A functional small industrial estate is one which is specialized in the provision of premises and assistance for a specific category of industry. In the Botswana context basic research had indicated that local entrepreneurial potential was particularly promising, in the following industrial activities: garment manufacturing and fabrics conversion; construction industries and manufacturing of certain building materials; leather industries and tanning; metalworking industries; and woodworking industries. It was also found that each type of industrial activity was to a considerable degree specific to certain geographical parts of Botswana. For example metalworking and woodworking activities were commonly found in the Francistown area, while leather activities were more commonly undertaken by entrepreneurs from the Mochudi area. The choice of location of each estate and its "industrial specialization" was based on these factors, as well as on such criteria as marketing possibilities, availability of serviced land, availability of raw materials, etc.

Today the following estates are in operation:

Gaborone Estate I;	garment industries and allied products
Gaborone Estate II;	construction industries and building materials manufacture
Mochudi Estate I;	leather utilization industries
Mochudi Estate II;	rural tannery
Francistown Estate;	metalworking industries woodworking industries

17. The great advantage of this functionalized approach is that the ten or so enterprises of each estate have the same technical bases, similar needs for skills and materials, as well as complementary marketing needs. It is hence possible to recruit one or two technical experts to work on a full-time basis on each estate, providing advice as and when a problem arises in one of the industries. Such concentrated assistance could never be provided if, for example, a Ready-made Corments Expert was recruited to cover all of Botswana. Not only will such an expert lose half his time travelling a country as large as Botswana; his work will also be ineffective because of the infrequency of his visits and his inability to follow up assistance provided.
18. It should be noted that the functional estate approach does not mean that the estate is reserved exclusively for the use of entrepreneurs in the industrial activity particularly chosen for that estate, but rather that the emphasis is on the provision of entrepreneurs operational in that industrial activity. In Mochudi, for example, there was found to be a great demand for a furniture manufacturer, who could provide different frames for chairs and stools which would then be bought by the leather enterprises for covering with leather seats and backs.

b) Technical and Management Training

19. The industrial estate approach greatly facilitates the provision of both technical and management assistance to the entrepreneurs.



BEDU has recruited through SIDA and UNIDO a number of technical experts in the different industrial activities referred to above. Each expert is permanently based on one of the estates, obviously according to his field of competence and the concentration activity of the estate. The expert's terms of reference is to assist the entrepreneur to improve his skills, to introduce the use of more modern machinery, to run the common services facility centre, and, more generally, to assist the entrepreneur with every technical aspect of his business and production process. This training is carried out to the largest degree possible in the entrepreneur's own workshop, using his own tools. The emphasis is on convincing the entrepreneur that new ideas and techniques are valuable, rather than impose the expert's will on the entrepreneur. Undertaking practical in-workshop demonstration sessions, in which the expert works physically together with the entrepreneur, do not only yield the best results, but also ensure that relationship of confidence and common destiny is built up between the expert and the trainee. Needless to say that technical training must be directly relevant to each entrepreneur's specific business activities and problems. Theoretical class-room type technical training is kept to the very minimum, although some facilities for such training are available on the Estate. Any theoretical technical training undertaken is in the form of three or four hour courses, each course dealing with one particular technical matter. This is at once followed up with in-workshop implementation of the theory taught. /4

- 20 The aim of the technical training is to upgrade the entrepreneur's technical ability, thus enabling him to manufacture a better, cheaper or different product than he was able to manufacture before. BEDU is not a training institution as such. It will assist the entrepreneur to improve his technical ability, not to get him a certificate or diploma.
- 21 Of even greater importance than technical training is the BEDU management training programme. Virtually no small entrepreneur has command over even the most rudimentary management functions. Indeed, most entrepreneurs consider such matters as bookkeeping, pricing, and business correspondence unnecessary and irrelevant aspects of their businesses. At the same time, however, there is no doubt that their minimal management know-how is the cause of most of the entrepreneurs' financial problems or even bankruptcies. It is obvious that no entrepreneur can progress unless he is able to calculate the cost and price of his product, keep the most elementary accounting system, is acquainted with the most important taxation and labour laws of his country, and can use a bankbook and read a bank-statement.
- 22 Management training is provided through the so-called Estate Managers, who work under the general supervision of the BEDU Advisor - Management Training. One Estate Manager (generally a local officer or volunteer) is located on each estate and is responsible for both the class-room type management training and the follow-up provided to each entrepreneur in his workshop. At this stage theoretical training is limited to one three-hour lecture per week. Each lecture covers only one topic or part of a topic, thus avoiding confusing amongst the entrepreneurs by feeding them with too many ideas and techniques without having had an opportunity to digest them properly. The course material is drawn up by the Management Training Advisor, taking into consideration the priorities given by the entrepreneurs. Courses are kept short because the entrepreneur cannot reasonably be expected to divorce himself from his enterprise for a longer period of time.
23. Of great importance is the in-workshop follow-up on the course material dealt with. During this follow-up the Estate Manager visits each entrepreneur and applies the course material to the actual management

needs of each individual entrepreneur.

24. As part of the management training programme BEDU has written and published a number of BEDA Business Booklets. Each publication provides essential information on the most important aspects of management. For example, a simplified bookkeeping record system, tailor-made for the BEDU assisted entrepreneurs, has been published and is now widely used by the entrepreneurs. Other booklets cover such areas as labour laws, taxation, banking, costing, company formation, etc.

(c) Machinery and Equipment Procurement; Provision of Working Capital;

Raw Materials Bulk-buying Scheme

25. Without doubt the average Botswana entrepreneur's major constraint is limited financial resources. The problem confronting the small entrepreneur is only too well known; limited security prevents him from raising the necessary finance required for capital purchases considered essential for efficient production and hence a competitive final product. As a result the entrepreneur operates with fewer or outdated machines, too little working capital, and without normal credit terms from suppliers. This state of affairs by definition prevents the entrepreneur from operating an efficient and profitable establishment. In order to help the entrepreneur overcome these problems BEDU provides access to certain types of financial assistance.
26. Firstly, a so-called machinery and equipment lease-purchase scheme has been established. Under this scheme the entrepreneur can apply for certain equipment and/or machinery which he considers essential to the efficient operation of his industry, but the capital cost of which cannot initially be met by the business. His application is invariably accompanied by an evaluation of both the technical expert responsible for the category of industry to which the applicant belongs and the estate manager as to the need for and the sustainability of the machinery or equipment requested. Once the application is approved the machine is purchased in the name of the financing institution which provides financial assistance under the programme, and is rented to the entrepreneur. As soon as the total of the rentals plus interest equals the original purchase price of the machine the entrepreneur will have the opportunity to purchase it for a nominal sum.
27. Throughout the rental period the machine remains the legal property of the financing institution. Upon default in rental payment the machine can therefore be withdrawn immediately from the entrepreneur. The security of the financial assistance lies in the machine itself. The amount of risk attached to this type of financial assistance is reduced further because the applicant will invariably occupy a workshop on one of the estates, where the machine's use can be supervised.
28. The lease-purchase scheme as described above is now fully operative and used by many BEDU-assisted industries. The only industrial activity which makes limited use of the scheme is the construction sector. In this sector BEDU has introduced a straight forward plant hire scheme, under which small contractors receiving FDI assistance can hire on a day-to-day basis such machines as mixers, soil compactors and expensive instruments of measurement.
29. The second type of financial assistance available to approved BEDU-assisted entrepreneurs is procurement of raw materials.

There is no doubt that the average small entrepreneur has serious problems in obtaining raw materials in bulk and at reasonable prices and credit terms. He is unlikely to have achieved sufficient status in the eyes of his suppliers

to be extended credit, nor does he have the cash to buy in quantity and therefore at reduced prices. The entrepreneur is forced to buy on a hand to mouth basis, which invariably means at retail prices, and when he needs some materials for a day's production. High raw material prices will obviously affect the competitiveness of his final product negatively.

30. Under the Bulk-Buying Scheme BEDI, through its financial agent, purchases raw materials in bulk at the next competitive price and terms possible (ideally ex-factory), stores such materials in a warehouse on the estate, and re-sells in smaller quantities to the entrepreneurs. Although a service-charge of 10 per cent on landed cost is added to the material cost, a net saving of up to 100% is known to have been realized on certain materials.
31. Although credit terms on purchases are not normally granted, an exception is made when a purchase of material is backed up by a written order for which the material is to be used.
32. It is obvious that a raw material procurement scheme can only work efficiently when the functionalized estate approach is followed. In the case of a metalworking enterprises estate, for example, one only needs to stock ten or fifteen different types of tubular steel, angle iron and sheet metal in order to be able to supply 90 per cent of the raw material needs of the metalworking enterprises located on the estate.
33. The third and final type of financial assistance provided by BEDI is loans for working capital. Such loans are kept to a minimum, however, as the entrepreneur himself is expected to be able to provide most of the cash required to cover his day-to-day expenses, in particular when the other forms of financial assistance have been made available to him.

(d) Common Service Facilities

34. A major advantage of the "functionalized" small industrial estate approach is that it makes the establishment of a common service facilities centre a realistic proposition.
35. The purpose of such a centre is to make available to the entrepreneurs machinery which the entrepreneur requires to create or improve the productivity of his industry, or the quality of his product, but the cost of which is too high or the projected daily use by the entrepreneur too low to make it economically worthwhile for the entrepreneur to acquire such machinery on his own account. It is, on the other hand, imperative that the entrepreneurs have access to such cost saving and quality control equipment if they are to compete successfully with the large-scale producers.
36. A good example of a common service facilities centre is the one on the Gaborone Garment Enterprises Estate. A total of seven relatively sophisticated industrial machines have been installed there, including an overlocking machine, button-hole machine, and cloth cutting machines. The different garment industries accumulate in their own workshop sufficient stock of semi-finished products, be it knitted garments, protective clothing or ready-made garments, before hooking the necessary common service facilities machine(s) for a certain number of hours.
37. In case the entrepreneur does not have the know-how to operate such machinery the technical expert will be there to instruct the machine's method of operation.

38. A relatively high hourly rental is charged by BEMU for the use of the equipment, as the many different users will cause rapid depreciation, as well as high repair and maintenance costs.

(c) Marketing Assistance

39. One additional form of reference of BEMU is to train the entrepreneurs to improve their marketing techniques. This type of assistance is eagerly sought by most entrepreneurs, probably/the input of their marketing efforts seems to directly influence the size of their bank balance.
40. The BEMU Marketing Expert's task does not, however, stop there. He is expected to liaise with Government departments, larger industries, and wholesale and retail outlets in order to ascertain their requirements for items which could be manufactured by BEMU-assisted entrepreneurs, while he also looks out for export possibilities. He also assists the entrepreneurs with the organisation of displays at trade fairs and exhibitions, as well as with the preparation of sales literature, catalogues, trade marks, advertising, labels etc.

IV THE STRUCTURE OF THE PROGRAMME OF ASSISTANCE

41. The impact of the programme described above is of course greatly dependent on the effectiveness of its organisational structure.

The BEMU Project has attempted to develop a structure which would cater for optimum flexibility. In this context it was considered necessary, indeed essential, to differentiate between the two main categories of assistance provided by the Programme. On the one hand there is the assistance that can be described as purely developmental. This category includes management training, marketing assistance, technical assistance, etc. On the other hand there is the purely financial assistance, including equipment lease-purchase, provision of working capital, raw materials bulk-buying, etc.

42. The first category is the responsibility of the Botswana Government through the medium of BEMU. This Department is staffed with four Government officers at H.Q.s, together with the necessary clerical staff. The remainder part of the Department is made up of the experts and their counterparts all of whom are permanently located on the estates. Whereas HGO is responsible for the overall administration, co-ordination, and planning of the Project's activities, the estate staff is the major implementation force.

43. The second category of assistance is to a considerable degree divorced from Government, mainly in order to ensure that the financial assistance is provided on the basis of normal commercial considerations, and as efficiently as possible. To this end BEMU has entered into an Agency Agreement with Botswana's para-statal National Development Bank. Under this Agreement EIC funds for the provision of financial assistance are deposited with the Bank, and used in accordance with the decisions of the BEMU Loans Committee, a Committee responsible for the screening of requests for financial assistance. The Bank is responsible for the overall administration of the its BEMU Account, the provision of funds to approved applicants, as well as for debt collecting. An Agency Fee is paid by BEMU to cover the costs incurred by the Bank.

44. The BEDU Loans Committee, consisting of Government and non-Government officers, operates with the greatest flexibility possible, and can be called at short notice to consider even a small individual request for financial assistance.

Each application sent to the Loans Committee is accompanied by an evaluation of the request by the Estate Manager and the responsible technical expert. Both officers would have interviewed the applicant, and carried out a brief feasibility study of his request.

V EVALUATION & ANALYSIS OF THE BOTSWANA EXPERIENCE

45. Although the BEDU Project has been in operation for about 18 months, some general observations can already be made. These observations can be listed as follows:-

46. (i) Quantitative Success of Project

Without doubt the Project has realized a substantial quantitative success. Over the 18 months project period a total of 32 industries have been established, all in the industrial concentration areas referred to under par. 16 above. All workshop constructed to date are occupied, and there is a substantial list outstanding applications for working premises.

47. Needless to say that the size of the enterprises varies greatly. There are those with only one or two employees, while others employ as many as 30 (this applies only to the construction industries). Similarly, annual turnovers of the enterprises vary from US dollars 3,000 to US dollars 70,000.

48. The combined employment figure of all 32 industries is in the region of 250, the equivalent of 7-8 persons per industry. The accumulated annual turnover of the 32 industries is close to US dollars 700,000.

The individual performance of the industries is very satisfactorily. Only two or three entrepreneurs can be described as financially dangerously weak.

49. Sales of final products have been mainly on the domestic market, although four enterprises have secured substantial foreign contracts in five different countries. These domestic sales of locally manufactured products have had a considerable import substitution impact on the Botswana economy. For example, the local demand for such items as steel and wooden school furniture, certain types of garments, mattresses, and different types of building materials can now be met by local industries working within the BEDU framework.

In this context it may be interesting to note that the old concept of a small domestic market (625,000 people in Botswana) being a major obstacle to industrial development is not necessarily a truism. Indeed, there is already evidence that for certain locally owned industries this small domestic market is perfectly suited to their production and management capacities.

50. (ii) Screening of Entrepreneurs and Pre-Project Research

The identification and screening of entrepreneurs is the most important and at the same time most problematic aspect of the programme. Once an entrepreneur's project has been approved and he has been allocated a workshop and possibly been granted financial assistance it is essential

that his abilities as an entrepreneur come up to expectation. If this proves not to be the case his decaying business can cost the Project countless expert manhours in attempts to save it from collapse.

51. As the applicant's technical abilities can be identified relatively easily, the emphasis during interviews with an applicant is on his entrepreneurial capability. These interviews are undertaken on a rather informal basis by the technical expert and the estate manager. A simple written psychological test has also been designed in order to evaluate certain aspects of the applicant's personality, including his flexibility, adaptability, determination, and originality.

In certain instances interviews are purposely spaced over longer periods of time in order to ascertain the applicant's keenness by asking him to come back on a number of occasions.

52. Approximately 15 per cent of all applications received are approved by BEDU's interviewing panel. Once such approval in principle has been granted the estate manager and technical expert will together with the entrepreneur work on detailed pre-project research in order to evaluate the best production line, raw material use, and the need for a package of financial assistance (if any) to be submitted to the BEDU Loans Committee. Once approval has been given by that Committee the entrepreneur is absorbed fully within the BEDU Project.
53. Although the BEDU Project does recognize that it is essential to take risks with regards the selection of applicants, it is considered similarly important to attempt to eliminate this element of risk to the largest degree possible. Only by allocating BEDU's scarce resources, both in terms of funds and manpower, to the "cream" of the entrepreneurs can long-term success be realized. Although the temptation to assist the largest possible number of entrepreneurs in the shortest possible time might be attractive, there is little doubt that satisfactory progress of a limited number of entrepreneurs is preferable to having to count long rescue operations for a large number of projects which were never fully researched and evaluated.
- 54 (iii) Financial Management of Project

As the implementation of the BEDU Project is on a decentralized basis, with most of the action taking place on the estates, it is essential that very strong project organizational and management control be exercised. This applies in particular to the financial management of the project. With the many different types of financial assistance extended to the entrepreneurs it is imperative that impeccable accounting be practiced, and that all repayment schedules be adhered to by the debtors. It has proven to be only too easy to allow an entrepreneur one or two months' grace on his workshop payment, or on his repayment of working capital loan. If such an approach were followed, however, the programme would find itself in very acute financial problems in the shortest time imaginable.

55. It was partially for this reason that BEDU concluded the Agency Agreement with the National Development Bank, making the Bank responsible for ensuring that all payments are made in time by the entrepreneurs. It is obvious that a Bank, which already has an organization geared to ledger control, the calculation of outstanding interest payments, and debt collecting, is in a far better position to undertake this type of work than a Government Department like BEDU could ever dream to achieve.

56. As a result of the above arrangement with regards the programme's financial affairs it can be stated that virtually no entrepreneur is in arrears on his debt - repayments, while workshop rental and monthly water and electricity bills have been duly paid by all enterprises receiving BEDU assistance.

(iv) The Question of Subsidization

57. The Botswana Government has accepted that certain elements of the BEDU Programme are purely developmental and as such should be financed from public funds. These elements include all forms of training and guidance provided by BEDU personnel, as well as the administrative/operational and expenses of BEDU HQs. It can be said, therefore, that the BEDU-assisted entrepreneurs receive subsidization in the form of "know-how" through BEDU's programme of technical, management, and marketing assistance.

58. All other forms of assistance, however, are related to the production and profitability of the enterprises and as such should at least be cost-covering, and ideally augment themselves. BEDU makes every effort possible to ensure that its programme of financial assistance is cost-covering. As stated earlier, the workshop rental is calculated on the basis of recovering capital invested in the premises over a period of 12 years taking into consideration maintenance costs, interest on capital, and inflation. Each workshop is individually metered for electricity and water consumption, and here too no subsidization is granted by BEDU. With regards direct financial assistance, a flat interest rate of 8 per cent is charged on all types of financial assistance extended by the National Development Bank, including the machinery lease-purchase scheme. As was explained earlier, charges for the common service facilities centre and the mark-up on raw materials sold through the BEDU Bulk Stores are calculated on the basis of normal commercial criteria.

59. A heavily subsidized programme of financial assistance is, therefore, not seen by BEDU as the correct method of teaching small entrepreneurs the art of finance and business management. There is little doubt that once an entrepreneur is accustomed to a large measure of financial subsidization, he will find it hard to stand on his own feet at a later stage, with only the manager of his commercial bank as a possible redeemer.

(v) THE NEED FOR MORE SPECIALIZED ASSISTANCE

60. One of the most formidable problems of the BEDU Programme continues to be the finding of immediate, effective and realistic solutions to the very specific constraints confronting the small-scale industries at the level at which the BEDU Programme is operative.

61. While much can be read and heard about small-scale industries and the many different programmes of assistance initiated in order to accelerate small-scale industrial development, far less can be found out about programmes of assistance for the level of entrepreneurship commonly found in a country like Botswana, as described in para. 6 to 9 above. Indeed, there do not appear to exist many aid institutions which are fully geared to tackle, in a comprehensive manner, the most precarious stage of the entrepreneurs' evolution; his first few years in real business.

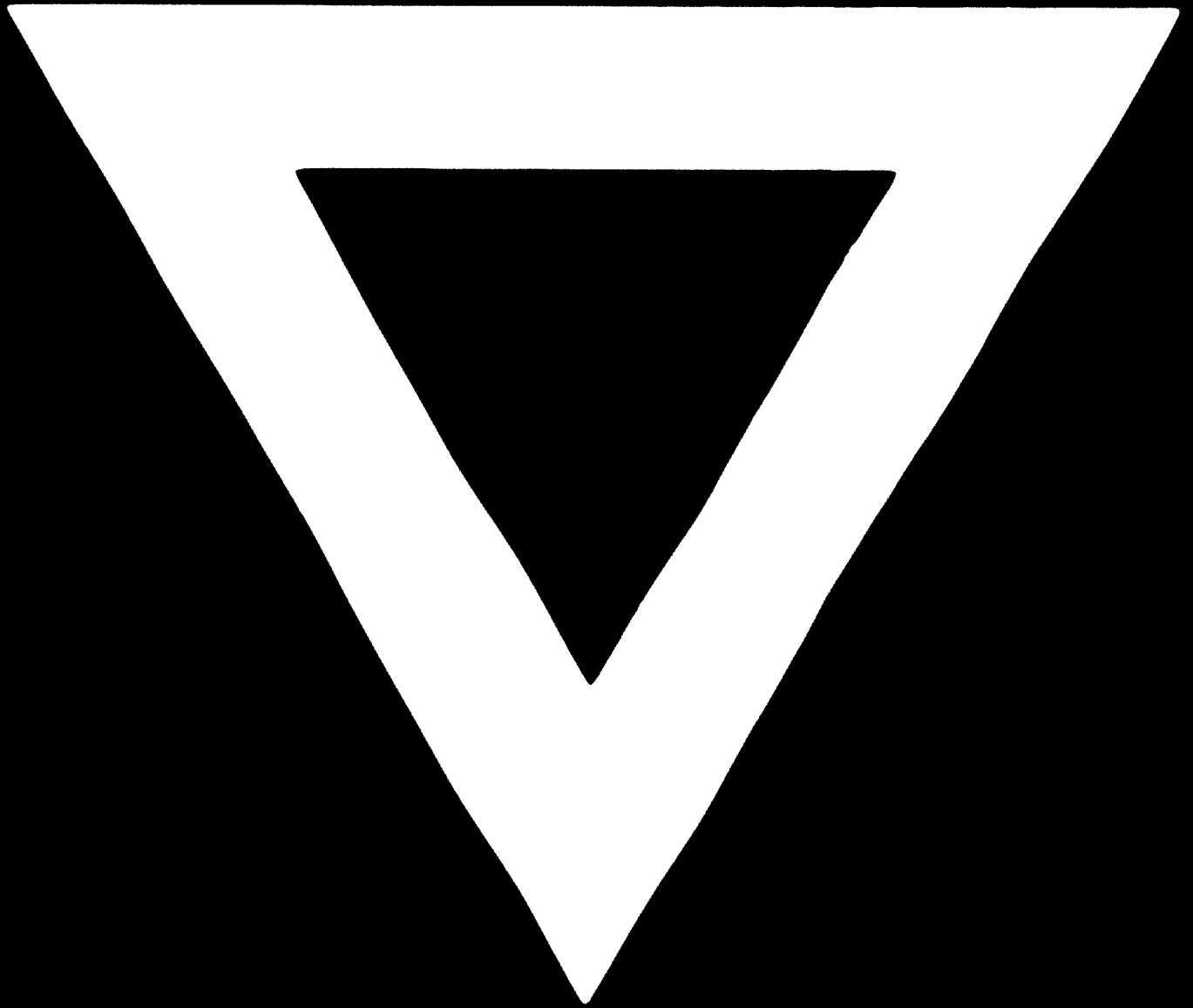
62. It is during the first one or two years of the entrepreneur's real business life that he must make a radical change away from what is likely to be a traditional way of doing "business", when time is no money and money not necessarily a means to an end, and towards the fast, competitive, hard and increasingly complex world of modern business. It is during this phase that institutionalized training, or model-scheme project development are methods which are of little relevance to the basic needs of the new generation of entrepreneurs. Instead a pragmatic approach to the entrepreneur's many daily problems must be followed. For this to be possible, the Project's expert staff must be able to come right down to grass-root levels in an attempt to understand and find solutions for problems which the experts might have forgotten existed as problems in the mind of the entrepreneurs.
63. It is obvious that such experts must be very carefully selected, and even then they would probably require at least four months of field experience before a real understanding of the entrepreneurs' business patterns can be claimed. Some experts, on the other hand, may never be able to fully penetrate the doubtful, insecure and searching mind of the new industrial class they were recruited to assist.
64. BEDU's work experience seems to indicate that as soon as BEMU - assisted entrepreneurs have expanded their small industries to a level at which they may have some six or ten employees, or realize an annual turn-over of, say, 20,000 US dollars, the real battle to develop local entrepreneurship has already been won. These entrepreneurs have reached the modest stage of development at which less intricate, more institutionalized forms of assistance become applicable, and the day-to-day in-workshop assistance can be considerably reduced. At this stage the entrepreneurs have successfully mastered the very basics of business, and are in a position to shoulder themselves most of their day-to-day business affairs.
65. The need for ready access to the very specialized forms of assistance for the lowest level of entrepreneurs is not, of course, limited to Botswana. It is known, for example, that the level of local entrepreneurship is on a relatively similar level in other countries of Southern Africa, and is no doubt the case in several countries belonging to the group of 25 least-developed countries.
66. It is believed that the most effective way of providing this type of assistance is through a specialized organization, or part of an organization. Such a organization would have as its sole and specialized objective to provide every type of assistance for that which here be called "small-scale industry at the earliest stage of development." Some of the organization's tasks might include;
- \* to recruit technical and other expert personnel to assist Governments in their programmes of assistance to small-scale industries in the earliest stage of development
  - \* to build up a comprehensive library on all matters relevant to small-scale industries in the earliest stage of development (research matters; suppliers of equipment and parts; simple feasibility studies on certain projects; technical books of reference; etc).
  - \* to co-ordinate research activities in the field of intermediate technology, and take available findings of other projects in this field



- To make available different lay-outs and architect's plans of industrial estates and workshops specially designed for use by programmes of assistance to small-scale industries at the earliest stage of development.
- to draw up and publish a series of management training manuals which are directly relevant to the needs of those entrepreneurs who have not had any previous management experience.
- to publish a Newsletter on world-wide developments in the field of small-scale industries in the earliest stage of development, research projects, project experiences of different countries, etc.

67 It is considered that an organisation like the one suggested above could prove invaluable for all countries and organisations involved in the development of small-scale industries in the earliest stages of development. It would most certainly help to prevent mistakes from being made, if only because international experiences could be shared and learned from. Mistakes made by one could be avoided by another, while successes realized could be learned from by all.





**75.08.14**