

**Structural Change, Employment and Small
Business:
Lessons of Experience from Botswana**

By

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A NOTE ON THE AUTHOR

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A NOTE ON THE AUTHOR

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1. INTRODUCTION

Structural change in the Botswana economy is proceeding in consonance with the standard theoretical expectation of a decline in the share of the given sectors to the national income and employment concomitant with a rise in these shares in other sectors. The share of the agricultural sector has declined with a rise in the share of the industrial sector and that of the services sector. Whereas such a behaviour or pattern of structural change in an industrially developed country is indicative of the higher productivity of labour and increased real wages, in the Botswana situation, the non-viability of the agricultural sector in ensuring an economic return is driving labour away to the non-agricultural sectors thus contributing to its falling share in GDP and employment.

The importance of creating non-agricultural income earning employment opportunities comes to the fore when one considers the reality of structural change in the Botswana economy. Deliberate policy interventions to enhance the capability of the Small Medium and Micro Enterprises (SMME) sector will help spur self-employment opportunities in Botswana. Therefore a look at the lessons of experience on employment creating capability of the small business in Botswana seems appropriate.

Small business, in this context encompassing the Small and Micro Enterprises (SMEs), provides a fertile ground for creative innovation for sustainable livelihoods. SMEs have acquired the status of the means of alleviating unemployment, although its capacity to create an economic return depends on the type of support offered to this sector. Over three decades, economic development in Botswana has elevated the country from the category of low income to the middle income category. Tremendous strides have been made in human resources development and alleviation of poverty mostly through creation of employment in the formal sector, mainly fuelled by the mineral revenue. Structural change in the economy has witnessed a fall in the share of the agricultural sector towards the national income and employment, with the share of the industry and the services sector going up. This pattern of structural shift has vital consequences on the employment level in the economy. The implication is that the weak agriculture (due to poor soil and adverse climatic conditions) cannot provide adequate productive employment opportunities to the vast majority of the rural population who either migrate to urban areas in search of greener pastures or live in some form of deprivation and poverty. The rate at which the population grows and rural-urban migration takes place exerts an enormous pressure on the non-agricultural sector of the economy. For various reasons the manufacturing and the industrial sectors are not in a position to expand at an exponential speed with which it can absorb the job aspirants and as a result, the services sector is functioning as the residual sector to accommodate them. Employment in the services sector in Botswana is relatively high compared to the same in some selected countries of South- East Asia and others. Sustainable economic diversification in Botswana among others also aims at promoting the export oriented small businesses.

2.THREE DECADES OF BOTSWANA'S ECONOMIC DEVELOPMENT

2.1 Introduction

This chapter briefly examines Botswana's economic achievements and the challenges it currently faces.

The prospects for the newborn nation Botswana in 1966 seemed altogether daunting when one takes stock of the situation at independence. At that time, it was considered one of the world's poorest nations with few natural resources, drought-prone savannas and desert soils-a land neglected in its economic and social development during the pre-independence era with rudimentary infrastructure and only a handful of highly educated citizens with 0 limited avenues of employment in a land-locked country surrounded by minority regimes. The transformation of this economy into a modern one was an intimidating task on the part of the Government.

2.2 An Economic Miracle

Botswana's economy has undergone a tremendous expansion since Independence on September 30th, 1966. It is reported to be one of the fastest growing economies in the world, perhaps exceeded only by those economies of the New Industrialised Countries of South- East Asia (NICs). Ten years after the attainment of nationhood, Botswana began to experience a rapid and revolutionary rather than evolutionary economic development. For a country which started off as one of the poorest in Africa, this must appear a miracle of some sort. This was made possible by the discovery of diamond mineral deposits at Orapa in 1970, Letlhakane in 1970 and Jwaneng 1982 respectively. These discoveries offered Botswana huge and unanticipated potential for development. Jwaneng in particular soon proved its worth as the world's largest producer of gem diamonds. This fact, in addition to a stable political climate in an otherwise turbulent region as well as prudent and shrewd macroeconomic management policies, has helped give Botswana the unique reputation she enjoys to-day as the most successful economy in Sub Saharan Africa (SSA). Since the 1980's, the value of mineral production has increased at an annual rate of nearly 20 %. During the same period, mining and particularly , that of diamonds has contributed between 30 and 50 % of the Gross Domestic Product (GDP) in real terms. According to Harvey and Lewis (1990), the mining sector has, ever since the discovery of diamonds, maintained its lead in terms of value added contribution to both the GDP and export earnings. Increased diamond prices over the years and a better quality mix of diamond exports in particular have been significant in contributing to the value added by the sector.

The spirit of an outward looking policy (export oriented) helped in harnessing the much sought after foreign aid. The political and economic stature of Botswana has grown regionally and internationally. It is generally recognised that planning and economic management in Botswana has been exceptionally successful.The World Bank(in 1984) held up Botswana as a development model. One can interpret this honour bestowed upon Botswana in terms of the planning system in the country. The keys to the success of Botswana's planning system are outlined below:

- consistent government commitment to the principles of planning (democracy, development, self-reliance, unity and social harmony),
- The thorough integration of medium term planning with annual budgeting,

- The maintenance of a high standard of administrative performance generally,
- The adaptation of a planning system to new requirements,
- The development and effective use of a government-wide common cadre of planning officers,
- Successful attraction and effective use of foreign aid funds and technical assistance and
- The absence of a rigid dividing line between planning and administration.

The objectives of planning as enshrined in the National Development Plans are: Sustainable Development, Rapid Economic Growth, Economic Independence and Social Justice.

Indeed, Botswana stands like a jewel on the crown of Africa. Available data vindicate the above proposition. Harvey and Lewis (1990) explained the key elements in Botswana's performance as luck (a poor, under-developed country at the time of Independence in 1966, transformed itself into the fastest growing economy in Africa because of resource endowments such as diamond mines, copper-nickel deposits, cattle and an uninterrupted flow of concessional aid flowing into the country), good management of resources, (which is exemplified in the priorities set by Government, a foresight to detect problems and opportunities, avoidance of overspending and the selection of development projects according to their economic and social returns), negotiating skills (that benefited a nation which mainly focus on relations with donors on a one-to-one basis), and the excellent leadership quality which is embedded in their wealth of experience, pragmatism, democracy and a deep-rooted interest in rural economy. In a nutshell, providence and prudence sum up the secret of the successful transformation of the Botswana economy from the least developed to that of a lower middle income country within a period of three decades - it is a real miracle.

In this context, it is pertinent to observe in (Table 2.1) the summary of the development indicators in Botswana in relation to a group of selected SSA countries.

- GNP per capita in Botswana is six times that of the SSA group average in 1992.
- The average annual rate of growth (AARG) of GNP per capita in Botswana is much higher than that of the SSA group average for the period 1990 - '92.
- The annual rate of inflation is lower in Botswana than in the other group (1980-'92)
- Life Expectancy is higher by 18 years in Botswana than that in the other group (1992)
- Adult illiteracy is lower by 50 per cent than that of the SSA group (1990)
- GDP average annual growth rate (1980 - '92) is over three times higher in Botswana than in the other group
- AARG of Agriculture in Botswana exceeds that of the SSA group (1980-'92)
- AARG in industry in Botswana is almost three times higher than that of the other group (1980 - '92)
- The AARG in Manufacturing in Botswana is three times higher than that of the other group (1980-'92).
- AARG in Services exceeds four times that of the SSA group (1980-'92)
- Exports (1992) in Botswana exceeds six times that of the other group
- Imports (1992) in Botswana exceeds eight times that of the SSA group
- AARG of Exports in Botswana is two times that of the other group (1980-'92)
- AARG of Imports in Botswana is almost eight times (1992) that of the other group
- Terms of Trade is more favourable to Botswana than to SSA group by 77 per cent (1992)

Table: 2.1 Summary of Various Indicators (Average)in Sub-Saharan Africa (SSA)

Indicators	Botswana	SA tries
1. GNP per capita US\$ 1992	2790	416
2. Average Annual Growth Rate (AAGR) % 1990-92	6.1	-0.4
3. Average Annual Rate of Inflation (%) 1980-92	12.6	17.1
4. Life Expectancy at birth (years) 1992	58	50
5. Adult Illiteracy Rate (per thousand)	26	55
6. Gross Domestic Product AARG (%)1980-92	10.1	2.1
7. Agriculture AARG 1980-92	3.4	2.6
8. Industry AAGR 1980-92	10.1	2.8
9. Manufacturing AAGR 1980-92	8.9	2.7
10. Services AAGR 1980-92	11.7	3.1
11. Exports 1992 (US \$ Million)	35956	2468
12. Imports 1992 (US \$ Million)	23115	2047
13. Exports AAGR 1980-92 (%)	5	2.5
14. Imports AAGR 1980-92 (%)	1.5	-0.5
15. Terms of trade in 1992 (1987=100)	108	83.2
16. Current Account Balance in 1992 (US \$ Million)	47	-293.3
17. Gross International Reserve(US \$ (M)	3845	383.3
18. Internationall Debt in 1992 (US \$ Million)	545	4465
19. Primary Pupil Teacher Ratio in 1991	30	46
20. Infant Mortality rate (per thousand) in 1992	35	104

Source:Data taken from World Bank 1992 World Development Indicators, 'STARS',
Washington, DC,USA

- Current Account Balance is infinitely higher in Botswana than that of the other group (1992)
- Gross International Reserves are is over 10 times higher in Botswana than in the SSA group (1992)
- International Debt is much lower in Botswana than that in the other group (1992)
- Primary Pupil Teacher ratio (1992) is much favourable in Botswana (almost double) than that of the other group
- Infant Mortality Rate (1992) is much lower (almost by a third) than that of the SSA group

Source: Sunny,(1994)

Even Botswana's neighbours have commended the financial prudence of Botswana. To quote Chikwanda, 1966 : ' Don't say Botswana is doing well because of diamonds. If you gave the same resources to Zambia in the Second Republic, it would have been blown away long ago'

According to Siddiqi (1999), good governance and optimal utilisation of her natural resources have propelled Botswana from dire poverty in 1966 into a fast-growing economy(Table 2.2). The author explained that since the 1970s, Botswana has been among the world's fastest growing economies, on a par with the newly industrialising economies of South- East Asia. In mineral wealth, Botswana is the richest country in Africa after South Africa and the DRC. It is now the world's leading diamond producer by value. Sub Saharan Africa accounts for 74 % of diamond output in value terms, of which Botswana's share is 24 %. Botswana has enjoyed a healthy balance of payments surplus since 1985. About 70 % of its imports are from South Africa..

Siddiqi (1999) stated that despite the strong external payments position and growing foreign reserves, the currency has weakened steadily since 1996. Botswana's international credit rating remains by far the most solid in Africa, and is on a par with oil-based economies in the Middle - East. He is of the opinion that a decade of diversification has had little impact, apart from the vehicle assembly industry and the soda ash plant. Thus both levels of GDP growth rate and export earnings are over-dependent on diamonds, and thus vulnerable to downturns in that market. Therefore, Botswana has to look for a new impetus in the non-mining, private sector led growth to drive its economy.

Table 2.2 Key Macroeconomic Indicators in Botswana

Indicators	Measure	1990	1997	1998 estimate	1999 forecast	1990 /98 % change
GDP	US\$m	3,295	4,935	4,932	5,030	52.6
Per capita GDP	US\$	2,534	3,290	3,288	3,245	28
Real GDP growth	%	7.2	5.5	3.5- 4.0	4.5- 5.0	
Consumer prices	%	11.3	8.6	7	7.0- 8.0	
Gross Domestic investment	% of GDP	34	23	23	24	
Bank rate	%	8.5	12.5	12.5		
Pula/ US\$ Rate	period average	1.8	3.6	4.2	4.6- 4.7	
Depreciation of Pula to US\$	%	* 7.0	10	16	10- 12.5	
Exports	US\$m	1,795	2,820	2,296	2,342	30.5
Imports	US\$m	1,611	1,924	1,950	2,050	27
Current Account Surplus	US\$m	42	7,21.5	480	380	805
Foreign Exchange reserves	US\$m	3,385	5,740	6,190		** 83
Import Cover	months	25	35.7	38		
Central Banks Foreign Assets	US\$m	3,364	5,926	6,067		** 80
External Debt	US\$m	563	600	650	700	24
Debt	% of GDP	17	12	13	14	
DEBT	% of exports	23	16.4	20.7	22	
Debt Service ratio	%	4.4	3	3.5	3.5	
Population	Million	1.3	1.4	1.5		

* appreciation, ** 1990-97, Source: Siddiqi, (1999)

2.3 Slow growth in the Manufacturing Sector

Usually a resource- rich small nation postpones industrialization and one wonders if Botswana. is also following suit. Data on GDP in Botswana from 1978/79 to 1994/95 in 1985/86 prices is shown in Table 2.3. Manufacturing on a large scale did not yet take off in Botswana and there are several justifications for that and the most compelling one is what economists call “ comparative advantage”. The small size of the domestic market, the limited resource base of the country, the need to focus production on those goods and services in which a comparative advantage exists or can be developed , and the related need to acquire from abroad the goods and services demanded by domestic consumers and investors that cannot be produced efficiently at home together contribute towards the crucial role of international trade in the Botswana economy. According to National Development Plan (NDP)⁷, economic independence of Botswana means a reduction in the vulnerability of the economy to unfavourable external events. The principal means of achieving this objective are: formulating appropriate policies in anticipation of the possibility of any single product or market collapsing; and diversifying production and markets so that the relative impact of any single product or market failure on the domestic economy is reduced.

The share of the manufacturing sector in GDP during 1979/80 to 1994/95 remained almost stagnant and/or deteriorated. The manufacturing share of GDP has not been rising. The share of agriculture in GDP has been more than halved during the same period. Only in mining did the share increase but experienced a downward trend starting from 1984/85. Employment and economic diversification are critical areas for the Botswana economy. Diversification is also essential if Botswana is to be able to withstand external factors such as the low world market prices for its minerals. The declining share of the Mining sector signals the success of the diversification of the economy in the sense that other sectors are gaining importance. To some extent this is true when we study the share of GDP excluding mining. From 1982/83 to 1994/95, the share of the non-mining sector has shown a steady increase. Although the manufacturing sector remains stagnant and agriculture has shown a steep decline, the services sector share in the GDP increased marginally during this period.

So far, the emphasis on diversification has been in the manufacturing sector. There have been government incentives such as a factory shell programme which provided subsidized premises to entrepreneurs, accessible government loans and equity participation, relaxed exchange controls, tax holidays, site development, grant under the successful Financial Assistance Policy (FAP), special utility rates and a laissez- faire attitude in marked contrast to several of its neighbours. Botswana’s home market is considered too small, despite its regional links and favourable trade arrangements, to attract substantial investment in manufacturing. Botswana government policy has relied on carefully managed exchange rates and the absence of direct subsidies and protection to make industry in Botswana internationally competitive. These policies have clearly helped the manufacturing sector to perform well, especially in view of the small domestic market, the low base at independence and its peripheral location. This will continue to be the case until there is sustained growth in other sectors.

Table 2.3 Gross Domestic Product (GDP) by selected Activity (%) in Botswana

Year	Agriculture	Mining	Manufacturing
1979-80	12.7	28.7	5.8
1980-81	10.5	35.1	6.7
1981-82	9.9	38.7	7.7
1982-83	7.5	48.8	6.1
1983-84	5.8	50.7	5.7
1984-85	5.3	48.8	4.2
1985-86	5.5	46.8	5.1
1986-87	4.7	46.5	5.6
1987-88	6.7	41.5	6.3
1988-89	5.0	40.5	6.5
1989-90	4.9	37.1	6.5
1990-91	4.7	36.4	6.4
1991-92	4.5	34.9	6.4
1992-93	4.4	33.3	6.3
1993-94	4.2	33.6	6.0
1994-95	3.9	32.1	6.0
1995-96	3.8	33.0	6.0
1996-97	3.4	32.6	5.9
1997-98	3.1	33.5	5.8

Source: Central Statistics Office Statistical Bulletins, Bank of Botswana Annual Reports

However, in order to generate truly successful economic growth and development, the government will have to adopt some radical measures like the strengthening of the agriculture; if necessary starting irrigated farming where feasible. A NORAD Report has this to say about the problems of diversification: “At present less than two per cent of firms involved in manufacturing are wholly owned by Botswana. It is however, the availability of skilled manpower rather than finance that is the major constraint to economic growth and diversification. A balance needs to be struck between the provision of a suitably skilled workforce and capacities that can be taken up by employers and potential investors” (NORAD ,1988).

The author believes that one of the potentially viable industries based on the availability of raw material could be glass manufacturing using the abundant sand in Botswana. Confectionaries using fresh milk are another possibility. Would a cement factory as one of the basic industries be viable to utilise the abundant ash? Leather and leather products should be able to increase the value added as it is a processing industry capable of providing more employment opportunities in the country. Ancillary industries to the automobile assembling plants will provide additional job opportunities to the unemployed youth and women with the requisite aptitude.

The conservation of the nation's resources for subsequent use by future generations guarantees sustainable development. Well co-ordinated management of these resources

has established an enabling environment that has promoted individual initiative, domestic savings, capital inflows and productive investment.

Mid Term Review (MTR) of National Development Plan (NDP7,1994) poses the following theme as food for thought in the context of sustainable development:

“ If as now seems likely, the mineral sector soon reaches a plateau and contributes little to growth of real GDP thereafter, and if the agricultural sector is able to grow at only 1% p.a. after recovery from drought, these two sectors will pull the average growth of GDP down, not up. . Only manufacturing and services for the export market can grow substantially faster than the economy in general and pull the whole economy with them. To borrow a leaf from the experience of the now successful South-Asian economies, export of the manufactured goods constituted a lion’s share of the export earnings. If Botswana could compete successfully on regional or world markets and gain a larger share of them, in certain as yet unknown goods or services(research and pilot studies to identify these entities are imperative), these 'leading sectors' could grow fast enough to pull the 'following sectors' of the economy along with them”.

In the Mid Term Review of the NDP7, certain major issues are identified that need to be addressed if Botswana is to be set on a path of rapid and sustained economic progress. The critical issues identified after the review of the macroeconomic variables are as follows: identification and development of new engines of growth beyond diamond mining , sustainable budgeting that ensures financing the non-investment type recurrent expenditure through non-mineral revenue, revival of the spirit of self-reliance, discouraging the public perception that the source of development effort is the government, enhancement of productivity, improvement of project management capability, increased privatization and the formulation of a strategy to allow Botswana to improve its skills to a level where it can compete effectively in the international arena in the production of non-traditional exports and services etc, among others. To this list, the author would like to add another dimension namely, cultivation of entrepreneurial talents in youth while they are still at school, so that on entering the job market , they will be able to start small viable enterprises to guard against the problem of unemployment in the country. According to eminent Economists in Botswana (Selected Barclays Bank Economic Reviews), Unemployment remains one of the major issues to be dealt with by the policy makers in Botswana. If Botswana’s economy is slow to absorb the unemployed youth, perhaps the social effects could outweigh the socio -economic gains achieved by the country since independence.

2.4 Unemployment Problem

According to Annual Economic Reports 1997 and 1998 (MFDP, Botswana) :The latest available data from the 1993 Literacy Survey and the 1994 Household Income and Expenditure Survey (HIES) were used in the 1996 Annual Economic Report with the unemployment rate estimated at 21 percent. The high rate of growth of population combined with slow economic growth amongst more labour- absorbing sectors explain the persistence of unemployment in Botswana. Females, the uneducated, and the young continue to be the most vulnerable. Young people between the ages of 15 and 29 years who comprised 53 % of the labour force in 1994, constituted 80 % of the total number

of unemployed in that year. Policy interventions on unemployment should target these three groups of people. The private sector is the largest formal sector employer and most additional employment has to be generated in this sector. It has to expand vigorously to absorb a significant number of the entrants into the employment stream. This will require increased private investment. Government for its part, will need to create an enabling environment for strong growth and development of the private sector.

Given that unemployment continues to be a problem, strategies to minimise it have to be formulated. One such strategy would be to increase the demand for labour through accelerated economic growth and robust investment. The other strategy would be to improve the skill base of the labour force, since unemployment also seems to be concentrated on the uneducated. The Revised National policy on Education (1994) puts emphasis on expanded vocational education and training opportunities, and on preparing the students for the “world of Commerce and Work”. These two strategies are expected to go a long way in easing the unemployment problem. Along side with these strategies, policies to solve unemployment in the medium term should be geared towards upgrading workers’ productivity, and at the same time, slowing the rate of growth of the labour force by containing population growth.

Table 2.4 Data on Unemployment in Botswana

Data	1991 Census	1994 HIES	1995 LFS
Unemployment Rate (%)	13.1	21.6	21.5
Economically Active (Labor Force)	51.3	55.0	46.0
1.Paid Employees	32.1	28.8	29.0
2.Self-Employed	3.3	5.2	3.6
3.Unpaid work in family business	0.9	1.7	0.3
4.Unpaid work at lands etc.	7.9	7.4	3.3
5.Actively Seeking work	7.1	11.9	9.9
Economically Inactive	48.7	45.1	53.7
1.Housework	21.3	17.8	14.2
2. Student	22.2	23.0	22.0
3. Retired	3.1	3.6	7.5
4. Passive unemployed	0	0	9.5
5. Unknown	2.1	0.7	0.8

The latest draft on the analysis (October 1998) of the 1995/96 Labour Force Survey(LFS), estimates that the active unemployed (who were available for work and made an effort to find work within the last 30 days of the survey) constituted 34.4 % and the expanded unemployment rate (active plus passive unemployed divided by active plus passive labour force or expanded unemployed divided by expanded labour force, passively unemployed were available for work but did not make an effort to find work within the last 30 days) made up 52.9%. Lack of income is the most immediate cause of poverty, itself being related to lack of employment, insufficient income earning opportunities and the low potential of traditional agriculture. The unemployment situation from the Labour Force Survey of 1995/96 is not significantly different from the 1993 Literacy Survey and the 1994 HIES, which estimated unemployment at around 21 percent (Table 2.4).

According to the Annual Economic report 1999, unemployment remains one of the major challenges facing Botswana. Preliminary findings from the Tracer study by the employment Policy Unit of the Ministry of Finance and Development Planning show that unemployment in Botswana was both structural and frictional. As mentioned before, youth suffer most from unemployment. Employment policy interventions should focus on youth as the prime target group. NDP8 emphasizes improvement of the vocational education and training in both quality and quantity.

2.5 Selected Solutions to Unemployment and Poverty

Some advocate that without the full participation of the poor in the development process, it is very difficult to make a dent on poverty in any society They preach : before the national cake is ready, let them participate in the process of making it. According to Euler's theorem, distribution of the national product takes place as the factors of production are compensated for in the productive process. This means that the more people participate in the production process, the more benefit to the society with little or no poor and less deprivation for want of reward for their productive contribution.

UNDP (1996) advocates the following measures as interventions to alleviate poverty:

- creating an enabling environment for people centred development,
- empowering all people for self-reliance,
- promoting broad-based and equitable growth,
- enhancing household food security,
- improving access to basic infra-structure and social services,
- promoting job creation and sustainable livelihoods,
- ensuring equitable access to credit and productive assets,
- expanding social protection for vulnerable groups,
- promoting gender equity and the full participation of women in development and preserving ,maintaining and regenerating the natural resource base.

UNDP priority actions include:

- national poverty mapping and assessments, with rigorous attention to the gender dimensions of poverty,
- setting national goals and targets for poverty elimination, capacity assessment and development,

- review of national policies and budgets, social mobilisation, participation and partnership, decentralization and decision making,
- policy and institutional reform and co-ordination,
- integration of social development goals into overall planning , mobilising resources for social development and Aid co-ordination.

A pro-poor policy is not primarily about provision of services to the poor, but about the poor participating in society's value added process. Poverty alleviation must be oriented on work, create jobs and promote labour- intensive projects. As the capital of the poor is their capacity to work, poverty alleviation policies should enhance this capacity of the poor. Any development strategy that emphasizes capital intensive technique of production for new investment will sure adversely impact on the the labour absorption capacity and thus exclude the capital of the poor. This is the opposite of the anti-poverty strategy of development (Theil, 1999).

In the globalized world, promotion of exports is determined by international competitiveness and this encompasses the total productivity of inputs. The race for success on the export front push countries into the abyss of retrenchment, unemployment and poverty.

People should work to earn a living, not through handouts during periods of distress. Thus, the national economic policy should entail job creating strategies to alleviate poverty through labour - intensive projects. As there is a limit to the job absorption capacity of the formal sector, solutions are to be sought in the informal sector employment opportunities. In order to provide employment opportunities for those who are below the Poverty Datum Line (PDL) precise targeting is a pre-requisite. The output from such job creation perhaps will not meet the quality expected in a competitive market economy, rather it will provide the income for the target population in exchange for their labour input. It is also possible to devise strategies to help improve the quality in the course of time.

Botswana Institute of Development Policy Analysis (BIDPA) study (1997) on poverty in Botswana recommended the following proposals for improving the sensitivity and quality of government support for the poor. There is evidence that attempts in the past to assist people by providing handouts and subsidies have suffered from serious problems of inefficiency and at times iniquity and have promoted complacent attitudes and eroded individual responsibility. The BIDPA proposals focus on updating and making better use of the existing policies, institutions and programmes that contribute towards poverty alleviation and on improving the effectiveness with which budgets and human resources are used, and switching resources within sectoral and ministry allocations. It is recognised that sustainable poverty alleviation is possible in the long term when employment opportunities are extended to an increasing proportion of the population.

It is estimated that if the population growth rate continues at present rates and with an envisaged annual average economic growth rate of 5 % until 2020, unemployment is likely to remain a problem, with one third of the labour force without work. Given below are the BIDPA recommendation for poverty alleviation:

- Sustainable economic diversification and sustainable employment creation, together with investment in human capabilities should remain the central pillars of Government's long term strategy for poverty alleviation.
- The specific policy framework for poverty alleviation should continue to focus on the three main areas of: (1) support for sustainable livelihoods,(2) provision of quality basic social services for human capability development and (3) provision of a coherent and increasingly comprehensive social safety net to protect the worst-off. The perception by community to alleviate poverty are not much different: Employment creation, destitute programme, education and training and increased effort to combat social problems.
- The special disadvantages faced by poor and very poor female headed households(FHHs), including inequitable access to employment and income earning opportunities, problems of inequitable intra-household income distribution, high fertility rates, high dependancy ratios, labour scarcity, excessive workload, and lack of productive and other assets, lack of adequate child maintenance support from biological fathers, should be expressly recognised in the design and implementation of all poverty alleviation activities and that wherever possible, measures to reduce such disadvantages should be given priority.
- In view of the finding that FHHs are often impoverished and incapacitated as a result of having large numbers of children to look after, and often receive little or no support from the fathers of the children, the government should significantly strengthen the laws concerning child maintenance and the procedures and capacity for enforcement of these laws, with a view to ensuring that fathers will in future be required to contribute significantly to the costs of bringing up their offspring.
- Since many remote area dwellers (RADs) are living in abject poverty, in terms of both incomes and capabilities, the RADs should continue to be identified as a specific target group under all government poverty alleviation activities. Such support should always take account of the additional ethnic, cultural and other dimensions of RAD's transition from traditional to modern ways of life, and should be closely linked to strategies for assisting the RADs under the remote area development programme.
- In view of the finding that most poverty is structural rather than drought induced, government activities for poverty relief and poverty alleviation, including the social safety net, should give greater emphasis to programmes addressing the structural dimension of poverty, and such activities should be operated on a permanent year-round basis. Correspondingly, drought relief activities should be operated on a highly targeted and strictly temporary basis to address short-term humanitarian needs. This type of intervention should be considered as disaster relief, together with measures to address the effects of floods and epidemics.
- In view of the finding that the former notion of rural development activities in rural Botswana are faced with insurmountable obstacles to sustainability, the government should review the existing concept and policy of rural development, and the associated overall institutional apparatus for guiding rural development, in order to ensure that policies and institutions are capable of focussing on the underlying and structural problems of rural poverty.

- Government should establish a time-bound national goal for poverty alleviation and a target date for eradication of the most serious aspects of poverty, to be pursued and monitored under successive national development plans.

The downturn experienced by the Botswana economy in 1992 due to global recession, has resulted in a slow growth in the formal sector employment. This, coupled with the return of Botswana workers in the South African Mines and the inability to expand the labour absorption by the drought prone agricultural sector in the country, places an increased pressure on creating additional income earning opportunities for those who seek a job and are available to take it up if one is available.

Whereas everyone aspires for well-paid formal sector employment, the non-availability of the same will persuade those who are seeking a job to accept the next available opportunity, most likely in the informal sector, which is certainly THE SECOND BEST to formal sector employment (Sunny and Babikanyisa, 1994). According to the National Manpower Development Planning Report (1987), informal sector employment in 1986 was estimated at 58 per cent of the total employment and that for 1996, it stood at approximately 50%. Irrespective of the fact that there is lack of consensus on the growth of the informal sector, we can assume a ten per cent growth rate at least during the gestation period when additional productive investment takes care of the expanding employment opportunities in the formal sector. Report on the Incomes Policy Review (1990), recorded a 17% growth rate for the informal sector during the period 1984 to 1987 and stated that "the informal sector of the economy has grown rapidly in part due to government assistance such as Financial Assistance Policy". If these figures are correct, the informal sector has made a significant contribution towards reducing unemployment and certainly the number of unemployed would have been much higher if it were not for such activity (Sunny, 1991).

Opportunity to productively contribute towards the national output is the most important component of any poverty alleviation strategy. All other ingredients of the strategy aim to enhance the capability to earn an income (as an appendage to formal or informal employment), whether education, training, health, and such other social and economic overheads. Those who are not in the labour force are to be targeted. For the poor who are outside the labour force, non-work provisions are to be put in place. Employment enhancing policies will reduce the pressure on the government at least marginally when there are earning member(s) in a family consisting non-labour force members.

3. STRUCTURAL CHANGE IN BOTSWANA ECONOMY

3.1 Introduction

Development literature is replete with the assertion that rising national product and income per capita (PCI) will result in certain broad changes in the structure of production and industrial distribution of the working force. According to Harvey and Lewis (1990), the most significant structural changes over the period 1976-'87 were a decrease in the shares of agriculture and manufacturing in GDP with a concomitant increase in the share of the mining sector. They assert that the mining sector is highly capital intensive, and is unlikely to provide jobs directly for more than 6 to 8 % of the active labour force with very weak links with the manufacturing sector. During the period 1974/5 -1994/5, Agriculture's share in GDP shrank from 32 % to 4% , while the share of Mining expanded from 8% to 53% in 1988/9 before shrinking to 33%(Leith, 1997). In addition to the sectoral shares of output, in calculating the primary input factor share, Leith has(excluding the mineral rents) found out that the share going to skilled labour increased with corresponding decline in the share of capital and the share of unskilled labour remained virtually the same.

3.2 Changing Sectoral Shares in GDP and Employment

The novelty in Leith's analysis is that he has juxtaposed the changing share of output together with the factor intensity of sectors to see the relationship between changing structure of production and factor intensity of production. His study revealed that : Agriculture is a land intensive activity, Mining a mineral intensive activity; Government sector being the most labour intensive and Public Utilities is capital intensive. Leith observed a shift from land intensive to mineral intensive production. There was, no change between capital intensive versus labour intensive activities and total factor productivity (TFP) as the gap between the rate of growth of output and the weighted average rate of growth of inputs. Despite measurement problems, Leith found that increased productivity in Botswana is due to improved quality of labour force and a decline in TFP in the 1980s in Botswana was due to the expansion in infrastructure without a corresponding immediate increase in real output and the shift from Agriculture to Mineral sector shows a shift from a low productivity sector to a high productivity sector during the decade 1974-'84 but the reverse during 1984/94 decade with a fall in the mineral share in the GDP and a rise in the share by the Government.

Due to differences in income elasticity of demand for different groups of goods and services, a rise in PCI will lead to increased demand for manufactured goods and services of various kinds in relation to agricultural products like food. Engel's law explains that the proportion of income spent on food declines with rising incomes. Colin Clark (1951), pointed out " the most important concomitant of economic progress, namely the movement of population from agriculture to manufacture and from manufacture to commerce and services". Colin Clark has empirically (on the basis of cross-section and time series analysis) demonstrated that with economic development , the proportion of the working force in Primary production diminishes and obversely, the proportion in Secondary and Tertiary sectors increases. With the help of a better technique of analysis, Kuznets (1971), came out with similar results.

Kuznet's analysis substantiate the hypothesis that with economic development and rising PCI, the proportion of workers in agriculture and allied activities falls markedly, and those in manufacturing industries and services rise correspondingly, and these findings are more or less similar to the findings by Clark. Chenery (1960) believed that "development is an identifiable process of growth and change whose main features are similar in all countries". Chenery's model of structural change focuses on the process through which the economic, industrial and institutional structure of a less developed economy is transformed overtime to permit new industries to replace traditional agriculture as the main source of income and employment.

Chenery, like Kuznets, also based his empirical work on cross-sectional and time series data of many countries (Todaro,1989) and some of the characteristic features are:

- Changes in agricultural production (as PCI rise, there is a shift from agricultural production to industrial production).
- At PCI of \$200 (1976 USD), on average, primary and industrial production are 45% and 15% of GDP respectively and at PCI of \$ 1000, these shares are 20% and 28% respectively. At PCI=\$600, Chenery found a unique development process at which the shares of agriculture and industry equal, Changes in the composition of demand (food consumption falls from over 40% to 17% of total domestic demand, with a concomitant increase in non-food consumption, government consumption and investment); Changes in the pattern of international demand (in general there is a rise in both total imports and exports over the course of the transition with a relative rise in the share of industrial products in total exports and a relative decline in their share of total imports) and changes in factor use (there is a shift of labour out of the agricultural sector into the industrial and service sectors).

The common thread that binds the Clark-Kuznet- Chenery hypotheses ,seems to be the structural shift of the workforce between the agricultural, industrial and tertiary sectors of a developing country , and such a shift in Botswana is the subject matter of this chapter. Data for the analysis is collected for the period 1972 to 1994. Table 3.1 presents the share of Agriculture in total work- force in selected countries(mostly the present-day developed countries in their traditional stage).

Botswana's comparative position in the table is unique in the sense that even in the initial period, Agriculture did not provide much employment due to the adverse climatic conditions in the country. However, in the terminal period, the fall in the employment tallies with that of other countries. When compared to the proportion of the workers in Agriculture in the present-day developed countries in their pre-take off stage, it is clear that the proportion of workers in Agriculture is smaller in Botswana in both periods. As mentioned before, the country is prone to frequent droughts which sap the sector of its employment potential. Rather than asserting that the decline in the work-force in Agriculture by ten per cent during the two decades is in line with the structural transformation which happened elsewhere, one is compelled to deduce that dry climate also contributed to such a decline. If it is true that the workers migrated to the Industrial and Services sectors, then it is really a commendable achievement. Such a judgement will be reserved until after the careful consideration of the share of these sectors in the national product .

Table 3.1 The Share of Agriculture in Total Work Force in Selected Countries

Country	Per cent of workers in the Agriculture (A) Sector				
	Initial Period	%	Terminal Period	%	Absolute change (Percentage Points)
G.Britain	1864-72	34.4	1961	3.7	-30.7
France	1856	52.7	1962	20	-32.7
Belgium	1846	50.9	1964	5.9	-45
Netherlands	1849	45.3	1960	11	-34.3
Germany	1852-58	54.1	1964	11.3	-42.8
Switzerland	1880	42.2	1960	11.2	-31
Denmark	1874-75	51.1	1960	17.8	-33.3
Norway	1865	63.7	1960	19.6	-44.1
Sweden	1860	64	1960	13.8	-50.2
Finland	1880	71.2	1960	35.6	-35.6
Italy	1861-71	57.5	1964	25.2	-32.3
Japan	1872	85.8	1920	54.6	-31.2
Canada	1871	52.9	1964	27.6	-25.3
USA	1839	64.3	1965	5.7	-58.6
Australia	1901	33	1961	14.5	-21.9
New Zealand	1896	37	1961	14.5	-22.5
Botswana	1972	12	1994	3	-10

Source: Kuznets, 1971 Economic Growth of Nations, Table 38
+ Own Calculation using data from Statistical Bulletins, June 1982 and June 1995, CSO, Gaborone, Botswana

Kuznets has shown that all the presently developed countries had a higher proportion of workers in Manufacturing before they entered the phase of modern economic growth. Table 3.2 is on the share of Manufacturing in selected countries. The proportion of workers in Manufacturing (M) in all the above countries by the middle of the last century exceeded the proportion in Botswana as of 1972. Viewed against this background, by no stretch of imagination can one say that neither Botswana has even started on the road to industrialization nor that the share of manufacturing in the work-force has been any higher in this country. There is no need to look at the figures for the terminal period for the other countries as it is not pertinent in this context, the reason being the share of manufacturing in the work-force even in 1994 for Botswana is only 9.54 %.

Table 3.2 Share of Manufacturing in Total Work Force in Selected Countries

Country	Per cent of workers in the Manufacturing(M) Sector				
	Initial Period	%	Terminal Period	%	Absolute change (Percentage Points)
Great Britain	1851/61	40.6	1994	NA	NA
France	1856	23	1994	NA	NA
Belgium	1846	32.4	1994	NA	NA
Netherlands	1849	21.5	1994	NA	NA
Germany	1882	29.4	1994	NA	NA
Norway	1920	23.9	1994	NA	NA
Italy	1936	22.9	1994	NA	NA
Japan	1920	19.2	1994	NA	NA
USA	1969/79	18.2	1994	NA	NA
Botswana	1972	6.41	1994	NA	NA

Source: Economic Growth of Nations, op.cit,Table 39, pp.259-260,
+ Botswana, CSO, Statistical Bulletins,1982,1996

Certain economic activities like mining and quarrying, construction of buildings, electricity, gas and water supply, transport and communication are closely related to manufacturing. Hence the convention of grouping manufacturing with allied activities, as adopted by Kuznets under the I sector, which is broadly similar to Colin Clark's secondary sector. The proportion of total work-force engaged in the Industrial (I) sector in Botswana in 1972 is 37 percent . However, let us compare the relative size of the I sector in Botswana with the same in other countries (Table 3.3). In the industrially advanced countries listed in Table 3.3, manufacturing accounted for a lion's share of the work-force in the I sector both in the initial period and in the terminal period. It has already been noted that the share of manufacturing in work-force in the above-mentioned countries in the initial period was higher than that of Botswana in 1972.

The share of the Services (S) sector, comprising " Trade and Commerce" and "other services" in the total work-force in Botswana came about 44 per cent in 1972. Significantly enough, the proportion of workers in the S sector in Botswana in 1972 was considerably above the same in most of the developed countries of today on the eve of their entry into the era of modern economic growth. Further, the share of the S sector in total work-force in Botswana in 1972 is not far below the corresponding proportion in the developed countries in recent periods. This is shown in Table 3.4.

Table 3.3 Share of the I sector in Total Work- Force in Selected Countries

Country	Per cent of workers in the Industrial Sector (I) Sector				
	Initial Period	%	Terminal Period	%	Absolute change (Percentage Points)
G.Britain	1801-11	30	1961	55.0	25
France	1856	28.5	1962	43.6	15.1
Belgium	1846	37.1	1964	52.4	15.3
Netherlands	1849	29.4	1960	50.5	21.1
Germany	1852-58	26.8	1964	54.6	27.8
Switzerland	1880	45.5	1960	55.9	10.4
Norway	1865	19.9	1960	48.6	28.7
Sweden	1880	18.8	1960	52.7	33.9
Finland	1861-71	25.8	1960	46.4	20.6
Italy	1911	37.4	1965	41.1	3.7
Canada	1839	16.2	1869-79	29.0	12.8
USA	1869-79	29	1965	38.0	9
Australia	1901	33.9	1961	48.9	15.0
New Zealand	1896	34.5	1961	46.8	12.3
Botswana	1972	36.9	1994	52.8	15.8

Source: Economic Growth of Nations, op.cit, pp.250-252
+ Botswana, CSO, statistical Bulletin, Various Issues, Gaborone, Botswana

It may be recalled that the proportion of workers in the A sector in Botswana was the lowest compared to that of some developed countries on the eve of their entry into the era of modern economic growth. On the other hand, the proportion of workers in the I sector in 1972 was comparable, (even highest, at par with Italy), with the corresponding proportion in the developed countries a century or so before. As against these, the share of the S sector in Botswana in 1972 was at par with that of USA on the eve of her entry into the era of modern economic growth. This strikes a curious phenomenon. The sectoral shares in employment mask the real situation in the structural change in the Botswana economy.

Table 3. 4 Share of the services sector in total work- force in selected countries

County	Per cent of workers in the Services (S) Sector				
	Initial Period	%	Terminal Period	%	Absolute change (Percentage Points)
G.Britain	1864-72	34.4	1961	3.7	-30.7
France	1856	52.7	1962	20	-32.7
Belgium	1846	50.9	1964	5.9	-45
Netherlands	1849	45.3	1960	11	-34.3
Germany	1852-58	54.1	1964	11.3	-42.8
Switzerland	1880	42.2	1960	11.2	-31
Denmark	1874-75	51.1	1960	17.8	-33.3
Norway	1865	63.7	1960	19.6	-44.1
Sweden	1860	64	1960	13.8	-50.2
Finland	1880	71.2	1960	35.6	-35.6
Italy	1861-71	57.5	1964	25.2	-32.3
Japan	1872	85.8	1920	54.6	-31.2
Canada	1871	52.9	1964	27.6	-25.3
USA	1839	64.3	1965	5.7	-58.6
Australia	1901	33	1961	14.5	-21.9
New Zealand	1896	37	1961	14.5	-22.5
Botswana	1972	12	1994	3	-10

Source: *Economic Growth of Nations, op.cit, pp.250-252,*
+ *Botswana, CSO,Statistical Bulletins,1982 and 1996*

Table 3. 5 The share of production sectors in labour force, 59 countries grouped by 1958 GDP per capita . The Groups of countries are in increasing order of 1958 GDP per capita (1960 US\$)

number of countries	5	6	6	18	6	6	6	6
Group #	1	2	3	4	5	6	7	8
GDPPC \$	72.3	107	147	218	382	588	999	
Agriculture	79.7	63.9	66.2	59.6	37.8	21.8	18.9	
Industry	9.9	15.2	16.0	20.1	30.2	40.9	47.2	
Service	10.4	20.9	17.8	20.3	32.0	37.3	33.0	
Mining	1.2	1.2	0.9	1.1	1.2	0.8	1.5	
Manufacture	5.7	7.5	9.0	11.6	17.4	24.2	29.3	
Construction	1.4	2.9	2.8	3.9	6.0	8.5	8.3	
W&E	0.2	0.5	0.6	0.4	0.9	1.4	0.8	
Trade	1.4	3.1	2.7	3.1	4.7	6	7.3	
Commerce	4.7	6.9	8.4	7.4	11.8	14.5	13.7	
Services	5.7	14.0	9.4	12.9	20.2	22.8	20.2	

According to the analysis of cross-section shares in the labour force in fifty-nine selected countries carried out by Kuznets, the share of the services sector rises steadily with per capita income. The results are summarised in Table 3.5. The share of the service sector in Botswana in 1972, namely 43 % of the work-force, corresponds to Group 8 countries with an average per capita GDP of \$ 1501 in 1960. The conflicting fact is that in terms of the 1960 PCI of about \$300, Botswana lagged much behind the Group 8. The share of the industrial sector for this group of countries is, on the average, 48 % of total workers as against 37 % in 1972 in Botswana (table 3.4). The proportion of total workers in the agriculture sector on the other hand, was and 12 % is considered more or less the same as in 1972 in Botswana.

In 1972, the PCI in Botswana was estimated as \$320. The share of the service sector in Group 1 countries in 1960 on average was only 10.4 per cent of the total work-force, whereas in Botswana, the share of the S sector stood at 43.%. Therefore, it can be concluded that Botswana has a far higher share of workers in the service sector than that of countries with a comparable level of economic development.

Table 3.6 Distribution of GDP by sectors as a per cent in Botswana

Sector	1970-75	1975-80	1980-85	1985-905	1990-93
Agriculture	26	21	10	6	6
Industry	35	40	53	56	45
Manufacturing	5	10	7	6	6
Services	40	40	37	38	46

Source: *Presidential Task Group for a Long-Term Vision for Botswana, 1996, p.68*

Table 3. 7 GDP per capita in Botswana 1987 US\$

1970-75	1975-80	1980-85	1985-89	1990-93
451	702	1025	1393	1737

Source: *Ibid, 1996, p.65*

At this juncture, an alternative hypothesis is in order.

Bauer and Yamey (1951), have questioned the validity of the Clark-Fisher hypothesis concerning the relation between the share of the tertiary sector in the work-force and per capita real income. According to them, there is neither a sound analytical basis nor a strong empirical foundation for the generalisation of Clark and Fisher. On the one hand, there is no reason to believe that as real income per capita increases, a greater proportion of income will be spent on products of tertiary activities. On the other hand, in countries at an early stage of development, a larger proportion of labour may be involved in tertiary activities.

Kuznets (1959) also pointed out the possibility of a large proportion of the working force in low income countries being engaged in service activities.

“The pressure of population on land and the surplus labour force in the less developed countries may mean a movement into service activities since some of them demand little capital and yet provide some modicum of living and since the employment of this surplus in the M sector is inhibited partly by capital scarcity and partly by competition of the M sector in the more developed countries.”

“ In the developed countries, a rise in the share of the services sector in the labour force may be viewed as due largely to demand originating because of a shift toward more highly productive organization in the Agriculture and Mining sectors and is, in a sense, necessary for the latter. In other words, the shift of the labour force toward the service sector is an indispensable concomitant of the movement toward higher productivity levels throughout the economy. In the less developed countries, there may be long periods of rise in the share of the sector in the labour force, not only because it is a necessary complement to increasingly higher levels of technology and productivity in the Agricultural and Manufacturing sectors, but also because of population pressure on land and limitations of employment opportunities in the Manufacturing sector drive the surplus labour into low paid service activities”

The situation in Botswana during the early period seems to be a copy-book version of the foregoing hypothesis.

Table 3.8 GDP per capita in selected countries (1987 US\$)

Country	1970-75	1975-80	1980-85	1985-905	1990-93
Botswana	451	702	1025	1,393	1,737
Indonesia	249	311	386	453	557
S.Korea	1,113	1,660	2,097	3,678	5,946
Malaysia	1,116	1,426	1,812	1,973	2,535
S.Africa	2,416	2,424	2,484	2,320	2,161
Thailand	514	633	769	974	1,399

Source: *Ibid* , 1996, p.65

Compared with the GDP per capita and the sectoral share of GDP of Botswana with a few selected countries in Asia (Indonesia, South Korea, Malaysia and Thailand) and South Africa, it is possible to draw useful insights on this issue. During the 1970-'75 period, Botswana was among the least developed countries with a per capita income of \$451. Indonesia with \$249 was the poorest in the group during that period and the S sector contributed 33 per cent of the GDP at that time in contrast with 40 per cent in Botswana. Table 3.9 depicts the absolute change (percentage points) between the earliest period (1970-'75) and the latest period (1990-'93) for the same group of countries.

Table 3.9 Absolute change (percentage points) in GDP per capita and Sectoral share of GDP in selected countries.

Country	GDP Per Capita in US Dollars			Sectoral Share of GDP in Services		
	1970-75	1975-80	change	1970-75	1975-80	change
Botswana	451	1,737	1286	40	46	6
Indonesia	249	557	308	33	42	9
S.Korea	1,113	5,946	4833	47	50	3
Malaysia	1,116	2,535	1419	37	40	3
S.Africa	2,416	2,161	-255	39	45	16
Thailand	514	1,399	885	50	49	-1

Although South Korea tops the GDP per capita with \$5946, the share of the service sector is 50 % (with a positive change of three per cent from the initial period) in the latter period, compared with the fourth position of Botswana in GDP per capita and with the share of the services sector at 46 % in the latter period, a positive change of 16 per cent from the initial period. This emphasises the fact that the service sector is given much more importance in the Botswana economy than is warranted, taking into account the share of the work-force in this sector in relation to other sectors. In 1972, the services sector employed 43 % of the work-force and in 1993, this sector absorbed only 46 % of the work force. Now let us look at the performance of the services(S), industrial(I), manufacturing(M) and agriculture(A) sectors in the same group of countries. Table 3.10 provides information on this issue.

Table 3.10 Sectoral shares in various sectors in Selected countries

Sector	Service			Industrial			Manufacturing			Agricultural		
	1*	2*	+/-	1	2	+/-	1	2	+/-	1	2	+/-
Botswana	40	46	+16	35	48	+13	5	6	+1	26	6	-20
Indonesia	33	42	+9	34	38	+4	6	17	+11	33	20	-13
S.Korea	47	50	+3	25	42	+17	16	NA	-	28	8	-20
Malaysia	37	40	+3	33	43	+10	15	23	+8	29	17	-12
S.Africa	39	45	+16	47	40	-7	21	22	+1	6	5	-1
Thailand	50	59	-1	26	39	+13	19	243	+5	24	12	-12

Source: own calculation from Tables 3.8 and 3.9,

1* is 1970-'75 period

2* is 1990-'93 period

South Korea tops in the context of change in the I sector with an average of 17 points between the two periods, while Botswana and Thailand take the second place with 13.. Although the information is not available for the M sector for South Korea for period 2, the rest of the countries will suffice for a comparative study in this sector. Botswana and South Africa take the last place (+1 change) between periods 1 and 2. This is indicative of the fact that the M sector should be much strengthened in Botswana in order to join the league of fast developing countries through increased export of manufactured goods. In the A sector, there is no room for excitement although Botswana shares the same position with South Korea with -20 as the change between the two periods.

3.3 Sustainable Economic Diversification

In 1996 the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) posed the question: "How should Botswana go about sustainable economic diversification and employment creation?" Botswana being an open economy stands to gain on both fronts through enhanced international competitiveness which is to be primarily achieved through productivity gains in the domestic economy. At any given point in time the public sector tremendously contributed to employment generation and income distribution. Given the fact that the private sector is the new growth engine in the economy, sources of economic diversification and employment generation are the industrial and the services sectors of the economy.

From the foregoing analysis, it is clear that the industrial and the services sectors in Botswana absorbed over 94 per cent of the total work-force by 1993. Strengthening these two sectors is the sure way to further prosperity in the country. In the industrial sector, and within the context of diversification to locate new avenues of growth in the non-traditional sector, the role of the manufacturing sector comes to the fore. According to the annual Economic report 1999/2000 budget, the industrial and services sectors accounted for 99 per cent of the total GDP. But the share of the manufacturing sector is not that impressive in terms of employment (10 %) and GDP (5.9%). Therefore measures to identify and rectify the causes of the current situation will help achieve the potential of this sector as a source of diversified production and employment generation. In this context, productivity is the key to global competition. With the successful conclusion of the General Agreement on Tariff and trade (GATT) Uruguay Round and its subsequent transformation into the World Trade Organization (WTO) in 1995, nations are scurrying around to get as large a share of the world market as possible. In the post-World War II period, the prominent winners in the global competition were Japan, Singapore and South Korea. Lessons of experience of these countries can teach us that productivity is the key to global competition, where growth productivity explains more than three-fourths of economic growth. In Japan, growth productivity in the manufacturing and services sectors was much faster than that in agriculture. High rates of investment, advances in human capital through improved education and training, and the acquisition of technology from abroad were the main engines of the economic process and explain most of the success in a country that lacked vital natural resources.

What you get out of trade depends on how much you put into it. Shifting production from sectors with low productivity levels to sectors with high productivity levels makes a positive contribution to economic growth by increasing the average productivity level of the whole economy. In situations where there is a shortage of labour, development planners need to ensure improved labour productivity. When calculating the employment requirements based on target outputs for a specific period, say five years, planning agencies, should adjust labour coefficients in accordance with proven learning curves obtainable from more developed countries. This will help reflect the expectations of improved productivity at the end of the given planning period.

In Japan, the performance of industries depended on economies of scale and the small size of the domestic market was overcome by an export drive. With expansion of exports, it was possible to shift factors of production from low productivity activities to higher productivity activities including land.

Table 3.11 on sectoral shares (including the NDP8 projections) on formal sector employment and GDP share confirm the smooth structural transformation that is taking place in the Botswana economy. Estimates suggest that by the year 2002, only over one per cent of the work-force will be engaged in agriculture, whereas the manufacturing sector will regain its 1990 share of about 12 percent. There is no feeling of excitement when one examines the share of industry in this context, but the service sector is the real sector that helps the economy to absorb labour, given the declining and even stagnant trend in other sectors. Let us observe what is happening in terms of the sectoral share of GDP. Obviously the share is declining in the agricultural sector. The lowest share is recorded in 1996 in manufacturing and it is well and good if the forecast for the NDP8 period is realised without any problems. From its peak in 1989, industry has reached about 51 per cent in 1996 and its share fell according to the forecast for the subsequent years. One could undoubtedly state that the service sector is the mainstay of the economy of Botswana in terms of GDP share and of course, in terms of employment.

The call to combat poverty by creating jobs applies in principle both to the production and the service sectors (Theil, 1999). There is a qualification with regard to trade. The notion that the multiple handling of goods generates wealth is mistaken, and is based on a misleading interpretation of the economics of trade. Multiple handling results only in the goods being more costly to the end-consumer, thus worsening poverty. Theil said that the apparent growth in value in trade is only "paper wealth" which increases the dealers' profit but further impoverishes the consumer. Therefore he argued that the concern must be to promote work that increases the quantity of goods and services available and not that which only increases their prices.

Development success entails considerable sacrifice, hardwork, vision, a realistic approach to the realization of that vision and reliance on internal sources of growth. In Botswana, the Mid Term Review (MTR) of NDP7 has emphasised "the need to develop engines of growth beyond diamond mining and through it, Government-expenditure led growth. What is required is effective implementation and a change in the leisurely manner that characterises Government and private sector ways of doing things to one of urgency." MTR stressed that there is need to lay a good basis for education and training that will allow Botswana to improve its skills to a level where it can compete effectively in the international market place in the production of non-traditional exports and services." In order to achieve the NDP8

Table 3.11 Sectoral shares in work force and national product as percentage in Botswana

Table 3.11 Sectoral Shares in Workforce and National product as percentages in Botswana

Year	Work Force				Gross National Product			
Sector	A	M	I	S	A	M	I	S
1972	12	6.4	29	59	32	5	31	38
1973	10	6	33	58	-	-	-	-
1974	9	6,3	34	57	34	54	31	36
1975	7	6.7	35	58	29	7.4	33	40
1976	7	7.2	31	62	24	7.7	36	41
1977	7	6.6	31	62	24	8.1	33	45
1978	7	6.3	31	59	20	6.8	35	48
1979	6	7.2	35	58	15	8.4	41	47
1980	5	6.7	37	60	11	4.2	45	48
1981	5	6.5	35	62	12	5.9	41	50
1982	4	7.1	34	63	13	7.7	41	48
1983	4	9.7	32	63	9	6,7	49	44
1984	5	8.6	32	63	7	5.7	51	43
1985	3	8.4	31	65	7	4.7	56	39
1986	4	9.3	31	65	5	5.1	61	35
1987	4	9.7	32	65	5	5.9	59	38
1988	4	9.6	33	63	7	5	61	35
1989	3	11.7	35	62	5	4.9	70	31
1990	3	11.5	35	61	5	4.9	61	37
1991	3	11.4	35	62	4	4.8	57	40
1992	3	9.7	33	65	4	4.9	55	43
1993	2	9.1	31	67	5	4.4	51	47
1994	2	9.5	29	69	4	4.7	52	47
1995	1.9	10.1	28.2	69.7	3.9	2.5	50.1	48.3
1996	1.9	10.1	28.1	69.9	3.6	2.3	50.6	48.1
1997	1.7	10.2	28.2	69.9	3.2	6	49.5	47.2
1998	1.6	10.4	28.7	69.6	3.1	6.1	48.9	47.8
1999	1.6	10.7	28.6	69.6	3	6.1	49.3	47.6
2001	1.5	11.2	28.4	70	2.7	6.4	48.2	48.9
2002	1.4	11.5	28.4	70.1	2.6	6.7	47	50.2

Source: CSO , Statistical Bulletins and NDP8

theme of sustainable economic diversification, fast development of the non-traditional exports is essential. This entails achievement of international competitiveness which depends to a large extent on the improved productivity of the labour force among others. Blessed with natural resources and a realistic management team, Botswana's potential as a successful African economy can be fully exploited by raising the productivity of factors of production.

According to BOCCIM's Fourth Private Sector Conference, employment creation in Botswana was an important milestone in the collaboration between the private sector and the government. If Botswana was to enjoy growth in employment it would have to steadily improve its ability to compete in international export markets. High quality of goods and services, relevant education and the championing of entrepreneurship would be important determinants of success. Consider the past employment creation success. Formal employment had grown by an average of more than ten % per annum between 1966 and 1991, but had declined during the recession of 1991-'94 and only increased slightly thereafter. Public sector employment had been a major contributor to past employment growth, but further public sector expansion was no longer sustainable. Yet, during 1995-'96 the public sector contributed most to employment growth. Concern was expressed about the rise in youth unemployment and also over the projected rate of growth in the labour force caused by rapid population growth. There was general acceptance that the prospects for employment creation were intimately linked to how well Botswana performed in its human resource development and the development of profitable private enterprises, including large scale ventures and small and medium sized enterprises (SMEs).

Botswana has many strengths to build upon. These include; sound macroeconomic management, the Financial Assistance Policy (FAP), a stable exchange rate, positive real interest rates, membership of the Southern African Customs Union (SACU), good infrastructure, a commitment to deregulation, stable democratic governance and general wage restraint. Botswana will also have to address a series of existing problems, including an inefficient, over-sized public sector, the prevalence of rent-seeking, bureaucratic and regulatory bottlenecks affecting private investors, the high cost of utilities and shortfalls in government's implementation performance

BOCCIM further explains that there was general agreement that economic diversification should initially focus on developing exports to the Southern African region, extending to global markets once international competitiveness has been achieved. While Botswana's approach would have to be tailored to its own circumstances, there was much to be learned from the experience of East Asian countries that had rapidly diversified their economies in the past three decades. There is a strong link between employment and sustainable business development, where productivity is the key to company profitability and sustainability. Experience in other countries suggested that the development of SMEs was the most effective way of increasing employment. In Botswana there was a need to assist SMEs to become more capable of improving productivity, for example through schemes to assist these enterprises to introduce regular productivity measurement and monitoring.

3.4 Long term Vision

Long term visions have featured prominently in Malaysia's national development plans. At independence in 1957, the overall development challenge had been to consolidate national unity and reduce poverty. Economic policy had focused on rural development, emphasising expansion in the production of primary commodities. With the new economic policy of 1971, Malaysia entered a new phase, with a change in policy to give greater emphasis to addressing socio-economic imbalances and inequalities. There was a shift towards more interventionist

policies and the creation of parastatals. After a difficult period of recession and adjustment in the 1980s, Malaysia adjusted its vision again in 1991, focusing on the promotion of free enterprise, improving competitiveness and diversifying the economy into higher value production.

Foreign investment is to be encouraged. This would require systematic training, business development and advocacy activities to encourage the diversification of the Botswana private sector into manufacturing and services. New opportunities for employment creation need key changes that will provide a more supportive environment for diversification. Incentive schemes are needed to focus on upgrading productivity, technology and innovation and to move away from the previous emphasis on subsidies since this encouraged laziness and inefficiency.

According to Vision 2016, with no prospect for further automatic growth from the expansion of diamond mining, Botswana needed a new long term vision to guide its approach to economic growth and development. Botswana needs to make wise choices about what sort of long term objectives should come first within the vision. Existing strengths would need to be retained, notably the country's favourable infrastructure, its stability and order, and the system of national development planning. New strengths would have to be built up, supported by key adjustments in the policy framework, changes in attitudes towards enterprise and productivity, and a much closer partnership between government and the private sector. Employment creation is the best way of addressing rural poverty. Government needs to invest substantially in providing infrastructure and services in rural areas and it is hoped that this will attract more private sector employers to these areas..

The components of the framework for a long term Vision for Botswana (Vision 2016) are as follows:

- to be a prosperous, productive and innovative society;
- to be a just and caring society;
- to be an educated and informed society;
- to be an open, democratic and accountable society and
- to be a moral, ethical and tolerant society.

Among others," the most important element of the strategy for growth will be rapid development of industry, particularly manufacturing. Botswana must also develop service industries such as tourism, information services and financial centre services. Self-reliance will be a vital attribute in the future. Botswana should diversify the economy, with mining, agriculture, industry, manufacturing, services and tourism" ..

Vision 2016 stated that "the unemployment rate in Botswana remains high, leading to socio-economic problems in the society, and contributing to poverty. Skills development has lagged behind, and labour productivity remains low in many sectors. There is a clear challenge to adopt strategies to bring the unemployment rate down." It has recognised that a society with high unemployment is not compatible with a motivated and united nation. Therefore the vision envisages creating an environment where every citizen has the opportunity to contribute to the national wealth through paid or self-employment".

4. IMPORTANCE OF EMPLOYMENT GENERATION TO BOTSWANA

4.1 Introduction

The downturn experienced by the Botswana economy in 1992 due to global recession, has resulted in a slow growth in the formal sector employment. This, coupled with the return of Botswana working in the South African mines and the inability to expand the labour absorption by the drought-prone agricultural sector in the country, placed an increased pressure on creating additional income earning opportunities for those who seek a job and are available to take it up if one is available. Although correct figures on the extent of unemployment are not readily available, an attempt could be made to ascertain an approximate figure which represents those who are seeking and are available for work if offered and those who helped to create one.

4.2 Formal Sector Employment

Salkin (1994) reported that the loss of jobs in the private sector between September, 1991 and March, 1993 was almost compensated for by growth in employment in the public sector, mainly parastatals, as well as both central and local government employment. Salkin also estimates unemployment in Botswana at 19.5 % at the end of 1993 and 20.9 % for 1994. This sets the stage for the role of employment in the non-formal sector or the informal sector. Despite the fact that employment is expanding in the central government and local government sub-sectors of the formal sector, considerations of productivity enhancement may in future slow this phenomenon; at the same time the tendency to retrench employees from the private sector does not help realize the national planning objective of sharing the national wealth through the provision of productive employment to all those who want it. In a given time, if confronted with the excess supply of labour, especially the unskilled and those with low level of education, it is pertinent to think of a cheaper alternative to the relatively expensive process of job creation in the formal sector.

Assuming that 50 % of the total employment originates from the informal sector as recorded for 1987 (Incomes Policy Review, 1990) and remains constant for subsequent years as well, the importance of this sector cannot be overstated. The reason why the Income Policy Review (1990) exaggerated the extent of employment in the informal sector may be the fact that it ignored the employment of the domestic servants, of the Army, of Botswana in South Africa and of the self-employed. This seems to be a serious omission and gives a wrong picture of the unemployment situation in the economy. What one fails to clearly understand is whether the self-employed category and those in the traditional agriculture sector include a component of employment in the informal sector. According to the 1991 Botswana population census, the "economically active" are defined as all individuals aged 12 years and over who, during the month preceding enumeration, did at least one hour's work as an employee, self-employed, in a family business or at the lands, farm or cattle-post or were actively seeking work. The economically active population is also referred to as the labour force. "Unemployed" are defined as those people who are actively seeking work and the "unemployment rate" is the number of unemployed people as a percentage of all those who are economically active. By this definition, the unemployment rate for Botswana was 17.3 % for females, 11.7 % for males and 13.9 % overall (CSO, 1994). The same source further noted that "The size of the labour force has increased at a rate of 3.4 % per annum".

This is consistent with the decline in the labour force participation rate from 60.4 per cent in 1981 to 52.3 % in 1991. At the time of the census in 1991, Botswana was still experiencing the effects of a drought and this may have reduced the number of people working on the lands and farms. Salkin (1994) pointed out that "the spectre of high and rising levels of unemployment, with all the suffering and social ills it entails, has come to haunt the economy and shatter the image of Botswana's success as a developing country". The importance of creating adequate non-agricultural employment opportunities in rural Botswana is highlighted by Sunny (1992). Based on the data obtained from the Income and the Employment Survey in 1989, the study found that 36% of unemployed are in non-agricultural households. NDP7 underscored the need for diversification in agriculture. Maintaining a diversified economic base with non-farm employment for at least half the year is a desirable strategy to stabilise the income of the rural households. There are extremely limited opportunities for non-farm wage employment in the rural areas. The greatest sources of non-farm income could be seasonal wage labour and formal and informal sector employment in towns and villages.

The non-formal sector has a very important role to play in easing unemployment of the unskilled and the less educated job seekers, and there are important output linkages with agriculture, to which it provides tools, equipment, services, etc., as well as input linkage with it. This is confirmed by the fact that the non-formal operators consume only five per cent of their own products, whereas 50 per cent are consumed in the formal sector and the remainder in subsistence agriculture.

A dynamic rural non-farm sector will tremendously contribute towards the easing of rural poverty, increasing income earning opportunities and raising agricultural productivity. Location-specific simple technological innovation will act cause change towards this end. Todaro's (1985) migration model, among others, was based on the assumption that rural income is much lower than the expected higher income in the urban sector. The proliferation of rural non-farm economic activities will help raise rural income, thus applying a restraint to migration of rural labour into urban centres and this will pave the way for balanced regional development. The unfavourable policy towards agriculture of transferring the surplus from the rural sector through product contribution, factor contribution and market contribution for the development of the urban sector in the developing countries does help to create a rising demand for the output from the non-farm industrial sector. This means that a vibrant agricultural sector must provide the base for non-farm economic activities to take root and allow the economy to take off. This point is further elaborated in a later chapter on Linkages.

4.3 Employment in the Rural Non-Farm Sector

Here we examine the sources of non-farm income and the employment in rural Botswana making use of the data obtained from the Income and Employment Survey of 1989 which showed that 36% of the respondents are non-agricultural households. Agriculture remains the backbone of most developing countries. Farming in these countries absorbs most of the rural labour force, and approximately 70 % of the total labour force. This is true in Botswana as well. NDP 7 underscored that the need for diversification in farm employment for at least half the year is a desirable strategy to stabilise the income of the rural households.

Table 4.1 Formal Sector Employment

Year	Labour Force(L.F) ('000)	Employment ('000)	% of L. F. employed
1981	332.6	97.4	29
1982	344	100.1	29
1983	355.8	100.6	28
1984	368	110	30
1985	380.6	116.8	31
1986	393.7	130.1	33
1987	407.2	150.2	37
1988	421.2	169.5	40
1989	435.6	189.5	44
1990	450.6	209	46
1991	466	228.9	49
1992	482	227.5	49
1993	498.3	226.2	45.3
1994	515.2	231.2	44.8
1995	532.7	231.4	44.4
1996	550.8	234.1	42.4
1997	569.5	237.5	41.6

Source: Adapted from GOB/UNDP/UNICEF, (1993). and NDP8& own calculation

Table 4.2 Data on sources of income(annual) for rural households in Botswana (1989) Survey

HHNO:	ITOTG	LABOUR	WAGES	RENTS	GFTS	TRANSF	SALENA
232	78.71	33.99	23.33	0	2.55	0	17
310	108.02	19.26	70.42	15	3.33	0	0
202	128.12	36.12	30.33	0	49.08	0	12.58
401	153.33	84.74	9.42	0	35	17.75	5
112	185.35	67.91	2.5	9.75	28	42.23	25.45
122	188.67	36.25	0	1.75	24.17	0	0
110	189.37	15.65	0	0	115.6	9.47	0
412	190.23	76.56	5.83	15	0.42	8.33	84.08
408	200.21	35.17	8.33	5	97.92	16.67	37.11
300	203.74	90.9	93.25	0	19.58	0.00.	0

424	216.63	34.04	0	0	112.5	29.25	40.58
413	218.42	108.5	0	0	10.75	16.67	82.5
113	254.27	27.86	39.83	0	95.92	80.98	9.25
422	258.92	132.08	0	0	20	41.67	64.16
130	263.57	24.28	0	36.67	6.67	2.2	227.16
120	279.76	37.1	0	0	75	20.98	0
425	280.86	77.94	50	4.46	54.17	74.17	10.41
101	287.31	71.5	0	7.25	79	2.8	33.5
104	310.51	101.87	0	3.08	52.58	42.23	23.81
102	313.94	29.66	191.17	0	17	41.85	23.41
119	355.01	14.25	0	36.67	92.33	35	131.16
116	365.3	68.56	131.75	0	44.33	80.15	35.66
133	373.48	61.91	0	4.46	30.18	22.8	135.3
125	384.18	44.03	179.17	7.25	41.42	18.1	84.2
108	411.84	56.63	0	3.08	179.5	54.77	29.81
326	421.9	123.98	255.42	0	28.33	0	14.16
415	424.74	55.49	258.42	0	51	58.83	0
302	428.35	186.68	180	0	5.83	0	0
406	441.06	143.64	262.5	0	5.83	14.83	14.25
117	495.39	89.36	98.33	0	70.42	3.22	131.55
129	527.68	59.46	225.07	0	0	40.73	202.41
306	530.78	247.44	83.33	0	186.7	4.17	0
124	543.3	111.69	110	0	63.17	1.4	179.86
429	650.07	74.32	250.17	0	0	83.33	235.83
105	777.52	5.85	327.08	21.25	8.33	6.67	325
427	789.16	34.49	0	4.17	14.17	0	731.33
316	926.94	80.68	782.92	0	10	0	0
304	959.09	206.41	0	0	19.17	0	705.17

Source: Data on 1989 Income and Employment Survey in Rural Botswana, 1990, University of Botswana.

HHNO is household number in the survey
ITOTG is total income from agriculture

Data used for this study is as given in the Table 4.2. Data is grouped into three main categories: First is salaries and wages. This group includes labour and wages. LABOUR is the imputed wage income from own labour input, and this constitute over 20 % of the average household income. On the other hand, income from wages is only about two per cent. Taken together, salaries and wages account for 23 % of the average income of the household. Two implications follow from this result namely, either the opportunities for non-farm wage employment are extremely limited or there is very little labour to spare for non-farm wage employment.

Secondly is remittances and gifts. There are three components in this category, namely RENTS, GIFTS and TRANSFERS. A glance at individual entries shows that income from rents accounts for 0.91%, income from gifts accounts for 12.82 % and income from transfers accounts for 7.80 % of the average household income respectively.

GIFTS which are private transfers account for almost 60% of the income in the second category itself. This is an encouraging source, as it indicates the urban and even foreign country employment opportunities (in South African mines) for members of the rural household.

Transfers (public transfers) account for 36 % and rents are significant in the category of remittances and gifts (4% only).

Third, Non-Farm activities top in its share of average household income (26.59 %). Perhaps this is an important clue to understanding why income from wage labour is so low and in that it sheds light on the fact that during spare time, labour is spent on producing saleable non-farm products and rendering non-farm services. One could guess that such saleable items may include the retail sale of sorghum beer, veld products, handicrafts, baskets and such related items.

About 14 % of Botswana's work-force earns some income from sorghum beer brewing or retailing, making it the largest non-farm employer in the country (Boomgard et.al, 1992). Brewing employment is especially prominent in rural areas where it accounts for 60 % of rural manufacturing income. Distributional considerations magnify the importance of sorghum beer production since middle and low-income households, especially those that are female-headed, depend most heavily on sorghum beer income. Because of the recognized employment and distributional benefits of home retailing, Botswana's commercial code exempts home retailers of home and factory brewed sorghum beer from licensing requirements.

Small-scale agriculture is at the subsistence level. A study in Kenya (Vandermoortele, 1991) revealed that the average farmer worked about 40 hours per week, men worked more on non-farm activities outside the holding and women worked more in the household mostly in collecting firewood and fetching water. The main types of non-farm activities are similar to those undertaken in the urban informal sector in Cote d'Ivoire, where 12.4 % of the rural labour force was reported to

be self-employed in non-farm activities in 1985. Vandermoortele (1991) reported that "the increased importance of non-farm activities as a source of employment and income in rural areas stems from the interplay of the following three factors: higher agricultural output and incomes; a shift in the consumption structure in favour of informal sector goods and services, and the growing population pressure on arable lands." Table 4.3 provides the composition of rural household income in selected countries, including Botswana based on the survey results. Botswana's farm income of the non-farm households is much below that of Cote d'Ivoire, Ghana and Kenya, but it compares well with that of Lesotho. In non-farm activities, Botswana is much ahead of these other countries.

Table 4.3 Composition of rural household income in selected countries (%)

Activity	Cote d'Ivoire 1985	Ghana 1988	Kenya 1981/82	Lesotho 1986	Botswana 1989
A. Farming	75	69	48.1	24.8	29.02
B. Non-farm Activities	13.3	16	16.9	6	26.59
C. Salaries and Wages	6.4	11	21.3	10	22.86
D. Remittances and Gifts	5.3	4	13.7	59.2	21.53
Total (A+B+C+D)	100	100	100	100	100

Source: adapted from Vandermoortele, (1991) Employment Issues in Sub-Saharan Africa and *own calculation from Income and Employment Survey Data 1992 - Department of Economics, University of Botswana, Botswana.

The same is true with salaries and wages, Kenya comes near to Botswana in this respect. In remittances and gifts, Lesotho leads and Botswana is not even half way, but all other countries are way behind. Taken as a whole, the survey result served to alert the policy makers in Botswana to enhance the non-farm income earning opportunities because of the low-farm income for non-farm households. Low-farm income is explained by adverse weather conditions and the attractiveness of the non-agricultural sectors in the Botswana economy. Expanding formal wage employment opportunities to Botswana, especially those in rural areas is a priority issue in the NDP7, for the Government of Botswana. Traditional and informal sector employment accounted for 44.54 % of the labour force between 1984 and 1987; the yearly rate of growth declined from 14.6 % in 1984 to 6.7 % in 1986 and to 2.4 % in 1987 (GOB/UNDP/UNICEF, 1992). This decline in the traditional and informal sector employment could be attributed to factors such as those outlined below.

- An increase in formal employment opportunities due to expansion in national output .
- A decline in rural employment opportunities due to the unattractiveness of the rural sector itself.

- An increased diversification in the employment structure in the economy due to structural transformation of the Botswana economy.

The greatest sources of off-farm incomes are seasonal wage labour and formal and informal sector employment in towns and villages. When drought situations prevail, anti-desertification measures, cropping and herding strategies, the collection of wild edible plants and hunting wild animals also will contribute towards off-farm income. In any situation, formal and informal sector employment, merchant and livestock trade, leather crafts, agricultural wage labour, work abroad, and cultivation are the methods by which the rural household income could be sustained at a desirable level.

Sometimes there may arise a readiness to drop agriculture entirely or look elsewhere to supplement income from agriculture as the future well-being of the people is particularly tied to the successful performance of other sectors of the economy. The amount of labour devoted to farm and non-farm activities in the survey villages should shed light on the high or low incidence of non-farm activities in the villages with high or low agricultural potentials. The continuing intensity of non-farm activities will raise the question of whether agricultural development is receiving its due attention.

In the absence of a detailed study on farm management labour allocation, it is difficult to determine the extent to which non-farm employment is a genuine reflection of the existence of surplus labour which cannot be absorbed into permanent agricultural employment. In some areas, there will be a tendency for farm production to decline as off-farm employment grows in importance. In certain cases, the income from non-farm sources, is not invested in agriculture as a result of the uncertainty about agricultural returns including crop yields and sales from cash crops.

In the long run, there is a possibility that under conditions of low agricultural production, the economic advantages of occupational diversification, involving many types of non-farm activities, may eliminate under-employment and unemployment within rural communities, and this will be a step in the right direction especially in Botswana where the cost of production is high compared to its giant neighbour, South Africa. The theory of comparative advantage is pertinent in such a situation where enough income is to be generated with cost effectiveness payment for the imported farm products.

"Over the period September 1985 to March 1989, formal sector employment grew by 12.4 % per annum" (GOB, 1991) in Botswana. In order to absorb the seasonally unemployed or underemployed from the rural sector, there is a need to create rural institutions to support cottage industries and small scale industries with emphasis on indigenous technology, domestic finance and rural infrastructure. When the attractiveness of the rural area is enhanced through integrated rural development and the promotion of rural technological development, employment opportunities will expand. At the same time, the expansion of rural informal sector enterprises through linkages will raise the productivity in on-farm and off-farm activities. The informal sector has very important output linkages with agriculture, to which it provides tools, equipment, services etc. as well as input linkages with it (Crispin, 1992).

Employment creation is the all important condition necessary for poverty alleviation through income generation. Despite the variation in the degree of the importance attached to

the above dictum across the countries of the world, this belief remains as true at the close of the twentieth century as it was in the 1930s. The available literature confirms that one of the priorities of the policy makers in Botswana is to create adequate income generating employment opportunities through new engines of growth.

4.4 Unanswered Questions on the solutions to Unemployment

In the context of solutions to unemployment or employment creation policies, there are many unanswered questions.

- What specific measures are envisaged to gainfully employ the Youth , as it is revealed that those in the age group 15-29 suffer from severe unemployment. Lack of appropriate skills and/or experience may be the reason for this incidence of unemployment in this particular group, and this calls for targeting the skill provisions to match the labour market.
- Does the manpower planning (planning the human resource development) take into consideration the changing manpower needs of the modern technological era? Policy makers incorporate manpower planning based on the prevailing educational system's output and the demand for labour. It is therefore necessary to identify the discrepancy between the quality of the manpower demand and the supply. The technological capability of the youth is to be enhanced according to the changing technological environment.
- Is delayed entrance into the workforce feasible? Later entrance into the workforce has got different connotations. First of all ,skills acquirement to match the current labour market demand means that the job aspirants delay their entrance into the labour force. The big question is: Who pays for the prolonged education and training? Government, parents or the individual? Only the best and brilliant can achieve student scholarships. Does it mean that others are left with little opportunities to progress? This is not a solution. Provision for part-time work as in some of the developed countries, will help the students realise the value of self-reliance and sweat for one's own progress towards a rewarding future career, whether in formal employment or self-employment. Examples are: opportunities for internships, apprenticeships and assistantships in enterprises, organizations and relevant businesses.
- Does productivity go up as a result of the reduced work hours in combination with the use of the state of the art technology? In this case, what should be the quality of the work-force? They should be trained to use the latest technology available at the workplace. The implication is on the training and retraining of the potential workers. A supply of technologically fit manpower is an important trumpcard needed to penetrate into and compete in the international market. Increase in exports induces economic growth which in turn expands the economic activity in the economy, thus absorbing more workers.
- The income earning capacity of the workers will be enhanced as a result of creating self-employment activities during the freed up time from the regular employment. This way they are creators of more jobs in the economy as their experience in the regular job will servethe society perfectly well. But the laws and regulations governing the second employment of the workers need to be conducive to start self-employment ventures. In certain instances, when the self employment becomes a success, the workers either resign or retire early from the regular work. In that case,more vacancies at the regular employment will help alleviate unemployment .

- Work sharing is considered as an alternative to a temporary layoff. In anticipation of business upswing, the retained trained workers will be an asset to the enterprise, sparing it the need to recruit and train again.
- Work sharing between generations to create more employment for the rural youth may take the unique shape of the Barefoot College (India) where the experienced professionals contribute a limited free service to train and equip the rural youth to render the simple services of repairing and maintaining hand water pumps, solar energy equipment and conduct adult literacy classes at night. The graduates from the Barefoot College gradually get converted from the unemployable to the self-employed.
- In countries where unemployment insurance exists, loss of pay due to reduced work hours could be compensated for through unemployment insurance. There are several issues involved here. If the reduced work hour is a liability on the part of the State in the form of unemployment insurance, what is the net benefit to the society? First, retrenched workers will claim full unemployment insurance. But work sharing will result only in partial claim. Second, the unemployed who enter the work-force to share work with the regular employees are positive in their outlook and attitude, because they are useful to the society. What is required here is a comprehensive cost-benefit analysis of work sharing as a solution to the problem of unemployment. Perhaps an extreme case is to consider a family wage as is practised in some countries where both husband and wife are qualified and employed. With a family wage, one of the parents can engage in self-employment. Apart from laying the foundation for strong families, bringing up children with love and care, the society benefits in the sense that the head of the family, is a regular employee and there will be no unemployed head of family. Certainly a bold policy initiative is required to work through the maze of complexities involved with such a shocking initiative.
- Is work-sharing between the elderly and the youth practical? Early retirement of the elderly could result in their replacement with the youth at the appropriate levels. Retirees could start business ventures that could absorb the skilled youth. The elderly could also act as mentors and role models for the youth and help bring up the youth on the right path pleasing in the sight of God and the society. Parents, apart from facilitating a good education for their children, could also instill in the youth a yearning for hardwork, commitment and the work ethics required to succeed in income earning employment opportunities.
- What percentage of the youth population has the opportunity to be imbued with business acumen from childhood from a family business? Whether agricultural or non-agricultural, family business is the right incubator where inter generational work-sharing can sprout, bloom and flourish.

5.IMPACT OF GLOBALIZATION ON SUSTAINABLE ECONOMIC DIVERSIFICATION

5.1 Introduction

As the world moves closer to living in a global village, it is imperative to understand the ramifications of the concept of Globalization. Perhaps this concept has different connotations to different users. The word often creates an image of a world-wide society with no boundaries, no borders and no barriers. The entire earth is a free trade area and subsequently an economic and political union. Factors of production are mobile between nations as they are within a nation. Ceglowski (1998) explained the futility of the vision of a global village despite the expansion of global activities in a barrier rampant world.

5.2 The Meaning of Globalization

There are three competing interpretations of globalization, namely, the market-centred approach, the state-centred perspective and the people-centred view(Woods,1998). Some define globalization in terms of a dramatic increase in international transactions: from economic exchange such as trade, finance and investment, to cultural ones, such as information, ideas and technology. Biersteker (1998) was of the opinion that globalization is a basic change in the way major institutional actors think and operate. The author explored the potential implications of globalization, with particular reference to the contradictory consequences of different types of inequality : between states, within states, and between states and other institutional entities. The process whereby the economic, political, social and cultural links between different countries, industries, companies, organizations and individuals of the world are increasing is referred to as globalization and it is a process which has been happening gradually for a long time, but which has developed rapidly since the 1970s (TURP,1997). Globalization may entail faster growth in international trade, faster flows of international capital, instantaneous international communication, global organization of production, more inter-governmental co-operation, more international links at the grassroots level and more international social activities among others.

Therefore, globalization (TURP,1997) means the following:

- that national governments, companies, unions and organizations are increasingly being ruled by global forces;
- that the way goods and services are produced and consumed is being organised on a global scale;
- that the economic, social and political links between the individuals, companies, political, social and cultural groups and governments of the world are increasing that national states are co-operating more with neighbouring states and forming regional economic blocs;
- that a global culture, created by US and European trans-national corporations and symbolised by fast foods, jeans and western pop stars, is entrenched all over the world.

Sklair(1998) examined globalization in terms of the following criteria:

- foreign direct investment,
- bench marking and the world best practice,
- global corporate citizenship and
- global vision as observed among the Fortune Global 500 corporations domiciled in California .He comes up with the result that a genuine process of globalization is taking place and has

important effects on local and regional economies. Although it is explained in terms of microeconomic theory that as one of the sources of foreign savings for domestic resources, foreign direct investment (FDI) could be a substitute for export earnings, empirical studies have revealed the complementary quality between between the two (Fontagne and Pajot,1998). In their study utilizing the French macroeconomic data, they highlighted a strong complementary qualities largely based on the spillovers between sectors and pointed out that a larger part of French export performance has to be associated with sizeable foreign assets. From the viewpoint of the domestic economy, FDI and exports constitute the two channels of globalization. Dunning(1998) described the changes in the geography of FDI and suggested that the new geography of FDI strongly reflects the sectors in which multinational enterprises operate, the countries from which they originate and their international production and marketing strategies. Dunning (1997) in his book *Governments, Globalization and International Business* described among others, an economist's view of globalization and national government policies.

4.3 Positive and Negative effects of Globalization

According to the Human Development Report (HDR) 1999, global markets, global technology, global ideas and global solidarity can enrich the lives of people everywhere, greatly expanding their choices. The report also warns the world about the unpalatable consequences of uncontrolled globalization: “ in the globalizing world of shrinking time, shrinking space and disappearing borders, people are confronting new threats to human security-sudden and hurtful disruptions in the pattern of daily life.” Such disruptions are manifested in the guise of:

- Financial volatility and economic insecurity,
- Job and income insecurity
- Health insecurity
- Cultural insecurity
- Personal insecurity
- Environmental insecurity and
- political and community insecurity.

Countries in Asia and the Pacific region have experienced a high degree of labour market institutionalization (as evidenced by the emergence of minimum wage laws, health and safety regulations and independent dispute settling mechanism) accompanied by increased economic development. More and more countries are accommodating demands by employees and their unions for a more significant voice (Lansburry,et.al.,1998).

On the other hand, Prasad (1998) explained how accelerated internationalization of the Fijis economy has resulted in the rapid erosion of the market coordinating capabilities of the labour market institutions, which has adversely affected the state's capacity to deal with the social exclusion and economic marginalisation. This has also inhibited the state's ability to direct small to medium scale enterprises towards competitive growth. Garrett (1998) addressed the negative impacts of globalization such as steady downward pressure on the social agenda of governments and international institutions. The author further explained that globalization from below represents an overall effort to moderate market logic by reference to

the following values embodied in “normative democracy”, a view of democracy that takes into account of the emergence of global village realities: consent of affected peoples, rule of law in all arenas of decision, human rights, effective modes of participation, accountability, support for public goods to address basic needs, transparency and non-violence as a principle of public order.

Castells (1998) explained the macro transformations as a result of the interaction between processes characterising the information age: informationalization, globalization, networking, identity-building, the crisis of patriarchy and the crisis of the nation-state. The author also discusses informational capitalism, poverty and social exclusion and the rise of the fourth world.

Marias (1998) described all the unpalatable consequences of globalization as follows: “Occurring with a seemingly relentless momentum and on a disastrous scale is the dissolution of nation states, the proliferation of civil wars that assume the scale of genocide, the rise of extreme forms of nationalism (sometimes wedded to religious fundamentalism), the steadily widening gulf of inequality between and within countries, the economic and geo-political marginalization of whole regions, the ecological havoc wrought in even the most remote parts of the globe, and the renewed spread of poverty-related and other diseases which only a decade ago seemed to have been contained, even conquered. These developments are intimately linked to profound changes at the economic level. Globalization which is characterised principally by transnational production, freer passage of commodities, the dominance of finance capital, the increasing authority of supra-national organizations and the rapid development and deployment of new labour saving or labour-replacing technologies. There is the shrinking state and diminished national sovereignty. The experience of the South East Asian countries show that the reduced state is not an integral element of globalization. Labour intensive industries now migrate from high-cost rich countries to some low cost countries on the periphery, with potential hosts luring investments with high growth rates, subsidies, tax breaks, laissez-faire export processing zones and by guaranteeing transnational corporations’ liberty to repatriate profits. These shifts of production are uneven. Only 22 out of 100 low and middle-income countries experienced substantial investment, the bulk of them in South-east Asia. New technologies are causing economies to shed jobs much faster than they can replace them. Through trade liberalization, goods and services are afforded virtually unhindered passage across national borders and this has produced the fetish of export-led industrialization and growth.”

Marias further explained that ,“The new world order is an attempt to resolve growing trade related tensions and contradictions within the industrialized world in favour of TNCs and few rich countries at the expense of the world’s poorer countries. Neo-liberalism-diminishing the role of the state in society and unleashing the supposedly self-corrective powers of unfettered market forces represents a political/ideological effort to ride the tide of globalization. What neo-liberalism did achieve was a massive redistribution of wealth in favour of the rich. It is said that even in the UK and the USA, the privatization and deregulation crusades did not deliver the promised results. Globalization, therefore, cannot be divorced from the roles of dominant states in augmenting the expansionist and accumulator projects of national and transnational groupings of capital, an understanding that begs for the reintroduction of the concept of imperialism in leftist efforts to grapple with these phenomena. Higher levels of

unemployment have become a structural feature of the global economy. The roles and strengths of the nation state have changed profoundly. Private security firms maintain law and order, culture and information is bombarded from communication satellites, and the inter-net transcends the notion of national boundaries.”

He added that “Many states are circumscribed by the rise of transnational production and liberalized trade systems, and find national prerogatives overridden by supra-national bodies like the IMF and the World Bank or the UN. The very integrity of the nation state is threatened by the centrifugal pull of ethnic and other minorities seeking self-determination. Besides, state sovereignty is undermined by finance capital which daily traverses the globe on a massive scale in milliseconds. This is due to the over accumulation of capital which could no longer find enough secure and profitable sites for productive investment. The problem lies with the drying up of profitable opportunities in traditional investment activities. Globalization, in this view reflects less the establishment of a stable and new international regime of capital accumulation than an aspect of the decay of the old social structure of accumulation.”

Commission on Sustainable Development (CSD, 1999) has recognised the importance of developing a multilateral framework to facilitate the assessment of the environmental and social impacts of trade liberalisation. It is suggested that assessment should be conducted on a sector by sector basis and subsequently aggregated. The positive and negative effects of trade liberalisation will be taken into account. In this context, there will be need for renegotiation of the major international trade agreements to ensure that the globalisation is not harmful to the citizens across the world. From the available literature ,one is compelled to believe that an unregulated economic globalisation will create havoc, such as widening inequality between nations and within nations, national and regional instability and loss of democratic rights in addition to stagnation and unemployment in several countries.

HDR (1999) puts forward seven key challenges in the context of securing human progress in this era of globalization:

- Strengthen policies and actions for human development, and adapt them to the new realities of the global economy
- Reduce the threats of financial volatility and all their human costs.
- Take stronger global action to tackle global threats to human security
- Enhance public action to develop technologies for human development and the eradication of poverty
- Reverse the marginalisation of poor and small countries
- Remedy the imbalances in the structures of global governance with new efforts to create a more inclusive system and
- Build a more coherent and more democratic architecture for global governance in the 21st century

4.4 Competitiveness at the Firm Level

Capability at the firm level to compete internationally is a critical factor in the context of globalization. There are more competitive pressures than in the past as a result of the

opening up of previously protected domestic markets to imports and intensification of competition in export markets. Greater flexibility in planning by the firm determines the firm's adaptability to the changing demand in the markets. Large firms may lack the flexibility to adapt to the changing demand but medium and small firms may possess the potential which is yet to be proved yet. The Innovation and the diffusion of new technology is influenced by investment in research and development (R&D) and production. Government support will facilitate technological innovation by preparing a realistic assessment of existing technological capabilities and their strengthening, by providing the infrastructure, by allocating adequate resources for R&D to develop and adapt new technologies and by co-ordinating the efforts of the different investors involved.

The Italian experience has been presented as a blueprint for the competitive success of clusters of small firms and the industrial districts are defined in terms of the following four key factors:

- a cluster of mainly small and medium firms spatially concentrated and sectorally specialised,
- a set of forward and backward linkages among economic agents, based both on market and non-market exchange of goods, information and people,
- a common cultural and common background linking the economic agents and creating a behavioural code, sometimes explicit and often implicit and
- public and private local institutions acting to support the cluster.

The basic principle is that clusters of predominantly small firms can gain economies of scale and scope and increased flexibility through specialization and inter-firm cooperation. This leads to a focus on the industrial district as a basis for improved competitiveness and open up a promising area of policy towards the small enterprise sector in developing countries. In the 1970s and 1980s, industrial districts in Europe achieved international competitiveness and attained high employment standards as they were based on local small and medium sized firms concentrating on traditional sectors. The provision of credit, training of workers and entrepreneurs, the provision of services and wage negotiations are important factors in this model.

In a world where existing competitors are constantly reinventing themselves and new competitors are continually emerging, a firm's long-term success depends on its ability to consistently differentiate itself from the competition (Faweet, et.al., 1997). SMEs are concerned with the globalization of markets through different dimensions. Three potential adaptation strategies are: diversification, internationalization and competitive strategies.

The mass of industrial enterprises, present in the developing world, especially the small, medium and micro enterprises (SMMEs) represent a fertile, bubbling mixture out of which industrial society grows resembling the path of industrialization in pre-industrial Europe. The development of the industrial sector is an important part of the structural change of economies. The majority of developing countries by the end of the 1980s still employed less than a quarter of their workforce in manufacturing, in many cases much less. The proportion of GDP derived from manufacturing shows that Africa is the least industrialised of the continents.

Globalization and international competition are largely technology driven. Foreign direct investment is the main channel for international technology transfers and the adoption of new technologies, and there is a shift from mature low-tech industries to better high-tech industries. The new frontiers of science and technology in the 21st century will appear in the fields of space, global environment protection including, recycling, bio-technology, new energy, new materials and information high technology. In recent debate on industrialization strategy, the role of the state has been given much attention. The new orthodoxy based on successful experiences in industrialization in East Asian countries, recognizes the fundamental role of the state and government administration in the development process of the late comers.

According to Humphrey (1995), manufacturing industries in developing countries are facing greater competitive pressures than in the past as a result of the opening up of previously protected domestic markets to manufactured imports and the intensification of competition in export markets. To face up to these pressures, the manufacturing industries of many countries need revitalization. Large firms are often inefficient, having grown up in the context of import substitution and protectionism, while small firms have yet to show that they can compete successfully in foreign markets. Changes in industrial organization may provide a means of facing up to this challenge.

In many advanced industrialized countries, industry has also been undergoing the painful processes of crisis and restructuring for most of the past 20 years revolving around industrial transformation and renewal. The first of the success stories is Italy and the second Japan. In Italy, smaller firms in the Emilia Romagna Region were able to establish a strong position in world markets in a number of traditional products (shoes, leather handbags, furniture, tile, musical instruments etc) and also in the industries which supply machinery to these sectors. In most cases the quantity and value increased ten-fold during the period 1975-1985.

The Japanese industry has established new standards of productivity, quality and variety for a series of products that were once the mainstays of manufacturing in Western Europe and North America (cars, motor cycles, cameras etc). The Japanese industry has also dominated the production of a broad range of newer products, particularly in the areas of electrical and electronic goods. As a result of these successes, the two experiences have been coded into models: the Italian or Emilian Model and the Japanese or Toyota Model.

The Italian experience has been presented as a blue print for the competitive success of clusters of small firms and the industrial districts are defined in terms of four key factors:

1. A cluster of mainly small and medium enterprises spatially concentrated and sectorally specialised.

2. A set of forward and backward linkages among economic agents, based both on market and non-market exchanges of goods, information and people.

3. A common cultural and common background linking the economic agents and creating a behavioural code, sometimes explicit but often implicit.

4. Public and private local institutions acting to support the cluster.

The basic principle is that clusters of predominantly small firms can gain economies of scale and scope and increased flexibility through specialization and inter firm co-operation. If they cluster they can be as competitive or more competitive than larger firms. The Italian

experience shows that small firms can be as successful as large-scale exporters in traditional products. This leads to a focus on the industrial district as a basis for improved competitiveness and opens up a promising area of policy towards the small enterprise sector in developing countries, focusing on networks of firms and the promotion of inter firm cooperation. In the 1970s and 1980s, industrial districts in Europe achieved international competitiveness and attained high employment standards as they were based on local small and medium- sized firms and concentrated on traditional sectors. This makes them of special interest to developing countries.

The provision of credit, the training of workers and entrepreneurs, the provision of services and wage negotiations are important factors in this model. In the industrial districts, local banks (institutions that have grown primarily from collecting the savings of local people and lending them to local entrepreneurs) and self-help in credit provision and guarantees are important. The key words are trust and reciprocity. Local banks can trust the entrepreneurs in the local area combined with sector information. The pressure to repay is influenced by reciprocity. Mechanisms for grouping lenders and borrowers through financial guarantee consortia or credit cooperatives increase the sense of mutual obligation and reduce the risk of default (Schmitz and Musyck, 1994). The emphasis on local credit institutions and self-help initiatives are important conduits to disburse national and international funds. Large commercial banks may be passive to the needs of the small and medium enterprises, because they rely merely on standardized assessment and loan procedures and on the existence of collateral. Although identifying and helping to build up local credit institutions is a slow and difficult process, they are likely to be the most effective intermediaries, effective in lending to small and medium enterprises at a low default rate.

In Japan, flexible specialization is based on small firms specializing in a narrow range of products capable of responding flexibly to demand. Japanese manufacturing techniques such as Just-in-Time (JIT) and Total Quality Management (TQM) appear to offer a means of substantially and rapidly improving productivity and quality in a wide range of industries, and leading industrialized countries are actively promoting 'Japanese management'. The lean production model uses less of everything compared to mass production and half the human effort in the factory, half the manufacturing space, half the investment in tools, half the engineering hours to develop a new product in half the time is really an abstract from the experiences of Toyota and establishes a general set of principles:

A set of core principles aimed at eliminating waste in production, summed up in terms of JIT (produce only what is required when it is required) and TQM (Quality is produced at source and all sources of poor quality should be located and rectified) and continual improvement (the restless search for improved performance at all levels of the company including the shop floor).

Changes in management hierarchies to administer a system which is more decentralized, with less hierarchy and less departmental specialization, shifts in labour use and work organization to allow for multi skilling meaning the integration of production work with quality control and maintenance functions, and multi tasking meaning that workers carry out more than one job at a time and are able to move between jobs, team working, quality circles or other means of mobilizing workers input into the improvement processes.

Shifts in occupational structures, pay and evaluation systems, union recognition, turnover and so on are designed to involve, motivate and control workers. In Japan, the use of JIT/TQM is associated with life-time employment, company unions and seniority wage. This institutional context is held to be central to a system which relies heavily on workers' compliance with and a commitment to company goals.

Changes in supplier relations extend the principles of JIT and TQM along the supply chain and develop longer term relations. Major suppliers become increasingly involved in design and most suppliers are expected to consistently deliver high quality parts at frequent intervals. Researchers and policy makers look to policy models to provide maps to guide them through obstacles to industrial efficiency. The industrial district model has inspired a new line of research on small and medium scale industry and it is now being used as a basis for small and medium firm promotion policies.

Mauritius with its highly successful export processing zones is now ranked by the World Bank as second only to Singapore in terms of integrating with the world economy. In a globalizing world economy, Africa's failure to make stronger headway is explained by its inability to attract foreign capital and exploit opportunities (Hawkins, 1996).

While in the 1980s other parts of the developing world have taken major strides towards becoming industrialised countries, most African countries have stagnated and declined. In the 1960s and most of the 1970s, state-led import substitution based industrialization in Africa recorded impressive achievements in terms of growth of value-added, capital stock and employment. Investments were financed by both initially high rates of domestic savings and large inflows of foreign aid. State participation in production was high but private sector firms also thrived in this period. But towards the end of 1970s and continuing into the 1980s over capacities developed and with a lag, investment growth slowed down with negative rates of growth of manufacturing value added recorded in the 1980s. Donor support first declined and later shifted from investment support to import support for production. Stabilization and structural adjustment policies came to dominate the macro-economic policies in most African countries, exposing the weaknesses of many industrial sectors. Yet no coherent policies focussing explicitly on the industrial sector were included. Industrial development implies growth in the number and size of firms, their efficiency and productivity. Thus the main actors are owners, managers and workers of firms, who work and decide in an environment influenced by government, national and international conditions and institutions.

The re-emergence of small enterprises for fast economic growth even in developed countries forces the developing countries to follow suit. The reason is the declining ability of large enterprises to absorb as large number of labour as before. Modern technologies help promote small enterprises due to their flexible nature. Micro-enterprises are generally considered to be those with no more than 10 employees. But when it comes to small enterprises, the permissible range is between 10 and 30 with 30 to 100 employees in the medium enterprises. Small enterprises generate more jobs especially during times of recession, as these units' flexibility provide them with the resilience to sail through rough weather. Successful enterprises should have holistic managers who are sensitive, capable of listening to others and know how to encourage employee participation. In family business these are learnt from childhood.

4.5 Policies to promote industrialisation in Botswana

In line with overall growth in the economy, the industrial sector in Botswana has experienced a reasonable increase in employment relative to other sectors in the economy. The sectoral share of GDP exceeds even that of the services sector for most of the period 1972-1994. The industrial sector in this instance includes: mining, manufacturing, construction, water and electricity and transport and communications as given in chapter three. The manufacturing sector taken alone, gives a dismal picture; employment share is marginally increasing and the share of GDP is really a cause for concern as it slowly nosedives. However, it is noted that the manufacturing value added grew in real terms at an average rate of 6.8% per annum between the periods 1984-85 and 1989-90. The manufacturing sector has been transformed since Independence. At Independence it was dominated by the Botswana Meat Commission (BMC), which accounted for an estimated 95% of the total manufacturing. By 1979-80, the share of meat and meat products in total manufacturing value added had declined and the share of beverages, textiles and clothing had increased.

The other sub sectors which grew rapidly included metal products, tanning and leather work, and village industries. Village industries are important proving grounds for micro entrepreneurs and for employment creation. Due to the market size, manufacturing firms are concentrated in urban areas and also because of infrastructure and transport links. To promote active participation of Botswana in industrial development, government implemented an Industrial Reservation Policy. A number of industries which require relatively simple technological skills and low levels of capital were reserved for citizens e.g. manufacture of school uniforms, school furniture, and others.

The rapid increase in the number of citizens operating in these enterprises reflected the following:

- growth in local entrepreneurial talent;
- encouragement by the establishment of projects by private entrepreneurs which, without Financial Assistance Policy (FAP), might not be financially viable;
- encouragement by manufacturing projects (through wage subsidies) to use labour intensive rather than capital intensive techniques, and hence to create employment.

Specific examples of this encouragement are outlined below:

- Selebi-Phikwe Regional Development Project included a special investment incentive scheme which is only available in the Selebi-Phikwe area. The benefits are additional to FAP but are only available for large-scale enterprises which export to outside Southern Africa and employ more than 400 people. It lasts for fifteen years.
- Joint venture projects between the Botswana Development Corporation (BDC) and private sector investors. BDC finance in the form of loans and share capital for joint venture projects, as well as factory shells for rent.
- A Local Preference Scheme which is designed to provide incentives to resident manufacturers who sell to the government, local authorities and parastatal companies. The scheme's objective is to encourage the use of local labour and materials in manufactured output. The incentive consists of a price advantage over foreign goods.
- Integrated Field Services (IFS) carries out training for entrepreneurs. Between 1985 and 1990, close to 3000 potential entrepreneurs were trained throughout the country.

- The Trade and Investment Promotion Agency (TIPA) known as Botswana Exports Development and Investment Agency (BEDIA) since 1998, has been designed to improve Botswana's image abroad as a favourable country for investment, and to provide services to current and prospective investors.
- The Southern-African Customs Union (SACU) gives protection to an infant industry for a period not exceeding eight years.

Promotional Policies for industrialization through SMMEs should encompass services like seminars on work place literacy, developing business plans, professional services, assistance with financial institutions, procurement information, international marketing possibilities, establishing a resource library and setting up legal entities. Developing a short-term loan system for purchase orders and loan packages for small businesses to help establish or re-establish credit are other means of assistance. Comprehensive financial reporting and insightful financial analysis should generally lead to improved financial control, and that this in itself could significantly increase the chances of a small enterprise prospering through growth. Small-scale or medium enterprises are expected to provide significant employment opportunities for the unemployed. Studies on the constraints faced by this sector show that, there is a long way to go before making these enterprises efficient and dynamic absorbers of additional employment seekers.

4.6 Micro finance models in Selected Countries

In South Africa, special commercial bank loan facilities exist for the SMMEs. If some promotional tactics such as the availability of cheap credit, prospects to improve the quality of the product through further training, cheap permanent structures to operate the business, the possibility to obtain subcontracts for large orders and also from customers like government, large firms etc. are put in their proper place, there is a great potential for these SMMEs to thrive and take root in the Botswana economy. Given the fact that those who are able and willing to work in the formal sector cannot getwork at a given time, it is important that the small and medium enterprises be an important source to create employment in the future. Some countries like Malaysia, during the early stages of industrialization, encouraged the import substitution industries through protection and subsidies offered by the Government. Unlike the experience of the economies of South Korea and Taiwan, local capital was not given a paramount role. Industrial policy during the import substitution phase did not discriminate against foreign capital in all manufacturing industries. Both foreign and local firms enjoyed similar incentives in pioneering industries. With import substitution being the prime promotional tool in the 1958-68 period, foreign firms relocated operations in virtually all industries to benefit from high tariffs. Both the modern textile and electronic industries emerged during this phase. In addition to protection, the Governments also offered subsidized capital, imposed stringent controls on competitors in the domestic market and other promotional tools to spawn the manufacture of cement, steel and motor cars.

The Government's objectives included the development of a strong capital goods sector and linkages with the domestic economy, especially with indigenous small enterprises. These

industries remain strongly subsidized and protected. In Malaysia, while Export-oriented firms continued to enjoy generous financial incentives, most import substitution (IS) firms gradually lost tariff protection. The Investment Incentive Act of 1968, promoted Export Oriented industries enjoying various government subsidies. Being exposed to international competition, Export oriented (EO) firms tend to invest more in training and research and development. Industrial Master Plan (1985) was to deepen domestic participation and localization.

What we must emulate is that the Malaysian government used IS strategy as a magnet to attract foreign firms in the early stage of industrialization. South Korea offered IS rents to local capital in return for stringent performance standards. The State assumed the role of competition to pressure technical change and efficiency improvements in South Korea as growing firms cannot be expected to compete on their own with foreign transnationals. The Government succeeded in creating a dynamic comparative advantage initially through IS and later by a dual strategy of IS for gradual export orientation.

In the case of South-East Asian countries, the trickle down of growth was supported by making available subsidized but limited credit either through specially designed directed credit schemes or the legislation of a requirement that banks (both public and private) lend at least a specified proportion of their finance to SMEs and the rural sector. While some of the credit programmes for SMEs functioned reasonably well, the more successful ones were based on a combination of self-targeting and good performance criteria. The example of South Korea is interesting in this regard; borrowers from concessional schemes were informed about their obligations, such as meeting export targets, human resources development, marketing and promotion and mandatory sub-contracting. It has been estimated that if these were taken into account, then the implied interest rate would no longer be concessional. For the affected sector, the programmes were not a big success as the credit often did not reach those in need, and was usually too small in relation to demand. The crux of the problem is not the interest rate to be paid by the borrower but the bleak alternatives to the borrower such as no finance or the informal financial market where interest rates are extremely high.

Thus most credit programmes for this sector exist on a sustained and sustainable basis, charging interest rates at or above market rates, but far below the rates in the informal financial sector. There is a need to find ways of coping separately with the transaction cost and creditworthiness problems.

The model of micro finance combines working through the formal financial system with the group formation ideas popularised by the Grameen bank. This involves directing special funds provided by governments or external donors through banks rather than directly to informal financial schemes or NGOs. The donor funds are then used by the bank first to lend resources to an NGO or to a marginalised sector association such as a co-operative or a women's union or a skill-related urban based group or union and second to provide risk insurance coverage against default. The formal institution also provides a mechanism for voluntary or compulsory savings from its members, with the savings being deposited in the formal financial institution. Thus the associations provide financial intermediation and collective creditworthiness at the local level.

There seems to be merit in linking access to finance to other assistance such as training or sub-contracting. This was done through performance criteria in East and South-East Asia and helps to ensure that the finance is used for productive purposes, as well as meeting another need at the same time. It is not necessary or even desirable for the lending institution or association itself to provide the training. There does not seem to be any way yet devised to help micro-enterprises graduate to becoming SMEs and more thinking is needed on this aspect. One idea is to devise modalities for linking micro-enterprises to SMEs much as SMEs have been linked to large firms so that their collateral can be in the form of guarantees from an SME. Another is to use a good track record of borrowing from a micro-finance scheme as a permit to take a longer and larger loan from the formal financial institutions underwriting the scheme.

The one sector where much more effort is needed in the Newly Industrializing Countries (NICs) is the urban informal sector. With this sector absorbing a high proportion of rural to urban migrants and accounting for a growing proportion of total urban employment, its impact on government budgets is becoming larger and more difficult to handle. Innovative ways of either raising tax revenue from the sector or making groups within the sector responsible for meeting their own socio-economic infrastructure needs are becoming imperative if the large urban centres are to continue to flourish. As the employment generating capacities of the informal sector have tended to expand faster than the rest of the economy, and with the recent slowdown in exports and GDP growth in NICs, policies for making this sector a viable part of the mainstream economy and fostering its evolution into the formal sector without reducing its labour absorption capacities are urgently required, otherwise these countries will follow the welfare-role model of the developed market economies.

Farooq (1996) briefly but clearly summarised the promotional policies for SMEs:

“Governments all over the world recognize the important role of the SMEs in development, especially as the breeding ground for new entrepreneurs and instruments of employment promotion. Various advantages are associated with SMEs. They are relatively more labour intensive and therefore create more jobs which help mitigate poverty. They encourage personal savings, contribute to exports and create new industries. They are also more innovative and flexible-- an attribute which is increasingly needed in the face of the rapid globalization of the world economy and fast changing consumer tastes.”

Governments in the South-East Asian region have implemented various policies to assist the development of SMEs. The assistance takes many different forms. In the area of management training, courses in basic and intermediate management tools, project evaluation and management, and in strategic decision making are offered in many countries. Consultancy and advisory services are provided to SMEs on business opportunities and international trading possibilities. Assistance is provided to upgrade technologies for example, assistance and low-cost loans for uplifting technologies, for technology imports for SMEs. Furthermore, commercial banks are required to set aside 35 to 55 per cent of their newly available loanable funds for SMEs. Financial assistance in the form of concessional credit and occasional grants are provided in many countries.

Malaysia, the Philippines, the Republic of Korea and Singapore also provide financial assistance in the form of venture capital. SMEs are encouraged to establish linkages with larger firms through sub-contracting or franchise arrangements in several countries including India, Malaysia, the Philippines, Singapore and the Republic of Korea. In many countries, preferential treatment is accorded to SMEs in terms of licencing procedures, tax benefits and infra-structural services.

Some forms of assistance appear to be more essential for healthy growth of SMEs than others. Creating inter-firm linkages appears to be a key strategy in the form of linkages between SMEs, vertical linkages with large firms, and linkages with regional and global firms. Government policies can also initiate the creation of dynamic linkages. With government support, sub-contracting arrangements between large firms and SMEs have been successfully implemented in some countries, as have schemes reserving a portion of government procurement for small business in others. The promotion of inter-firm linkages can be a major form of marketing assistance to SMEs although marketing is not the only component of such linkage schemes. They involve a broader and integrated package including technology transfer, training and financial guarantees.

Easy and rapid access to information as well as a capability to analyse and make appropriate use of the information received often determines the success involved. In some economies of scale. Government assistance in the provision of such services to the SMEs, at some nominal charge, would be beneficial to them in terms of lower transaction costs while at the same time promoting efficiency. The Trade and Development Board of Singapore provides information on overseas markets, publicity and trade documentation services to the SMES. The latter is crucial since trade documentation is often too cumbersome a task to be performed efficiently by small firms.

Also important is the promotion of associations of SMES. Such associations can represent their interests and give them a stronger bargaining position in various fora to ensure that their views, needs and concerns are taken into account in policy formulation. Considering the fact that SMES constitute the largest number of business establishments and account for a significant share of employment in many countries, empowerment of SMES will constitute a key step in the pursuit of growth with equity.

In a study for World Bank, Areetey *et.al* (1994) found the following:

- many successful small enterprises did have at least some access to bank finance;
- that other forms of external finance, such as customers' advances and suppliers' credit were at least as important as bank credit; and
- that some small firms achieved rapid growth through reinvestment of profits.

These findings are based on a survey of 133 enterprises identified as successful and therefore as potential candidates for bank financing. These enterprises ranged from micro (one to nine workers) to small-scale (10 to 29 workers), to medium scale (30 to 140 workers). Many small entrepreneurs begin with very small amounts of capital from personal savings (their own and relatives' or friends') and steadily build up their enterprise by reinvesting profits. As the firm grows, the likelihood of obtaining external finance rises, although internal financing dominates even the largest size group in the survey. According to Areetey *et al*(1994);

- Most important among the non-bank sources for start up was supplier's credit, usually for equipment.
- Sources of finance are (their own savings, profits, relations, bank loans, overdrafts, suppliers' credit, advances and special lending agency).
- Suppliers' credit and advances are important sources of finance for small enterprises.
- Firms in the sample had doubled the real value of their assets in just over eight years on the average.
- Growth in capital was highest for micro-enterprises at 13 per cent per annum, as against four per cent for small and medium scale enterprises (SMEs).
- Employment grew at 7 - 9% per annum across size categories.
- These relatively high rates of growth are not necessarily typical of small enterprises as a whole, since the sampling focussed on firms considered to be potentially successful (60% reported rising profits).

In Ghana, 44% of the entrepreneurs had obtained at least one bank loan and 74% had saved in a bank (World Bank, 1994). The study shows that;

- Lack of credit may be overstated as a constraint because entrepreneurs tend not to view their own management weakness as limiting their ability to use credit effectively. Banks need to depend on an entrepreneur's track record and also collateral: which is required by the bank to guarantee repayment, to offset losses in case of default and to help screen applicants.
- The cost of processing and monitoring small loans exceeds that of loans to large enterprises on a per loan basis. Competition among banks, high liquidity in the sector, strong portfolios, and low yields on competing low risk assets are necessary preconditions to give banks incentives to expand private sector lending, especially to small enterprises. An important role for the World Bank is to support the establishment of the basic conditions that encourage innovations to better serve this market niche. Stable economic policies and healthy bank portfolios, supported by a strong supervision system, are necessary before banks will readily take on the risks they perceive in small enterprise lending.
- Seed capital that allows for preparing a business plan, undertaking market studies, and developing a new product or service, including the initial manufacture or sale of that product should be provided by contentious policy directives. Investors often shy away from small businesses because of the higher risk of loss during the early phase of growth. Increased investment in small business will in the long run mean more jobs and a stronger economy where it takes place.

Felsenmstein (1992) presented an empirical assessment of the employment effects of two assistance schemes for the period 1986-1989 aimed at improving the accessibility of small businesses to capital in South Africa and the results of this study confirmed the cost-effectiveness of this form of assistance.

Finance is the most important constraint. Small entrepreneurs nearly always identify credit as their primary need and to ease the extent to which credit is a constraint, a number of alternative financial tactics for these enterprises are worthy of consideration (*Young, 1993*). These include character-based lending, easing administrative processing of loan requests, and expanding the flow of credit to them through commercial banks.

'One of development's best kept secrets will soon be public knowledge, namely investing in poor people is good business. Not only are the poor bankable, they may be one of the most productive and safest investments today (*Haq and Sultan, 1991*)'. They argued that the experience of the Grameen Bank has shown that placing a strategic input-credit within the reach of the poor enables the poor to unleash their creative energies and productive powers by engaging in, or expanding, self-employment opportunities, thereby improving simultaneously their own economic and social conditions and the wealth of the country.

Most assistance is given to small states, especially in the Pacific. The programme has three phases: the first relates to surveys of opportunity which is aimed at identifying suitable entrepreneurs, investment opportunities and the potential for expansion as well as specific problems. Next comes workshops on entrepreneurship development during which business owners and operators are helped to think creatively, to become more aware of opportunities that are available and to act strategically when planning expansion. The last is business clinics in which one to one counselling is provided to an entrepreneur at his or her business. This personal support has proved very successful in helping individual entrepreneurs to become more efficient and competitive and by implication, adapt to world economic conditions.

The Commonwealth Fund for Technical cooperation (CFTC) has pioneered the use of contact-promotion programmes and buyer-seller Meets forums to help exporters. These forums allow company representatives often from small commonwealth countries, to display their wares and meet prospective buyers from other countries. CFTC consultants plan these activities well ahead, short-listing producers that are likely to succeed identifying suitable foreign markets and advising on the redesigning of products. Sometimes exporters and factory staff also receive training. The CFTC funds a special export development programme for women entrepreneurs. This includes detailed country studies on women engaged in exporting as well as sales promotion abroad.

Africa is the least industrialized of the Continents when we consider the share of the workforce in manufacturing industry and its share in GDP. With the advent of liberalization of world trade, globalization and international competition determine the success of industrialization to a large extent. Capabilities at the firm level to compete internationally is a critical factor in the context of globalization. Therefore greater flexibility in the planning by the firm determines the firm's adaptability to the changing demand in the market. The experience of Japan and Italy were cited in the context of flexible specialization with the application of (JIT) and (TQM) and the efficiency of industrial districts. The industrial district model has inspired a new line of research on small scale industry and it is now being used as a basis for small firm promotion policies.

Foreign direct investment (FDI) is the conduit for foreign technology transfers and the adoption of new technologies. The lessons of experience of South- East Asian industrialization underline the fundamental role of the State and Government administration in the industrial development process of the latecomers. Government interest and public funded research and development (R&D) programmes are a case in point. Government intervention and public policy are necessary for the adaptation, development and diffusion of new technologies. The inability to attract FDI explains the slow industrialization process in Africa. Though started on the Import Substitution

Industrialization (ISI) strategy, Africa did not transform the strategy into the Export Oriented Industrialization (EOI) for want of FDI, but what was not achievable to Africa was realized by the South East Asian Countries and especially in the case of Malaysia, the Government used the ISI as a magnet to attract foreign firms in the early stage of industrialization.

In Botswana, several industrial incentives exist. Promotional policies include, among others , assistance with financial institutions. There is a need for specially designed and directed credit schemes where banks lend at least a specified proportion of their finance to SMMEs based on the following performance criteria:

- meeting export targets;
- human resource development;
- marketing and promotion;
- and sub-contracting.

The alternative for the firms is costly informal sector finance. Providing assistance and low-cost loans for uplifting technologies and for technology imports for SMEs and for directing commercial banks to set aside at least 50 per cent of their newly available loanable funds for SMEs. SMEs are to be helped with venture capital and seed capital. Sources of finance for SMEs are as follows:

- own savings;
- profits,relations;
- bank loan;
- overdraft;
- suppliers' credit;
- advances; and
- special agencies.

They are to be accorded preferential treatment in terms of licencing procedures, tax benefits and infrastructural services as is the norm in most NICs.

It is pertinent to reflect on some of the critical questions: What will be done by the commercial banks to develop local financial institutions for effective mobilisation of financial resources for the benefit of local(SMMEs)? What will be the role of BDC and BNPC in disseminating the techniques of JIT and TQM as the criteria for flexible production in industrial districts? What additional measures are to be undertaken by the Government to boost FDI and investment in R&D in SMMEs in Botswana so as to transfer technology and adapt it to the environment.

6.SMME POLICY IN SELECTED SADC COUNTRIES

6.1 Introduction

This chapter is an exploratory study on the identification of the best practices for an ideal SMME policy to be adopted across the SADC countries. Against the parameters of ideal practice, the actual situation in each country can be identified. The expected parameters of the ideal practice are the following aspects of the SMES policy. Based on the Structure of Country Papers on SMME Policy Documents (SADC, 1997), the author has expanded each issue into several subsets that constitute the format for the study.

6.2 Format of the Policy

The first aspect was the nature of policy which consisted of the following subsections: first, explicit or implicit, name, coverage, and formal presentation in the form of an Act or a White Paper. The second, the goals and objectives of the SMEs policy touched on the following: employment creation, alleviation of poverty, reducing iniquity, creating a leading sector in the economy, uplifting the disadvantaged sections in the population, helping to diversify the economy, the promotion of indigenous entrepreneurship, equipping to successfully face global competition and raising a quality of life which is sustainable.

Specification of the target group, being the third component of the format, consisted of the unemployed, low-income groups, women, primary school leavers, the retired, existing successful firms, newcomers, community groups, NGOs and the rural-urban dimension. The fourth aspect was the vision of the sector's position in overall industrial development. The components of this aspect are, their place in the national development plans, their place in the industrial development policy, and their place in the export promotion policy, as the new engine of growth, as the absorber of new entrants into the labour force, as the provider of last resort, as the springboard for the indigenous industrialisation and as the incubator to produce local entrepreneurs. The next aspect was the focus of policies on the potential for growth in product lines of certain sub-sectors, clusters within the SMME sector, any differentiation in the support provision and if all support measures extended across the board. Another aspect was the role of the Government as opposed to private sector and NGOs as Service provider or resource provider or regulator, and as implementor or provider of a framework for operation.

The establishment of a decentralised service delivery system constituted an additional aspect, with the following components: Local Authorities, locally based NGOs, service centres, private sector bodies and community based groups. The next aspect of the format was the established co-ordination between central government and other stakeholders on the national and local levels. Is it institutionalised? If institutionalised, the nature of the institutional set up. Are they autonomous? What is the place of the institution in the national hierarchy such as the line ministry, department, corporation and others. Another aspect, protection measures, included subsidies, other intervention such as to start-up grants, finance, technical support and special rates on utilities. Others, included special rates on inputs by abolition of import duty, manpower development, tax holidays, research and development on products and inputs, input sourcing and output marketing, physical facilities at no cost, technology transfer and development, reserved activity policy, government procurement

policy and rule of origin for domestic and export marketing. The regulatory environment constituted the next aspect. It consisted of a list of existing regulations and, is the sector's growth impaired by legal and bureaucratic restrictions and obstacles? Has the regulatory environment been amended? Is the list the new measures conducive for the growth of this sector? The significance of demand enhancing, market oriented support measures was the next aspect which included ; market surveys, advertising, after sales service, on-line credit for purchase of output, access to internal and external markets, quality assurance of the product, sub-contract facilities and linkages with large buyers and just-in- time production to suit the emerging markets. The last aspect was the assessing the sustainability of support programmes suggested or implemented under the SMME policy, which included the cost recovery and dependence on the government and donor funding.

6.3 Different Definitions of SMMEs

Small enterprises are defined in many different ways, but in developing countries some consensus has emerged to define a small enterprise as an establishment with a maximum of 49 full-time employees. (Sharma 1979; Leidholm and Mead 1987).

According to Sunny and Babikanyisa (1994), ' Micro enterprises are small- scale income generating activities that are not bound by or do not live up to formal sectoral rules or regulations that are legally recognised in a given society. These activities may be unlicensed, may not pay taxes, may not operate according to fixed hours, may operate in unzoned or illegal surroundings, may not live up to sanitary or standardised requirements in the provision of goods and services. The informality extends to the way of doing things characterised by ease of entry and minimal start-up costs, reliance on make shift facilities, indigenous resources and adapted technology, reliance on family labour and acquisition of skills outside the formal education system.'

The heterogenous nomenclature and definition of the SME sector may impact differently on the concerned policies. For example, the sector is called Micro and Small Enterprises (MSEs) in Malawi, Small and Medium Enterprises (SMEs) in Mauritius, Small and Micro Enterprises (SMEs) in Namibia, Small Business (SB) comprising Medium, Small, Micro and Survivalist enterprises in South Africa, Small, Medium and Micro Enterprises (SMMEs) in Botswana and Tanzania and Small Scale Industry (SSI) in Zambia.

6.4 SMMEs in Botswana

SMMEs constitute an integral aspect of Botswana government's strategy for industrial development consistent with the theme of sustainable diversification contained in the NDP8 and *Vision 2016: Towards prosperity for All* (Policy on SMMEs in Botswana, March 1999). The critical ingredients for a standard definition of SMMEs are the annual turn over and the number of workers employed. In Botswana, micro enterprises consist less than six workers including the owner and an annual turnover of less than P60, 000. Small enterprises consist of less than 25 employees and an annual turnover of between P60, 000 and P1,500, 000. Medium enterprises consist of less than 100 employees and have an annual turnover of between P1,500 ,000 and P5,000,000. This clearly shows the heterogenous nature of the SMME sector. Micro enterprises are also called the informal enterprises of a survivalists nature and small enterprises are much broader in scope and are poised to grow with vigour while medium enterprises are mostly outward oriented .

The objectives of Botswana's White Paper on SMME Policy (1999) are listed below:

- Foster citizen entrepreneurship and empowerment
- Achieve economic diversification
- Promote exports
- Encourage the development of a competitive and sustainable SMME community
- Create sustainable employment opportunities
- Promote the development of vertical and horizontal linkages between SMMEs and primary industries in agriculture, mining and tourism
- Improve efficiency in the delivery of services to businesses

6.5 SMMEs in other Countries

In Malawi, Micro and Small Enterprises (MSEs) are defined on the basis of three parameters, namely; capital investment, employment and turnover. The official definition is : micro enterprises are those that have a capital investment of up to K5,000, employ one to four people and have a turnover of up to K12,000. Small enterprises are defined as those with a capital investment of up to K200,000, five to 20 employees and have a turnover of up to K400,000. In the absence of global definitions, the MSE sector in Malawi is divided by the Ministry of Commerce and Industry by considering the number of employees per enterprise as follows: large enterprise more than 50 employees, medium enterprise between 15 and 49 people, small enterprise between four and fourteen people and micro enterprise up to four people ((CTA Economic and Export Analysts Ltd-July 1996).

In Mauritius, the Central Statistical Office (CSO) classifies two types of establishments as follows: (1) the Small Establishments are defined as those units employing fewer than nine persons and (2) the Large Establishments are those that employ more than ten persons. The CSO does not as yet reckon the Medium Scale Enterprises . The Small Scale Industries Act, 1988 defines an SSI as a commercial enterprise which is engaged in manufacturing and uses production equipment, the aggregate cost, insurance, freight (CIF) value of which does not exceed MRs500,000 (subsequently revised to Rs 5,000,000 or approximately US\$ 250,000). According to the Small and Medium Industries Development Organisation Act 1993, Small and Medium Enterprises (SMEs) are defined as enterprises engaged in manufacturing and they use production equipment in the manufacturing process, the CIF value of which does not exceed Rs5million. Manufacturing means the transformation, conversion of raw materials, repair, packing and assembly of semi-finished parts into finished goods. Production equipment means machinery and equipment used directly in the process of manufacturing.

In South Africa, according to the National Small Business Bill 1996, a Small Business (SB) is defined as a business entity which can be classified as a micro, a very small or a medium enterprise. Definitions of small business range from small enterprises employing fewer than 100 persons, to small and medium enterprises employing less than 500 employees. Other criteria are used for specific needs, but the general international trend is to utilise both statistical and movable assets value of the business.

Table 6.1 Definition of Small Business In South Africa.

Sector / sub-sectors in accordance with the Industrial Classification	Size or Class	Total full-time equivalent of paid employees Less than	Total annual turnover in Rand (million)	Total gross asst value (fixed property excluded) Less than
Agriculture	Medium	100	R4.00 m	R4.00 m
	Small	50	R2.00 m	R2.00 m
	Very Small	10	R0.40 m	R0.40 m
	Micro	5	R0.15 m	R0.10 m
Mining and Quarrying	Medium	100	R30.00m	R18.00 m
	Small	50	R7.50 m	R4.50 m
	Very Small	10	R3.00 m	R1.80 m
	Micro	5	R0.15 m	R0.10 m
Manufacturing	Medium	100	R40.00 m	R15.00 m
	Small	50	R10.00 m	R3.75 m
	Very Small	10	R4.00 m	R1.50 m
	Micro	5	R0.15 m	R0.10 m
Electricity, Gas and Water	Medium	100	R40.00 m	R15.00 m
	Small	50	R10.00 m	R3.75 m
	Very Small	10	R4.00 m	R1.50 m
	Micro	5	R0.15 m	R0.10 m
Construction	Medium	100	R20.00 m	R4.00 m
	Small	50	R5.00 m	R1.00 m
	Very Small	10	R2.00 m	R0.40 m
	Micro	5	R0.15 m	R0.10 m
Retail and Motor Trade and Repair Services	Medium	100	R30.00 m	R5.00 m
	Small	50	R15.00 m	R2.50 m
	Very Small	10	R3.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m
Wholesale Trade, Commercial Agents and Allied services	Medium	100	R50.00 m	R8.00 m
	Small	50	R25.00 m	R4.00 m
	Very Small	10	R5.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m
Catering, Accommodation and other Trade	Medium	100	R10.00 m	R2.00 m
	Small	50	R5.00 m	R1.00 m
	Very Small	10	R1.00 m	R0.20 m
	Micro	5	R0.15 m	R0.10 m
Transport, Storage and Communications	Medium	100	R20.00 m	R5.00 m
	Small	50	R10.00 m	R2.50 m
	Very Small	10	R2.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m
Finance and Business Services	Medium	100	R20.00 m	R4.00 m
	Small	50	R10.00 m	R2.00 m
	Very Small	10	R2.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m
Community, Social and Personal Services	Medium	100	R10.00 m	R5.00 m
	Small	50	R5.00 m	R2.50 m
	Very Small	10	R1.00 m	R0.50 m
	Micro	5	R0.15 m	R0.10 m

Source: Republic of South Africa (1995), White Paper on National strategy for the Development and Promotion of Small Business in South Africa.

Survivalist enterprises are activities by people unable to find a paid job or get into an economic sector of their choice. Micro businesses are very small businesses, often involving only the owner, some family members and at most one or two paid employees. Small enterprises constitute the

bulk of the established businesses, with employment ranging between five and about 50. Medium enterprises constitute a category difficult to demarcate vis-a-vis small and big business categories.

6.6 Summary of Information

The common thread that binds the given member countries is the framework of the SMME policy.

The timing of the formulation of the policy varies from country to country. It is noteworthy that Mauritius has been following successful SME policy for quite sometime and although a late comer, South Africa has formulated a commendable policy which if implemented currently, will take the country to greater heights. Namibia is on the right path in the formulation of its policy. Botswana has benefited from the early documentation of the SMME policies in other SADC countries and Botswana's SMME policy is a White Paper (February 1999). It is assumed that the right sequence from formulation, implementation, monitoring and evaluation of the policy will help introduce a regional SMME policy in the SADC member countries.

Following the world recognition of the catalytic role of SME and SMMEs in economic growth, a plethora of support services have been made available to small enterprises in recent years. From the discussion on the policy environment prevailing in Malawi, Mauritius, Namibia, South Africa, Tanzania, Zambia and Botswana, it is evident that an array of obstacles hamper the growth of SMEs in these countries. It is felt that instead of having a blanket policy towards the sector, the Government needs to develop specific policies to suit the particular characteristic of each segment of the sector. The Mauritian view is important because, 'policies and programmes for small enterprises could best be situated within an overall policy framework and an environment that emphasizes concrete measures in terms of legislations, incentives, institutional support and private sector development. Government has a prime responsibility towards creating an enabling environment and in performing the role of a facilitator for providing necessary guidelines, business orientations and a basic infra-structure. Regular monitoring and reviewing of policies are effective ways of ensuring growth of SMEs.' Namibia's and South Africa's pragmatic approach are worth emulating for interested member countries. To conclude, let it be pointed out that regional influences and regional spillovers are important determinants of socio-economic progress and the formulation of a regional SME and SMME policy will help SADC members to seize the opportunity for duty-free export to Europe and America through the emerging free trade agreements between those countries and Africa.

7. LOCAL AUTHORITIES AND SMMEs IN BOTSWANA

7.1 Introduction

Since Independence, the Government of Botswana has stressed the four national principles of democracy, development, self-reliance and unity, which in turn have given rise to the following development policy objectives: sustained development, rapid economic growth, economic independence and social justice. The broad policy issues to be addressed during the current Development Plan (NDP8) are: economic diversification, employment creation, poverty reduction, policy reform in the public sector, provision of infra-structure and cost recovery, human resource development, rural development and environment and land use policies.

In order to achieve the goal of sustained economic diversification, new engines of growth including the expansion of the existing non-mining industries along with a number of private sector activities are to be identified and nurtured. In this context, SMMEs are expected to play the role of a catalyst in generating income and employment. As the government is acting decisively to eradicate poverty in Botswana through a strategy to create employment and provide people with the opportunity to earn income, the importance of the SMMEs comes to the fore. The Government is ensuring that Botswana have access to acquisition of skills that match the demands of a diversifying and internationally competitive economy through increased labour productivity. NDP 8 stresses the importance of vocational and technical training including technology development, adaptation and diffusion.

As the involvement of the rural population is essential for success, the NGOs and community institutions need to be involved in the coordination of rural development activities. Therefore, organisations such as the Brigades, the Cooperatives, Farmers' Associations and others, are encouraged to provide training in productive skills, assistance with credit and project evaluation and other required services which will enhance the income-earning and employment opportunities in the rural areas. The Industrial Development Policy (IDP draft 1997) underlined the critical role of the SMMEs in providing income and employment opportunities. A distinction is made between small scale enterprises associated with rural industrialisation and those associated with urban employment and development. There are suggestions that local governments and NGOs operate and carry out the training and advisory services in small centres.

The IDP calls for a co-operative approach to small scale rural development which carefully preserves the missions and operating freedom of NGOs, while supplementing their resources should be tried and if successful, should become a characteristic of rural development. The stakeholders involved in the development of small scale enterprise at the level of local communities are; Government Ministries, local government entities such as Tribal Administrations, Land Boards and Councils, NGOs and local business associations. Business Assistance Centres, as a focal point for small business promotion, once established are expected to enable the Government to support the work of local governments and NGOs in the surrounding areas and would help improve the delivery of services and reduce the administrative burden on the Central Government in the smaller centres.

IDP calls for a fundamental review of the mission and operations of the Integrated Field Services (IFS) of the Department of Industrial Affairs. Despite the efforts of help by the IFS, small businesses still face problems resulting from a lack of linkage with the rest of the economy, a need to improve technology transfer, narrow coverage of advisory services, poor identification of new investment opportunities and market trends, lack of venture capital, poor data on the sector and poor monitoring of firms and performance, poor information on training programmes, a lack of literature on local languages and a need to improve the access of small business to better quality raw materials. LA and the private sector will be encouraged to provide the infra structural facilities needed by local enterprises. Training will be provided to members of the Production Development Committees and the IFS to prepare them for their advisory roles in areas of marketing, production control, financial analysis and monitoring of small enterprises. In a similar vein, several measures are envisaged to promote small and medium businesses in the urban centres.

Todaro(1981) described development planning as the conscious effort by the government to influence, direct, sometimes even control changes in the key economic variables of a certain country or region over a course of time in accordance with a predetermined set of objectives. As far as the Local Economic Development (LED) is concerned, the principle of development planning is applied at the specific local area, the predetermined objectives being income generation and employment creation. The LA should be able to measure the achievement of LED in quantitative terms once the capacity to implement the LED plan is available and at the disposal of LA. LED is an age-old planning practice in most countries of the world and there is much diversity as far as the implementation of the LED plans are concerned in these countries.

7.2 Local Authority and Local Economic Development

Local Authorities are supposed to be the agents of change and development in the areas they serve. Local governments, by their very nature are considered as junior partners with the main player, the central government, in the field of economic development. Local authorities by virtue of their location, are conversant with the local environment pertaining to the development potential of the local area. Communication between the LA and the local business units is conducted through several functions of LA, for example road network, water and electricity supply, sewage and refuse removal, land use control, health regulations, market access control, other control functions, provision of education and so on.

LED according to Langer, local productive development is the promotion of the business sector as a motor of growth and development at the local level and productive development policies and these are applied to a limited area of action in designated geographic locations. According to Langer, in developing countries, local productive policies acquire special importance in that they, “grant appropriate and direct services to small and medium enterprises and allow greater integration of informal micro-businesses to the formal system as ways of strengthening decentralized structures in the economy and public administration and facilitate direct relationships with other work areas for sustainable development”. The main tasks of local productive development are “service to existing businesses in the locality to improve their competitiveness, service to the creation of new businesses and placement of businesses from other regions or countries to improve the local economic structure”. The successful completion of these tasks should have positive effects on production volumes, income, employment and public finances.

LED is emerging as a strategy which has the potential to help address the grave economic problems that prevail in South Africa's various localities. Appropriate economic development strategies at the national, provincial and local government and at a host of NGO levels are being considered to fight poverty and unemployment.

Such approaches are clearly associated with attempts to promote the satisfaction of basic needs, to bring about 'empowerment' and allow for greater local-level self-determination. Such initiatives generate improved methods of popular involvement and ownership of the process of development and enhance concepts of community participation and responsibility.

Emdon (1997) succinctly summarised the various approaches to LED outlined below.

7.2.1. The traditional approach to local development:

The traditional approach is based on control and master planning that aims at creating incentives to attract industries to locate in the jurisdiction of local authorities through the provision of various concessions as given below.

- Rates (lower or preferential rates in a specially defined area)
- Land (a reduction in the cost of land under the jurisdiction of the LA to facilitate development)
- Relaxation of town planning regulations (the LA relax town planning regulations of certain schemes in order to promote development in particular regions)
- Relaxation or balancing of public health regulations (the LA should study the cost benefit of these regulations in relation to the LED before any change is advocated)
- Rights to bulk (Can an LA grant rights for additional bulk, or the transfer of bulk, in return for the inclusion of certain desired uses or developments, or preferential rights in particular locations in order to encourage investment in the incentive zoning?)
- Loan and loan guarantees. (Is it lawful to grant financial assistance in the form of low interest on loans, loan guarantees etc.?)

7.2.2. The Inner City Property Development Approach

For example in the 1930s, local authorities, particularly in the USA, began to play a more aggressive role in the field of LED. This approach aimed to safeguard existing interests in the inner city and bring back investment. To what extent can LAs undertake and facilitate inner city renewal and promote property development. This could be achieved in many ways as outlined below.

- Rates Free Zones (As mentioned before, can an LA declare certain areas rate free zones?)
- Investment vehicles (Is it possible for a LA to set up special investment vehicles to raise funds specifically for area based developments such as those in the inner city?)
- Raising loan finance for development (Can LA raise loans for LED?)
- Land pooling/leveraging (Can the LA create the conditions for land to be pooled in the inner city to leverage investment and be a catalyst for further growth?)
- Incentives (Is it possible for the LA for a specified period of time to reduce and or defer some service payments as an incentive for developers to come to the inner city?)

- Making loans to outside bodies to facilitate development or providing guarantees (The issue is whether an LA can create special funds to guarantee or lend to projects)
- Business improvement districts (These are areas in which the owners of property agree to contribute higher monthly payments to be used for special purpose.)
- Regulation of informal trading (This regulation allows an LA to prohibit trading in certain areas, and to demarcate other areas as exclusive trading areas.)

7.2.3. The Entrepreneurial approach

This is concerned with the formation of industrial districts with an entrepreneurial approach. Changes in the global economy including an easing of controls on capital movement have enhanced the role of individual localities and made them more competitive. This approach expects LAs to adopt a more pro-active stance in facilitating new business formation and expansion of small business, for instance, by the creation of special industrial districts. LA could undertake some of the following activities in this role.

- Train entrepreneurs.
- Provide loans or guarantees or start- up capital or bringing finance to small businesses
- Invest in emerging business.
- Provide credit to entrepreneurs/emergent businesses.
- Underwrite loans to entrepreneurs.
- Support venture capital programmes and or invest in high risk enterprises.
- Be pro-active planning for growth and development.
- Use of Council facilities.
- Local Authorities as data banks.
- Utilizing the Development Facilitation Act.
- Strategic animator in developing sectoral and area strategies with other stakeholders.

7.2.4. In certain areas, an amalgamation of the three above approaches has been implemented, namely, the attraction of investment and a focus on indigenous production and policies of urban entrepreneurship.

7.2.5. The Human Resources Approach

The Human Resources Approach is where tendering, procurement, employment bureau, productivity and skills development are given emphasis. This approach seeks to increase low income and low skilled persons' access to jobs. Procurement, tendering, establishment of employment bureaus, improving productivity and skills development are some of the means to achieve this objective.

7.2.6. Community Based Development Approach

This approach promotes community upliftment projects, public works and marketing. This approach aims to ensure community organisations participate in LED strategies and aims to implement community projects as outlined below.

- Local service provision (use of the community upliftment of projects that use local labour)
- Public works (to enhance the use of local labour)
- Marketing locally produced commodities on behalf of the community.

The following policies as vehicles for LED (Etienne,1995) are derived from European and North American experience.

The establishment of Enterprise Boards with representatives from the central government, LA and the business community to develop sectoral policies for subregional areas.

The establishment of urban Development Corporations as in the UK to focus on the development of single major or 'flagship' projects.

Privatisation of local government activities to create local jobs, to promote empowerment and to promote the improved use of resources.

Public-private sector partnerships that are formalised mechanisms designed to initiate development. In the USA, partnerships are used by entrepreneurs to lever public sector action and support.

Export processing zones, which have enjoyed mixed success internationally.

The creation of science and technology parks that promote the clustering of sophisticated activities but which appear to have only had a limited success and generated few jobs.

The development of small firm industrial districts as in Italy , although it is unclear how exactly to encourage this type of development.

One stop shops

According to Langer, Local economic development tools in Germany include :

- The elaboration of procedures for productive activities, long-term concepts for local development (to create and maintain adequate conditions for productive development) and buying and selling of land, the planning of industrial zones among others
- Information, consultant services and the promotion of innovations
 - consulting services for young firms or entrepreneurs
 - consulting services for existing businesses (information regarding public assistance tools, land, etc)
 - public relations to attract new national and inter national businesses (information regarding the municipality, infrastructure, investment possibilities, etc.)
 - Information about new technologies, trade fairs, contacts, etc.
- Income and employment policies at the local level.
 - municipal investments (in infrastructure, environmental protection, energy savings)
 - financial instruments (credit, guarantees, business creation programmes)
 - Long-term mechanisms (support networks and contacts at the local and regional level and training for businessmen and workers.)

The participation of all the important agents of productive development is to arouse and motivate the interest of the business sector and seek alternative means of organization and finance for the necessary activities. The overall objective is the integration of the different local actors, with their respective experiences, institutional potentialities and financial sources.

According to Etienne (1995), the key strategies involved in LED include, among others;

- support for small businesses,
- improvement in urban infrastructure and services,
- training endeavours,
- information and advice services,
- investment in particular sectors such as Tourism,
- local purchasing and servicing arrangements
- urban renewal, and
- place marketing.

7.3 LA and LED in Botswana

According to Botswana's NDP8, the machinery of local government has been designed to facilitate people's participation in the development process. Local Authorities are responsible for constructing and managing a large percentage of the country's social infrastructure at the local level such as health clinics, roads, primary schools etc., and in fact a wide range of services. Local government plays a crucial role in the development process. It helps to administer the transformation of Botswana's mineral based revenues into sustainable development for the people, particularly in rural areas.

Local economic activities ranging from small business promotions through to rural development fall under the canopy of the LA, although in most of the activities, actors other than the Local Authority also do play an important role. LA could play an important role in promoting small business and job creation.

Some of the activities that could be undertaken by the LA are outlined below.

- Full utilisation of the buildings and land under its jurisdiction.
- Maintenance of good infrastructure.
- Reformed procurement policy.
- Provision of an enabling environment.

A variety of stakeholders could initiate LED such as State, community, business, labour, NGOs and partnerships of interest groups working in collaboration with the LA. Appropriate partnerships between different economic actors will produce the synergy to achieve the maximum development in the given locality.

Functions of LA in Botswana are listed below.

The Ministry of Local Government, Lands and Housing (MLGLH) in Botswana is responsible for the efficient operation of the Local Authorities. The responsibility for the management of Local Authorities personnel, except District Administration (DA) is vested in the Directorate of Local Government Services Management (DLGSM). All Council and Land Board Staff are employed by the Unified Local government Service (ULGS), which is administered by the DLGSM in the MLGLH. All Tribal Administration (TA) staff will be transferred to ULGS (NDP8).

There are four different categories of Local Authorities in Botswana (NDP8):

1. District and Urban Councils .
2. Tribal Administration
3. Tribal Land Boards
4. District Administration.

According to Briscoe (1995), the District and Urban Councils :

- are locally elected,
- have statutory responsibility for the provision of primary education, primary health care, domestic water supplies, non-gazetted roads and social and community development programmes,
- are accountable to MLGLH,
- receive development funds and recurrent grants from MLGLH,
- approve the district development plan,
- are served by staff appointed by DLGSM,

- their secretary is the chief executive Officer,
- they are the joint District Development Plan manager with the istrict Commissioner(DC).

There are nine District Councils and six Urban Councils in Botswana as shown in Table 7.1. The range of development activities undertaken at the District level by Central Government, Local Authorities and other agencies is co-ordinated by the DC. Urban Development Committee (UDC) is an advisory body on urban development and the UDC is chaired by the DC/District Officer.

Table 1 List of Urban, District Councils and Land Boards

Urban Councils	District Councils	Land Boards
Gaborone	Central	Ngwato
Lobatse	North-West	Ngwaketse
Francistown	Kweneng	Rolong
Selebi-Phikwe	Kgatleng	Kweneng
Jwaneng	South- East	Ghanzi
Sowa(Township)	Southern	Kgalagadi
	Ghanzi	Chobe
	Kgalagadi	Kgatleng
	North-East	Tlokweng
		Tati
		Tawana
		Malete

Source: NDP8, Table 20.1, p.452

Some villages bordering urban areas such as Gaborone like Tlokweng, Mochudi, Ramotswa and Mogoditshane are experiencing a growing trend towards small scale industrial and commercial enterprises. Such a development is the signal for the expansion of SMMEs for the benefit of the locality. The influences from adjacent urban areas will enhance the SMME development in other areas as well.

It has become clear over the NDP7 period that the development of sustainable industries and employment must be given greater emphasis than in the past. “ Strong local government is a cost effective means of service delivery to reinforce Botswana’s democratic culture” (NDP8, p.453). Decentralised local governments are closer to the population and with appropriate personnel and financial resources, they are in a better position to discern the needs of their constituents and to respond in a flexible and timely fashion to these needs. It is envisaged that assistance to small and medium scale businesses in smaller towns, villages and rural areas will be more focused through Business Development Centres which will provide direct assistance to small business and also help NGOs, private groups and Local Authorities, who may wish to be involved in extension and training programmes in the rural areas .

During NDP7, Local Authorities (LAs) particularly councils, expanded both in budget size and sectoral scope. Objectives proposed for NDP7 were:

- strengthening LA's economic development role
- improved links between urban and rural development
- developing labour intensive approaches to development and relief and
- delegating more planning, finance and implementation responsibility and capacity to the LAs.

Several new or amended policies or programmes were set out during NDP7 to address the objectives which included:

- LA development plans
- LA finance and personnel development
- LA's own sources of revenue to be developed
- LA personnel and training
- LA service provision.

Some of the most successful projects during NDP7 included;

- district council's construction of offices and housing,
- the labour intensive road works programme,
- drought relief vulnerable group and school feeding programmes, and
- strengthening council water and water waste departments.

During NDP8, the following specific policy objectives will be pursued:

- Improving responsibility, accountability and capacity in LAs in development planning; financial control and effective implementation;
- Further decentralising the budget process;
- Increasing the role of LAs in promoting sustainable economic diversification;
- Strengthening regional development planning urban-rural linkages and resource sharing;
- Involving community based organisations in development planning;
- Strengthening LA personnel.

Under the local level development plans, improved integrated development planning will be developed further during NDP8 by using the input-output matrix and strengthening communication between Ministries and LAs and between LAs and communities. Regional development will be increased by agreements on exchange of services and joint facilities.

The government is reviewing its approach to rural development, to overcome past shortcomings and establish more participatory, community-based approaches that will be more effective in helping rural people to realise their potential.

LA service provision during NDP8 are as follows:

- village infrastructure will be provided in all primary and selected secondary villages, gradually being implemented more by District Councils;
- policy on cost recovery for commercial and industrial sites will be finalised; there will be fully established Roads Departments;
- additional urban village status are being accorded.
- the increasing role of LAs in economic diversification

LAs will continue to play a major role in supporting and developing their local economies by various direct and indirect measures such as those outlined below.

- Detailed physical and economic development planning, in consultation with the private sector and the community, with greater emphasis on utilising local resources in agriculture and rural industry.
- Increased funding and implementation of projects locally, providing employment and contracted work in several sectors, notably building construction, among others.
- In conjunction with Land Boards and Integrated Field Services, to make available land and capital respectively, for commercial and industrial development.
- In conjunction with the Trade and Investment Promotion Agency (TIPA now known as BEDIA), to seek new ways to promote private investment in the various LAs especially in manufacturing and tourism.
- To provide improved levels and standards of infrastructure and services which will attract and retain private investment and skilled personnel in all LA areas.

7.4. Survey Results.

A set of eleven questions were administered to a total of 20 respondents in Gaborone and Kgatleng (three from the GCC, one from BALA , four from MLGLH, two from MCI, one from DVET-MOE, one from the Department of Lands and One from Kgatleng District Council).

7.4.1 Local Authorities

7.4.1.1 Gaborone City Council (GCC) and the SMMEs

Although, several attempts were made by the author and the research assistant to obtain responses, out of the ten questionnaires distributed to the GCC, only three were answered. Therefore, the picture of the information on the GCC with regard to its promotional role of the SMMEs is rather scanty. GCC is responsible for the provision of services such as primary health, education, roads and lighting, community development and education of the business community through BOCCIM, encouraging Batswana to start joint ventures with foreigners to benefit Botswana. GCC also provides factory shells for enterprises.

7.4.1.2 Botswana Association of Local Authorities (BALA)

The objectives of the BALA which was formed in 1983 areas follows:

- to provide a forum for the discussion of issues of common interest;
- to obtain and provide assistance and advice to members;
- to formulate common policies on issues affecting local government, particularly in response to central government;and
- to work with similar associations

Local Authorities in Botswana, working with their communities are key local development institutions responsible for local service provision and for local governance. The central government is committed to strengthen the LA, recognising its important role in the provision of social services. It is reported that BALA not only needs the organizational capacity staffing and funding but also external technical assistance and support during its next few crucial years of development.

BALA's Development and Business plan includes the successful development of a number of income generating activities which should be either self-financing or generally financed outside the core funds of BALA. The association also needs to ;

- examine the scope of providing information and research services to its members,
- assess the viability of providing additional services (including training) to its member authorities and also for external agencies, and
- to consider the staffing and associated financial implications of undertaking such ventures.

Among other activities, BALA, with help from the FES, had provided input to, monitor and evaluate a series of seven training workshops for councillors in the period June to October 1997. The first conference on the promotion of SMMEs by BALA was in November 1997.

BALA has secured funding to undertake special initiative to develop local government's role and capability in promoting LED in Botswana . This initiative will involve detailed fieldwork in two District Council areas to identify opportunities for small businesses, workshops in each of the pilot areas to review outcomes and plan future strategies, training seminars for Commercial Officers from all Local Authorities in Botswana and a national conference to share key lessons more widely.

The problems encountered by BALA include administrative obstacles which encompass shortage of skilled personnel, education of commercial officers in how to interpret laws and regulations as lack of skill specialisation hinders the smooth functioning of the system. Also there is lack of vertical and horizontal co-ordination.

There are delays in land allocation. Land Boards allocate land to those who possess a licence while the LA issues licences only to those who own land, which seems to be a real complication in encouraging the growth of business in Botswana. This emanates from a lack of proper co-ordination between the Land Board and the trade licence issuing authority. Potential businesses suffer from the delays in land allocation, especially in rural areas.

Because of the scattered nature of business locations, officers find it difficult to make the required number of visits to the units. This problem is worsened by inadequate personnel, transport and long distances and bad roads in rural areas. Delays in issuing certain types of licences by the MCI on recommendation from the LA causes further delays in starting businesses. It is observed that to circumvent the long time required by the MCI to issue such licences, the final authority for licence issue should remain with the LA or alternatively, a well trained MCI officer should be stationed at the LA. Another observation is that the business community should be consulted at all levels and the Commercial Officers are to advise the business people.

One of the major problems is that some of the currently used Acts are very old and hence should be reviewed.

7.4.1.3 Kgatleng District Council

Measures for LED include the provision of funds through FAP, feasibility studies on projects and land. There is a regulation that for the first five years, business belongs to the Government and

cannot be sold. Information on FAP assistance is provided and there is lower rent on some BEDU facilities. There is the Lady Khama Centre for FAP teachers. The progress of the assisted units are being monitored. There are problems with the clients. There is scarcity of land as a result of very many people embarking on FAP projects. The lessons of experience are disseminated to others. There is a water shortage for businesses. Clients are not well organised. Envisaged policies to promote SMMEs include Shows to promote the sale of the products from the enterprises. There is a compelling awareness of the need to promote SMMEs. Enterprises need to be productive and inventive in such a way that they improve the product and establish reliable markets and cater according to the demand for the product. Pre-requisites to fulfill the expanded role is to have adequate personnel, adequate financial resources and a flexible organisational structure. There are problems such as the duplication of production activities and the low quality of products which defeats the concept of BUY BOTSWANA. There is need for diversification of products. There is not enough education and skills required for the successful operation of businesses..

7.5 Central Government

7.5.1 Integrated Field Services (IFS) of the MCI

The IFS in the Department of Industrial Affairs in the MCI is the largest Division within the Department (MCI,1996) and consists of the Business Management Development Services, the Industrial Technology Support Section and the IFS Field Stations. The IFS division has the responsibility to support the development of small scale indigenous enterprises in the rural and urban areas. It administers a package of assistance programmes in the form of finance to existing and establishing businesses, provides technical and business training, marketing assistance and advisory services in all types of business matters. According to MCI (1996), the Business Management Training Section provides guidance on implementation of business management training activities. Also materials known as “Start Your Business” for literate potential or aspiring business people will be available. At present, training materials designed for trainers conducting business courses and suitable for adults with low literacy and numeracy skills are available. A Business Extension Services Skills Reinforcement Workshop was organised in 1994.

The marketing section assists and trains small and medium scale entrepreneurs. Such assistance takes the form of workshops, market research, training courses, promotional activities and on the spot advice offered at various locations across the country. In collaboration with the technical sections of the MCI, the marketing section held various promotional activities throughout Botswana. This included trade fairs, Buy Botswana Campaign seminars and so on. The Industrial Technology Research Services consist of four segments, namely the Garment Estate, the Construction Estate, the Woodwork Estate and the Metalwork Estate.

Regional representation of the IFS (MCI 1996) provides a varied picture in regional locations.

7.5.1.1 The Southern Region

This region consists of Gaborone, Molepolole, Mabutsane, Mochudi, Kanye and Ramotswa.. In the Southern Region, several problems were identified in entrepreneurial development. They were:

- lack of financial discipline by entrepreneurs because most of them confuse cash flow with profit,

- poor business management constraining sustainability and the expansion of small scale enterprises, ownership and management are personalised, leading to a lack of business records.
- lack of commitment by business owners- small scale enterprises are treated as a part time vocation and cattle post takes the rest of the time, especially with male entrepreneurs,
- lack of raw materials which have to be imported,
- poor quality products,
- illiteracy and semi-literacy,
- the real value of free training by Government is not fully appreciated by the entrepreneurs, and
- proliferation of projects in sewing and brick moulding saturates the market and leads to poor sales.

There are a total of 239 approved projects which employ about 877 persons. The constraints faced by the Region are as follows:

- Outreach capacity and follow-up activities are adversely affected by insufficient staffing;
- Lack of transport adds to the problem of insufficient follow up activities;
- There is the problem of unaccounted stores as a result of inadequate storerooms;
- Staff housing is inadequate and office space is limited;
- Inadequate computerisation for storing data in order to increase productivity;
- Dependence on other institutions for training centres is a drawback because they have their own priorities.

The Financial Assistance Policy (Thuso ya go Tlhatlosa Madirelo) was started by the Government to assist productive businesses in Botswana. The twin objective of the policy is to help generate employment and help diversify the economy. Such businesses should bring benefits to Botswana and such assistance should be temporary. Only businesses that are potentially productive can receive assistance. Hawkers, shops and wholesalers, general public transport, entertainment, traditional beer brewing, cattle ranching, dryland farming except in Pandamatenga, hair salons and so on cannot receive such assistance. Industries that provide a marketing or collection function for the production businesses may also receive assistance. These are called the “Linking Service Industries” and tourism is also eligible (MFDP, 1995).

7.5.1.2 Central Region

This Region consists of Serowe, Mahalapye, Bobonong, Letlhakane, Tutume and Selebi-Phikwe as locations of IFS. The Central Region faces a number of constraints that make it difficult to provide adequate assistance to industry. Some of the constraints are; the problem of inadequate land for commercial and industrial purposes, high importation prices due to lack of some raw materials, inability on the part of entrepreneurs to market their products and the shortage of staff serving the region. There are 69 operational FAP projects and about 297 jobs have been created in the years 1994-95. Most applicants are facing problems of access to funds for FAP grants. Investors lack new ideas to embark on a diversified array of projects. At present, the concentration is on sewing and brick moulding projects. There is a high labour turnover as large companies recruit the trained and experienced workers. High utility costs are still a problem.

7.5.1.3 Northern Region

This Region consists of Francistown, Masunga, Maun, Gumare and Kasane as locations for IFS. The IFS activities in the Northern Region have become more difficult and sophisticated than originally anticipated because of: the world-wide economic recession, high costs to transfer industrial technology, stiff competition in the markets and the general attitude of potential buyers towards local products. By 1994-95, there were 68 FAP projects with a projected employment of 229.

7.5.1.4 Western Region

This region consists of Gantsi and Kalagadi as locations for IFS. Not much information is available on the IFS activities in these areas. According to a study by MFDP (1997), high rates of failure have occurred in the FAP as a programme to assist the SMMEs. Some of the reasons cited for the failure are; lack of business training, insufficient information dissemination and insufficient monitoring and support. The study also points out that the educational system is geared towards academic rather than vocational and technical training and thus is not sufficiently tuned to the demands of a diversified market. It is observed that even the available business skills training is too short and does not adequately cover essentials like market assessment. Moreover, most business aspirants are not aware of what credit facilities exist, what the eligibility conditions are, or what they could do to access such facilities or the required training.

The results of the current survey revealed that measures for LED included: Local Procurement Programme, FAP, Rebate of Duty, Duty Drawback, Citizen Contractor' Scheme, Factory Shells Programme and Relocation Fund, Citizen Reservation Policy and the revision of the Industrial Development Policy. IFS provided assistance to the SMMEs, 650 small and 1500 medium enterprises in 1996. There are rules and regulations on the structure of premises and on zoning, and one is expected to have basic training in the type of trade one is venturing in.

Financial Assistance Policy pamphlets provide information on sources of funds. IFS provides training in business management and book keeping, technical training, carpentry, construction, electrical services, garment manufacturing and metal works and provides information on sources of training. Despite the desire to monitor the progress of all units assisted by them, they face the problem of shortage of manpower. In 1996, about 3000 citizen enterprises were assisted by IFS. IFS is observing that the enterprises encounter administrative obstacles, delays in land allocation, scattered clientele, lack of transport, marketing problems, widespread shortage of working capital, shortage of industrial land and factory shells which result in backyard operations and a high demand for government factory shells, limited diversity of products leading to stiff competition and market saturation. Measures to overcome the problems include staff training and accelerated plot allocation by Land Boards.

There is a compelling awareness by IFS of the need to promote SMMEs and to play the big role of promoting the SMMEs. IFS is expecting more funds from the Central Government and accelerated allocation of industrial land from the Land Boards. Continued support from the donors and co-operation and help from the NGOs and the private sector are all in the pipeline. It is expected that the organization will be more flexible and there will be better co-ordination with other actors in SMME development in the Country.

Much help is in the form of policy input such as the co-ordination of development, prioritisation of the projects, monitoring the procedure for the availability of funds from other sources, identification of suitable area for businesses, organisation of conferences and workshops for LED and for the task force on SMMEs and the preparation of business plans for BALA.

7.5.2 MLGLH

The NORAD Report (1996) observed that the RADP has concentrated parts of the population in settlements, primarily to provide social services like water, health care and education, but it has not been able to offer a viable land use alternative to the inhabitants of the settlements. The report recommended the following.

- Explicit agreement should be reached with the MCI about links between the Economic Promotion Fund (EPF) and the FAP, making the field resources of MCI available to support all aspects of implementation, monitoring and follow up of EPF enterprises. This should become a standard task for MCI's Integrated Field Services.
- A new Central Business Advisor should be recruited to co-ordinate and support EPF and be posted to MCI rather than MLGLH.

RADP Monitoring Studies (1994) confirmed that it provided services to these communities in terms of schooling, school feeding and uniforms, skill training programmes and livestock and crop production schemes. The report suggested an in-service training programme for the Assistant Production Officers (APOs) on introduction to RADP, skills in project planning, basic business, communication and inter-personal skills and an understanding of the needs and aspirations of people living in remote settlements. Employment opportunities, other than those created through labour-based drought relief (*Namola Leuba*) projects, are almost non-existent in all settlements.

It is observed that in view of the general socio-economic situation in the settlements, employment creation and income generation continue to be given priority in RADP. The EPF needs to be reviewed in terms of its achievements, focus and further direction. There is also need for developing more systematic follow-up and monitoring procedures to ensure that skills learnt in training can be successfully applied in an entrepreneurial environment. It is necessary that the programme include more agricultural activities along with provision for market support. RIIC at Kanye is involved in several ways in providing support to both formal and informal sector entrepreneurs. There is also a Technology Transfer Programme, The Village Artisan Training Programme and Micro funding scheme.

The survey results showed that the DTRP is responsible for land provision for different uses. RADP provides funds through EPF and conducts feasibility studies on projects, purchases livestock for the RADs, provide schools and clinics in addition to the economic integration of RADs. Community Development Officers try to improve the living standards in urban and rural areas, provide block grants targeting very active groups and encourage the spirit of competition in Red Cross, VDC and so on. There are funds available for training and small projects are usually serviced through the VDC. Micro projects are funded through the European Union (EU).

As regards the assistance to SMMEs, RADP assists production oriented small enterprises. Community development Officers monitor the assisted units (in 1996, 26 micro enterprises were assisted) through monthly progress reports. RADP provides both funds and information on funds,

monitors all units and disseminates lessons of experience. Because of budget limitations, not much business is given to the RADs and indeed there are non-accessible areas due to the scattered clientele and it is reported that there is a dire need to identify really viable projects. RADP feels that the Business Advisor Cadre should be reintroduced and the Assistant Project Officers should be better trained.

DTRP incorporates small enterprises in plot layout for commerce and industry and there is a suggestion to put in place a monetary mechanism that works closely with the organisations assisting small enterprises. With respect to measures to overcome the cited problems, Community Development Officers put forward the need to train social workers with business skills, provide more personnel and engage in negotiations between people and the Land Boards. RADP shows that although there is an awareness of the compelling need to promote SMMEs, inflexibility of the existing structures militates against it. They also pointed out that as most RADs are illiterate, they fail to acquire knowledge on time, that is, there seems to be a resistance to change from the traditional to modern ways of doing business. Ultimately, it takes time to sell business ideas to RADs. DTRP proposed participation in the business licencing committee and the wider dissemination of information. DTRP will focus on the locational aspects of the enterprise.

7.5.3 MOE

7.5.3.1 Brigades

Brigades are independent, community based organisations engaged in local development by providing employment and training to both skilled and unskilled persons and offering services to the local community (Brigades). At present, they provide about 2600 Batswana with training in 14 different trades. Training is with production which means that trainees learn to produce on a commercial basis and gain real work experience. The production units offer the following products and services such as manufacture of clothing, construction, blockmaking, auto mechanics, electrical and solar installations, petrol sales, plumbing, craft sales, dairy and beef products, trees and vegetables, bakeries, panel beating, welding and milling.

As autonomous organizations engaged in development, Brigades are uniquely equipped to respond to local needs. One third of the Brigades combine an extension or community development component with their training and production activities to meet these needs. The community development projects include income generating activities, often aimed at women who do not have the opportunity to get a full time formal sector job. There are gardening and horticulture projects, sewing and knitting projects and so on, many of which can be done on a part time basis in or near home. An additional aim of the project is to develop self-reliance among the project participants by adding an informal training programmes. These include literacy schools, non-formal education, business skills, book-keeping, computer courses, crafts and bakeries.

In addition, some units provide assistance to small scale entrepreneurs by property rental and equipment and by providing business advisory and accounting assistance, including commercial studies. The Department of Vocational Education and Training (DVET) of the MOE started in 1993 which concentrates on six Vocational Training Centres (VTCs) and 36 Brigades centres in Botswana (MOE, 1995). There are suggestions to strengthen the supervisory competence of Brigade Boards, the qualification of the management and the capability of all Brigade's staff in their specific functions.

Karow, et.al (1996) explained Training with Production as a concept of self-employment and job creation. They cited several reasons for the indistinct and vague relationship between the Brigades and communities as: alienation of the community members from their Brigades, lack of commitment, the lessening concern and involvement by community members in brigades affairs, the poor qualifications of elected community representatives on Brigade Boards, antagonism within the local business community towards a government subsidised competitor, a feeling in the communities that the training provided by Brigades for local youth is not necessarily of benefit to the community because many trainees leave their home villages after graduation to seek employment elsewhere. It is believed that Brigades are very important and there is need to make them one of the leading pillars of the community.

It is suggested that Local Authorities should ensure that on the occasion of Board elections, the responsibilities and minimum qualifications for Board members are should be clearly stipulated. One method is to elect only serious minded and reputable candidates with relevant experience and qualifications.

Findings from the survey revealed that Brigades receive funds for training staff, advice on marketing, production management, building, and new staff from the DVET, MOE. Brigades do not directly deal with enterprises other than the provision of trained staff, although of late, they have also ventured into the area of direct dealings with the enterprises.

7.6 Prospects for additional assistance

It is suggested that the LA personnel be further trained to help assist the business people, especially to empower the Commercial Officers through additional training. There is need to devise a system or programme for continuous monitoring of businesses to pre-empt the collapse of these units. Sharing experiences between the business people will strengthen business which could be arranged through occasional workshops and conferences to sensitise the public. More transport should be available and the training process should be really fast.

The Trade and Liquor Act is to be revised as it does not provide for the SMMEs. In April 1999, a draft on the revised Trade and Liquor Act was discussed at a seminar. One of the envisaged policies is to consult with the business community at all stages of policy formulation and implementation and to mount regular conferences between the LA and the business community.

High land prices crowd locals out , therefore it is requested that help be extended to locals own land for business purposes and at the same time, there is a need for improvement in the administration and collection of rates. BALA has prepared a business plan as the first annual plan for inclusion in NDP8. The purpose of the development and business plan is to set out how BALA can develop its functions and activities over the next three years so that it can effectively deliver a range of services for its members and work towards financial viability . Preconditions for the successful realisation of this plan also include the successful development of a number of income generating activities.

Prioritization of the goals include; fact finding consultation, a conference for LA and the business sector, training and workshops for the Commercial Affairs Officers, consultation with business people and conferences and workshops for business people.

There is a compelling awareness of the need to promote SMMEs. In order to fulfill the emerging new big role of GCC as a promoter of the SMMEs, they expect full support for BALA from the Central Government. The Land Board may post a Liaison Officer at the LA for better co-ordination between the two organisations. They expect full support from Donors in terms of finance, transport and others as needed for the effective functioning of the system. The capacity at the LA is to be strengthened as well for the new role expected of it. At BALA, more Officers are to be stationed to remedy the present shortage of staff. BALA should have fund-raising capability including activities like consultancy to the LA, Council, Land Board and so on.

What is really intended could be achieved if BALA effectively monitors the activities of other actors in LED by ensuring that they are in line with the goals of LA on the one hand and fulfill the expectations of the business community on the other. Improvement in the existing machinery will go a long way in fulfilling the new role.

8. GROWTH AND DISPERSAL OF SMEs

8.1 Introduction

The informal sector (IFS) has been interpreted from several perspectives; some equate it with micro-and small- enterprises sector (MSEs) while others consider informality from a legal and regulatory view (CIPE, 1991). It is widely noticed that in many countries MSEs thrive despite neutral and even sometimes negative policies toward them by the respective governments.

8.2 Catalysts for Growth and Dispersal of the MSEs

One push factor for the growth and spread of the MSEs is the shifts in demand. This is the case in Pakistan (Guisinger and Irfan, 1980) where rapid formal sector growth created a demand for the services of informal sector labour. At the same time, labour absorption in the agricultural sector moderated the increase in the size of the informal sector labour force and raised the opportunity cost of urban unskilled labour.

A second factor for the persistence of the MSEs seems to be the large number of people with low income in the urban centres. The working poor in Kenya fall into this category (ILO, 1972). Truu and Black (1980) argued that the expansion of the MSEs, to some extent, depends on the market imperfections in the formal sector which result in the scarcity and high prices of goods. They claim the IFS helps consumers through the supply of extra units of goods at a lower price, which would otherwise not have been available at all. Thus a third catalyst can be identified as the market imperfections in the formal sector.

A fourth reason is the difference between the organized and unorganized financial markets. Firms in the MSEs are deprived of facilities to obtain cheap credit from the former and as a result the number of MSEs units will not diminish through graduation to the formal sector, but will rather increase. The hypothesis, to be tested, is that the availability of low-cost formal sector credit would help the MSEs to expand its vistas and leave for the formal sector. Petty trade and domestic services would remain as the last resort within the MSEs for those who are not sufficiently mobile to shift to other economic sectors (Hofmann, 1986). Thomas (1992) observed that while it is clear that the informal sector is a staging post on the route to the formal sector for some, this is not true for all, and many examples can be found both of those who do not wish to leave the MSEs and those who leave the formal sector for the MSEs. He says that MSEs has its own internal dynamics, whereby people, especially migrants without much education, start their careers as employees and then switch to work on their own. Some Structural Adjustment Programmes result in large numbers of retrenched workers from the formal sector who end up in the MSEs in many countries. This can be considered as the fifth catalyst for the growth and expansion of the MSEs in these countries.

Finally, MSE growth can be attributed to the rural exodus in developing countries. In Botswana, migration became an economic activity of the poor households with farming as a supplementary activity. A hypothesis, to be tested, is that the migrants, failing to obtain formal sector employment, become disenchanted with the search and decide to eke out a living through MSE channels.

De Soto (1989) argued that government institutions were excluding the poor from full participation in the economic and social life of Peru and these people were held back from employing their entrepreneurial skills to improve their own lives, and that they represented a resource that could make an important contribution to economic and social progress.

Chickering and Salahdine (1991) claimed that MSE's can be among the most dynamic and healthy sectors in developing economies and this real (unsubsidized) economy diffuses itself into the diverse pores of the formal economy in a myriad of production, distribution and services sectors, often in the face of masses of bureaucratic regulations. From among the foregoing catalysts only the rapid growth of the economy and falling absorption of labour in the agricultural sector seem to be of relevance in Botswana's case. Whereas the agricultural sector contributed about 40 per cent of Botswana's GDP in 1966, its share declined to four per cent by 1987-88; this is attributed to the increasing contribution of the mining sector.

In terms of the formal sector employment, the agricultural sector contributed 27 per cent in 1967-68, but by 1987-88 the sector contributed only about four per cent (Republic of Botswana, 1991). Perhaps, market imperfections in the formal sector may also be added to the list. It is a real blessing that there is no Structural Adjustment Programme in Botswana which will result in retrenchment of workers.

8.3 Prospects of the MSEs in Botswana

In the context of growth of MSEs, the findings from the EPU-MFDP MSE survey (Daniels and Fisseha, 1992) are as follows:

- (i) average annual employment growth rate of MSEs was eight per cent;
- (ii) urban MSEs grew by 10 per cent and the rural MSEs by seven per cent.
- (iii) higher growth rate (51%) is in construction;
- (iv) no growth occurred in wholesale trade;
- (v) there was negative growth in fabricated metal and finance;
- (vi) in rural areas, textiles experienced highest growth (28%);
- (vii) female entrepreneurs are less likely to expand their business due to risk aversion factors;
- (viii) only 15 per cent of the female-owned MSE's expanded, whereas 30 per cent of male-owned MSEs expanded;
- (ix) the majority of MSEs are in trade (53%) and manufacturing (41%);
- (x) the size of MSEs owned by women is smaller than male-owned MSE's, averaging 1.6 and 2.3 workers respectively; and
- (xi) firms that do not sell to the final consumer exhibit higher growth rates and employment levels.

The study found that 69 per cent of the MSEs were located in rural areas. The industrial structure of Botswana MSEs consists primarily of trade and manufacturing, representing 53 and 41 % of all MSEs respectively.

Approximately 54 per cent of MSEs provide 50 per cent or more of household income in both urban and rural areas. Women represent the majority of micro-enterprise proprietors in Botswana operating almost 75 per cent of all MSEs.

The ILO (1990) has put forward the following hypotheses:

- (i) MSEs are more geographically dispersed and hence more accessible to both indigenous entrepreneurs and the final consumers of the output.
- (ii) They have grown both in number (spatially and temporally) and qualitatively (horizontal and vertical growth, modernization and diversification).

8.4 Sectoral Distribution of MSEs

The nature of the MSEs is divided into three main categories: production, trade and services. Taking into account the fact that some entrepreneurs engage in more than one activity at a given time, the activity is also divided into production and manufacturing, commerce and retail trade, services, production and commerce, production and services, commerce and services, and all three combined, thus consisting of seven categories in total. In Gaborone, enterprises in production and trade dominate. Trade and services come next. The next position is for trade alone and services alone (each share the same per cent, 40). Production ranks last.

In Mogoditshane, the limited data available show that production is the highest, followed by trade and then by services. Data was scanty in Tlokweng, where services have the highest number, followed by production and by trade. In Francistown, production and services rank first, second comes trade and services, followed by production and trade. Trade's share is 21 per cent and production has a share of only 11 per cent. Limited data from Maun shows that trade has a share of 9 per cent and services also has 9 per cent, while production has 3 per cent.

In Kanye data was quite limited. The share of production is 17 per cent, that of services 8 per cent, and trade has only six per cent. Data limitation exists in Molepolole, where the share of services is 20 per cent, that of production is 20 per cent and trade has a share of only twelve per cent.

8.5 Ownership of MSEs

The activities are grouped into five, namely manufacturing, trade, services, construction and transport. Trade tops among the fully owned businesses across all the locations: 56 per cent in Maun, 43 per cent in Molepolole, 40 per cent in Kanye, 32 per cent in Francistown, and 27 per cent in Mogoditshane.

Manufacturing is of low priority, with 24 per cent in Molepolole, 15 per cent in Kanye, 11 per cent in Tlokweng, 10 per cent in Maun, 5 per cent in Gaborone, four per cent in Mogoditshane and two per cent in Francistown. The same pattern is true across partly owned, rented and neither owned nor rented enterprises.

8.6 Increase in Employment

The questionnaire captures five possible responses: no change, big increase, small increase, big decrease and small decrease. In manufacturing, the number of firms with a *large increase* in employment were located in Gaborone, Kanye and Molepolole. (31 per cent, 27 per cent and 19 per cent respectively). The number of firms with a *small increase* in employment also was highest in Gaborone, Francistown and Molepolole (31 per cent, 21 per cent and 19 per cent respectively). In the category of *no change*, Gaborone has the highest number, followed by Molepolole, Tlokweng, Francistown, Mogoditshane and Kanye. In trade, the number of firms with large increases in employment was highest in Gaborone and Francistown (55 per cent and 36 per cent respectively). In *small change*, also, the same position is correct (43 per cent and 38 per cent). For services, the

number of firms with large increases were Mogoditshane (32per cent) followed by Gaborone (30 per cent) and then by Tlokweng (18per cent).

8.7 Increase in Production

The responses are as follows: in manufacturing, no change (52per cent) was in Gaborone. In the category of big increase 29 per cent was in Gaborone and 25 per cent in Molepolole. In trade, big increase (47per cent) is in Francistown, followed by Gaborone (40per cent). No change category dominates in Kanye (58per cent) and in Gaborone (36per cent).

8.8 Increase in Sales

The responses are as follows: In manufacturing, 49 % have no change in Gaborone and for Molepolole it is 20 %. Large increase was also recorded in Gaborone (49%) and Molepolole (24%). In trade 46 % is in the no change category in Gaborone. *Big increase* was 45 % in Gaborone and 24 % in Molepolole. Provision was made in the questionnaire for contracts from big business, small business, traders, government, and others. The majority failed to obtain contracts of any form. In manufacturing 100 % in Maun, 87 % in Francistown and 83 % in Gaborone failed to get a contract. In Mogoditshane (13%), in Molepolole (four per cent) and in Kanye (six per cent) some contracts were obtained from big business.

8.9 Plans to Undertake Major Expansion of the Enterprise

There are three possible responses: no, yes, and don't know. Enterprises with plans to expand, Kanye (59%), Maun (46%), Francistown (46%), Mogoditshane (34%), Tlokweng (29%) and Gaborone (28%).

In manufacturing, 39 % of the enterprises have plans to expand. In trade, it is 36 % and in services 25 %. The options are: continue with this business, continue with this and operate another, give up this and start another, and give up this and go to wage employment.. Majority want to continue in this business (88% in manufacturing, 81% in trade and 85% in services). Those who want to give up their current line of business and go to wage employment, in manufacturing it is only three per cent, five per cent in trade and 11 per cent in services. Those who want to continue in this line of activity and operate another business, in manufacturing it is six per cent, nine par cent in trade and four per cent in services. Those who want to give up their current line of activity and start another is only three per cent in manufacturing, 5five per cent in trade and none in services. Hence the present business is the choice of the majority. The total who responded in that manner is 58 % in manufacturing, 75 % in trade and 52 % in services. In Gaborone, 80 % want to continue in manufacturing, but only 16 % cent in trade and 75 % in services.

The response in all the three types is quite high in Mogoditshane, Tlokweng, Francistown, Maun, Kanye and Molepolole.

8.10 Amount of Money Needed for Expansion

By type of activity, on the issue of money needed for expansion, trade has the highest amount, in the range of P 500 to above P 10,000. This is an important observation which sheds light on the fact that more money is needed for activities in trade.

The share is lowest in services. By location, the above P10,000 category is highest in Francistown with30% followed by Gaborone with 16%. In the P5,001- P10,000 range, also the same pattern is

revealed and it is the same in all the ranges except P4,001 -P 5,000 range, here Gaborone is the highest, followed by Francistown. For the P501 -P1,000 range and P1-P 100 range Gaborone is also the highest.

8.11 Number of Years the Enterprise Has Been in Operation

Responses on this issue are given below. In manufacturing, the highest percentage (50) is in the category of two to five years, there are only 19 % in the six to ten years category, 18 % are only one year old and only one per cent was over 40 years. In trade, 43% are two to five years, 23% are one year old, 18 % are six to ten years, only one is in the 21 - 40 year range, and none are over 40 years.

In services, again the two to five years category dominates (43%), 19 % are one year old, 15 % are six to ten years and two per cent are over 40 years. By location, the oldest (40+) are in Molepolole and in Kanye; Francistown has the largest number that are one year old, Mogoditshane is the highest for six to ten years, and Molepolole in all other groups. Gaborone is third in one year olds, fourth in six to ten years, fifth in two to five years and sixth in the 21 - 40 years group.

8.12 Additional Workers Needed for Expansion

The largest number of employees will be required in trade (63%), followed by manufacturing (33%) and four per cent in services. Location specific responses are as follows: the highest number required is in Gaborone (33%), second is Francistown (22.6%), third Kanye (14%), Molepolole fourth (11%), fifth is Maun with 9%, sixth is Tlokweng (five per cent) and the last is Mogoditshane (four per cent). In Botswana, the MSE's surveyed by the Department of Economics, indicate that the majority of the MSE's employ only one person (12%), five per cent employ two, two per cent employ three, one per cent employ four, 0.52 per cent employ five, 0.4% employ six, 0.08 per cent employ seven, 0.26per cent employ eight and 0.35per cent employ nine. This means that only 23% of the MSE's employ workers; 77 % of the MSE's are a one-person show who is the proprietor cum worker and this signals that the prospect for employment is rather bleak.

8.13 Summary

Thomas (1992) shed light on the need to examine:

- 1) whether growth within the IFS takes the form of existing enterprises becoming larger or the number of small enterprises increasing;
- 2) the factors that are associated with movement from the IFS to the formal sector; and
- 3) whether existing enterprises in the formal sector actually began life in the IFS.

Chickering and Salahdine (1991) favoured research as to why do individuals and firms choose to remain informal and , off-the-books, avoiding both the costs and benefits of participation in the official, formal economy?

The increase in employment gives us a picture of the situation according to type and location: 87 % of the MSEs in trade, 79 % in services, 68 % in manufacturing and 60 % in transport reported no change. Construction recorded 33 % big increase, followed by 20 % in transport and eight per cent in manufacturing. For the small increase 20 % is recorded in transport, 15 % in manufacturing and eight per cent in trade. In construction the highest (67%) was recorded in the category of big decrease, seven per cent in services and four per cent in manufacturing. Overall, 32 % recorded any increase in manufacturing followed by 13 % in trade, 21 % in services and 40 % in transport. Two-thirds of the MSEs in construction recorded a big decrease. From the available data on employment, the growth rate in employment cannot be constructed as the survey recorded only the

present number of employees in the MSEs. The size of the firm can be measured by the number of employees. In the absence of adequate growth measures in output or incomes, average annual changes of employment between two points of time were used to gauge employment growth among MSEs (Daniels and Fisseha, 1992).

It would have been better if we were able to obtain average employment growth rate in different types of MSEs to measure the growth of the MSEs. Daniels and Fisseha (1992) have averaged annual employment growth rates as a proxy to measure the growth of the MSEs; according to that study the average employment growth rate recorded was eight per cent.

Ninety-seven per cent of all MSEs sell to individuals which means that only three per cent sell to others. Only if MSEs sell to others in a big proportion is there room for growth of the MSEs as recorded by Daniels and Fisseha (1992). Hence the growth prospect of MSEs, according to the present study, is quite limited.

Manufacturing was recorded as first in all activities, but only 0.4 per cent of the MSEs are producing their own inputs. In services most of the profits is invested in other businesses. In manufacturing, most of the improvements by upgrading production techniques and improving marketing and business management strategies. Those who get contracts from others can grow faster, but the majority did not get contracts. Expansion in business through further processing of output is highest in manufacturing.

In Peru (De Soto, 1989), informality covers areas like mining equipment, bicycles, preserved meat and fruits and it accounts for 60 per cent of the production of garments and furniture and 35 per cent of textile production. The IFS industries compose 52 per cent of the industrial production establishments, employ 34% of industrial workers and generate 18 per cent of the value added in the whole sector.

In Botswana, the total intermediate demand income from IFS in MEMBOT (1986) accounted for P201 million, which is six per cent of net output. With a wild assumption that the final demand will be at least twice that of the intermediate demand, one can draw the conclusion that in 1986, income from IFS is 19 %. Note that $X_i = X_{ij} + Y_i$, Where X_i is the total product, X_{ij} is the intermediate demand and Y_i is final demand (Todaro, 1971). Given the fact that there is an eight percent annual growth rate of MSEs in Botswana (Daniels and Fisseha, 1992), in 1993, income from the IFS must constitute roughly 20 per cent of the net output.

9 .WOMEN MICRO-ENTREPRENEURS IN BOTSWANA

9.1 Introduction

This chapter examines the prospect for Women micro-entrepreneurs in Botswana from the results of the survey on Micro-enterprises conducted by researchers in the Department of Economics of the University of Botswana in 1992. The survey covered seven locations , namely Gaborone and Francistown (urban centres), Mogoditshane and Tlokweng (peri-urban centres) and Kanye, Molepolole and Maun (villages). The objectives of the survey were to capture the extent of micro-enterprises in these locations and evaluate the employment potential of these units. A total of 1140 units were surveyed by 14 investigators during three months (June-August 1993). Micro and small enterprises(MSEs), sometimes referred to as Informal sector activity (IFS), present definitional problems.

In the present context , MSE means unincorporated enterprises that are not regulated, which produce or supply goods or services and engage a maximum of 10 persons and units that are accommodated in permanent or semi-permanent structures.

The study found that almost 70 per cent of the units are owned by women. Data is documented on:

- the primary activity ,
- establishment of the enterprise,
- ownership, owner's occupation,
- place of business operation,
- number of years the enterprise has been in operation,
- main sources of initial funds,
- net income of the enterprise in a good month, structure ,
- money needed for expansion for the next six months,
- increase in the number of workers needed after business expansion,
- increase in employment since the start,
- contract for a large order during the last 12 months,
- major customers, usual daily hours of work,
- days per week the enterprise operates,
- written records of accounts,
- family income, marital status,
- level of education,
- source of business skills,
- reasons for not expanding the business,
- laws and regulations facilitating the business and
- the most preferred option of the owner.

An entrepreneur is defined as someone who owns, controls and operates at least 51% of a business (Diffley, 1988). The rewards of entrepreneurship are a sense of achievement and independence.

Berger and Buvinic (1989) reported that in Latin America, women entrepreneurs' specific characteristics and needs are often overlooked by policy makers and project implementors despite the development community's increased interest in micro-enterprises..

9.2. Women Entrepreneurs

There are several justifications for a woman to start her own business, amongst others, the will - power to succeed. A career woman is happy with herself and her marriage and will be a successful home manager, rationally allocating her available time and other resources. Lerner Harriet (1991) suggested that if a woman wants a position of authority, she must adopt the following psychological qualities:

- she needs to have standards of self -worth from within;
- she must not fear her own anger or aggression; and
- she should be self-critical without being self-depreciating.

Some of the tactics of men to keep business women out of top level jobs that can affect a woman's career are;

- hyper-scrutiny of a woman's actions
- personalization rather than concentrating on a woman's professionalism; and
- male bonding or exclusion from the male group.
-

Lori (1982) advised businesswomen to combat these tactics by tying their successes to that of their male co-workers, fighting personal comments with humour, avoiding personalization by keeping their personal lives private, and establishing common denominators with their male colleagues.

Women who start their own business do it mostly for challenge and financial independence. One reason why more women opt for their own enterprise is because they face barriers to top management in corporations. Sometimes even successful women entrepreneurs face difficulties in obtaining adequate credit for want of a spouse's signature.

Garland(1985) wrote that women started small businesses at six times the rate of men from 1974 to 1984. Most of the female-owned businesses, as high as 45%' are in the service sector American Woman's Economic Development Corporation(AWED) provide training and counselling for prospective women business owners. Women business owners frequently make two mistakes,reported (Klein Julia, 1983): Undercapitalizing and failing to develop an adequate business plan. They work often without support staff, time management, and the necessity to constantly market and promote themselves and their services or products.

- Stevens (1986) discussed seven common mistakes women entrepreneurs make;
- mistaking a hobby for a business,
- trying to make a business appeal to everyone,
- starting with too little cash,
- failing to detect bad credit risks early,
- setting the wrong price,
- bleeding the business, and
- the fortress complex

There are several reasons for the increase in women's participation in the labour force, some of which are as follows:

- more women migrate to cities due to rapid urbanization;
- the rise in educational attainment;
- the need to support the family income; and
- increased female headship of families in certain areas and communities

Portes and Blitzer(1986) found that there is concentration of women in small scale service, commerce or trading activities. They argued that faced with the increasing economic need and unable to find employment in modern sector firms, women are forced to create their own jobs. They join the informal sector, where wages and working conditions are generally inferior to that in the formal sector. The literature on comparative Third World urbanization (Portes and Blitzer, 1986) has focussed increasingly on the informal sector as a mechanism to explain: the survival strategies of the poor excluded from regular employment in the formal sector and the strategies by firms in the latter to by-pass regulatory constraints and reduce their labour costs.

9.3.Characteristics of Women Micro-entrepreneurs (Porter and Blitzer,1986)

- under industrial classification, the MSEs fall into manufacturing, trade or commerce and service.
- Size distribution denotes one to ten people and probably MSEs account for over 90% of the establishments in the developing countries.
- Different characteristics of firms as they relate to the economy as a whole fall into three major groups.
 - a) Casual work, including temporary or seasonal activities and precarious survival activities such as carrying heavy loads and street vending at no fixed location.
 - b) Micro-businesses that are independent and more or less stable, such as small stores or small manufacturing operations (traditional handicrafts).
 - c) Subcontracting, many of the micro-businesses constitute a form of disguised wage employment, rather than independent businesses. They often produce only certain components of a product which are then sold to a formal sector firm or a larger firm for assembly.

Many of women's MSEs are an extension of their domestic roles and this is evident in the importance that garment making, food production and the sale of processed foods and perishable items for women. These activities are often organized within their homes thus providing them an opportunity to combine in the same space their domestic and market responsibilities. Such characteristics of women's MSEs have implications for the design of development policy, programs and projects that should incorporate this important segment of the micro-enterprise sector.

9.4.Women Micro-entrepreneurs in Botswana(1992 survey):

9.4.1. Primary Activity:

9.4.1.1.Sole Owner:

In Gaborone, sole owner accounts for 91%. In it, trade nets 62% and manufacturing 24%. Other activities are insignificant. In Francistown it is 70%, again trade is largest, 49% followed by

manufacturing. Molepolole has got 97% in the sole owner category, where 52% is in trade and 41% in manufacturing. Tlokweng's share is 97%, where trade accounts for 49% and manufacturing accounts for 30%. In Kanye, sole owner accounts for 96% with 44% in trade and 39% in manufacturing. In Mogoditshane it is 92% with 56% in trade and 33% in manufacturing. In Maun only 52% fall in the category of sole owner, yet 42% is in trade and only 10% in manufacturing. Against this background, women entrepreneurs (sole owner) account for 59% in manufacturing, 74% in trade and 50% in services. This shows that women entrepreneurs are mostly concentrated in trade, followed by manufacturing and services.

9.4.2. Establishment of the enterprise by type

In manufacturing those who established it alone account for 54%, in trade 73% and in manufacturing 50%. This once again confirms the predominance of trade. In Gaborone, 66% did it alone, 50% in Mogoditshane, 75% in Tlokweng, 61% in Francistown, 62% in Maun, 61% in Kanye and 70% in Molepolole.

9.4.3. Ownership by Type

In manufacturing only 31% are fully owned by the entrepreneur, but it is 51% in trade and 23% in services.

9.4.4. Owner's occupation

In Gaborone, 27% in trade do not have any other occupation and for manufacturing it is 15%. In trade, in Mogoditshane, 33% , in Tlokweng 5%, in Francistown 44%, in Maun 66% and in Kanye 50% do not have any other job. As a whole for those who are in manufacturing 26% and in trade 16% do not have any other job.

9.4.5. Place of business operation

In Gaborone, 29% are privately owned in trade, only 7% in manufacturing, 35% in trade operate in the street or open ground and 19% in manufacturing. In Mogoditshane, 53% in trade privately own the premises, 28% in manufacturing. 12% operate in the street or open ground in trade and 6% in manufacturing. In Tlokweng, 35% in trade privately own the premises with 21% in manufacturing. 17% in trade operate in the street or open ground. In Maun, 45% in trade privately own the premises with 10% in manufacturing. In Kanye 43% in manufacturing privately own the premises with 22% in trade. In Molepolole, 32% in trade privately own the premises with 28% in manufacturing. 32% in trade operate in the street or open ground.

The scenario is one of least provision of business premises by BEDU and Town Council in any of these locations. The fact that only a low percentage of operators can afford to privately own the premises calls for the additional official promotional efforts to support the women entrepreneurship in the MSEs. As a whole, in manufacturing 56%, in trade 53% and in services 65% of the premises are privately owned. The percentage in the street or open ground is 30% in Manufacturing, 31% in Trade and 16% in Services. A Town council facility is 9% in Manufacturing, 15% in Trade and 19% in Services. Once more, official provision of the facility is much smaller.

9.4.6 Number of years the enterprise has been in operation

Table 9.1 Percentage of businesses by number of years in operation

Location/Age	1	2-5	6-10	11-20	20+
Gaborone	18	33	12	5	0
Mogoditshane	19	19	11	3	0
Tlokweng	16	43	11	7	1
Francistown	12	30	14	5	2
Maun	4	44	8	4	0
Kanye	6	40	11	8	1
Molepolole	12	27	12	19	2

In sum, majority of the enterprises fall in the category of 2-5 years old in all these locations. In Manufacturing, 23 % are 2-5 years old, 39% in Trade and 26% in Services. 12% are one year old in Manufacturing, 17% in Trade and 7% in Services. 10% in Manufacturing , 13 % in Trade and 7% in Services are 6-10 years old. 7% in Manufacturing , 5% in Trade and 9% in Services are 11-20 years old. 4% in Manufacturing, 1% in Trade and 2% in Services are 21-40 years old. 1% in Manufacturing is above 40 years old..

9.4.7 Main Sources of Initial Funds

Table 9.2 Percentage of SMEs Requiring Expansion funds (Pula) in the Next Six Months in Two major Cities and Sectors

By CENTRE	1-500	500-1000	1001-2000	2001-3000	3001-4000	4001-5000	5001-10000	10000+
Gaborone	25	16	7	3	-	9	3	3
Francistown	13	14	12	3	2	5	4	4
By SECTOR:								
Manufacturing	11	3	7	9	-	-	10	11
Trade	20	19	21	2	2	2	6	2

The finding is that in all types of business, family savings constitute the most important source of initial funds. Second place is for savings from wage. Third source is loans from relatives. Savings from business constitute a fourth source. This sheds light on the fact that women entrepreneurs in the informal sector mainly use internal funds to set up their businesses. Had it been for additional official sources of initial funds, more would have ventured into this field. One can find that official grants or loans are an insignificant source of initial funds for these businesswomen.

9.4.8 Net Income In A Good Month.

In Manufacturing, 64% got P1- P500. 20% got P501-P1000, nine per cent got P1000-P4000 and five per cent got between P4000-P7000. In Trade, 69% got P1-P500, 14% got P501-P1000, 11% got P1001 -P4000, one per cent got P4000-P7000 and another one per cent got P 7001-P10,000. In Services, 79% get P1-P500, 16% got P501-P1000 and five per cent got P1001-P4000

9.4.9 Structure:

In Manufacturing, 43% had permanent buildings, 24% had none, 20% had temporary structures, eight per cent had grass and mud huts and four per cent had verandahs to operate from. In Trade, 39% had permanent building, 28% had temporary structure, 14% none, four per cent had grass and mud hut and four per cent used verandah. In Services, 45% had permanent buildings, 23% had none, 13% have temporary structures and 13 % had grass and mud huts and seven per cent operated from verandahs.

9.4.10 Money needed for expansion for the next six months

Table. 9.3 Percentage of Businesses Requiring an Increase in the Number of Workers after Expansion in Various Centres and sectors

By Centre	None	1	2	3	4	5	more
Gaborone	43	23	18	5	8	1	1
Mogoditshane	44	38	-	8	-	-	-
Francistown	2	49	30	12	2	2	-
Maun	8	36	36	12	-	4	-
Kanye	28	28	25	3	9	3	3
Molepolole	10	42	29	10	6	3	-
By Sector							
Manufacturing	7	21	7	13	16	6	-
Trade	32	41	18	5	1	1	-
Services	-	25	50	-			25

Across all the locations, very small percent of the business need a large amount of money needed for expansion in the next 6 months. Most need between P1-P1000 only. Once more it is noteworthy that the micro-enterprises are not very capital intensive in its nature. Very little money is needed for operation and or expansion of these units. In Manufacturing, 11% needed only P1-P500, another 11% needed above P 10,000 ,10 % needed P 5000 -P10,000, nine per cent needed P2000-P3000, seven per cent needed P1001-P2000 and three per cent needed P501-P1000. This is a unique case. Compared to other types of business, manufacturing required most money, because manufacturing is more capital-intensive.

9.4.11 Increase in the number of workers needed after business expansion

Table 9.4 Percentage of SMEs requiring an Increase in Funds for Tools and Equipment by Sector and by centre

By Sector	No Increase	Some Increase P 1-500+
Manufacturing	56	44
Trade	76	24
Services	60	40
Centre		
Gaborone	41	51
Mogoditshane	57	43
Tlokweng	84	16
Francistown	55	45
Maun	62	38
Kanye	43	57
Molepolole	79	21

The prospect of creating additional employment is bleak in the MSEs operated by women. Even after expansion, very little increase in employment takes place, for example, majority needed zero or none after expansion. Most of the units are one- person enterprises. This hypothesis is vindicated when we take into account the increase in employment since the start of the enterprises. In Manufacturing, 71% had no change, 13 % had small increase, only nine per cent had big increases. In Trade 89% had no change, six per cent had small increases and one per cent had big increases. In Services, 83% have no change, 10% had big decreases and three per cent had small increases.

9.4.12 Increase in Production Since the Start

In Manufacturing, 25% had big increase, 24 % had small increase, 20% had no change. It means that only about 50% experienced any increase. In Trade, increase in production was not relevant. In Services, only 15% experienced any increase.

9.4.13 Increase in sales since the start

In Manufacturing, 27 % had big increases and 32% had small increases and for the rest no change or decrease only. In Trade, 18% had big increase , 30% had small increase , for the rest, either no change or decrease. In Services, 26% had big increase, 23 % had small increase and for the remainder, either no change or decrease.

9.4.14 Increase in amount of money invested in tools and equipment since the start

Majority (56% in Manufacturing, 76% in Trade and 60% in Services) reported no increase. 28% in Manufacturing, 15 % in Trade and 25% in Services reported increase in the range of P1- P500. The same pattern is discernible between locations. 41% in Gaborone, 57% in Mogoditshane, 84% in Tlokweng, 55% in Francistown, 62% in Maun, 43% in Kanye and 79% in Molepolole reported no change.

9.4.15 Contract for a large order during the past 12 months

The picture was as given below. 57% in Manufacturing , 96% in Trade and 92% in Services reported no such contract to their enterprise. It means that in Manufacturing, 43 % got orders from big business, three per cent from small business, one per cent from Traders, two per cent from government, nine per cent from government and 25% from other. Those who attempted to get but failed constituted one per cent. Prospect for growth of the MSEs is limited in the absence of getting contract for large orders. This is one of the many reasons contributing towards the stagnation of the MSEs in Botswana.

9.4.16 Major Customers

In Manufacturing, almost 91% were individuals or households, three per cent government, three per cent other, and traders constituted only two per cent. In Trade, 99% are individuals and or households and one per cent other. In Services, 100% are individuals and or households. This means that the prospect for growth is very limited. Gemini (1992) study on the MSEs in Botswana found that those enterprises that sold to customers other than individuals and households grew faster than those that sold to individuals and or households. In this present situation, scope for growth is limited because over 96% (on average) of the enterprises sell to individuals and or households.

9.4.17 Usual Daily hours of work in the Enterprise

In Manufacturing, 74 % work between six and ten hours, 22% between 11 and 15 hours and three per cent between one and five hours. In Trade, 74 % work between 11 and 15 hours , 24 % between six and ten hours and two per cent between 16 and 20 hours. In Services, 64% work between six and ten hours and 36% between 11 and 15 hours. This shows that in Trade, daily hours of work is maximum , followed by Manufacturing and Services.

9.4.18 Days per week the enterprise operates

In Trade, 68% operate seven days a week, 23 % work six days a week. In Manufacturing, 18% work seven days a week and 41% work six days a week. Once more , Trade tops in terms of long working days per week.

9.4.19 Written Records of Accounts

Only 43% in Manufacturing keep records, in Trade, 47% keep them and 31% do it in Services. The fact remains that over 50% of the businesswomen are not keeping any written record of their transactions.

9.4.20 Family Income (Per month)

In Manufacturing, 60% contribute between P101-P1000, 58% in Trade and 76% in Services. In Manufacturing four per cent, in Trade eight per cent and in Services 14% contribute between P1-P100 also. 32% in Manufacturing , 30% in Trade and 10% in Services do not contribute anything towards family income. The finding is important in that the MSEs contribute (65% on average) between P101-P1000 towards family income. This calls for more positive policies to encourage women entrepreneurs to start and succeed in their business ventures.

9.4.21 Marital Status

Table 9.5 Marital status of micro entrepreneurs(Percentage)

Sector	1-5 hrs	6-10 hrs	11-15 hrs	16-20 hrs
Manufacturing	3	74	22	-
Trade	-	24	74	2
Services	-	64	36	-

Marital status shows one important lesson that as most of the enterprises are raising internal funds(especially family savings and loans from relatives), rather than external, in Trade and Manufacturing higher percentage are married women entrepreneurs (on average 41 %) means that they have access to family funds. At the same time, in Services, only 21% is currently married and 71% never married. On the assumption that less capital(initial investment funds) is required to start a petty Service business, more single women operate in this field because they do not have sufficient funds to start business either in Manufacturing or Trade that requires more capital investment.

9.4.22 Level of Education

In Manufacturing, 59% attended primary, 62% in Trade and 55% in Services. Those who never attended school are 18% in Manufacturing, 18% in Trade and 16% in Services. 26% in Services had J.C with 17% in Trade and 14% in Manufacturing. In Services, the level of education is higher than that in Manufacturing or Trade. Perhaps these entrepreneurs use their human capital to run the businesses because they lack enough physical capital.

9.4.23 Source of Business Skills

Table 9.6 Source of business skills(Percentage)

Sector	Less than 6 days/ week	6 days/week	7 days/ week
Manufacturing	41	41	18
Trade	9	23	68
Services	NA	NA	NA

In all, self-taught tops(average 60%), with 86% in Trade. In Manufacturing and Trade, training is important, so also is family tradition.Apprenticeship is also an important source of skill in Services.

9.4.24 Reasons for not expanding the business:

In Manufacturing, 66% do not have enough money, 12% do not have enough demand. In Trade, 71% do not have enough money, eight per cent do not have enough demand. In Services, 56% did not have enough money, 12% did not have enough demand. Major reasons for not expanding the business were lack of enough money and lack of enough demand. The way out was to diversify the business, searching for the products which have enough demand or improve the quality and price of the existing product. Certainly more money was needed either to diversify or to improve the existing product. Then ways of finding enough money were to be tackled especially from the official sources. Location also counts among the main reasons for not expanding the business by women entrepreneurs.

9.4.25 Laws/Regulations facilitating the business:

In Manufacturing 35% were for the removal of restrictions on shop hours, 32% were for the availability of government financial assistance, 19% were for the permission to produce without a licence. In Trade, for 65% wanted the removal of restrictions on shop hours, 12% were for permission to produce without a licence and five per cent were for the availability of government financial assistance.

9.4.26 Most Preferred Option of the Owner:

In Manufacturing, 88% want to continue in this business, six per cent want to continue in this area and operate in another area other, three per cent want to give this up and start other and another three per cent want to give this up and go for wage employment. In Trade, 81% want to continue in this, six per cent want to continue and operate in another area, six per cent want to give up this and start other and other area while five per cent want to give up this and go for wage employment. In Services, 85% want to continue in this, 11% want to give this up and go for wage employment and four per cent want to continue this and operate in other areas. On the whole, 85% in all types want to continue in this business. The rest (15%)was discouraged perhaps due to the obstacles

like lack of money and lack of demand. With appropriate policies to remove such difficulties, this 15% of entrepreneurs may also decide and expand the business which they are operating.

9.5. Positive Policies to help Women Micro-entrepreneurs:

To help women, policies designed to assist the MSEs should revolve around a dual strategy;

- to strengthen and assist those MSEs that have the potential to expand and create new jobs; and
- to ensure the provision of assistance to those activities that need help to improve the income levels and standard of living of their operators, even when such activities seem to provide little possibility for expansion. Experience in Latin America showed that women-specific assistance to women-owners is better. Women entrepreneurs face a number of problems such as;

training activities are burdensome to women who are busy at home,

creating new projects by women who lack experience is very costly,

the scale of operation is very small because of lack of enough demand,

organizational or managerial weakness and inadequate funds prevent their ventures from reaching a large audience,

private voluntary organizations (PVOs) projects identify the key constraints of micro-enterprises as individual access to credit and lack of skills on the part of the individual micro-entrepreneurs.

As we have already seen in Botswana, sole owner women micro-entrepreneurs are mostly in Trade, followed by Manufacturing and this finding is in line with findings elsewhere that the majority of micro-enterprises are in Trade. In the category of those who established it alone Trade also tops. Those who are in Trade have few other occupations compared to those in Manufacturing.

The majority in Manufacturing get their initial funds from family savings and from wages. In Trade and Services also, the same pattern is discernible. Most of the women entrepreneurs, in good month get a net income in the range of P1 to P1000. Only less than 50% of them have permanent buildings in which to conduct their business. A very small percent of the business need money for expansion in the next six months, however among those who need, Manufacturing requires the most money for expansion. Even after expansion, in most of the MSEs, the prospects for creation of additional employment is quiet bleak. Only 50% of the MSEs in Manufacturing experienced any increase in production since their start. About 60% of the MSEs in Manufacturing had some increase in sales since their start. The majority of MSEs reported no increase in the amount of money invested in tools and equipment since their start. Most of the MSEs did not obtain any contracts for a large order during the past 12 months. The majority of customers are individuals and households.

In Trade, women micro-entrepreneurs work more hours compared to Manufacturing and Services. Not only that, in Trade, they work 7 days a week. It was found that over 50% of the women micro-entrepreneurs do not keep any written records of their accounts. About 65% contribute between P1 to P1000 towards family income from the business. It was found that married women had greater access to internal funds to start capital intensive ventures in Manufacturing and trade. Others had to be satisfied with business in the Service sector. It was also found that in service sector, the education level is higher than that in either Manufacturing or Trade. Perhaps, the human capital is a substitute to the physical capital that is needed in other sectors. The level of training as a source of

skills is very low in all types of activities. Those who are self-taught and learnt from family tradition steal the show. Hence, in order to promote the micro-entrepreneurship, sufficient training opportunities are to be provided by the government. Lack of enough money and lack of enough demand are the main factors that prevent them from expanding their businesses. Provision for a cheaper line of credit and advice on improving the quality of the product and or service will go a long way in easing these inhibiting factors.

In Botswana, generally the micro-entrepreneurs do not face much constraining official regulations. On the contrary, they enjoy some facilitating regulations, like absence of restrictions on shop hours, availability of some government financial assistance and the permission to produce without a licence. Almost 85% in all types of operators want to continue in their particular business. If some promotional tactics, such as availability of some cheap credit, prospects to improve the quality of the product through further training, cheap permanent structures from which to operate their businesses, possibility to get subcontracting for large orders and also from customers like government, formal sector firms etc, are put in proper place, there is a great potential for these micro-enterprises to thrive and root in the Botswana economy. Given the fact that those who are able and willing to work in the formal sector cannot get employment at a given time, it is important that the micro-enterprises could be an important source to create employment in the future. This sector boosts business talents for Botswana even though they still lack enough entrepreneurial experience and skills (Sunny, 1992).

10. THE LINKAGE EFFECTS OF MSES

10.1 Introduction

Experts on the informal sector differ on the issue of linkages especially the inter-sectoral links within the economy. Inter-sectoral linkages are of two types, namely Backward linkages and Forward linkages. Albert Hirschman (1958) developed the concept of linkages which explained that industries are linked to other industries in ways that can be taken into account in formulating a development strategy. According to him, industries with backward linkages make use of inputs from other industries and such industries will stimulate production in the greatest number of additional sectors.

10.2 Backward Linkages

A direct backward linkage for any industry j , is measured as

$$Lb_j = \sum_i a_{ij} \quad (10.1)$$

where Lb_j is the index of backward linkage and a_{ij} is the Leontief (input-output) coefficient (Gillis, et. al., 1992). The measure of backward linkage for any industry is the sum of its domestic input coefficients. When that industry stimulates other industries, we need to sum the direct plus indirect coefficients of the Leontief inverse, designated r_{ij} to get.

$$Lt_j = \sum r_{ij} \quad (10.2)$$

where Lt_j is an index of direct plus indirect or total backward linkages from the j th industry.

10.3 Forward Linkages

Forward linkages occur in industries that produce goods which become inputs into other industries. Yotopoulos and Nugent (1973) have tried to measure the direct forward linkages as well.

$$Lf_i = \sum x_{ij}/Z_i \quad (10.3)$$

where Lf_i is the forward linkage index for the i th industry. x_{ij} is the output of the i th industry that is purchased by each j th user industry (the row of the i -o table) and Z_i is the production of good i for both intermediate and final use (Gillis, et. al., 1992).

10.4 InterSectoral Linkages

Sethuraman (1976) considers the IFS as an autonomous entity and as a result, the IFS cannot generate sufficient intersectoral linkages. On the other hand, Davies (1978) and Webb (1974) subscribe to the belief that the IFS has got its tentacles into other sectors of the economy in the form of backward and forward linkages. Maybe diagram 10.1 will suffice to depict the kind of intersectoral linkages with other sectors, in this case IFS, with the formal sector on the one hand, and the traditional sector on the other. Informal sector supplies cheap labour to the formal sector.

The backward linkages that exist when the formal sector supplies raw materials or intermediate products to the IFS, and the forward linkages that exist when the IFS supplies output to the formal sector. In trading, backward linkage occur when the IFS operators obtain their supplies from the formal sector. Some IFS operators specialise as scavengers, collecting industrial and consumer waste products that can be recycled as raw materials for the formal sector, hence the linkage in reverse. On forward linkage, some IFS food shops supply it locally to workers in IFS only whereas others who are on street trade, supply it to both IFS and the formal sector workers. Links are stronger in industry, where sometimes IFS firms produce under sub-contracts to firms in the formal sector. In addition to supplying intermediate goods, many workers in the IFS such as dressmakers, shoemakers and carpenters also supply finished products to be sold through enterprises in the formal sector (Thomas, 1992: 80).

These linkages in turn possess the potential for employment creation and income re-distribution effects. Increased output helps alleviate poverty caused by unemployment and helps develop an indigenous industrial base through local ownership and entrepreneurial talent. On the interface between formal and informal sectors Stren, et. al., (1992) suggest that this relationship is of utmost importance if systematic increases in productivity are to be realized.

It is also possible to trace the intersectoral linkages in the economy by constructing an input-output table as given in Todaro (1971). In most general terms, the relationship between IFS output (X_1) and that of the rest of the economy (X_2) may be specified as follows (Truu and Black, 1980):

$$X_1 = a_{11} X_1 + a_{12} X_2 + B \quad (10.4)$$

where a represents input-use coefficients of production (that is, the quantity of inputs per unit of output) and B the final demand for informal sector output.

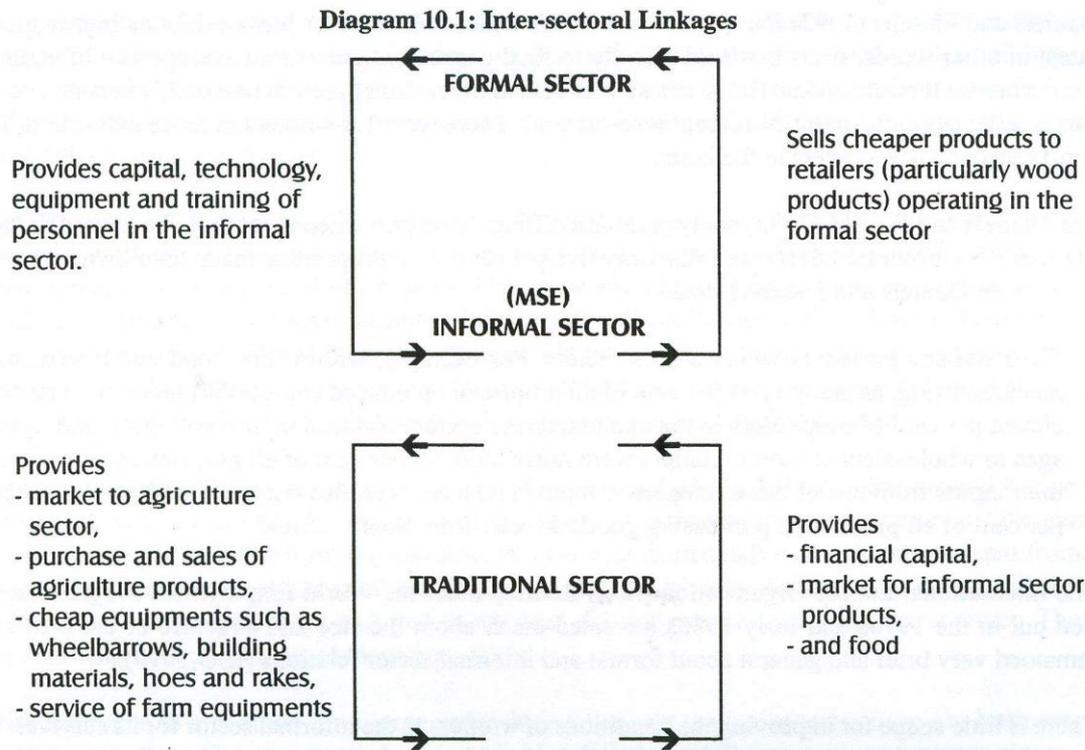
$$\text{If } B = m_{11} X_1 + m_{12} X_2, \quad (10.5)$$

where m represents propensities to consume IFS output, then

$$X_1 = (a_{12} + m_{12}) X_2 / (1 - a_{11} - m_{11}) \quad (10.6)$$

The output of the IFS thus depends on output levels in the rest of the economy, the relevant input-use coefficients and the propensities to consume IFS output. But in constructing an IO table for IFS in Botswana, one needs to go beyond the resources available for this study. However, as we have seen, on the basis of input -output table, $X_i = X_{ij} + Y_i$, in 1993, the income from the IFS must constitute roughly 20% of the net output (in this case, to avoid double-counting in the National Income Accounting, only final demand is taken into account). Yet another way to capture the inter-linkages is by studying the linkages within the same sector, in this case within the IFS where we study further processing of the inputs and outputs.

Diagram 10.1: Inter-Sectoral Linkages



Truu and Black(1980) argued that there may be policy interventions which help measure a and m in MSE.

Apart from supplying direct government orders, the IFS has scope for undertaking labour-intensive sub-contracting on behalf of formal sector firms, and to provide the traditional sector, including producers in the MSE itself, with appropriate and inexpensive capital goods. Similarly, the MSE can supply a wide range of low-priced goods and services to consumers, and this will be determined by the current demand elasticities for the informal output.

10.5 Other Studies on Linkages in this Sector

When an urban wage earner in Africa is simultaneously a part-time farmer and/or a petty trader in the informal sector, there is a visible link between IFS and formal sector activities. When wages fall, workers do not give up his/her main job in preference for side jobs, since whatever the wage brings is a net gain to the person (Jamal and Weeks, 1988). Small entrepreneurs in the MSE represent a middleman class who organize the mass of unprotected workers to produce low-cost goods and services, either for the market directly or under contract for formal firms. (Portes et. al., 1986). The IFS and the formal sectors are linked through the markets for goods and services. Rural-urban migration in any economy indicates another form of linkage between IFS and the formal sectors in the labour market.

In Botswana, the available data on the micro enterprises in the context of main customers, market, input and output flows confirm the existence of intersectoral linkages, although of limited magnitude. For example (Daniels and Fisseha, 1992) reports that 99 per cent of Botswana MSEs sell directly to the final consumer. Who is the consumer of IFS products and services? Certainly one can presume that they hail from both the IFS and formal sectors but with one qualification: they are poor.

Daniels and Fisseha, 1992 found that those MSEs which sell to other firms exhibit higher growth rates; in other words, firms that sold directly to final consumers grew at an average rate of 8 %, whereas forward-linked (those who sold to other firms) grew at 25 %, and this gap is reflected in the number of employees as well: 1.8 workers in those that sold to final consumers and 4.9 workers in the latter. Their study paints a different scenario when it comes to backward linkages to production processes. It shows that only five per cent of all proprietors made their own inputs. To quote from Daniels and Fisseha (1992): "This statistic varied, however across sectors. For example, within rural food and beverages manufacturing, as many as 44% of all proprietors produced (processed) their own inputs, 11% of proprietors in the manufacturing sector produced their own inputs, linkages to wholesalers or larger retailers were fairly high. 59% of all proprietors purchased their inputs from one of these categories. Input purchases were also relatively high, with 15% of all proprietors purchasing goods directly from South Africa."

The International labor Organisation(ILO) studies, under the World Employment Programme carried out in the 1970's and early 1980's, revealed much about the size and structure of the IFS, but remained very brief and general about formal and informal sector relations (ILO, 1990).

There is little scope for improving the conditions of workers in the informal sector for its survival. The formal sector tends to exploit the IFS because the latter is unorganized and consists of very

small units lacking bargaining strength. The ILO states that unless a more complementary relationship is established between the two sectors, there is little scope for evolutionary growth in the IFS. It also hypothesizes that the formal sector provides a demand base for the IFS through sub-contracting which will channel technical know-how to the IFS. According to ILO's empirical evidence, there is only little evidence in support of the hypothesis that the IFS is subject to exploitation by the formal sector, in the sense that a substantial part of the surplus generated in the micro production units is appropriated by the formal sector. ILO shows that there are significant backward linkages between the two sectors and if these are detrimental to the interests of the IFS, it is largely because of the imperfections in the factor market.

10.6 The 1992 Study on Linkages

This section will study the linkages observed among MSEs in Botswana in the survey conducted in June 1992 by members of the Department of Economics. Variables considered include the customers, contracts, profits invested in other business, improvements in upgrading production technique, marketing and business management, expansion by further processing output, expansion by producing inputs previously bought and sources of business skills. There are six categories of customers: individuals, big business, small business, traders, government and others. In manufacturing, government is the major customer in Kanye. In Mogoditshane and Tlokweng, the major customer is big business. Small business is the next customer in Molepolole and Kanye. In Francistown, Government is the second major customer. In Gaborone, individuals are the major customers. In general, in manufacturing, 92 per cent of consumption is by individuals, 1 per cent by small business, 1 per cent by big business, 1 per cent by traders, 3 per cent by government and 2 by others. In trade, individuals are the major customers in Gaborone and the same is true in Francistown and Molepolole. On average, in trade, individuals constitute 99 per cent, with small business and others making up the balance. Individuals (98 per cent) constitute major customers in Gaborone, Tlokweng and Francistown in the services sector. In construction and transport, individuals or households constitute 100 per cent of customers.

The survey results on the extent of contracting, by location, showed that for manufacturing, in Molepolole, traders constitute the highest number, followed by small business. Kanye gets contracts from government, big business and others; Gaborone and Mogoditshane come next. Molepolole gets most of its contracts from small business followed by Mogoditshane and Tlokweng. Gaborone and Francistown also get contracts from government. On the whole, in manufacturing, 58 per cent get no contracts, 4 per cent get contracts from big business, 4 per cent from small business, 10 per cent from government and 22 % from others. Only 1 per cent failed to get contracts, although they tried .

For Trade, Francistown has the highest number of "no contracts", followed by Gaborone and Kanye. Gaborone, Mogoditshane, Kanye and Molepolole have the same share of contract from others. 94 per cent did not get a contract. Of contracts obtained, 1 per cent was from big business, 2 per cent from small business, 1 per cent from cooperatives and two per cent from others. Again, 1 per cent tried to obtain a contract but failed to do so. For those micro enterprises engaged in services, 94 per cent, did not get a contract. The 6 per cent with contracts obtained them from trade. With reference to a contract for a large order during the past twelve months, from big business, small business, cooperatives, traders, government and others, tried but failed, the following responses were given. For manufacturing the number of responses was quite limited. However, in the given situation, "others" had the largest response, second was government, and third was big business.

For trade the order was "others", followed by small business, tried but failed, and big business. For services big business was first, followed by traders, government and others have the same share. The respondents were asked whether profits from the micro-enterprise had been invested in other businesses during the past five years. The answers, are either yes or no. Trade had the highest level of yes responses (14 per cent), second was manufacturing (5%), and last was services with 1 per cent. Overall, very little investment took place from profits. Most is in services, followed by trade and then manufacturing. By location, Gaborone ranks first, second place is for Francistown and third place goes to Maun. For improvements by upgrading production technique, marketing and business management, the answers were either yes or no. Molepolole has the highest number of yeses, followed by Mogoditshane, and then Tlokweng. Improvement is highest in manufacturing (10 per cent), trade gets second place (6per cent), and last is services with 1%. There seems to be very little improvement through upgrading production, marketing and business management in the past 5 years. The possibilities for expanding the business via further processing was explored. Again, the possible options were either yes or no. In the responses obtained Mogoditshane ranks first, Molepolole second, and Francistown third. Most improvement is in manufacturing with ten per cent, trade with 2% and last is services with 0.24 per cent. Very little further processing of output was evident in the survey. The results on the expansion of the business by producing the inputs that previously were purchased are reported. Here Tlokweng ranks first, Francistown is second and Molepolole is third. Manufacturing and trade have the same share of 1 per cent. There is no data for Services. Producing inputs is insignificant. In contrast, Daniels and Fisseha {1992} report that at least 5 per cent of all proprietors made their own inputs. The questionnaire included a question on the sources of skills obtained by the operators of the micro-enterprises. The options listed included: Integrated Field Services, Women's Finance, Brigade, RIP, BOCCIM, CORDE, and others. In manufacturing "others" is the primary source; Integrated Field Services ranked second and third was Brigade. In trade, the share of other sources is 98 per cent, which means that the rest is insignificant. However, CORDE's share is 1 per cent.

In Services, the number of observations was insignificant, however others account for 48 per cent. As a whole, other sources dominate, implying that the role of official institutions is limited in equipping the micro-entrepreneurs with the necessary skills. The questionnaire then sought to determine the sources of training. The options are: self-taught, family-tradition, training, apprenticeship and others. In manufacturing, apprenticeship is the most common in Gaborone, followed by Mogoditshane and then Tlokweng. Self-taught ranks second, again most common in Gaborone, followed by Molepolole and Francistown. Family-tradition is third, most prevalent in Molepolole, Gaborone comes next, and then Tlokweng. Training is fourth, highest in Gaborone, followed by Kanye and Francistown, and then Molepolole. "Others" ranks last, most common in Molepolole, followed by Gaborone and Tlokweng. For trade once again, apprenticeship ranks first, most common in Gaborone, followed by Mogoditshane and Francistown. Family-tradition is second, most common in Gaborone, second Francistown and Molepolole. Self-taught comes third, most in Gaborone, followed by Francistown and then in Molepolole. Training ranks last, most common in Gaborone, followed by Francistown and Molepolole. For services training is highest in Molepolole and Tlokweng. Second is family tradition, most in Molepolole and then in Tlokweng. Apprenticeship ranks third, most common in Gaborone, followed by Francistown and Tlokweng. Others rank fourth, the highest being in Tlokweng and Molepolole. Last is self-taught, most prevalent in Gaborone and Tlokweng, followed by Francistown and Maun. Overall, training is not an important source of business skills in manufacturing, trade and services. This calls for the promotion of training opportunities as a source of business skills for the micro-entrepreneurs in

Botswana. Indicators on forward and backward linkages are as follows: In all locations about 97 per cent sell to individuals and households. The majority of MSEs are purchasing their inputs; only a negligible proportion produce their own. Very few borrow from others (excluding relatives and friends), which means that the linkage between IFS/MSE with formally organised financial institutions/market is limited. A substantial proportion of the MSEs (76 per cent) lend to others. Once more, these statistics confirm that training is not an important source of skill acquisition by the micro-entrepreneurs in Botswana, which provides food for thought to policy-makers in promoting the MSEs because of its visible and invisible advantages and potential from various perspectives in Botswana. Linkages are important for the successful growth of a sector. IFS has got links with the formal and the traditional sectors in a typical economy. The finding that the MSE firms with forward linkage grew at a faster rate than others in Botswana sheds light on the critical role played by inter-industrial linkages. If firms are backward linked, scope is all the better for faster growth. In the present study, the major customers in the manufacturing sector of the MSE differ from location to location. Individuals are the major customers and for that reason linkage to industry is restricted. In trade, a similar pattern is observed. On the question of whether the MSEs are receiving contract orders for their output, the result is rather mixed. Traders and small business give contracts to manufacturing MSEs. Government also gives contracts to these firms. In trade, the majority do not get any contract. For services, data is not available. The question of whether the MSEs received large orders during the past 12 months also received mixed reactions. Some orders are received from government in manufacturing. In trade, it is by small business. In services, it is big business and traders. If profit from the present business is used to invest in other business, indications are that profit is insignificant. Improvements by upgrading production technique, marketing and business management occurs most in manufacturing, followed by trade and services, although the scale is negligible. Once more manufacturing leads in the expansion of business through further processing of output. It is also true in the case of production of inputs and all these are really insignificant at present and to that limited extent one can guess that in manufacturing, the backward and forward linkages occur. To what extent in each firm, however, is yet to be investigated.

On the source of business skills from institutions in Botswana, in manufacturing "others" has the most responses which means the links with the formal sector is very limited. However, the Integrated Field Services and the Brigades play a limited role. In trade, the situation is not different, where other sources account for almost 98 per cent. Put together, the results show that the role of official institutions in imparting the required skills to micro-entrepreneurs is really limited, with the exception, perhaps, of the manufacturing sub-sector which seems to rely on Government - funded apprenticeship schemes. Self-taught is equally important, so also is family- tradition. In other words, this information sheds light on the need to emphasize training as a source of skill attainment to help MSE operators succeed in their ventures. Once more, it is proved that the link with formal sector sources of skill acquisition is limited. In trade also, apprenticeship is the most important, while family- tradition and self-taught take next position. Once again, training occupies the last seat. In services, training is the most important. This may be explained by the fact that taxi drivers need to take lessons from driving schools. The order of ranking is as follows: family -tradition second, apprenticeship third, others fourth and self-taught last. In conclusion, it can be said that linkage is explained in terms of forward and backward linkages within industry, within the sectors and between sectors. The prospect of faster growth with backward and forward linkage is worth exploring in the MSEs though in the present study, the scope for forward and backward linkages is quite limited.

11. CONSTRAINTS FACED BY SMES

11.1 Introduction

Development debates in recent years have seen the informal sector condemned in many quarters as a spoiler, a chaotic parallel or an underground market acting like a parasite on the national economy. Such criticism tends to justify the long-established government attitude of total neglect of the sector, despite its many virtues, its dynamism and its potential as a vehicle for realistic economic development (Oyowe, 1993).

11.2 Constraints Identified in Other Studies

In Bangladesh, one of the most formidable constraints faced by the micro-enterprises is the lack of financial resources. The unavailability of financial resources at a reasonable cost (monetary, non-monetary, expressed and hidden) constitutes the single most overwhelming constraint preventing people from pursuing known and feasible activities (Haq and Sultan, 1991).

Hernando de Soto (1989) shows that in Peru micro-enterprises fear expansion, have little means of financing it and possess no way of legally protecting the fruits of their endeavours and as a result, they cannot realize economies of scale and have little incentive for attempting to do so. He identifies obstacles at two levels: in access to formal economic activities and in remaining in them, which are the contributing factors for the development of the Other Path in Peru, where informality is a system of the institutional dysfunction. Because micro-enterprises are unofficial and lack formal recognition, they cannot obtain credit from formal lending institutions, despite the exploitative interest rates and lack of insurance associated with informal loan agencies.

Lack of access to finance represents the binding constraint on the expansion of micro - enterprises in Tanzania and Sri Lanka. They operate in a complex environment and confront a diverse array of constraints and it is unrealistic to search for a single constraint, common across countries that once released, will lead to their expansion (Levy, 1993). According to him, technical, marketing and input constraints are insignificant obstacles to expansion of these enterprises either in Tanzania or Sri Lanka.

Data collected from micro enterprises in Zambia, Tunisia and Benin show how various legal and regulatory constraints have adversely affected start-up and operations of the informal units by raising their costs of production, restricting mobility, decreasing revenues and discouraging investment (ILO, 1990). The Study found that some regulations affect the micro enterprises both directly and indirectly. The direct effects may include how, when and where the enterprises may operate, financial obligations to the state conditions under which labour may be engaged, and so on. The indirect effect operates through incentive (or disincentive) measures influencing the behaviour patterns through market discriminations and distortions. IFS is characterised by a high rate of business failures because of low capitalization and a lack of equipment, technology and management ability and difficult access to formal finance (Oyowe, 1993).

The manufacturing units use rudimentary equipment and bosses are generally not well trained, having acquired their skills through apprenticeship. They also found that productivity is too low and returns on investment small, allowing mainly for the simple reward of the strength of labour rather than that of capital. Their income is very low and unstable. In Botswana Daniels and Fisseha, (1992) identified finance and marketing as binding constraints on micro-enterprises at start-up, during growth and at the time of the survey. The enterprises are not aware of any regulation as a constraint. In a nutshell, micro-enterprises could face many constraints both on the supply side and the demand side, and it is time for us to look at those constraints in the present study.

11.3 Evidence from the 1992 Study (Department of Economics, University of Botswana)

The reasons for not expanding the business are: 1) too much competition, 2) not enough demand, 3) not enough workers, 4) not enough money, 5) raw material not available, 6) government licensing prevents expansion, 7) lack of space, 8) not interested in expansion, 9) lack of managerial ability, and others. Lack of space and or buildings is identified as a major reason in Gaborone and Francistown. Lack of managerial ability is the next important reason, including Molepolole. Not enough money is the third reasons respectively. In manufacturing, non-availability of raw materials and lack of managerial ability are the main reasons for not expanding. Not enough demand and too much competition are the second and third reasons. In trade, not enough workers is the number one reason. Lack of interest is the second reason, lack of space comes third and not enough money and too much competition are the fourth reasons.

In services, lack of managerial ability is the serious cause for absence of expansion. Not enough workers and cumbersome licensing procedure are second cause. Too much competition is third. Constraints are: financial, input, marketing, labour, premises and others. Finance is the number one as identified by all 7 locations. Second is marketing. Four out of seven locations identified input constraints. Premises is a constraint only in Gaborone. In Kanye 23 % had no constraints. in Francistown 6% identified others. As finance is the primary constraint for all, it is pertinent to look into the details of this constraint. Harsh terms is the first reason, complicated procedure is next, followed by inadequate capital, high interest and lack of information. Lack of security is reported only in Gaborone. In manufacturing, high interest is the important reason, inadequate capital comes second, lack of information third and lack of security fourth. In trade harsh terms rank first, followed by complicated procedure, lack of security and lack of information. In services, high interest ranks first, lack of information is second and other reasons third.

Marketing constraints could be due to: 1) lack of transportation, inadequate facilities, 2) lack of advertisement, 3) complicated marketing procedures, 4) location difficulties, 5) stiff competition, 6) others, and 7) none (see Table 11.9) Stiff competition is the number one constraint for all seven locations. Apart from that, six recorded none. The second factor is lack of transport affecting 4 out of 7 locations, inadequate facilities was the third affecting 3 out of 7 locations. Complicated procedure and locational difficulty are each recorded only once out of seven.

The reasons for input constraints are: unreliability of supply, low quality of inputs, shortage of finance, lack of transportation, and others. Quality of inputs, reliability of supply, lack of transport and others get equal ratings in Gaborone, Francistown and Molepolole.

In manufacturing, quality of input is the most difficult factor. Reliability of supply ranks next followed by shortage of finance. In trade, lack of transport is the number one problem, second being shortage of finance and third is the reliability of supply. In services, the first constraint is the quality of input, second is others, and third is reliability of supply. Types of premises constraints are: high rent, unsuitable location, lack of space, temporary structures, others, and none. The majority recorded none. Unsuitable location is recorded by 5 out of seven, as is lack of space. Temporary structure is a problem only for two. This means that other constraints are not bothering the MSEs surveyed in the seven locations. Remedial measures call for the improvement of the financial, marketing, input and premises constraints mainly. It is generally hypothesized elsewhere that micro-enterprises are inhibited by a number of constraints related to infrastructure, accommodation, marketing and availability of essential inputs (labour, capital and raw materials). Despite such constraints these units exhibit promise and undaunted will to survive and expand. In this study marketing constraints rank second, followed by input supplies and lack of premises as third and fourth constraints respectively. The other constraints do not appear to be pressing for the time being.

0 (zero) stands for no adverse laws, 1) for price controls set on certain basic commodities, 2) for government financial assistance not available, 3) for the requirement that all traders have a trading licence, 4) for minimum wage being set too high, 5) for duties and VAT on imported goods, 6) for restriction of the businesses to certain areas, 7) for restriction to certain goods, 8) For women being unable to enter agreements without the consent of their husbands, and 9) for other, including any combination of 1 to 8, which could adversely affect a business. The response in manufacturing is that 70 % consider 0, 6% consider 9, another 6% consider 6, 3% consider 2, two % cent consider 3 and 1% consider 7 as adversely affecting their respective businesses. In trade, 58 % consider 0, nine % consider 5, eight % consider 6, and six % consider 8, three % consider 3, and three % consider 2 as business restricting. In services, 69 % consider 0, ten % consider 6, five % consider 9, another five% consider 2 and two % each consider 7 and 2 respectively as factors that affect the business. On average, 66 % consider 0 (no adverse laws) as affecting business across manufacturing, trade, and services.

11.4 Proposed Remedies

The findings from the present study is in conformity with the general trend on constraints elsewhere. Finance is the most important constraint. Small entrepreneurs nearly always identify credit as their primary need and to ease the extent to which credit is a constraint, a number of alternative financial tactics for these enterprises are worthy of consideration (Young, 1993). These include character-based lending, easing administrative processing of loan requests, and expanding the flow of credit to them through commercial banks.

The Grameen Bank in Bangladesh has developed a novel method of delivering credit and banking facilities to the landless, to women and those below the poverty line. Pooling funds from a variety of sources, including the Bangladesh Bank and the International Fund for Agricultural Development (IFAD), the Bank makes concessionary loans to small farmers and Micro-enterprises in small villages covering shortfalls in profits from Grameen deposits in commercial banks. Repayment rates have been close to 99 per cent, proving that the poor are indeed bankable.

Access to credit has given an economic boost to the poor in rural Bangla Desh (UNCTC, 1991). "One of development's best kept secrets will soon be public knowledge, namely investing in poor people is good business. Not only are the poor bankable, they may be one of the most productive and safest investments today" (Haq and Sultan, 1991). They argue that the experience of the Grameen Bank has shown that placing a strategic input-credit within the reach of the poor enables the poor to unleash their creative energies and productive powers by engaging in, or expanding, self-employment opportunities, thereby improving simultaneously their own economic and social conditions and the wealth of the country.

The IFS appears to offer a solution for the urban employment problem, provides scope for the emergence of local entrepreneurial talent. Gilbert and Gurgler (1992) record that 40 to 67 % of the urban labour force work in this sector in Latin American and Asian countries, providing employment despite the inaction, restriction and harassment from the governments. In many countries, the IFS thrives despite-- rather than because of -- official policies. In Zambia's case, the IFS has not played a particularly dynamic role in the economy, and it appears that active government support, based on adequate information, will be necessary if the sector is to dramatically improve its absorptive capacity (Todd and Shaw, 1980).

Teilhet-Waldorf and Waldorf (1983) found in Bangkok that the average earnings of the informants in the IFS were higher than those of unskilled workers in the formal sector jobs, both within government and within private industry. ILO studies reveal that once the boss attains a higher education level, the higher entrepreneurial ability increases. With retraining and assistance they could stimulate development of the micro - enterprises and perhaps provide a springboard for indigenous industrialization.

A planner's job is to design a program that will make constraints give way, in order to assist the poor to use their full potential and to further develop their capabilities (Haq and Sultan, 1991). Dipak Mazumdar (1989) asks: Should government policies actively promote the informal sector? He states that various countries have tried to do this by subsidizing certain inputs, particularly credit; other examples include strengthening infrastructure services, providing electric power and roads, and reserving part of certain markets for items produced by micro enterprises. Expansion in IFS could occur if restrictive legislation is removed (trading licenses), if working capital and training programmes (to increase their stock, to buy or improve or extend tools, machinery and premises, to buy or hire transport, to employ more workers) are monitored, if premises for informal businesses are provided and the IFS through registration and survey, to identifies trends and modify assistance programmes accordingly (Wellings and Sutcliffe, 1984).

Tokman (1989) recommends three measures to help alleviate the constraints faced by the IFS : providing productive assistance to these enterprises, supporting them through social welfare and revising regulations that govern the IFS activities. Because they have limited access to productive resources (capital and skills) and to expanding markets, proposals to eliminate these difficulties and help access to these resources have been made. IFSs go to parallel channels of credit at high interest rates in the absence of other alternatives.

When they are trained in accounting and managerial practices, it will help them to succeed in their small enterprises. Policy changes recommended by Sethuraman (1977) among others, include the following:

- (i) removal of trade and commercial restrictions;
- (ii) provision of managerial and technical skills through training in practical skills;
- (iii) information dissemination on market and product opportunities and technology;
- (iv) help raise investment funds and encourage co-operatives to meet this need;
- (v) encourage free flow of information between the formal and informal sectors, even encourage a system of informal apprenticeship in formal sector units of production and sub-contracting systems;
- (vi) encourage further research into the potential of this sector.

For Kenya, The ILO (1972) advocated:

"The informal sector provides income-earning opportunities for a large number of people.

Though it is often regarded as unproductive and stagnant, we see it as providing a wide range of low-cost, labour-intensive, competitive goods and services. Not only does it provide them without the benefit of the government subsidies and support that are received by many firms in the formal sector, but operators in the informal sector are often harassed and hampered by restrictions imposed from outside. We therefore advise a positive attitude on the part of the government towards the promotion of the informal sector".

Joshi et. al. (1976: made the following recommendations for the Ivory Coast:

"The informal sector can play a double role in the development of a country's economy - a passive one by absorbing rural manpower unable to find employment in the modern sector, and - an active one by using capital-saving, labour-intensive technique to produce goods and services complementary to those of the modern sector. Protection and use of the informal sector to achieve development goals does not imply stagnation or abandonment of technical progress. Indeed it should be one of the aims of policy to bring a 'transitional sector into being that will evolve into a part of the modern sector as the economy develops." This could be good advice to Botswana as well.

12. CONCLUSION

The Botswana Economy has for the last three decades experienced phenomenal growth. However, the growth curve, it appears, has now peaked and is beginning to descend rather steeply. The economic downturn experienced by the country since 1992 mainly due to global recession, has resulted in the slow growth in the formal sector employment. As a result, the SMEs are expected to play a much more significant role in the provision of much needed employment than it was able to do in the past. The sector will now assume greater proportions and will most likely play a role which planners had not anticipated before.

Despite the enviable economic prospects of Botswana, under- utilization of the labour force emanates from the unique structure of the economy, in that a weak agricultural sector is not in a position to offer a non-poverty level of income to the labour force as is the case in most African countries.

Both the agricultural and the mining sectors have in the past proved incapable of providing sufficient employment opportunities for all the job seekers in the country. They are not expected to do so even in the future. The agricultural sector has suffered from regular and devastating droughts while the mining sector has proved more capital-intensive than labour- absorbing. Besides, the latter sector has had neither backward nor forward linkages to help generate employment opportunities. The manufacturing and construction sectors have had their share of employment creation but are now on the wane due to persistent deflationary conditions in the country. In the light of all this, the micro enterprises are now expected to bridge the gap between the public sector and the formal private sector employment. The significant role which is expected of the informal sector can be ascertained by looking at the estimated growth rates in the population and labour force in Botswana. By estimate, the population has been growing at an annual rate of 4.2 per cent per annum. On the other hand, the size of the labour force has only been growing at 3.4 per cent per annum.

Botswana, a surplus economy for many years in the past, has achieved a successful record of economic growth and expansion in employment opportunities. However, this modernization of the economy has more often than not been achieved through capital-intensive production techniques due to productivity considerations. In this regard, not all those who sought and were available for work were always able to secure one. The residue in the labour market needed an alternative to formal sector employment namely, employment opportunities in the informal sector which we regard as the second best, the safety valve to many less educated, less skilled and less fortunate. The constraints faced by the SMEs relate to areas of finance, supply of inputs, and marketing, labour and facilitating premises. Finance has been highlighted as the most significant constraint of all. Although a good number of MSEs claim that marketing is not a constraint, a few do point to stiff competition as one of the most constraining factors. In general a number of constraints can be pinpointed as afflicting MSEs, although these do not appear to pose such serious impediments in the way of progress for these micro-enterprises.

In order to successfully withstand the impact of globalization, there is need to revitalize all the production sectors in the economy that either serve the internal or external market. The nature of the technology used, total factor productivity, regular upgrading of the skills base of the labour force, the advance in human development, macroeconomic stability and a competitive exchange rate, among others, will contribute towards increased competitiveness of the Botswana economy.

The place of SMEs is unique in creating additional employment opportunities, especially for the youth with appropriate skills. Although the employment generating capacity is limited at present, with the right mix of promotional policies (Botswana SMME Policy 1999), this sector is poised to create sufficient jobs through self-employment. Apart from the facilitating role of the central government, several other actors in the society (local authorities, the private sector, non-governmental organizations, families and friends) could pool their synergy together to push the wheel of youth employment creation forward so as to make it snowball and vibrate throughout the economy. The successful entrepreneur is the linchpin of a modern and a dynamic Botswana society.

What is required now is to ensure that the SMME policy is implemented effectively. There should be a built-in mechanism to monitor the implementation and give feedback to the policy makers to help revitalize the implementation in order to reap the right fruit.

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