

Republic of Botswana

BOTSWANA NATIONAL INFORMAL SECTOR RECOVERY PLAN

PART 1: Analysis and Recommendations

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Abbreviations and Acronyms

ALMP	Active Labour Market Policy
BOISA	Botswana Informal Sector Association
CEDA	Citizen Entrepreneurial Development Agency
COVID-19	Coronavirus disease 2019
GDP	Gross Domestic Product
GoB	Government of Botswana
ISP	Informal Sector Participant
ISB	Informal Sector Business
IMF	International Monetary Fund
ILO	International Labour Organization
LEA	Local Enterprise Authority
MITI	Ministry of Investment, Trade and Industry
NEP	National Employment Policy 2019
PPE	Personal protective equipment
SDG	Sustainable Development Goal
UB	University of Botswana
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
WEIGO	Women in Informal Employment: Globalizing and Organizing
WHO	World Health Organization

EXECUTIVE SUMMARY

When the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) as a pandemic on 11th March 2020, countries around the world responded by implementing social distancing measures to slow the transmission of COVID-19, including the mandatory closing of businesses. The Government of Botswana introduced the Emergency (COVID-19) Regulations, 2020 which provided for, inter alia, the declaration of a lockdown, restriction of movement of people and the closure of facilities. These Regulations allowed for a national lockdown to be declared for 2nd April until 30th April 2020 and further extended until 21st May 2020. When the seven-week lockdown was lifted on 22nd May 2020, this intervention was considered a success since at that juncture, the country had recorded one COVID-19 fatality and 30 confirmed COVID-19 cases whereas neighbouring South Africa had already recorded as many as 339 fatalities and 18,000 cases.

The COVID-19 pandemic has spread around the world as a health crisis. However, it has also ushered in a global economic crisis with attendant effects on the informal sector. Botswana's seven-week period of national lockdown and closure of facilities resulted in the decreased domestic demand for goods and services. Revenue-generation activity within the informal sector was paused due to the inability of businesses to trade during this period. Affected sectors were widespread across Botswana's economy and included public transport, hawkers and street vendors, hair salons, liquor stores and restaurants. In particular, the informal sector bore the major brunt of the national lockdown as staying at home and social distancing are antithetical to the nature of the economic activity undertaken within this sector, and the means of livelihood for these participants in the national economy. The plight of the informal sector is expected to worsen. In its June 2020 World Economic Outlook, the International Monetary Fund (IMF) forecasted that the pandemic's continued rapid spread will lead to further depressed economic activity in the second half of 2020 and require social distancing measures to remain in place for a longer period of time.

While the primary strategy of COVID-19-affected countries remains to limit disease transmission and support health systems to manage the surge of patients, multi-pronged approaches that include preventing economic and social disruption are being advocated. The Government of Botswana's Economic Response of 1st April 2020 included the establishment of a Special Fund - the Botswana COVID-19 Pandemic Relief Fund - to cater for, inter alia, the relief of selected industries and sectors, an economic stimulus programme for the country to stabilise businesses, and the exploration of opportunities for economic diversification. The Economic Response recognised that many businesses would have short-term cash-flow problems, due to insufficient revenues to meet immediate commitments, that could lead to bankruptcy. It recognised that, at the household level, for people who lost income-earning opportunities (e.g. small-scale traders), action should be taken to soften the blow of this lost income and help them to meet financial commitments. However, given that widespread interventions could be unaffordable, the Government's *Guidelines for the Botswana COVID-19 Pandemic Relief Fund* states that immediate targets for assistance were those sectors, firms and households that had suffered the greatest adverse impact.

Beneficiaries of this response will likely be businesses in the formal sector. Directed support is therefore required for participants of the informal sector who may not all benefit from this intervention, in order to avert business failures and declines into poverty. Such support is especially needed for women entrepreneurs as one of the more vulnerable groups operating within the informal sector. It was in recognition of the importance of the informal sector to Botswana's socio-economic development and its

projected negative outcomes, that the Ministry of Investment, Trade and Industry (MITI) commissioned an initial analysis of the impact of the COVID-19 pandemic on the informal sector and an Informal Sector Recovery Plan (ISRP), with the technical and financial assistance of the Botswana Country Office of the United Nations Development Programme (UNDP). Data from key reports, policy documents and the ongoing National SMME Registration exercise were analyzed, and interviews conducted with key stakeholders including informal sector participants, heads of informal sector workers' associations, and representatives of relevant Ministries and parastatals.

Initial analysis of available data (i.e. from the National SMME Registration exercise) revealed that during the national lockdown in April 2020, over half of businesses in the informal sector recorded zero revenue for the month. One-quarter earned less than P1000 that month. Furthermore, the data revealed that most of the country's registered informal sector businesses are female-owned, in the services sector and earn less than P2000 per month. Most businesses do not have a bank account. The data indicated that the majority of these enterprises have not registered as companies with the Companies and Intellectual Property Authority (CIPA), for taxes with Botswana Unified Revenue Service (BURS), or as suppliers or service providers with the Public Procurement and Asset Disposal Board (PPADB).

The immediate post-lockdown profile indicated a vulnerable informal sector, one that is predominantly female and highly vulnerable to economic shocks. The profile also indicated that vulnerability has extended beyond the traditional youth entrepreneur to include older economic participants. The profile revealed that a significant percentage of registered SMME businesses experienced severe economic hardship during lockdown when business operations ceased temporarily.

Stakeholder interviews highlighted strong social and economic disruptive effects on the informal sector of the COVID-19 pandemic and lockdown. There was consensus among promoters of informal sector businesses and Government of Botswana policymakers that enterprise success, diversification, and profitability for informal sector businesses, along with increased buy-in to the national social contract, should be prioritised.

The Informal Sector Recovery Plan proposed in this document seeks to address the needs of informal sector businesses in the short- and medium-terms, ensure these needs are prioritised through the establishment of dedicated support structures, as well as delineate measures intended to build economic resilience among this group to cushion the sector against future shocks in the post-COVID-19 era. The Plan rests on two strategic goals: *Establishment of Informal Sector Facilitation Structures Within the First Year of the COVID-19 Pandemic* and *Economic Revitalization of the Informal Sector*. Proposed interventions provide for an investment in the future capability of this sector and closely align with the country's National Entrepreneurship Policy and Vision 2036.

Key to meeting these recovery objectives will be the establishment of an informal sector-focused, high-capacity unit – an Informal Sector Agency – with the mandate to engage with informal sector participants and their associations directly; develop, implement and manage all Government's interventions for the sector; and manage a sectoral business intelligence database providing the underpinning information required for vulnerability-reducing strategies that will shift the sector's focus from necessity-driven to innovative opportunity-driven entrepreneurship, and eliminate decent work deficits. The Recovery Plan recognises that moving forward, Botswana requires a modified definition of the informal sector; one that is broad, inclusive, and accommodative of current and future dynamic changes occurring within the macroenvironment and the sector itself in terms of the heterogeneous characteristic features of new participants, the incidence of participant registration with government agencies, etc., and one that

recognises decent work, formalisation, and the movement towards less vulnerable, more stable, more sustainable, more successful informal sector businesses as primary goals. The Informal Sector Plan proposes a definition of the informal sector based on the contents of the International Labour Organization's (ILO) *R204 - Transition from the Informal to the Formal Economy Recommendation, 2015*.

The economic revitalization of the informal sector is hinged on businesses being able to re-establish themselves in the short-term to avert economic failure. The Recovery Plan proposes an immediate dispensation of a P1000 per business recapitalisation or stimulus scheme to informal sector participants. Transfer technology innovation and investment clusters as a strategy for national competitive advantage, sectoral diversification and innovation are proposed for the mining, tourism, manufacturing, and retail sectors. Regional production and service centres are proposed to facilitate formal structuring within the informal sector, economies of scale, purchasing power, and sales channels. Regional market access centres, whether new-built or in existing malls, will capacitate informal sector businesses to grow and access vital marketing, financial, IT and other services, from in-house support.

This Informal Sector Recovery Plan emphasises the need for sector participants as cash-based vendors to embrace the digitalization of their activities through e-commerce platforms that permit contactless payments and purchases. The COVID-19 pandemic, the need for social distancing and the national lockdown have signalled that it is timely for the informal sector to ensure its business continuity by providing customers with 24-hour access to their products (whether goods or services) and payment options through business apps. Furthermore, social distancing has disrupted supply chains across all sectors. Small businesses should be utilising apps to process orders for their inputs. These apps will also enable sellers to source affordable inputs from suppliers and provide "last mile" delivery regardless of where consumers are in Botswana.

The Plan recognises opportunities for businesses to capitalize on the COVID-19 market for critical imports, services and manufactured goods such as masks and other personal protective equipment (PPE), hand washing stations, etc. Skills training is very important to support business continuity. For a landlocked nation with a relatively small population like Botswana which must import goods over land, export goods over land, and which have a limited population for domestic sales growth, improvements in programming capacity can make a difference for women and youth set to enter the informal sector. Furthermore, the skills acquired in programming can be utilised locally as innovation niches and by global businesses. Platforms for entrepreneurship training and cultural change are proposed through articulation frameworks and cooperation agreements with other Ministries and parastatals in the public sector that offer informal sector-relevant entrepreneurship training programmes, and the organization of training that facilitate innovation, cluster development, incubation, supply chain management, organizational management, marketing, financial management, and upscaling.

This Informal Sector Recovery Plan sets out an ambitious programme for the economic recovery of Botswana's Informal Sector. As Botswana finalises its Economic Recovery and Transformation Plan, subtitled "Sustainable and Resilient Recovery Towards High-Income Status", there is need to recognise that a sustainable and resilient recovery requires the involvement of all players, both micro- and macro-contributors, in its economic landscape. The recommendations presented for the Informal Sector Recovery Plan seek to ensure that the contributions to the national economy of informal sector participants are recognised and supported in these "new normal" times of the COVID-19 pandemic.

1. INTRODUCTION

1.1 Background

The World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) as a pandemic on 11th March 2020. The disease was first identified in Wuhan, China, in December 2019 and as of 19th April 2020, it was detected in 185 countries with 2,241,359 confirmed cases of COVID-19, including 152,551 deaths (WHO)¹. Countries around the world responded by implementing social distancing measures to slow the transmission of COVID-19, including the mandatory closing of businesses.

In recognition of the risk posed by the COVID-19 pandemic, the Government of Botswana introduced Emergency (COVID-19) Regulations, 2020 dated 2nd April 2020. The Regulations provided for, inter alia, the declaration of a national lockdown, restriction of movement of people and the closure of facilities. A lockdown was declared for the whole of Botswana with effect from 2nd April 2020 at midnight until 30th April 2020 for the purpose of preventing, controlling and suppressing the spread of COVID-19.

The duration of the lockdown was further extended to 21st May 2020. When the lockdown was lifted on 22nd May 2020, this intervention was considered a success since at this juncture, the country had recorded one COVID-19 fatality and 30 confirmed COVID-19 cases, the majority of whom were transiting truck drivers from neighbouring countries.²

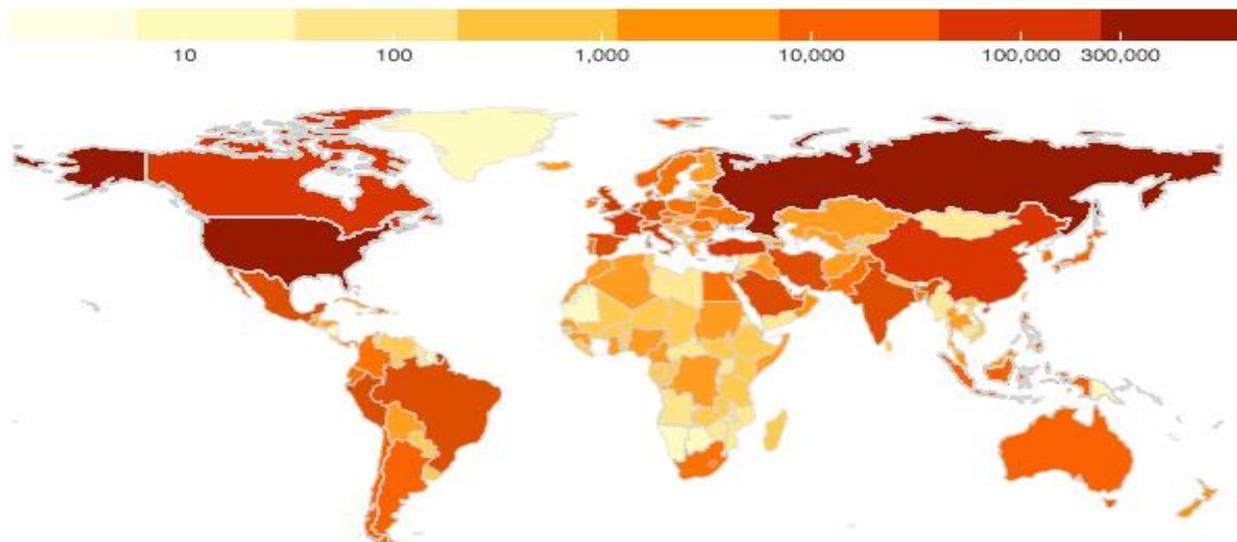


Figure 1.1.1: Number of Cases Reported by Country May 14, 2020 (Johns Hopkins University)

Transmission of the disease in Botswana was low at the time of the lifting of the national lockdown when compared with the situations in neighbouring South Africa which by then had recorded 18,000 cases and 339 deaths,³ Italy's record of 227,364 confirmed cases and 32,330 deaths, the United States of America's record of 1,501,876 confirmed cases and 90,203 deaths, and Brazil's record of 271,628 confirmed cases

¹ World Health Organization, 26th May 2020.

² Ibid

³ Map: South Africa's coronavirus lockdown: <https://www.bbc.com/news/world-africa-52619308>

and 17,971 deaths (as of 20th May 2020).⁴ While many countries at that time were already facing severe health crises, Botswana was spared as a result of rapid and decisive policymaking from Government and the compliance of the Botswana public to the established COVID-19 protocols.

The COVID-19 pandemic has not only spread around the world as a health crisis. It has ushered in a global economic crisis, with attendant effects on the global informal sector. Writing in *Foreign Affairs*, Joassart-Marcelli (2020) noted that:

The novel coronavirus has wreaked havoc on the global economy, shuttering businesses, disrupting supply chains, and causing millions of people to lose their jobs. But the pandemic has been especially devastating for the world's two billion or so informal workers, who constitute roughly 60 percent of the global labor force and often earn less than \$2 per day. These workers, particularly in developing countries, face a looming economic calamity.

Unlike workers in the formal economy, who benefit from legal and social protections, informal workers earn their living without a safety net. They are mostly women and mostly self-employed, engaged in occupations as varied as street vending, domestic work, transportation, and garbage collection. Some also work as off-the-books day laborers in factories, farms, and other formal businesses that don't extend full rights or protections to all of their employees. Measures taken by many countries to fight the pandemic—including lockdowns implemented without significant assistance for those whose jobs are affected—have threatened the livelihoods of informal workers and pushed them further into poverty, hunger, and homelessness. In just a few weeks, millions of informal jobs have been lost and millions more have been put at risk.

Botswana's seven weeks of national lockdown and closure of facilities had immediate negative effects on the domestic economy as consumer demand declined and the supply chain was disrupted. Business revenue-generating activity within the informal sector was paused due to the inability of businesses to trade during this period. Affected sectors were widespread across Botswana's economy and included public transport, hawkers and street vendors, hair salons, liquor stores and restaurants. In particular, the informal sector bore the major brunt of the national lockdown as staying at home and social distancing are antithetical to the nature of its economic activity and the means of livelihood for participants in this sector. Their plight is expected to worsen. In its June 2020 forecast, the International Monetary Fund (IMF) states that the "pandemic's still rapid spread indicates that social distancing measures will need to remain in place for a longer time, depressing economic activity in the second half of 2020."⁵

Several international development agencies, such as the International Monetary Fund (IMF) and the African Development Bank (AfDB) are predicting a fall in global economic growth and the African economic outlook due to the direct effects of the COVID-19 pandemic. Early estimates from the United Nations Economic Commission for Africa [UNECA] (2020) already suggest that African economic growth could slow down to 1.8 percent in 2020, lower than the 3.9 percent initially projected by AfDB.⁶ According to the UNECA (p. 9):

We estimate that between 5 million and 29 million people will be pushed below the extreme poverty line of \$1.90 per day owing to the impact of COVID-19, compared to the baseline 2020

⁴ World Health Organization dashboard. <https://covid19.who.int/>

⁵ International Monetary Fund, *June 2020 World Economic Outlook*.
<https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

⁶ United Nations Commission for Africa (2020). *COVID-19 in Africa: Protecting Lives and Economies*, p. 8.

African growth scenario. Vulnerable households affected by COVID-19 face an increased probability of moving into transient poverty by 17.1 per cent, a 4.2 per cent increased probability of staying in poverty for a decade or longer, and a fall in the probability of moving out of poverty by 5.9 per cent. Increased poverty levels will also exacerbate existing income inequalities.

An increase in informal and vulnerable employment is expected (more than 60 per cent of men, and nearly 75 per cent of women are informally employed in Africa) and an increase in out-of-pocket expenditure by poor and vulnerable households.

While the primary strategy of affected countries remains to limit COVID-19 transmission and support health systems to manage the surge of patients, multi-pronged approaches that include the prevention of economic and social disruptions are being advocated. As part of its national response to the threat of COVID-19 Pandemic, the Government of Botswana has developed an Economic Response Plan with a view to addressing the following strategic objectives:

- a) Support to workers.
- b) Stabilisation of businesses.
- c) Ensuring availability of strategic reserves.
- d) Promotion of opportunities for economic diversification.

The Government's Economic Response included the establishment of a Special Fund - the Botswana COVID-19 Pandemic Relief Fund - to cater for, inter alia, the relief of selected industries and sectors, an economic stimulus programme for the country to stabilise businesses, and the exploration of opportunities for economic diversification.⁷ The Economic Response recognised that many businesses would have short-term cash-flow problems, due to insufficient revenues to meet immediate commitments, that could lead to bankruptcy. It recognised that, at the household level, for people who lost income-earning opportunities (e.g. small-scale traders), action should be taken to soften the blow of this lost income and help them to meet financial commitments. However, given that widespread interventions could be unaffordable, the Government's *Guidelines for the Botswana COVID-19 Pandemic Relief Fund* states that immediate targets for assistance were those sectors, firms and households that had suffered the greatest adverse impact. Beneficiaries of this response will likely be businesses in the formal sector.

Directed support is therefore required for participants of the informal sector who may not all benefit from this intervention, in order to avert business failures and declines into poverty. Such support is especially needed for women entrepreneurs as one of the more vulnerable groups operating within the informal sector. According to Chen et al. (2005), women are concentrated in the more precarious types of informal employment. The UNECA notes that⁸:

Since women make up approximately 70 per cent of cross-border traders, their economic activity is limited and their incomes are severely affected as a consequence of border closures. In addition, since women tend to operate in the informal sector, they are not protected by insurance or eligible for any government schemes aimed at businesses (such credit facilities) or formal employees (such as wage subsidies); a different set of interventions would need to be considered for them and the broader informal sector.

⁷ Ministry of Finance and Economic Development, *Guidelines for Botswana COVID-19 Pandemic Relief Fund*, 1st April 2020.

⁸ United Nations Commission for Africa (2020). COVID-19 in Africa: Protecting Lives and Economies, p. 22.

1.2 Country Profile: Botswana

Botswana is a constitutional democracy noted for stable growth and prudent policy-making since independence. The World Bank notes that the country's significant mineral (diamond) wealth, good governance, prudent economic management and a relatively small population of slightly more than two million, have made it an upper middle-income country with a transformation agenda of becoming a high-income country by 2036.⁹ The country is well-known for financial sector resilience and macroeconomic stability throughout times of crisis.¹⁰ Following thoughtful natural resources management, and macroeconomic good governance over three decades, Botswana has gained a reputation for impressive increases in GDP per capita and high annual economic growth rates.¹¹ This includes a large reduction in the percentage of people living on less than \$1.90 per day – which fell from 29.8% in 2002–2003 to 18.2% in 2009–2010, and to 16.1% in 2015-2016.¹²

Botswana derives the bulk of its export earnings from the sale of diamonds produced primarily by Debswana Diamond Company, a joint venture between the Government of Botswana and the De Beers Group of Companies. The diamond industry is the single largest contributor to government revenues and accounting 80% of export earnings. Following mining and minerals, tourism is Botswana's second highest contributor to GDP. The World Bank notes that weakened global demand for diamonds, severe drought, and increased trade restrictions in light of the COVID-19 pandemic are expected to have a profound impact on Botswana's economy, particularly on the diamond industry and tourism.¹³ With the diamond industry still an important driver of growth, the expected reduction in activity is estimated to result in a 1.2% growth contraction in 2020. This adverse effect has bearing on the development of the informal sector as well as on the options available for the sector's support throughout and after the COVID-19 pandemic.

Botswana follows a tradition of national planning. Its National Development Plan 11 [NDP 11] (April 2017-March 2023) guides the country's medium-term economic development path.¹⁴ NDP 11 (p. 61) recognises the tremendous role of the informal sector in national economic development, and indicates Government's plan for the sector prior to the COVID-19 pandemic:

With an appropriate enabling environment, the SMMEs can: create sustainable and equitable employment opportunities; penetrate new markets; expand the economy in creative and innovative ways; diversify the economy and enhance productivity; stimulate investment; and inculcate an entrepreneurship tradition in an economy. During NDP 11, Government will, inter alia, increase its efforts to facilitate SMME capacity development through the acquisition of accessible and affordable new technology and relevant industry skills which will facilitate domestic and global competitiveness; provide appropriate infrastructure to support SMMEs participation in local industry activities; promote SMME business to business linkages; promote business linkages between SMMEs and large chain stores; and promote the creation of supply contracts, joint ventures and partnerships between SMMEs businesses and foreign companies.

⁹ World Bank, 2019. *Country Context Report Botswana*.

¹⁰ *Botswana National Development Plan 11*, Volume 1 April 2017 – March 2023.

¹¹ \$17,235 in 2019 following 4.5% growth over 2018. <https://data.worldbank.org/country/botswana>

¹² *Country Partnership Framework for Botswana*, World Bank FY 2016-2021.

¹³ World Bank, *ibid*

¹⁴ Government of Botswana (2017). *National Development Plan 11*, April 2017-March 2023.

This Informal Sector Recovery Plan outlines measures that seek to revitalize, in the current and post-COVID-19 pandemic period, Government's plans for the sector.

1.3 Official Definition of the Informal Sector

The operational definition and conceptualization of the informal sector in use in Botswana, are indicated in the following two studies:

1) Statistics Botswana's (2018) *Botswana Multi-Topic Household Survey Report 2015/16* states that a business is 'qualified to be of an informal activity' if it is:

- a) Not registered as a company.
- b) Not registered with professional association.
- c) Less than 5 employees.
- d) Informal accounts or none.
- e) Expenditure not easily distinguishable from household expenditure.
- f) Employees casually hired.
- g) Often temporary or mobile or in owner's home/plot.

The Ministry of Finance and Development Planning's (2015) *Project to Conduct an Informal Sector Study for Botswana* considers the Informal Sector as 'that sector of the economy that is made up of businesses that are either not formally registered with a regulatory authority or that are registered with a regulatory authority but have any three or more of the following four characteristics:

- a) Do not pay a determined salary to its employees at specific time intervals.
- b) Do not regularly compile annual Financial Statements.
- c) Do not maintain an account with any financial institution.
- d) Whose income/expenditure is not maintained separately from the income/expenditure of the promoters.

1.4 Purpose of the Assignment

This assignment is one of three commissioned by the United Nations Development Programme (UNDP) to develop recovery plans to help Botswana to "build back better" during and after the ongoing COVID-19 pandemic. The three recovery plans focus on social protection, the private sector and the informal sector. The purpose of the current assignment is to provide an initial analysis of the impact of the COVID-19 pandemic on Botswana's informal sector and develop an Informal Sector Recovery Plan (ISRP) with its implementation plan for the Government of Botswana under the guidance and supervision of the Ministry of Investment, Trade and Industry (MITI) and the Local Enterprise Authority (LEA), and in collaboration with relevant government departments and agencies, parastatals, the private sector, civil society, academia, and development partners. The full Terms of Reference for the study are in Appendix 2.

1.5 Scope of the Assignment

The Informal Sector Recovery Plan (ISRP) will:

1. Present a statistical picture of the size, composition and characteristics of the informal sector in Botswana.

2. Assess the extent to which the COVID-19 pandemic and related State of Emergency measures are impacting informal workers, using data collected by LEA and other primary and secondary data methods.
3. Recommend to the Government of Botswana comprehensive relief measures for addressing the needs of informal workers.

1.6 Methodology

A mixed-methods research design was adopted. The data for the qualitative research phase were collected from the following two sources:

- a. **Document Review** to collect existing data on Botswana's informal sector. These included published reports, policy documents and other literature addressing the terminology, theory, perceptions, functions, benefits and challenges of the informal sector both globally and within the regional and national contexts, and current-context socioeconomic frameworks and epidemiology research on the developing COVID-19 situation. Works cited are listed in Appendix 3. Essential documents included the Botswana Multi-Topic Household *Multi-Topic Household Survey Report 2015/16*, the Ministry of Finance and Economic Development's 2015 *Project to Undertake an Informal Sector Study for Botswana*, and the Ministry of Investment, Trade and Industry's *National Entrepreneurship Policy (NEP)*.
- b. **Key Stakeholder Interviews:** Interviews were conducted during May 10th to May 30th, 2020 with local stakeholders including community leaders and heads of informal sector workers' associations, and with informal sector economic participants, representatives of applicable Ministries, and representatives of applicable regional bodies. A list is available in Appendix 2.

The data for the quantitative research phase of this study were collected from the following sources:

- a. The Local Enterprise Authority (LEA)'s **National SMME Registration** exercise. An online registration system for formal and informal SMMEs has been developed by the Local Enterprise Authority (LEA) and is currently being completed by informal sector participants. The main objective of the registration exercise is to develop a centralized database of all trading SMMEs countrywide which will inform the development of targeted support programmes and policies that will effectively benefit the sector.
- b. Essential documents: Statistics Botswana's (2018) *Botswana Multi-Topic Household Survey Report 2015/16* and the Ministry of Finance and Development Planning's (2015) *Project to Conduct an Informal Sector Study for Botswana*.

1.7 Structure of the Recovery Plan

This Informal Sector Recovery Plan (ISRP) is structured as follows. After the Introduction, Chapter 2 examines the situation of Botswana's informal sector before COVID-19 and immediately after the national lockdown. Chapter 3 sets out recommendations for the proposed recovery plan, structured around a set of Guiding Principles. Findings from the qualitative and quantitative research phases are incorporated throughout Chapters 2 and 3.

2. SITUATION ANALYSIS OF THE INFORMAL SECTOR IN BOTSWANA

2.1 The Informal Sector in Botswana: Prior to the COVID-19 Pandemic

An estimated two billion people work in the informal sector worldwide.¹⁵ According to the African Development Bank, the informal sector contributes about 55 percent to Africa's GDP and employs 80 percent of its labour force (AfDB 2013).¹⁶ To find a picture of the informal sector, one must only imagine the contexts in which it thrives. It is "typically composed of very small businesses that are not registered in any way. They are rarely run from business premises [but] instead ... from homes, sidewalks, or other informal... arrangements."¹⁷ Some of the largest and fastest growing sectors of African economies are dominated by informal sector participants that include street vendors, food sellers, baked-goods-sellers, mechanics, hairdressers, airtime vendors, second-hand clothing sellers, informal carpenters, informal taxis, and those involved in the wholesale and retail trade, reproduction of CDs and tapes, construction, real estate, etc. The informal sector mainly consists of economic participants (businesses), 'managing legal commercial activities, which fail to pay tax or comply with regulations, and whose enterprises governments find it difficult to monitor.'¹⁸

Throughout Sub-Saharan Africa, an essential dynamic is the important role the informal sector plays in job creation, income generation, and poverty reduction in many countries – especially in more developing and transitional countries.¹⁹ The informal sector is often called the 'Missing Middle' between the formalized private sector and poor groups entering social protection coverage schemes – as it is often left out of both programmes which advance formal firms and support those struggling with severe poverty (shown in figure 2.1.1). Due to its position as the 'missing middle', informal sector development is key to achieving aggregate national quality-of-life improvements.²⁰

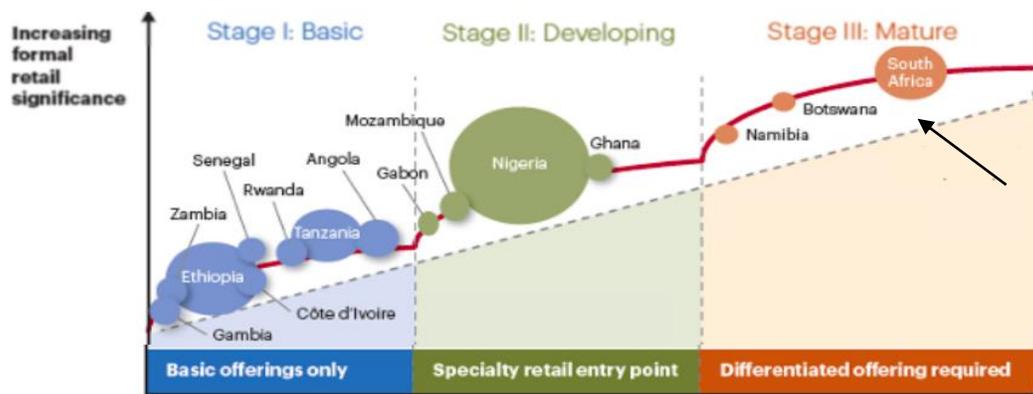


Figure 2.1.1: Levels of Commercial Sector Development

¹⁵ OECD/ILO (2019), *Tackling Vulnerability in the Informal Economy*, Development Centre Studies, OECD Publishing, Paris, <https://doi.org/10.1787/939b7bcd-en>.

¹⁶ Guven, M. (2019). *World Bank Discussion Paper 1933: Extending Pension Coverage to the Informal Sector in Africa*.

¹⁷ Chadwick-Parkes, S. (2015). *The Informal Economy: A Catalyst for Economic Development in Caribbean Small Island Developing States (SIDS)*.

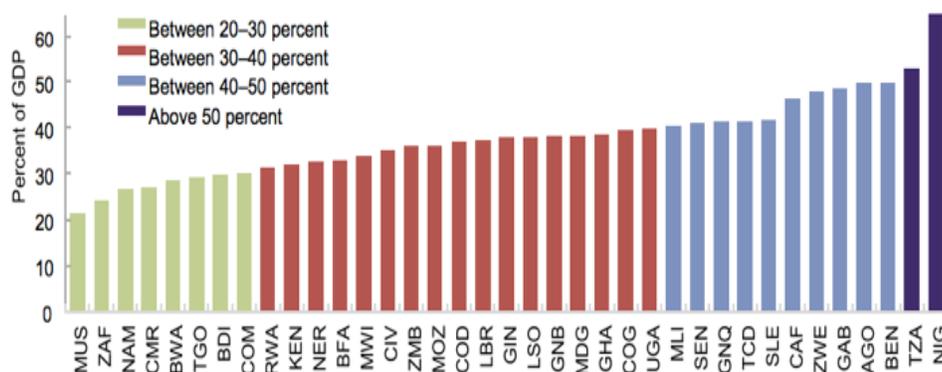
¹⁸ "Economics Focus: In the Shadows. The informal economy is neither small nor benign." *The Economist*, 17th June 2004.

¹⁹ Fayomi, O., Adebayo, G. & Okorie, U. (2017). The resilient informal economy in the milieu of African development. In S.O. Olorunjoba, T. Falola (Eds.), *The Palgrave Handbook of African Politics, Governance and Development*. https://doi.org/10.1057/978-1-349-95232-8_40.

²⁰ ILO (2015). *Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)*. Recommendation concerning the transition from the informal to the formal economy.

Figure 2.1.1 shows that Botswana does not have the usual economic profile in Sub-Saharan Africa in that its level of commercial sector development is above average. Botswana holds a ‘Mature’ commercial profile. This differs from Nigeria and Tanzania, where commercial markets are more informal. This is reflected in the Botswana Informal Sector’s lower percentage contribution to GDP (see Figure 2.1.2).

The informal Economy, Average GDP Share, Sub-Saharan Africa, 2010–14



Source: IMF 2017.

Figure 2.1.2: The Informal Economy Sub-Saharan Africa, 2010-2014

Statistics Botswana’s (2018) *Botswana Multi-Topic Household Survey Report 2015/16* indicates that the total number of informal businesses in Botswana was **105,445**, of which 55.5 percent were in households headed by males and 44.5 percent in households headed by females. Most of the businesses 49,946 (47.4 percent) were in the Wholesale & Retail Trade industry, followed by Manufacturing with 14.8 percent and Real Estate with 11.0 percent. Informal sector activities tend to be more concentrated in urban villages, and cities and towns recording 48.8 percent and 26.7 percent respectively. The total estimated number of persons employed in the informal sector was **191,176**. The industries which employed the largest number of persons were Wholesale & Retail Trade, constituting 45.3 percent, followed by Manufacturing and Construction of Buildings with 15.0 percent and 12.0 percent respectively. Females in Manufacturing and Wholesale & Retail Trade dominated their male counterparts recording 61.1 percent and 60.4 percent respectively.

According to the Ministry of Finance and Development Planning’s (2015) *Project to Conduct an Informal Sector Study for Botswana*, Botswana’s informal sector constitutes only **5.3%** of annual GDP. The informal sector in Botswana is small in regional terms as a percentage of GDP, when compared to in the case of South Africa (29%), Zimbabwe (63.2%), and Nigeria (59.4%). While the informal sector in Botswana is small relative to neighbours, this sector grew rapidly (by 233%) during 2007-2015. It is also urbanising,²¹ with a trend of more rural-informal sector participants moving to cities and peri-urban areas from rural

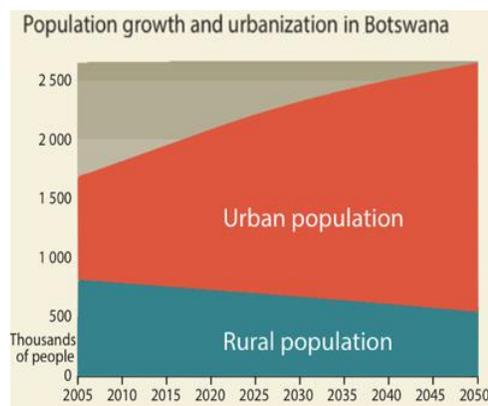


Figure 2.1.3

²¹ United Nations Environmental Program, Zambezi River Basin – Atlas of the Changing Environment. <https://www.grida.no/publications/189>

areas (figure 2.1.3).²² The proportion of people living in urban areas is expected to increase from 57% in 2005 to more than 70% in 2030.

Data from the *Botswana Multi-Topic Household Survey Report 2015/16* and the *2015 Project to Conduct an Informal Sector Study* also reveal the following:

- There are many young women in the field of the informal sector (Figure 2.1.4).
 - Over 50% of informal sector businesses (ISBs) are majority women-owned.
 - 67% are at least partially women-owned.
- At least 50% of informal sector participants are in the Retail Trade (Figure 2.1.5).
 - Retail trades account for the majority of both ISB entrepreneurs and GDP contribution.
- Nearly 70% of informal sector promoters are single (2015 survey).

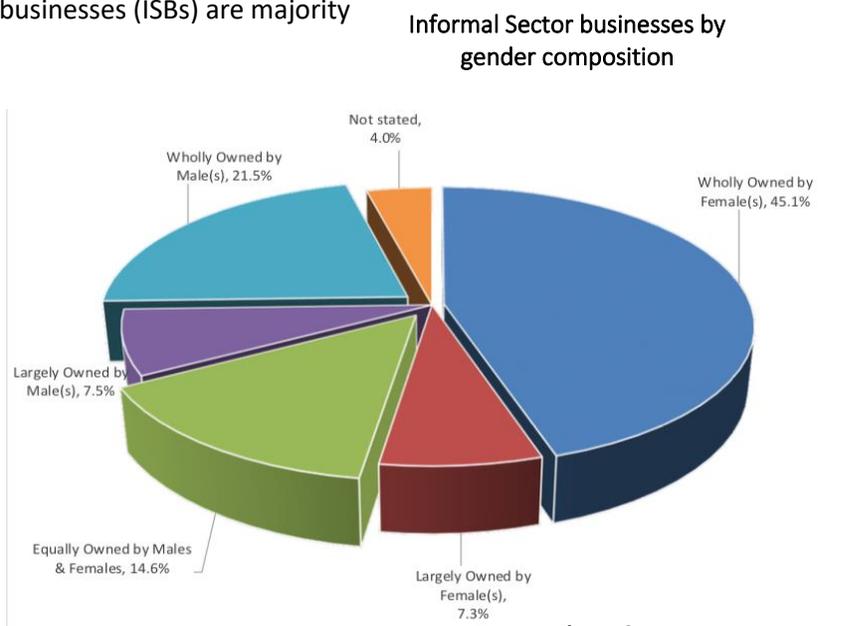


Figure 2.1.4

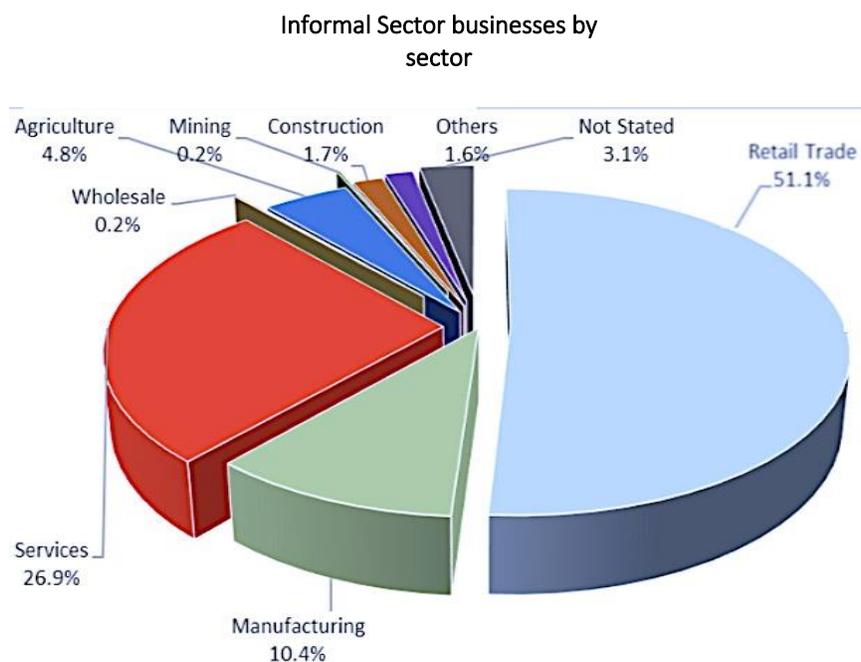


Figure 2.1.5

²² Stakeholder interviews.

- 66% of informal sector business owners said they are willing to transfer to the formal sector (Figure 2.1.6).
- 38% have trouble accessing the market (Figure 2.1.7).
- Nearly 50% face challenges accessing operating spaces (Figure 2.1.8).
- A plurality of informal sector businesses trade in cities and peri-urban villages (Figure 2.1.9).

Informal Sector businesses by their willingness to transform to the formal sector

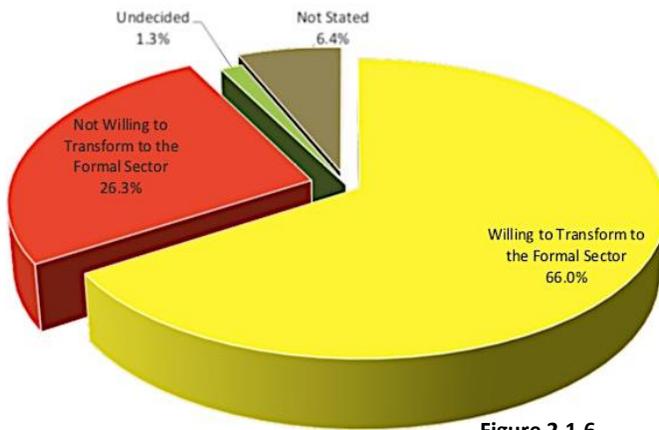


Figure 2.1.6

Informal Sector businesses by market access challenges

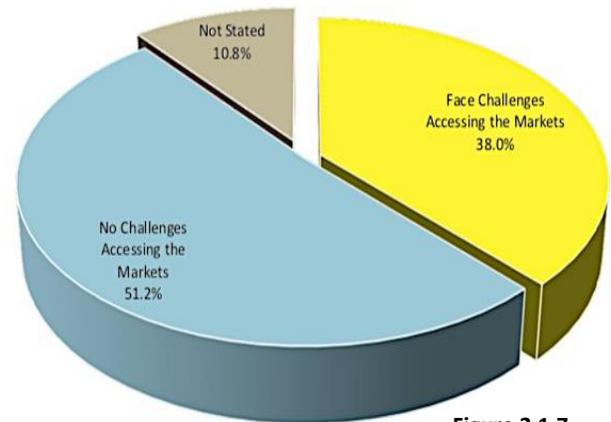


Figure 2.1.7

Informal Sector businesses by operating space challenges

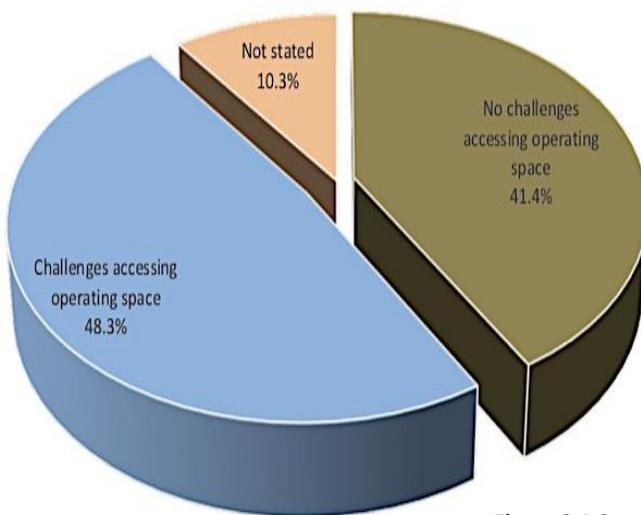


Figure 2.1.8

Total Estimated Economic Output of the Informal Sector per Region

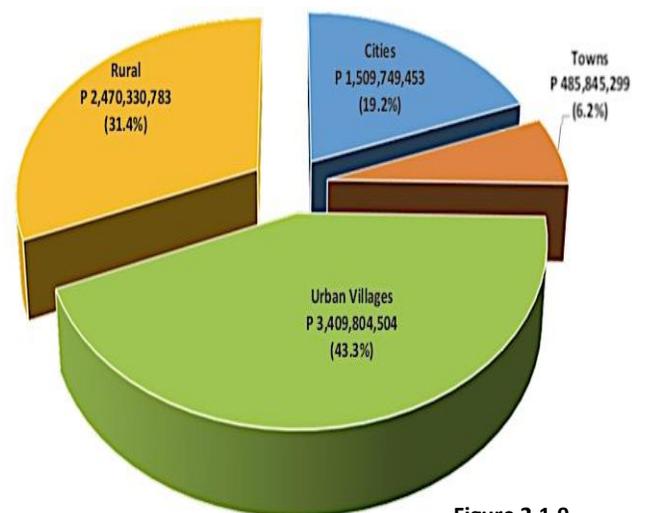


Figure 2.1.9

- Most respondents had attained a secondary education level (Figure 2.1.10).
- Most informal sector business promoters are between the ages of 24 and 41.
- 2.7% of informal sector promoters identify as physically disabled.
- 35.2% of informal sector businesses earn less than P 12000 per year (<P 1000 per month).
- 29.2% of informal sector businesses earn between P 12000 and P 36000 per year.
- This means that 64.4% of informal sector business are exempt from tax.
- 22% of informal sector promoters previously worked in the formal sector.

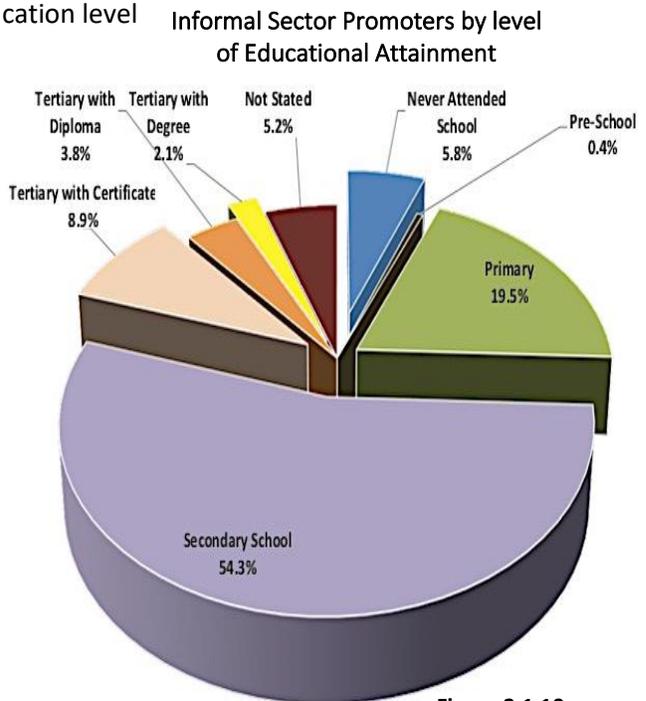


Figure 2.1.10

Box 2.1: Statistical Quick Reference Findings

(Data from 2015 Multi-Topic Household Survey Report 2015/16, and 2015 Project to Conduct an Informal Sector Study for Botswana)

- Total estimated number of persons employed in the informal sector: **191,176**
- Total estimated number of informal sector businesses: **116,571 (Avg. 1.64 persons per company)**
- Total Estimated Annual Economic Output from the Informal Sector in Botswana: **P7,875,730,039**
- Portion of Botswana Gross Domestic Product (Ministry Interviews): **5.3%**
- The percentage change in the number of informal sector businesses 2007 – 2015: **+233%**

2.2 The Informal Sector in Botswana: Immediate Aftermath of the National Lockdown and Closure of Facilities

A requisite step in building frameworks to support the informal sector in Botswana during the COVID-19 pandemic has been to understand where and who informal sector participants are. To this end, the Local Enterprise Authority (LEA) of the Ministry of Investment, Trade and Industry (MITI) embarked on a **National SMME Registration** exercise after the lifting of the national lockdown in May 2020. The main objective of the online registration exercise for formal and informal SMMEs is to develop a centralized database of all trading SMMEs countrywide which will inform the development of targeted support programmes and policies that will effectively benefit the sector.

Initial findings of this exercise have been acquired and will be used here to provide an early assessment of the extent to which the COVID-19 pandemic and related State of Emergency measures have impacted participants of the informal sector. Since the online registration exercise is ongoing, the findings presented here do not provide a comprehensive picture of the effects of the lockdown on the entire informal sector.

The dataset containing **9659 responses** was cleaned for duplicates and error entries with 1291 outliers removed.²³ Statistics Botswana's (2018) definition of an informal sector business as one with less than 5 employees was then applied to the data. This yielded a dataset of **7818 members** of the informal sector. The data was further disaggregated by gender and age. This yielded data for **5877 women-entrepreneurs** and **3521 youth-entrepreneurs**.

2.2.1 Profile of the Registered Informal Sector

Table 2.2.1 indicates the demographic profile of the total number registered informal sector respondents, and women- and youth-entrepreneurs. Surprisingly, the data showed little variation across the total and disaggregated samples.

Findings:

1. Gender and Age

- Respondents to LEA's **National SMME Registration** exercise (as of July 2020) are on average **women entrepreneurs** (75 percent) and aged **35 years and older** (55 percent).
- Registered women-entrepreneurs are at least 35 years old (58 percent).
- Registered youth-entrepreneurs are mostly female (71 percent).

2. Business Sector, Location and Years of Operation

- Participants of Botswana's **Services Sector** tend to register online. Additional analysis of the data reveals the following pattern of service businesses:
 - Men: Tuck shop, car wash, hair/barber, bakery, chicken cooker, chicken seller, street vendor, selling food, hawker, tyre service, welding, selling sweets, pipefitting, glass fixing, auto mechanic, cleaning services, and transport.

²³ 1291 entries showed gains year-over-year from April 2019 to April 2020 of over 200%. These had the effect of irrationally skewing the larger dataset. It is thought that most of these data referenced businesses which had been nascent in April of 2019.

Table 2.2.1: *Descriptive Statistics – Total Registered Informal Sector (Businesses with less than 5 Employees), and Businesses led by Women Entrepreneurs and Youth Entrepreneurs*

#	Variable	Code	Frequency		
			Total N =7818	Women N=5877	Youth N=3521
1.	Gender	<ul style="list-style-type: none"> • Male • Female 	0.25 0.75		0.29 0.71
2.	Age	<ul style="list-style-type: none"> • Less than 35 years • 35 years and over 	0.45 0.55	0.42 0.58	
3.	Sector	<ul style="list-style-type: none"> • Agriculture • Manufacturing • Services • Tourism • Mining 	0.17 0.09 0.73 0.01 0.00	0.16 0.10 0.74 0.01 0.00	0.15 0.09 0.75 0.01 0.00
4.	Location of Business Operation	<ul style="list-style-type: none"> • Residential • Open Area in Mall • Local Council Shelter • Roadside • Owner Occupied 	0.43 0.28 0.03 0.20 0.06	0.41 0.30 0.03 0.21 0.05	0.46 0.25 0.02 0.21 0.06
5.	Years of Business Operation	<ul style="list-style-type: none"> • 0 – 4 • 5 – 9 • 10 – 14 • 15 – 19 • 20+ 	0.68 0.20 0.08 0.02 0.02	0.66 0.21 0.09 0.02 0.02	0.80 0.17 0.03 0.00 0.00
6.	Business pays fixed monthly salaries to employees	<ul style="list-style-type: none"> • Yes • No 	0.22 0.78	0.21 0.79	0.21 0.79
7.	Business' average monthly income	<ul style="list-style-type: none"> • 0 – 999 • 1000 – 1999 • 2000 – 4999 • 5000 – 9999 • 10000+ 	0.26 0.34 0.30 0.08 0.02	0.28 0.35 0.29 0.07 0.01	0.27 0.33 0.32 0.07 0.01
8.	Business has bank account	<ul style="list-style-type: none"> • Yes • No 	0.13 0.87	0.14 0.86	0.10 0.90
9.	Business has Local Council Hawkers License or other specialized license	<ul style="list-style-type: none"> • Yes • No 	0.58 0.42	0.66 0.34	0.46 0.54
10.	Business registered with at least one of: CIPA, BURS, PPADB	<ul style="list-style-type: none"> • Yes • No 	0.10 0.90	0.09 0.91	0.12 0.88
11.	Business has a Tax Clearance Certificate	<ul style="list-style-type: none"> • Yes • No 	0.04 0.96	0.03 0.97	0.03 0.97

- Women: Catering food, selling clothes, hairdresser, selling airtime, baking, ‘airtime and sweets’, tuck shop, selling fruits and vegetables, street vending, beauty products sales, hawker, laundromat, and confectionary.
- Business operation tends to take place mainly at **residential locations**, in addition to open areas in malls and by the roadside.
- At least two-thirds of registrants have been in business operation for **less than 5 years**.

3. Monthly Income and Employee Salaries

- 90 percent of registered informal sector participants, including women- and youth-entrepreneurs, earn less than P5000 per month, with the majority earning between **P1000 and P1999 per month**.
- Most do not pay fixed monthly salaries to their employees (79 percent).

4. Registration with a Regulatory Authority

- While across all registered informal sector participants, more than half hold a **Local Council Hawkers or other specialized license**, it is worth noting that more registered women-entrepreneurs (66 percent) tend to hold license. Fewer registered youth-entrepreneurs tend to hold a license (46 percent).
- The vast majority of registered informal sector participants do not have a bank account.
- The vast majority of registered informal sector participants have not registered business names and/or companies with the Companies and Intellectual Property Authority (CIPA), have not registered for taxes with Botswana Unified Revenue Service (BURS), and have not registered as a Supplier, Consultant or Services Provider with the Public Procurement and Asset Disposal Board (PPADB). On average, only 4 percent are in possession of a Tax Clearance Certificate from BURS.

2.2.2 Initial COVID-19 Pandemic Business Income Effects

Table 2.2.2 indicates the revenue profiles of the total number registered informal sector respondents, and women- and youth-entrepreneurs. Once again, the data showed little variation across the total and disaggregated samples.

Findings:

1. Income levels during April 2020 (national lockdown)

- Just **over half** of registered informal sector participants (52 percent) recorded zero revenue for the month of the national lockdown.
- Just over a quarter of registrants earned revenues that did not exceed P1000.

2. March – April 2020 performance

- 92 percent had sales revenue under P5000 in March 2020; half of this proportion earned a similar revenue level in April 2020.
- The majority of registrants including women- and youth-entrepreneurs, lost revenue of up to P1000 between March and April 2020, with over 80 percent registering a loss of amounts less than P5000 during the period.

3. Comparison of income between April 2019 and April 2020

- Over 80 percent of registrants indicated loss of revenue of up to P5000 when comparing their April 2020 performance with their April 2019 performance.

Table 2.2.2: *Change in Revenue across Total Registered Informal Sector and Businesses led by Women Entrepreneurs and Youth Entrepreneurs*

#	Variable	Pula	Frequency		
			Total N =7818	Women N=5877	Youth N=3521
1.	Business Income – March 2020	• 0 – 999	0.40	0.40	0.40
		• 1000 – 1999	0.25	0.25	0.25
		• 2000 – 4999	0.27	0.27	0.27
		• 5000 – 9999	0.06	0.06	0.06
		• 10000+	0.02	0.02	0.02
2.	Business income – April 2020	• 0	0.52	0.52	0.53
		• 1 – 999	0.27	0.28	0.27
		• 1000 – 1999	0.10	0.10	0.10
		• 2000 – 4999	0.09	0.08	0.08
		• 5000 – 9999	0.02	0.02	0.02
3.	Decline in income between March and April 2020	• 0	0.15	0.16	0.15
		• 1 – 999	0.42	0.38	0.38
		• 1000 – 1999	0.20	0.22	0.22
		• 2000 – 4999	0.19	0.20	0.20
		• 5000 – 9999	0.03	0.03	0.04
4.	Decline in income between April 2019 and April 2020	• 0	0.07	0.08	0.08
		• 1 – 999	0.35	0.29	0.29
		• 1000 – 1999	0.22	0.24	0.24
		• 2000 – 4999	0.28	0.30	0.30
		• 5000 – 9999	0.06	0.07	0.07
		• 10000+	0.02	0.02	0.02

2.3 Summary Profile of the Informal Sector in Botswana 2015-2020

Data from the *Botswana Multi-Topic Household Survey Report 2015/16* and the *2015 Project to Conduct an Informal Sector Study* revealed that in 2015, most of the country's informal sector businesses were female-owned and occupied the retail trade sector in cities and peri-urban villages. Business owners were between 24-41 years old and had attained a secondary education level. In 2015, they faced challenges accessing business locations and their market. Most earned less than P12000 per year (<P1000 per month) and their businesses were exempt from tax. Overall, the 2015 profile indicated a vulnerable informal sector - young, female, lacking the education and training required to change trades, and highly vulnerable to economic shocks.

LEA's National SMME Registration exercise is on-going. The data collected as at July 2020 permit an indication of a profile of informal sector participants as female, 35 years and older, occupying the services sector and in business for less than 5 years. In 2020 and before the national lockdown, most earned less than P2000 per month. Most do not have a bank account and are not registered with CIPA, PPADB or

BURS. Only 4 percent of those registered are in possession of a Tax Clearance Certificate from BURS. During the national lockdown over half of these informal sector participants recorded zero revenue for the month and one-quarter earned less than P1000.

This 2020 post-lockdown profile also indicates a vulnerable informal sector – female and highly vulnerable to economic shocks. Submission of data online may reflect self-selection bias, that is, informal sector participants may be self-selecting to respond to the survey. Perhaps women and older persons responsible for families or those who see themselves as more vulnerable, are more likely to respond to requests to register due to need. This registration self-selection is itself a meta-marker for vulnerability. This is perhaps evidenced in the average age range of 35 years and older, which does not correspond with historical statistical informal sector profiles. Vulnerability may be extending beyond the traditional young person to include older economic participants. Many women have come forward to register via this registration survey, also suggesting vulnerability.

The 2020 post-lockdown profile reveals that a significant percentage of respondents faced serious hardship at lockdown. While this signal of economic need aligns with the roll-out of the Government’s Wage Subsidy programme, specific programming should be tailored to the needs of informal sector participants, particularly those in the services and retail spaces.

In 2015, the retail trade was the predominant informal sector economic activity. Retail trade is today subsumed under the services sector. The preliminary July 2020 registration data also indicates services as the predominant informal sector activity. Further analysis of data on the services sector was undertaken by examining the highest average 2019 monthly incomes earned by men and women, and young and old participants in the service sector. Findings reinforce the assertion that women and older persons are among the most vulnerable in this post-lockdown period (see Table 2.3.1). Among those registered, on average women entrepreneurs earn less (P3708) than their male counterparts (P4208). Among those registered, older entrepreneurs earn less (P3683) than their younger counterparts (P3988).

Table 2.3.1: *Highest Average 2019 Income per Month in the Service Sector by Gender and Age of Informal Sector Registration Respondents*

Demographic	N	Highest Average Income (2019) Pula
Male	1331	4,208
Female	4367	3,708
Less than 35 years (Youth)	2645	3,988
35 years and older	3053	3,683

3. RECOMMENDATIONS FOR THE INFORMAL SECTOR RECOVERY PLAN (ISRP)

This section sets out a Recovery Plan that will enable the informal sector in Botswana to “build back better.” An Action Plan for its implementation can be found in Appendix 1 of this document. The COVID-19 pandemic has been seen to have severe social and economic disruptive indirect effects on the informal sector. Initial assessments reveal increased vulnerability across participants of the entire sector and not only among the traditionally disadvantaged groups – women and youth. Dedicated support is required for this sector.

This proposed Informal Sector Recovery Plan (ISRP) seeks to address the needs of informal sector participants in the short- and medium-terms, as well as incorporate measures intended to build economic resilience among this group and cushion the sector against future shocks in the post-COVID-19 era. While targeting the sector’s business continuity, the proposed interventions provide for an investment in the future capability of the informal sector. They closely align with the central tenets of the country’s National Entrepreneurship Policy and Vision 2036.

The proposed Informal Sector Recovery Plan rests on two strategic goals:

Strategic Goal 1: Establishment of Informal Sector Facilitation Structures Within the First Year of the COVID-19 Pandemic.

Strategic Goal 2: Economic Revitalization of the Informal Sector.

The Plan is aligned to Vision 2036 and its goal to transform Botswana from an upper middle-income country to a high-income country by 2036. Measures are intentionally designed to ensure the achievement of the objectives for the informal sector and Micro and Small Enterprises (MSEs) under the Vision’s Pillar 1: Sustainable Economic Development. Implementation of these recovery measures should contribute to assuring that Botswana will have “a vibrant micro and small enterprise sector that contributes significantly to the economy, creation decent jobs and providing sustainable livelihoods for our people.”²⁴

The measures underpinning the Recovery Plan also derive from information gathered from interviews of key stakeholders, a document review and findings of the National SMME Registration exercise. Recommendations are presented according to six (6) principles that guide the proposed Informal Sector Recovery Plan. These Guiding Principles are:

- A. Transition to Formalisation (Decent Work).
- B. Informal Sector Facilitation.
- C. Economic Resilience.
- D. Support for Women and Youth.
- E. Entrepreneurial Mobility.
- F. Health First.

²⁴ Botswana’s Vision 2036. <https://vision2036.org/bw/sustainable-economic-development>

A. GUIDING PRINCIPLE: TRANSITION TO FORMALISATION (DECENT WORK)

The Informal Sector Recovery Plan recognises that Botswana requires a modified definition of the informal sector; one that is broad, inclusive, and accommodative of current and future dynamic changes occurring within the macroenvironment and the sector itself in terms of the heterogeneous characteristic features of new participants, the incidence of participant registration with government agencies, etc. The informal sector must not be considered as a static group defined by characteristics, but as a heterogeneous spectrum acting ‘informally’ due to drivers of informality. Informality must be considered a transitional state, with the possibility of incremental gains towards greater agency, social capital, and decent work. Decent work is the objective of the informal sector and of Government. Recommendation 3.1 summarises the necessary first step towards the recovery of Botswana’s informal sector in the existing- and post-COVID-19 periods.

Recommendation 3.1: Promote an Understanding of the Informal Sector using Contemporary Conceptualizations and Frameworks for Directive Leadership

It is recommended that Botswana’s informal sector be reconceptualized and the Informal Sector Recovery Plan based on the goals of reduced vulnerability, formalisation and decent work. In this Recovery Plan,

1. Botswana’s informal sector is reconceived as **heterogeneous, stratified and transitory**.

The first definition of the informal sector introduced in the 1972 ‘Kenya Mission Report’ by the International Labour Organization, defined informality as a way of doing things characterized by “(a) ease of entry; (b) reliance on indigenous resources; (c) family ownership; (d) small scale operations; (e) labour intensive and adaptive technology; (e) skills acquired outside of the formal sector; (g) unregulated and competitive markets.”²⁵ Furthermore, as indicated in Statistics Botswana’s (2018) *Botswana Multi-Topic Household Survey Report 2015/16* and the Ministry of Finance and Development Planning’s (2015) *Project to Conduct an Informal Sector Study for Botswana*, the informal sector in Botswana is defined utilizing a set of characteristics that include the number of employees, the presence of casual employee hires, the availability of informal accounts, and whether the business’ location is temporary, mobile or residential, the business is registered as a company or with a professional association, pays a determined salary to its employees at specific time intervals, has a bank account, and separates its business income from that of its promoters. The informal sector has come to be conceptualised to include businesses pursuing economic activities not subject to government regulation and taxation.

This Recovery Plan recognises that the notion of the informal sector has become more dynamic. It has evolved beyond the characterization as a unitary, static, homogenous group defined by a filter of characteristics (e.g., size of the activity, registration with a government agency, number of employees, etc.). Solely in terms of the registration characteristic, it will be found that some businesses are registered with local government only, others with central government only, and still others only with fiscal administration. According to Benjamin, Beegle, Recanatini, & Santini (2014, p.10), “the criteria of size, registration, payment of taxes, etc. do not sufficiently discriminate between formal and informal sector firms.” Rather, businesses within the informal sector today are recognised as different

²⁵ Kraemer- Mbula, E. & Wunsch-Vincent, S. (2016). *The Informal Economy in Developing Nations: Hidden engine of innovation?* Cambridge University Press.

to one another (i.e. heterogeneous) and stratified in that some groupings are more vulnerable and less profitable while others are less vulnerable and more profitable. Furthermore, they can be transitory and progress along a continuum of formality. A spectrum of formality exists. Their heterogeneity is illustrated in Figure 3.1.1:

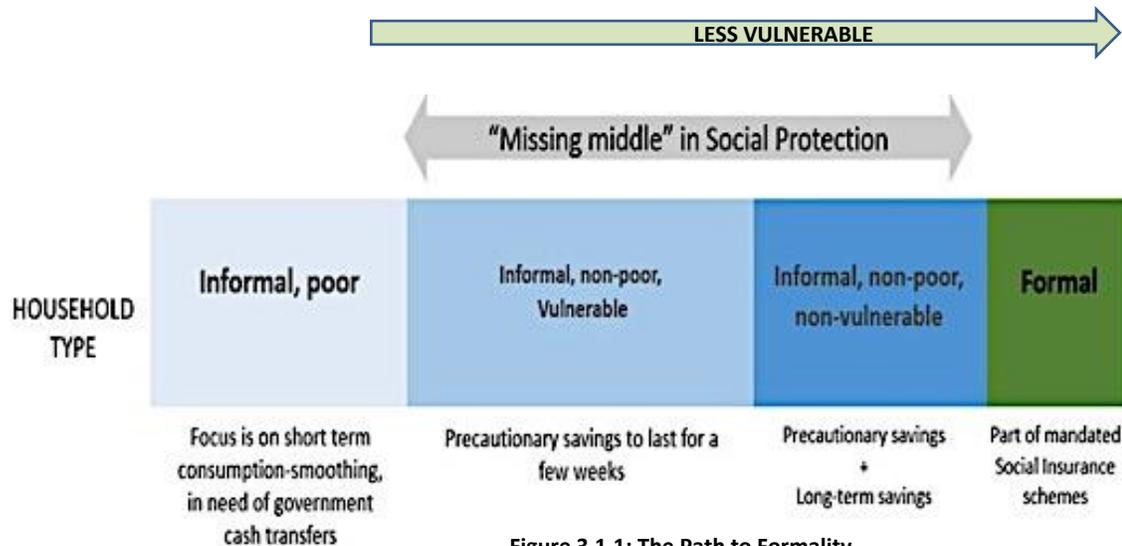


Figure 3.1.1: The Path to Formality

- Among informal sector participants, some businesses operate below the poverty line,²⁶ representing a highly vulnerable group (the lighter blue areas in the diagram).²⁷
- Businesses in the left-most box consume all their income. These are the most vulnerable businesses.
- Businesses in the left-most box require assistance towards greater stability, business continuity and earning capacity.
- Each of the two lighter blue categories require greater social protection than those businesses to the right.
- Propensities to save increases and vulnerability reduce as you move from left towards right boxes.
- Businesses in the medium-lighter blue ('informal, non-poor, vulnerable') box can be supported to reach the darker blue 'informal, non-poor, non-vulnerable' category, that is, to transition to reduced formality.
- Some businesses (in the darker blue 'informal, non-poor, non-vulnerable' category) are stable, profitable, and on the path to stability. These firms only lack some best practices, including bookkeeping and proper registration.
- Informal businesses towards the right of the dark blue box above may have more in common with formal private sector businesses than with non-productive informal businesses.
- The goal is the stabilisation of sustainable livelihoods for each informal sector business (WEIGO, 2009).

²⁶ Guven, M., Jain, H., Arulpragasam, J., & Sharif, I. (2020). *World Bank: Social insurance for the informal sector can be a lifeline for millions in Africa*. May 20, 2020. <https://blogs.worldbank.org/africacan/social-insurance-informal-sector-can-be-lifeline-millions-africa>

²⁷ Graphic above by Clement Joubert, Economist, Development Research Group, World Bank. worldbank.org/en/about/people/c/clement-joubert

Figure 3.1.1 emphasises that a goal of Government, through its Informal Sector Recovery Plan, should be to support the advancement of informal sector participants incrementally towards the formal categorisation as a state of less vulnerability. Businesses should be supported, based on their attributes, to transition from a state of more to less vulnerable, from less to more stable, from less to more sustainable, from less to more successful.

In its consideration of the informal sector as heterogeneous, stratified and transitory, this Recovery Plan has been developed to accommodate the following:

- a. Those businesses that do not wish to change their status quo and move to a formalised state. For example, some businesses may accept full informality as a desired state of existence. This desire is to be accommodated within the Recovery Plan and should not be used to deny the promoters of these businesses to access to programmatic interventions that can reduce their vulnerability and increase the stability and sustainability of their enterprises.
 - b. The wide range of businesses that exist in various states of non-formalisation across Botswana including those formal private sector businesses that have transitioned to a less-formalised state as a result of business failure during or after the national lockdown and the implementation of the COVID-19 social distancing protocols.
 - c. The various informal sector businesses that will not benefit from a one-size-fits-all approach to engaging them.²⁸ The challenges and objectives of informal sector participants are not homogeneous. The transitional needs of each business are relatively unique. Recommended policies for the development of the informal sector depend greatly on the nature of informal firms as well as the causes and effects of informality (Benjamin, Beegle, Recanatini, & Santini (2014). Programmes geared toward each segment will require a differentiated architecture.
2. Consideration of the informal sector should include a view of **why**²⁹ firms are informal, and not only of **what** characteristics make them informal as a category.

This analysis of 'drivers of informality' will help Government to understand roots of informality,³⁰ and to build policies which address underlying causes. A helpful group of questions is available below.³¹ They seeks to answer, '*Why are informal sector participants informal?*' Policy-makers need to undertake this fact-finding exercise to better understand what causes informality in their given contexts. This 'drivers of informality' concept analysis presents the modern, robust view favoured by the International Labour Organization (ILO) and the Women in Informal Employment: Globalizing and Organizing (WIEGO). Only by analysing causal factors can we enact a relevant Informal Sector Recovery Plan to make transformational change – to support the informal sector towards Decent Work.

²⁸ Horn, Z. E. (2009). *No Cushion to Fall Back On: The Global Economic Crisis And Informal Workers*. Women in Informal Employment: Globalizing and Organizing (WIEGO). August 2009 .

²⁹Policy authors should endeavour to read and consider the academic taxonomy available at citation, in which WIEGO illustrate the Dualist, Structuralist, Legalist and Voluntarist perceptions of the Informal Sector.

https://www.wiego.org/sites/default/files/publications/files/Chen_WIEGO_WP1.pdf

³⁰ Chen, M. A. (2012). *The Informal Economy: Definitions, Theories and Policies*. Women in Informal Employment: Globalizing and Organizing (WIEGO) Working Paper No 1 August 2012.

³¹ ILO Representative Interviews.

Policy-makers should determine whether the driver(s) of informality is/are:

a) The Macroeconomic context

- a. Is there an inability of the economy to create enough formal jobs?
- b. Is economic crisis or restructuring driving informal firm creation?
- c. Have global economic pressures made commonly formal work more informal?

b) Regulatory framework, public institutions and enforcement measures.

- a. Can the regulatory framework be made more clear or more robust?
- b. Is there a lack of trust, accountability, or transparency in public institutions?
- c. Is there a lack of communication or awareness between participants and institutions?
- d. Are enforcement mechanisms too weak?
- e. Is there a perceived or real lack of social benefits along the pathway to greater formality?

c) Micro-Level Determinants

- a. Do institutionally formal workforce frameworks limit participation due to barriers, leading to poverty and an inability to overcome the costs of formalisation?
- b. Are there systemic gaps in access to markets, finance, and/or technology which lead to increased poverty thus preventing Informal Sector participants from being profitable enough to formalise?
- c. Do Informal Sector participants lack agency, social capital, and a voice of representation?

d) Attractiveness: Are informal sector participants attracted due to lifestyle or tax evasion?



Figure 3.1.2: Strategies for the Transition to Formality

3. **Reduced vulnerability and formalisation** must be key objectives of the Informal Sector Recovery Plan.

Findings from interviews with Key Stakeholders indicate a consensus that **reduced vulnerability** for Botswana’s informal sector participants is a key objective to moderate the impact of adverse COVID-19 economic effects. Furthermore, reduced-vulnerability characteristics, along with engagement with a **Social Contract** (i.e. tax paying, licensed, etc.) via registration, should be codified as **‘Formality’**. The

Overseas Development Institute, in its *'Informal is the New Normal: Improving the Lives of Workers At Risk of Being Left Behind'*,³² state that returning the informal sector to an antiquated definition of formality is not possible. They define the road towards 'formalisation' as:

The transition to less vulnerable, more stable, more sustainable, more successful businesses – to 'decent work' along with productive registration and alignment with State institutions which provide social capital, benefits, and other institutional value and support infrastructures.

'Formality' must also be taken to connote productive registration, alignment with social capital institutions, and other institutional support infrastructures – **i.e. engagement in the Social Contract.**

The most up-to-date conceptualization of the informal sector is found in the International Labour Organization's **'Recommendation 204'**.³³ R204, the *'Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)'* states that as of 2015 the ILO considers informality as a *transitional state* – a result of causes, incentives, and institutions (ibid). In its Preamble, the ILO states that Recommendation 204 was presented:

Recognizing that the high incidence of the informal economy in all its aspects is a major challenge for the rights of workers, including the fundamental principles and rights at work, and for social protection, decent working conditions, inclusive development and the rule of law, and has a negative impact on the development of sustainable enterprises, public revenues and governments' scope of action, particularly with regard to economic, social and environmental policies, the soundness of institutions and fair competition in national and international markets, and

Acknowledging that most people enter the informal economy not by choice but as a consequence of a lack of opportunities in the formal economy and in the absence of other means of livelihood, and

Recalling that decent work deficits – the denial of rights at work, the absence of sufficient opportunities for quality employment, inadequate social protection and the absence of social dialogue – are most pronounced in the informal economy, and

Acknowledging that informality has multiple causes, including governance and structural issues, and that public policies can speed up the process of transition to the formal economy, in a context of social dialogue.

ILO representative Dr. Annamarie Kiaga, puts the case succinctly as follows:

Facilitating transition to formality is not easy. It requires complex processes that take time, but the great value of this Recommendation (204) is to set an international framework of guidance to help member States to bring this about.³⁴ The transition to formality doesn't mean to shift people from informal employment to formal employment from one day to another. Under this objective of formalization, governments, workers and employers agree that reduction of decent work

³² Stuart, E., Samman, S. & Hunt, A. (2018). *Informal is the new normal Improving the lives of workers at risk of being left behind*. Overseas Development Institute, January 2018. <https://www.odi.org/sites/odi.org.uk/files/resource-documents/11993.pdf>

³³ International Labour Organization (2015). *Recommendation 204 - Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204)*. https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R204

³⁴ 104th International Labour Conference: ILO adopts historic labour standard to tackle the informal economy 12 June 2015 https://www.ilo.org/ilc/ILCSessions/previous-sessions/104/media-centre/news/WCMS_375615/lang-en/index.htm

deficits is, for part of the workforce, the only accessible outcome in the short term and that it should be considered as the first step toward a progressive formalization in the longer term. And most importantly, formalization is a means to an end – decent work - and not an end in itself.

4. A primary goal must be **‘Decent Work’**.

What is ‘Decent Work’? Decent work is employment that "respects the fundamental rights of the human person as well as the rights of workers in terms of conditions of work safety and remuneration. ... respect for the physical and mental integrity of the worker in the exercise of his/her employment."³⁵

Decent work applies to both the formal and informal sector. According to the International Labour Organization (ILO), decent work involves opportunities for work that are productive and deliver a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.³⁶ The concept has now acquired global significance, following its integration into the Sustainable Development Goals (SDGs). Dr. Annamarie Kiaga, International Labour Office representative, states that decent work provides conditions that would qualify work that is ‘decent’ which can be summed up in the following conditions - *freedom, equity, security and human dignity*.³⁷

Decent work is also a central tenet of the Government of Botswana’s Vision 2036³⁸ which recognises that the *‘Informal Sector and the Micro and small Enterprises (MSEs) Botswana will have a vibrant micro and small enterprise sector that contributes significantly to the economy, creation decent jobs and providing sustainable livelihoods for our people.’*

The task at hand is therefore to present an Informal Sector Recovery Plan that supports the informal sector towards decent work. This is the essence of Informal Sector Recovery Plan. In all interviews held with Key Stakeholders, from informal sector managers to Ministry officials, this is where a commonality is clear: the alleviation of ‘decent work deficits’ as an incremental pathway to formalisation, and full engagement with the Social Contract, is desired by all parties. This means less vulnerable, more stable, more sustainable, more successful businesses; freedom, equity, security and human dignity for informal sector participants, along with productive registration and alignment with State institutions that provide social capital, benefits, and other institutional support infrastructures.

5. The **definition of the informal sector** for Botswana must derive from the definition of the “informal economy” set forth in the ILO’s Recommendation 204 and include both **necessity-driven and innovative opportunity-driven entrepreneurship**.

³⁵ "General Comment 18, 2006 United Nations Committee on Economic, Social and Cultural Rights – The Right to Work, General Comment No. 18, Adopted on 24 November 2005, Article 6 of the International Covenant on Economic, Social and Cultural Rights".

³⁶ "Decent work". www.ilo.org.

³⁷ Dr. Annamarie Kiaga, International Labour Office.

³⁸ Vision 2036. (<https://vision2036.org/bw/>)

According to Recommendation 204:

2. For the purposes of this Recommendation, the term “informal economy”:
- (a) refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements; and
 - (b) does not cover illicit activities, in particular the provision of services or the production, sale, possession or use of goods forbidden by law, including the illicit production and trafficking of drugs, the illicit manufacturing of and trafficking in firearms, trafficking in persons, and money laundering, as defined in the relevant international treaties.
3. For the purposes of this Recommendation, “economic units” in the informal economy include:
- (a) units that employ hired labour;
 - (b) units that are owned by individuals working on their own account, either alone or with the help of contributing family workers; and
 - (c) cooperatives and social and solidarity economy units.

The Botswana’s Informal Sector Recovery Plan adopts this more inclusive definition of the informal sector. It simultaneously recognises that in the Botswana context, entrepreneurs in the informal sector are heterogeneous in terms of their motivation for entrepreneurship. Some are ‘pulled’ while others are ‘pushed’ into entrepreneurship. The 2019 National Entrepreneurship Policy (NEP) distinguishes between ‘*innovative opportunity-driven entrepreneurs*’ and ‘*necessity-driven entrepreneurs*.’ This Policy:

focuses on SMMEs development, who usually take the form of both innovative opportunity-driven entrepreneurs who are generally small in number and necessity-driven entrepreneurs who are generally pushed into entrepreneurship by unfavourable economic and employment opportunities in the economy (Informal Sector).

Botswana’s Informal Sector Recovery Plan therefore includes mechanisms which promote the movement of the largest percentage of the SMME Informal Sector participants possible from necessity-driven entrepreneurship to innovative opportunity-driven entrepreneurship – as is the stated goal of the NEP.

B. GUIDING PRINCIPLE: INFORMAL SECTOR FACILITATION

The team working with the informal sector on Government’s behalf must be very highly specialised, oversee informal sector support and development, lead the conversation in Government, and build and manage multi-stakeholder partnerships with relevant government departments and agencies, parastatals, the private sector, civil society, academia, and development partners.

Recommendation 3.2: Establish a Specialist Informal Sector Facilitation Agency

It is recommended that a focused, high-capacity informal sector unit – an **Informal Sector Agency** – be immediately established with the mandate to engage with informal sector participants and their associations directly; develop, implement and manage all Government’s interventions for the sector; and manage a sectoral business intelligence database providing the underpinning information required for

vulnerability-reducing strategies that will shift the sector's focus from necessity-driven to innovative opportunity-driven entrepreneurship, and eliminate decent work deficits

Key Stakeholders interviewed offered two suggestions regarding the housing of this Agency. It was suggested that the Agency might be established either within the Department of Industrial Affairs (DIA) of the Ministry of Investment, Trade and Industry (MITI) with some cross-functional alignment with the Economic Diversification Drive Unit (EDDU), or the Local Enterprise Authority (LEA). The essential aspects are that the Agency be laser-focused on the informal sector alone but have Inter-Ministerial access so that it can target informal sector niches, cohorts, and firms, move them through Active Labour Market Policy programmes within different Ministries, and facilitate advancements towards achieving Vision 2036, Sustainable Development Goal (SDG) 8, and the NEP over the medium to long term. SDG 8 seeks to 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.' Furthermore, the Agency should be well-capacitated with a visionary leader passionate about the psychological and 'behavioural economics' causations of the informal sector, who will become deeply versed in contemporary informal sector theory (stratification, micro-segmentation, heterogeneity, transition to formality, drivers of informality, etc.). This leader should be an active, high-energy field operations manager who can fulfil the Agency's mandate.

The Informal Sector Agency will function to, inter alia:

1. Manage the vision for the informal sector. This team must understand the ILO and other conceptual definitions at the beginning of this work - of the informal sector as a transitional status between initial micro-entrepreneurship and a formalised enterprise accessing 'decent work' – the absence of which is a result of the drivers of informality, which must be deconstructed as deficits to decent work are reduced. The Informal Sector Agency must be capacitated to manage this forward-thinking vision.
2. Engage informal sector businesses in a micro-segmented and disaggregated manner in order to closely understand characteristics, needs, and decent work deficits, and to organise cohorts.
3. Manage and monitor the distribution of any recapitalization or stimulus scheme and other financial Recovery initiatives.
4. Develop and routinely populate an Informal Sector Business Intelligence System.
5. Develop strategies and tools for the Informal Sector Business Intelligence System to measure, monitor, analyse, report and share information related to the full range of informal sector metrics such as market access and performance, new markets, etc.
6. Review the National SMME Registration data and develop strategies for targeting Women's groups, the Youth, the Retail Sector, and other niches found within the data and for which clear Recovery Strategies must be developed. In addition to Women's groups, Youth, the Retail Sector, niches can include food service providers targeting diversification into delivery services, car-wash services targeting at-home services, youth groups interested in computer science solutions, women's groups interested in digital financial access to grow and diversify their businesses, and more.

7. Access Active Labour Market Policy (ALMP) programmes offered within various Ministries or parastatals, tailor programmatic needs, innovation engagements, and training to the bespoke needs of each micro-segment, firms, sector, and cohort, and actively 'progress' informal sector businesses from one programme to another and to the market. According to Benjamin, Beegle, Recanatini, & Santini (2014), access to calibrated training programs could help informal firms to catch up. Education and training were identified as important vectors that could bring informal sector firms to grow and progressively move towards the formal sector.
8. Work with formal private sector businesses to define key partners and strategic objectives/partnerships with the informal sector, domestically and abroad.
9. Develop teams to coach informal businesses on diversification, access to finance, business planning, non-price completion, competitive advantage, niche analysis, market access, etc.
10. Develop communications with all Informal Sector Associations and generally manage the Informal Sector Portfolio.
11. Work with the regional LEA incubator systems and expand them to a focus on segmented, localised informal sector businesses. Build educational/incubation cohorts in all locations where LEA holds incubation programming but targeted at the informal sector.
12. Champion the case for informal sector participants to access social services. According to Benjamin, Beegle, Recanatini, & Santini (2014), the informal sector reflects a pervasive sense of unequal opportunities with workers and business-owners in the informal sector often feeling they do not have the same options as those in the formal sector. A distinctive feature of this type of employment is lack of social coverage and other related benefits applicable to formal employment. Steel and Snodgrass (2008) emphasize the weak access of informal actors to social services. The services of concern are those with a direct impact on productivity and from which formal firms benefit greatly, such as infrastructure, capital, education, health, and social security. Gelb et al. (2009) argue that the reasons underlying the observed productivity gap between the formal and the informal sectors have more to do with the access to services from which formal firms benefit and informal firms do not.
13. Manage the University of Botswana / LEISO relationship.
14. Manage architectural design and construction of infrastructures noted in other Recommendations outlined in this document: Marketplaces in each regional and semi-rural centre; Hubs/Clusters for industry-focused innovation and development along with technology integration; cloud-server access; trades production facilities for carpentry, textiles, other production facilities; and computer centres for training youth in programming. A key role of this highly-capacitated Informal Sector Agency will be to administer each of these strategies.

This institutionalised Informal Sector Agency should be a priority team of Government. The Agency will represent ownership of the holistic view obtained from all Stakeholders in assisting the transition of informal sector participants to decent work and reduced vulnerability, to increased upward mobility and to opportunity-driven entrepreneurship. It should be considered a necessity in order to accomplish the goals of Vision 2036 and SDG 8.

Recommendation 3.3: Develop an Informal Sector Business Intelligence System

Interventions for the informal sector should be data-driven in this Knowledge Age. However, it is difficult for Government to assist the informal sector if it does not know who and where they are. The National SMME Registration exercise currently underway should provide the foundation for an Informal Sector Business Intelligence System. The Informal Sector Agency will build on this foundation by developing strategies and tools to measure, analyse, report and share information related to the full range of informal sector metrics such as market access and performance, new markets, etc. Government's strategic and tactical decisions for the sector that build economic resilience will rely on reliable data on business' core incentives, challenges, and barriers. As an initial measure to populate the database, effort should be made to encourage national compliance to the online registration exercise by informal sector participants.

The data collected will allow the Informal Sector Agency to contact informal sector participants in times of crisis, disaggregate Registration data to understand micro-niches and sectors which require support, and to tailor the necessary support. For example, a fundamental understanding of national informal sector segments can be obtained by disaggregating the data by income level, gender, sector, trade within sector, age, revenue, location, marketplace, etc. This will allow an understanding of incentives which determine values and behaviours and permit the Informal Sector Agency to tailor strategies to engage with each micro-segment. This leverages the capacity building of the Informal Sector Agency and the Botswana Informal Sector Association (BOISA) to deliver a holistic Informal Sector engagement strategy.

Recommendation 3.4: Establish Streamlined and Sustainable Communication Channels to Informal Sector Business Owners and Participants by Region and by Micro-Niche

A system of streamlined communication channels to all micro-segments of the informal sector is recommended. This will ensure social dialogue and performance monitoring. Communication with informal sector participants should be fluid and constantly built upon by the Informal Sector Agency, internally or outsourced, to actively manage the progress of informal sector participants and understand their challenges. Recent gains in the development of informal sector associations and the administration of the National SMME Registration exercise will provide communications channels previously unknown. If only certain segments of the informal sector can be contacted fluidly due to institutional capacity – for example 'young female service entrepreneurs' or 'retail hawkers' (via the registration exercise) – then sustained contact can be made with these segments in the first instance. The greater the capacity to contact and actively manage the progress of informal sector micro-segments, the more effective the Informal Sector Agency will be. This notion flows directly from Recommendation 3:10: Implement Targeted Supports for Informal Sector Micro-Segments.

Recommendation 3.5: Engage and Build the Capacity of Informal Sector Associations

The Botswana Informal Sector Association (BOISA), Thusanang Bagwebi Vendors Association and other Associations should be engaged with the intention of building institutional capacity within these Associations so that they can assist with informal sector capacity building and social dialogue development. This can be managed by the Informal Sector Agency.

BOISA and Thusanang Bagwebi were interviewed in the course of this assignment. BOISA has ~20,000 members, consisting of retail vendors of food, fresh vegetables, meats, and clothing, and also include tailors and other groups, with an outlook of including carpentry and additional trades in the future. BOISA considers itself as the national association for the informal sector comprised of regional trades

associations. It was evident that Mr. Mogodu, who represents the BIOSA Association, provides efficient communications capabilities to the 20,000 members of BOISA. This capability should be harnessed by the Informal Sector Agency for communicating health or operational advice, mobilizing for the current national SMME registration exercise, and for monitoring the status of members.

It is recommended that BOISA and other Associations be supported, and their capacities built. This will leverage the Associations' human resources to further the advancement of informal sector businesses and extend the reach of the Informal Sector Agency. This strategy will also permit the engagement of the voice of informal economy actors towards policy-making and protect rights facilitating easy outreach.³⁹ Improved social dialogue will include capacity improvements in information-sharing with representatives of Government, improved negotiation, and improved communication and dialogue between employers, workers and policy-makers on issues of common interest.

C. GUIDING PRINCIPLE: ECONOMIC RESILIENCE FOR THE INFORMAL SECTOR

Economic resilience will enable the Informal Sector to be better prepared to manage future crises.

Recommendation 3.6: Administer a Recapitalisation or Stimulus Scheme to Informal Sector Participants

As part of Informal Sector Recovery, it is recommended that an initial amount of P1000 per registered informal sector participant be administered.

Findings from a Keynesian Stimulus Analysis suggest that if informal sector businesses are not able to re-establish themselves in the short-term, this economic failure may have negative consequences in terms of significant increases in poverty over the medium-term that will ultimately require government intervention. The required Government expenditure support will likely be disproportionately higher in the future than the lesser costs now of implementing support mechanisms as a rapid response. One recommended support mechanism to be implemented now is a recapitalisation scheme that involves a pay-out of 1000 Pula per registered informal sector participant.

Traditionally, the informal sector generates employment, reduces social setbacks, and serves as a catalyst for economic growth (Fayomi, 2017). We typically assume that the informal sector is a resilient sector with the ability to withstand economic shocks and keep providing goods and services required by residents to achieve an acceptable quality of life (Chadwick-Parkes, 2015). However, the reality of the informal sector in Botswana is that this sector is quite vulnerable. These businesses hold little security in terms of income and savings. They fall within the left boxes of Figure 3.1.1. This sector was made particularly vulnerable during the month of April 2020 or the national lockdown. Data from the National SMME Registration exercise indicate that most registrants, including women- and youth-entrepreneurs, lost revenues up to P1000 between March and April 2020.

Informal sector businesses will likely not be able to recapitalize without an inflow of capital. As the ILO writes, *'The eventual increase in global unemployment over 2020 will depend substantially on how quickly the economy will recover in the second half of the year and how effectively policy measures will boost*

³⁹ International Labour Organization, Dr. Annamarie Kiaga.

*labour demand.*⁴⁰ Firms may apply to the CEDA Letlhabile programme, but the questions may be asked: *How many will apply? How many will be approved? What is the value lost if firms are not recapitalized and therefore fail?*

The Keynesian Stimulus Analysis that follows is based on the following assumptions:

1. Informal sector participants require at least **P1000** for immediate recapitalization purposes - the majority of registrants including women- and youth-entrepreneurs, lost revenues of up to P1000 between March and April 2020.
2. The current number of vulnerable persons to be catered for is **191,176**. Data from 2015 Multi-Topic Household Survey Report 2015/16, and 2015 Project to Conduct an Informal Sector Study for Botswana) indicated that the total estimated number of persons employed in the informal sector was 191,176.
3. Segments of people spend money differently and so stimulus should be targeted to specific groups to maximise its benefit on socio-economic recovery and on GDP growth. In this case, spending by informal sector participants is assumed to be different from spending by salaried private sector workers.

The Keynesian Multiplier measures to what extent an amount of stimulus (or money) ‘multiplies’ over time in an economy.⁴¹ The theory proposes that stimulus **is not spent only once**. Part of it is spent again, and again, within the economy. The scale of that money moving through the economy, as the *seller of a good receives earnings and then spends that money again*, is measured by the Keynesian Multiplier. This is the foundation principle of Fiscal Stimulus as developed by John Maynard Keynes in 1936.

Key to the Keynesian Analysis is the concept of the Marginal Propensity to Consume (MPC). This concept answers the questions: ‘If a person has one more Pula, how likely are they to spend it?’ Or, if a person gains 100 Pula, how much of it will they spend?

A central tenet of the Keynesian Multiplier is that money which remains in the system of spending *multiplies* back through the economy when spent again. If the MPC within the market system is high, the stimulus will be spent again and again, cycled many times over. If the MPC is low, the stimulus will be spent fewer times.

Incomes or revenues are assumed to be consumed, saved or used to pay taxes. Of these, savings and taxes are two ‘leakages’ out of the system because revenues either saved or paid to tax are not re-spent in the economy. Data from the National SMME Registration exercise indicate that the majority of registrants earn between **P1000 and P1999 per month**. This means that their annual earnings are less than the annual P36000 threshold above which one is required to pay taxes to the Botswana Unified Revenue Services (BURS).

We further assume that most participants of the informal sector are vulnerable and are not saving much. Most of their incomes/revenues are consumed. Vulnerable persons tend to have high Marginal

⁴⁰ ILO Monitor (2020). COVID-19 and the world of work. Second edition, Updated estimates and analysis .

https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_740877.pdf

⁴¹ The Economist. *What is the Keynesian multiplier?* 8th September 2016. <https://www.economist.com/the-economist-explains/2016/09/07/what-is-the-keynesian-multiplier>

Propensities to Consume (MPC) and high Keynesian Multipliers. If the MPC is 75%, it means that if a stimulus of P1000 is received, beneficiaries are likely to spend or consume P750 relatively rapidly. The Multiplier is calculated at $1/(1-MPC) = 1/0.25 = 4$, meaning the stimulus will cycle four times around the economy.⁴²

A Recapitalisation Stimulus of P1000 each, paid out to 191,176 informal sector participants will cost the Government **P191m** to implement. Using the MPC of 0.75, the economic benefit to Botswana will be, under these controlled conditions, **P764.7m**. It is more likely that the MPC of informal sector participants in Botswana is currently higher than 75% and near 100%.

In contrast, salaries workers have relatively lower Marginal Propensities to Consume (MPC) and Keynesian Multipliers. They are likely to save some of their additional income. If we compare the P1000 per informal sector participants' Recapitalisation Stimulus (**P191m**) to the Wage Subsidy estimated to cost **P500m** over 2.5 months, it may be argued that supporting the informal sector to recapitalise – with P1000 each – would have two immediate benefits for Government and the Economy:

1. Reduced cost for Government – Recapitalisation Stimulus of **P191m** compared to Wage Subsidy of **P500m**.
2. Higher positive impact on GDP since the MPC for wage/salaried earners is likely far less than that of informal sector participants. When the MPC is low, money will be spent (i.e. circulate around the economy) fewer times.

Much of the Informal Sector Recapitalisation Stimulus would go to local foodstuffs sellers – who would then spend earnings in a similar way. Payments also go to healthcare, agriculture, and local services. Sellers of those services are supported, spend again what they've earned: the cycle goes on. If an informal sector participant is buying from a local distributor, who is spending those revenues within the community, the money continues to cycle. As can be seen in Figure 3.6.1 stimulus to localised small businesses moves through to schools, farmers, nurses, teachers, and so on, so the multiplier effect can help build the core of a healthy local economy.

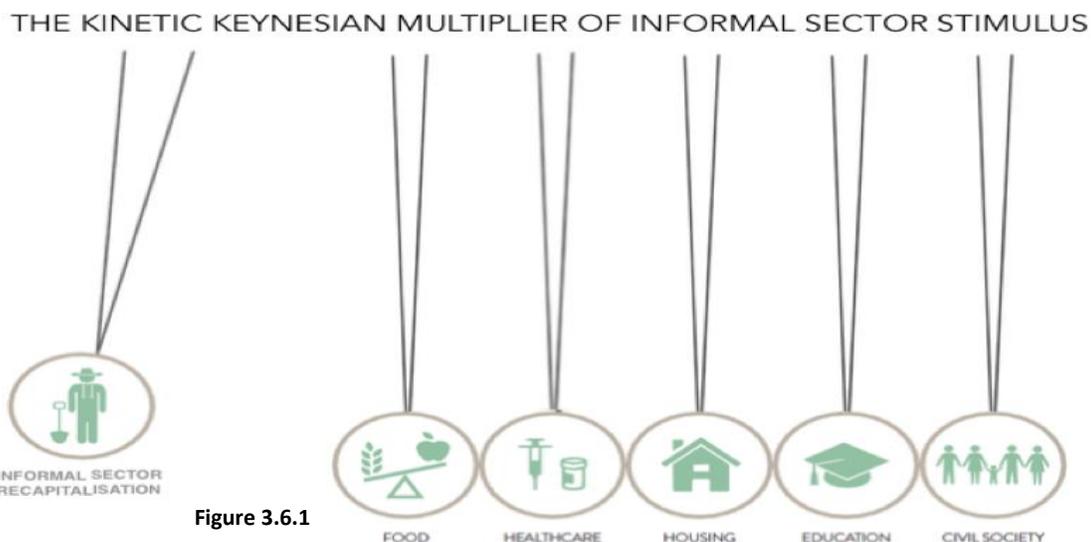


Figure 3.6.1

⁴² The formula for The Fiscal Multiplier = $1/1-MPC$.

For these reasons, it is recommended that a P1000 per capita informal sector stimulus be considered and under the management and monitoring of the Informal Sector Agency. Government will decide whether it will require businesses to satisfy certain conditions in order to qualify for the stimulus grant, such as technical entrepreneurship, diversification, bookkeeping and financial skills training, entrepreneurship hub entry, or decent work infrastructures including association engagement, registration, and a movement towards sustained formalisation.

Recommendation 3.7: Implement Targeted Supports for Informal Sector Micro-Segments

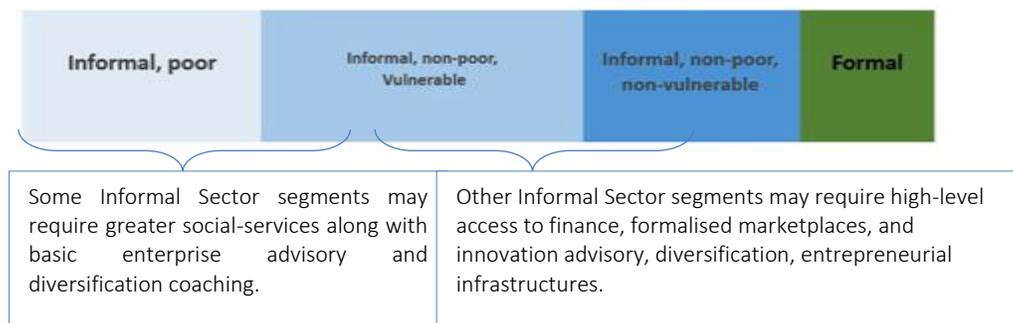


Figure 3.7.1: Transition of Micro-Segments

The informal sector is heterogeneous and stratified meaning that some participants operate below the poverty line and others are more stable across several sectors. The Informal Sector Agency should have the capacity to work directly with each disaggregated segment of the informal sector – these segments will become clear as the National SMME Registration data are distilled further and with the activation of the Business Intelligence System. Specialised teams should be assigned to backstop each most vulnerable group – for example, a ‘female retailers’ team’ will monitor the recapitalisation stimulus and enterprise progress for female retailers’ segment. A single Informal Sector Agency sub-team will have responsibility for multiple micro-segments given budgetary considerations. The important point is that the heterogeneous informal sector is disaggregated as greatly as possible and a strategy built for supporting the reduction of ‘decent work deficits’ for each micro-segment.

Recommendation 3.8: Build Transfer Technology Innovation and Investment Clusters for Informal Sector Diversification and Innovation

This Informal Sector Recovery Plan emphasises the benefits of clusters as a competitive strategy for the informal sector. Transfer Technology Innovation and Investment Cluster Hubs (as shown in Figure 3.8.1) should be established to enable the country to focus on the crossroads of the informal sector and those industries in which Botswana excels. This is comparable to the Import Substitution Industrialisation (ISI) model which allowed the Republic of Korea to become a global economic powerhouse. Cluster Hubs allow for institutional support so that technology and tailored services around the sectors of 1) Mining, 2) Tourism, 3) Manufacturing and 4) Retail, etc., can be the focus of development. Cluster farming is also proposed whereby



farmers produce to meet the needs of agro processing plants rather than compete in saturated final consumer markets. Key assistance can be obtained from the National Food Technology Research Centre (NFTRC)⁴³ which has a training programme in place to equip entrepreneurs with food and agro processing skills using the Centre’s research and development outputs.



Figure 3.8.1: Cluster Hubs

Recommendation 3.9: Build Regional Informal Sector Production and Service Centres

It is recommended that Regional Informal Sector Production and Service Centres be built in support of the Manufacturing and Retail Hubs noted above. These will work directly with larger industrial parks and sector hubs and with foreign and domestic partners and clients, to build components – for example, for leather goods and automotive products – or for retail sale as in the case of furniture production. The development of these Centres will assist formalisation and access to capital in the way Market Centres (outlined below) allow formal structuring, economies of scale, purchasing power, and sales channels. Businesses will also be able to access coaching on diversification and go-to-market strategies, and high-level global partnership matchmaking. It is recommended that manufacturers consider Green Technologies and products which fit the regional economic and market contexts.

These Centres should be fully integrated into partnerships evident through the Technology Transfer Scheme and Innovation Cluster Hubs, Entrepreneurship Culture training, as well as into Digital Finance solutions noted below, under the purview of the Informal Sector Agency. These production facilities can be supported by a funding facility similar to the Emergency Response Fund Essential Supplies Loan or its extension.

Recommendation 3.10: Build Decent Work Market Access Centres

This initiative was recommended as a priority objective of the Ministry of Investment, Trade and Industry (MITI). Market Centres, with access to hand washing stations and sanitary spaces, should be built to offer a place for informal retailers to sell goods more formally. An ideal outlay would be a multi-level complex with sections for different goods and with horizontal and vertical integration arrangements, like textiles,

⁴³ National Food Technology Research Centre (NFTRC). http://www.naftec.org/?page_id=2964

near to tailors, near to designers, and so on. An additional option is for newly developing shopping malls to accommodate working space for the informal sector, in their design briefs. The Informal Sector Agency can be tasked with the remit to secure the commitment of private sector mall developers to this participatory growth initiative.

A key feature of Market Centres is the enabling of an advancement towards formalisation. A key function of this development will be that, unlike a roadside stall, it will allow for access to finance and investment – with stall sizes regulated in an orderly fashion, so that firms prepared for growth can grow. In-house firms can seek capital for growth, host financial institution representatives, and plan for the future.

Each Centre may house an office offering support services and access to cross-cutting advisors and service providers, like bookkeepers and IT service providers who will coach tenant businesses on diversification, incubation, marketing, supply chains, and partnerships building. This builds off a model which has found success in India and China. It would be optimal for Centres to be built in a number of peri-urban areas, to reduce the likelihood of urbanisation in Gaborone. Centres will be monitored by the Informal Sector Agency.

Recommendation 3.11: Build the Future: Digital Finance, Financial Access, Technology Focus

It is recommended that Botswana take this opportunity to shift the start-up mentality to one of future growth for youth and women, namely in the technology space. The enterprises of the future are going one way: digital. Botswana has an opportunity to lead this space regionally and globally in Digital Finance and Access to Finance for the Informal Sector.

The COVID-19 pandemic has led to increased realization that handling cash has health risks in addition to security risks. This Informal Sector Recovery Plan emphasises the need for informal sector participants as cash-based vendors to embrace the digitalization of their activities through e-commerce platforms that permit contactless payments and purchases. The COVID-19 pandemic, the need for social distancing and the national lockdown have signalled that it is timely for the informal sector to ensure its business continuity by providing customers with 24-hour access to their products (whether goods or services) and payment options through business apps. Customers pay instantly using a mobile wallet. Furthermore, social distancing has disrupted supply chains across all sectors. Small informal farmers, for example, should be utilising apps to process orders for their inputs. These apps may enable sellers to source affordable farm inputs from suppliers and provide “last mile” delivery regardless of where consumers are in Botswana.⁴⁴ It is recommended that the Informal Sector Agency demonstrate to informal sector participants the nexus or benefit-cost trade-offs between business continuity, android mobile phones and internet data plans.

There is a confluence taking form in Sub-Saharan Africa between the opportunities provided by Digital Innovation and Financial Inclusion. A greater feasibility study would be warranted, but UNCDF, UNDP, and digital micro-finance firms like Tala (www.tala.co) are making gains in the ability to provide financial access solutions to informal businesses. Other technology firms, like VIAMO (www.viamo.io), can be used for tracking, monitoring, and for communicating vital information via chat-bots. A particularly useful overview of gender-focused digital finance and other solutions is noted in UNCDF’s ‘Women as Builders of the Digital Economy’, and UNDP’s Digital Finance Task Force: <https://digitalfinancingtaskforce.org/>.

⁴⁴ <https://edition.cnn.com/specials/business/marketplace-africa>

This initiative is a key sector of opportunity in addition to Recommendation 3.14 outlined in this document.

Recommendation 3.12: Fund the Provision of Essential Informal Sector Services

The loss of business revenues during the national lockdown signalled the need for informal sector participants to cultivate new strategies around the “new normal” in their business continuity plans. Similar to the Emergency Response Fund Essential Supplies Loan that offers support to producers of essential goods during the COVID-19 pandemic, it is recommended that informal sector participants (especially women, youth and other vulnerable groups) be offered a specific facility geared towards **Services** businesses which encourages increased informal sector diversification to needed service areas such as:

- a. Fumigation service provision for buses.
- b. Hand sanitizer production start-ups.
- c. Manual sanitization services (for offices, distributing hand sanitiser at markets, buses, and shops).
- d. Masks, other PPE made by informal tailors/entrepreneurs.
- e. Food delivery services.
- f. Production/sales of cleaning solutions including soaps.
- g. Wash station manufacturing.
- h. Sanitization distribution-stand manufacturing (carpenters making distribution units).
- i. Intensive border-goods sanitation service provision.

Recommendation 3.13: Consider Social Insurance for the Informal Sector

It is recommended that the Informal Sector Recovery Plan include the consideration of a Social Insurance plan for the informal sector of Botswana. It is necessary that these businesses have an opportunity to diversify, formalise, and succeed. It is also necessary that Botswana have an incentivised way to save, and to retire. It is recommended that the Government commission a Feasibility Study on a Social Insurance Plan for the Informal Sector. Social Safety Nets ensure no-one is left behind.

Public pension schemes accessible to informal sector participants provide these operators with opportunities to save for income security during their old age. While increased entrepreneurship and diversification provide rewards in terms of business success, a public pension scheme or a social insurance plan can reduce several stressors on retiring individuals, on families, and on government accounts, while promoting secure development over a generation of workers. By providing a Social Insurance Plan, a significant driver of long-term vulnerability can be reduced. It is recommended this advancement be considered.

The scope of this assignment does not allow a complete Feasibility Study for Social Insurance, but the fundamentals to implement such a scheme do appear to be present. Ms. Melis Guven of the World Bank is an expert available for correspondence on this topic and it is recommended she be engaged to understand feasibility. There is also a growing wealth of literature about informal sector pension schemes in Africa, as the option has gained prominence in recent years (falling within the theme of the ‘New Normal’). Detailed analyses are available here:

<http://documents.worldbank.org/curated/en/153021563855893271/pdf/Extending-Pension-Coverage-to-the-Informal-Sector-in-Africa.pdf>, and here: <https://blogs.worldbank.org/african/social-insurance-informal-sector-can-be-lifeline-millions-africa>

C. GUIDING PRINCIPLE: SUPPORT FOR WOMEN AND YOUTH

An essential principal given demographic trends is that support of Women's and Youth Groups must be made a priority.

Recommendation 3.14: Leverage and Invest in Technology Centres for Women and Youth

For a landlocked nation with a relatively small population like Botswana which must import goods over land, export goods over land, and which have a limited population for domestic sales growth, improvements in programming capacity can make a difference for women and youth set to enter the informal sector. Furthermore, the skills acquired in programming can be utilised locally as innovation niches and by global businesses.

While many consider it a challenge to teach programming skills to youth, it is becoming a much simpler task. Programming in the form of Python, SQL, HTML/CSS, JavaScript and newer modulated languages is now made easier than ever before. Further, as global businesses move to an office-less landscape, particularly in the post-COVID-19 era, opportunities to work globally from anywhere will increase.

Botswana has the foundation – well-funded schools, stable government, access to large regional markets and with greater stability, a local experiential knowledge – to be the Informal Sector IT Centre of Africa and of the world. Informal sector solutions are *the* future. Whomever figures out last mile delivery for the informal sector contexts of South Africa and Nigeria, for example, will have built a world-class business. It is therefore recommended that:

- a. Programming be included from primary school education to University level.
- b. The existing ALMP designed to support technology development should be expanded across the school system, actively managed to develop talented youth through the programme, and expanded significantly to include the informal sector. It is the Government of Botswana which has charted this progressive ALMP policy course.
- c. The Informal Sector Agency help the sector's women and youth through the Active Labour Market Policy (ALMP) dedicated to technology development, and that there be significant investment made in this space.
- d. Technologies be integrated into the Hub Cluster formula (Recommendation 3.8) to apply Botswana technology to mining, Okavango tourism, informal market sales, etc.
- e. The Government ensure that Botswana is the first country in Africa to purchase and deliver free Cloud Server Space to any Botswana entrepreneur interested in developing a new service or product web-based technology. These options are becoming extremely affordable through AWS and Microsoft Azure. Botswana could make a bulk arrangement, own the server space, and support the content directly. This is a clear gap in the informal sector innovation and technology space – and as noted the informal sector is a massive economy throughout Sub-Saharan Africa. Just as Rwanda and Ethiopia have dedicated visions and models for the future of their states (roughly, the Singapore organisational model and the China factory model, respectively), so could Botswana aim to be the programming centre of Southern Africa and of Africa altogether. This is perhaps the one global sector which is surely here to stay. This would result in the development of new Botswana businesses, global employment and the rise of living standards, foreign currency generation, and at the least the establishment of Botswana as the go-to global business IT partner in the region from a geopolitical-economic standpoint.

Recommendation 3.15: Focus on the Women’s and Youth Informal Sectors (Informal Sector Agency Teams)

It is recommended that infrastructures be built to promote greater resilience in times of future crisis. The proposed Informal Sector Agency and the National SMME Registration exercise support a move towards reduced vulnerability in that they offer infrastructures through which to communicate.

It is recommended that within the Informal Sector Agency there be developed a focal point for Women Informal Sector Participants and for Youth Informal Sector Participants to better support and engage with these key groups. This will best capitalise the Informal Sector Agency to engage with women and youth informal sector actors, tailor response efforts to their needs, and monitor hardship.

D. GUIDING PRINCIPLE: ENTREPRENEURIAL MOBILITY

The common desire of Key Stakeholders for an Informal Sector Recovery which ‘builds back better’ towards the Vision 2036, NEP and SDG objectives can be achieved by seeking to ensure the *option* and the *culture* to seek Entrepreneurial Mobility is availed to SMME start-up businesses – inducing those that may enter the informal sector in the future in the absence of such an option.

Recommendation 3.16: Develop and Engage Platforms for Entrepreneurship Cultural Change



Figure 3.16.1

While various Ministries and Departments hold ALMPs and other programmes geared towards supporting entrepreneurship, it is not clear whether these policies and programmes are producing increased entrepreneurial success, growth, or diversification from the informal sector to a more formalised structure. While school to age 12 is supported by Government, it is not clear whether these class structures result in more technologically-capacitated professionals in computer programming. While there is a network of regional incubation hubs, it is not clear whether these accelerators are promoting entrepreneurial culture at scale or targeting the informal sector directly. This is not to say they are not promoting entrepreneurial culture – but it is likely that ‘technology transfer’ can be better-managed in terms of the informal sector.

In economies where entrepreneurship is supported by Government, it is common for assistance towards the development of entrepreneurial culture support to be outsourced. Companies such as BlueChilli in Sydney (bluechilli.com), and AngelHack in San Francisco (angelhack.com) work with small businesses, corporates, and local and national governments to help enterprises build their culture of innovation, bring new products and services to market, and scale. They cooperate directly with Universities to develop technologies and access technical specialists. They work globally to bring in funding, manage key corporate partnership matchmaking, and facilitate transaction execution. Mostly they work with Start-Ups to spark Innovation. This develops what is known as the ‘Entrepreneurial Ecosystem’. Each bit of the ecosystem is required to achieve a healthy national entrepreneurial culture.

A full description of LEISO and the programmatic capabilities of the Entrepreneurship Department at the University of Botswana are available in Appendixes 8 and 9. Dr. Ganamotse and her team are especially adept at training women-owned enterprises via the Department of Gender. Their support would be especially useful when the Informal Sector Agency engage women-owned businesses.

All initiatives noted here complement one-another. It is recommended that these teams be engaged to develop a county-wide ‘Hub-and-Spoke’ model of informal sector entrepreneurial development in support of the Informal Sector Agency. This National Informal Sector Recovery Plan would seek to engender a culture of diversification, quality, and niche competition, and stable entrepreneurship throughout micro and small businesses in peri-urban, rural, and urban contexts.



Figure 3.16.2: Hub-and-Spoke Model

Recommendation 3.17: Establish Active and Passive Informal Sector Entry Points to Tailored Active Labour Market Policy (ALMP) Programmatic Solutions

Active: Actively manage the enrolment and graduation of cohorts and businesses in sectors which most require new options and skills.

Passive: Establish and publicise informal sector passive access points to well-tailored labour market interventions for industrious entrepreneurs.

The Government of Botswana has developed a robust set of Active Labour Market Policies (ALMPs) to support businesses towards innovation, stability, sustainability, diversification, funding, and success. What is not apparent is if informal sector businesses are enrolling in these programmes and gaining from them. They are not specifically tailored to informal sector businesses. Informal sector *enrolments*, and successful *graduations* from ALMPs to higher-level ALMPs that move informal sector participants towards diversification and successful entrepreneurship, should be tracked and actively managed. To improve enrolment, support, graduation, agency, and upward entrepreneurial mobility, policymakers should take an extremely active management approach to enrolment, while also building passive enrolment channels.

Under a ‘Holistic View’ methodology, this ties into the segmented business intelligence which will come from the National SMME Registration exercise. Businesses and segments must be understood down to their core incentives, challenges, and barriers, and then pursued and enrolled into highly bespoke programmes by high-capacity internal and/or outsourced administrators.

Cohorts of micro-segmented informal sector participants can be taught Active Labour Market skills together – for example, in services provision, technology training, and new products manufacturing. Internal or outsourced managers can use a variety of methodologies to manage transformation of the informal sector – one recommendable is the ‘Farmer Field School’ (FFS) methodology, repurposed for informal sector mobility coaching, which entails cohorts (women’s groups, youth groups) learning skills together in an open and co-taught environment (not top-down teaching). Along with the active management of enrolment and graduation of informal sector participants through specifically-tailored ALMPs, *passive* entry points must also be built and communicated effectively, especially to youth. The coordination of these activities should fall within the remit of the Informal Sector Agency.

Recommendation 3.18: Gain Complete Consensus, Fluid Cooperation between Active Labour Market Policy (ALMP) implementation managers across institutions

While it is evident that several excellently devised entrepreneurship and technology training programmes exist across several Ministries and parastatals, it is not evident that these programmes are able to cooperate with one another, hand-off enrollees, communicate or support one another’s efforts easily enough in addition to being limitedly applicable to informal sector participants. As it would not make sense to re-house each of these programmes under a single Ministry – each Ministry having a mandate which is broader than the Informal Sector alone – the capacity for a business to be intelligently moved from programme to programme should be improved. It will be best if this mandate is championed at the highest level – the goal being to truly maximize and leverage the tools of these programmes to cohesively and actively manage upward mobility across the informal sector. Operational cooperation could be arranged by the Informal Sector Agency.

E. GUIDING PRINCIPLE: HEALTH FIRST

At its core, the COVID-19 pandemic is a health crisis. Health should be the primary concern with economic recovery to follow, since there can be no economic recovery under the condition of a large-scale outbreak.

Recommendation 3.19: Apply Focus to Informal Sector Imports Supply Chains

Based on interviews with informal sector participants, many members source goods, such as foodstuff and textiles from South Africa. Importation from South Africa serves as a central supply function of core business operations.

While Botswana has implemented closure of several border crossings to South Africa, South Africa was itself experiencing a daily increased COVID-19 case load at what may appear to be a rapid rate over the week ending on May 15th (May 9 – May 15, 2020),⁴⁵ that is, when Botswana was still under national lockdown.

⁴⁵ As of 14th May 2020. <https://covid19.who.int/region/afro/country/za>

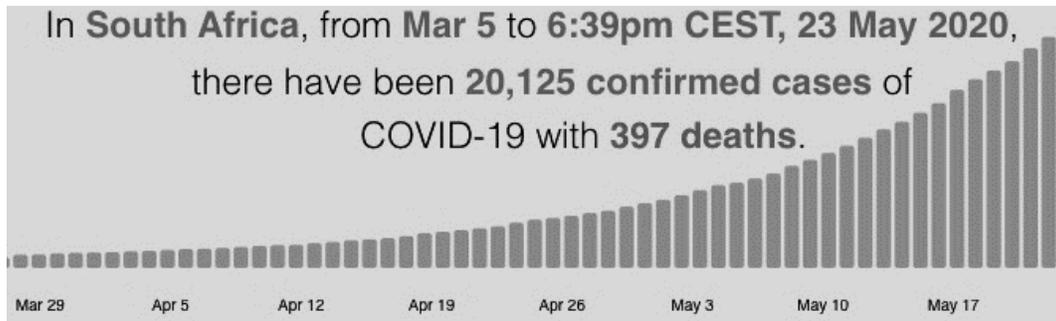


Figure 3.19.1: Trend in South Africa's COVID-19 cases – March-May 2020

To put this in perspective, approximately 5,100 of South Africa's 12,739 confirmed COVID-19 cases were first recorded in that week.⁴⁶ It would appear the bulk of cases were centred in Gauteng Province, which includes Pretoria and Johannesburg, constitutes the trading centre of South Africa and is within a four-hour bus ride from Gaborone. This supply chain:

- a. Routes goods from global ports to port cities and/or commercial hubs in neighbouring countries including Botswana, and then to informal business operators.
- b. Historically lacks sanitization systems sufficient to manage risks.
- c. Links to informal sector supply – often transported by public bus.
- d. Leads to marketplaces in which goods are sold via a close, public, in-person manner of doing business.

Due to these risks, a return to normalized imports and business-as-usual might put informal sector participants at a high level of risk while also risking a larger exposure in Botswana. Training, testing, sanitisation, and protocols for import and distribution should be developed for informal sector entrepreneurs. Importing informal goods from South Africa is likely essential. Protocols and training must be put in place for truckers and product supply managers who use public transport. These would concern human contact, touch points, sharing of pens and clipboards for signing, use of specialised PPE, focused testing, and perhaps agents whose job it is to take the goods from one area, drive to a Sanitisation Centres and clean those goods, transports, and containers while wearing PPE, and drive them through to the Batswana informal sector purchaser. The South African conduit appears a risk factor, especially considering the geographic proximity of its marketplaces. Sanitisation centres and other systems should be developed to reduce this risk. It will also be noted that increasing domestic production, as the Essential Supplies Loan promotes, will reduce risk.

Furthermore, as markets or other venues open, it may make sense to employ informal sector workers in developing and managing hand-washing stations. Small businesses could be promoted to manage this tender formally. It may be worthwhile from both an employment standpoint and a public safety point of view to build wooden-made hand-sanitizer dispensers made by Batswana carpenters for public markets and public areas. These dispensers can use a foot-pedal for distribution, so that users are not forced to operate a handle. (See Recommendation 3.12)

⁴⁶ 'Minister Zweli Mkhize confirms total of 14,355 cases of Coronavirus COVID-19.' <https://www.gov.za/speeches/minister-zweli-mkhize-confirms-total-14-355-cases-coronavirus-covid-19-16-may-2020-0000>

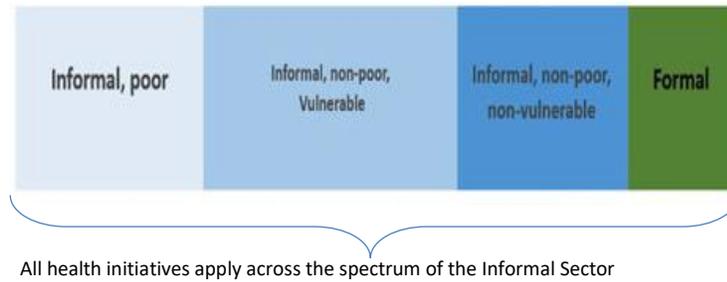


Figure 3.19.2: Health Risks apply across the Informal-Formal Spectrum

For workers and enterprises, it is important to consider measures to prevent and control the risk of psycho-social challenges and other work-related safety and health risks associated with the pandemic.⁴⁷ Occupational health sociologists and medical specialists might be consulted for specific advice. It was discovered in interviews that BOISA and the other informal sector trades associations (taxi and bus drivers’, manufacturers’, hawkers’) can communicate effectively via WhatsApp. This is a key reason to better establish a platform of communication *via* Informal Sector Associations and the Informal Sector Agency.

4. CONCLUSION

Botswana’s Informal Sector faces a challenge to its existence from the direct and indirect effects of the COVID-19 pandemic. The ongoing health and economic crises must serve as catalysts for the guided development of this sector if it is to be transformed into a resilient mainstay of the national economy.

The Informal Sector Recovery Plan described in this document delineates organizational, financial, infrastructural, technological, communication, business intelligence, programmatic, health, and other structures and strategies required for informal businesses to transition towards innovative, opportunity-driven, and decent work enterprises across the various micro-sectors. It includes an Action Plan for rolling out the sector’s recovery. This Informal Sector Recovery Plan focuses not on the rebuilding the informal sector of the past status quo but on supporting the informal sector into the future; one based on reduced vulnerability and decent work deficits. To achieve recovery, informal sector businesses should be supported in their transition to more sustainable ‘formality’, meaning a transition from more vulnerable to less vulnerable, from less to more stable, from less to more sustainable, from less to more successful. Once implemented, along with gains in productivity, stability, and incomes, the developmental opportunities recommended in the Plan will enable informal actors to derive value from alignment with institutions that provide social capital, agency, community benefits, a voice in governance, support towards productive business decision-making, and other institutional support infrastructures, including access to finance, a path to enterprise success and to sustainable self-sufficiency.

It is beneficial and necessary for informal businesses to move in the direction of the sustainable socio-economic and enterprise viability espoused within the Vision 2036. In this framework, the informal sector should not be seen as static nor separate to the private sector, but as composed of entrepreneurs who,

⁴⁷ ILO representative Dr. Annamarie Kiaga

in the future and with improved training, will provide scaled growth to all sectors of the economy - the mineral, agricultural, manufacturing, tourism, services, ICT, financial and business services, transport and logistics services, and the creative sectors. The COVID-19 pandemic threatens to have deleterious social and economic effects on the informal sector, beyond those experienced during the national lockdown. It is therefore imperative that the Ministry of Finance and Economic Development and the Ministry of Investment, Trade and Industry create a lasting lifeline and prioritise the advancement for the country's informal sector. A final recommendation is therefore proposed for these entities:

Final Recommendation: Build ideological leadership that will lobby for the importance, vision, and high-level attention required to ensure the accomplishment of informal sector Vision 2036 and Sustainable Development Goal 8 objectives.

Appendix 1. Action Plan

This Action Plan for the recovery of Botswana’s Informal Sector is based on two strategic goals:

- Strategic Goal 1:** Establishment of Informal Sector Facilitation Structures Within the First Year of the COVID-19 Pandemic.
Strategic Goal 2: Economic Revitalization of the Informal Sector.

VISION 2036 PILLAR		PILLAR 1: SUSTAINABLE ECONOMIC DEVELOPMENT		
NDP THEMATIC AREA		DEVELOPING DIVERSIFIED SOURCES OF ECONOMIC GROWTH		
SUSTAINABLE DEVELOPMENT GOAL (SDG): Sustainable Development Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.		SDG Target: Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.		
STRATEGIC GOAL 1: ESTABLISHMENT OF INFORMAL SECTOR FACILITATION STRUCTURES WITHIN THE FIRST YEAR OF THE COVID-19 PANDEMIC				
Outputs	Actions	Performance Indicators	Responsibility	Timeline
SO 1.1: Establishment of an Informal Sector Agency.	SA 1.1.1: Engage the Ministry of Investment & Trade and Industry and the Local Enterprise Authority on the establishment of the Informal Sector Agency. SA 1.1.2: Recruit or redeploy human resources to staff the Informal Sector Agency. SA 1.1.3: Develop engagement and sectoral revitalization strategies for the COVID-19 period and beyond.	PI 1.1.1: Informal Sector Agency established. PI 1.1.2: Communication channels established with informal sector participants, associations, relevant Ministries and parastatals, and other key stakeholders. PI 1.1.3: Revitalization strategies developed for the informal sector.	• Ministry of Investment, Trade and Industry	• September- November 2020

<p>SO 1.2: Revised definition and reconceptualization of the Informal Sector.</p>	<p>SA 1.2.1: Engage relevant stakeholders (e.g. Local Enterprise Authority (LEA), Citizen Entrepreneurial Development Agency (CEDA), Statistics Botswana, universities, informal sector associations, etc.) on the International Labour Organization’s Recommendation R204 and Decent Work Agenda, targets of current policy (e.g. the National Entrepreneurship Policy, NDP 11 and Vision 2036), and the current profile of the informal sector.</p> <p>SA 1.2.2: Broad-based dissemination of Botswana’s revised definition of the informal sector.</p>	<p>PI 1.2.1: Stakeholders Consultative Forum Report.</p> <p>PI 1.2.2: Official adoption of revised definition and reconceptualization of Botswana’s informal sector.</p>	<ul style="list-style-type: none"> • Ministry of Investment, Trade and Industry • The Informal Sector Agency 	<ul style="list-style-type: none"> • September- November 2020
<p>SO 1.3: Implementation of the Informal Sector Business Intelligence (BI) System.</p>	<p>SA 1.3.1: Procure appropriate business intelligence software for a data lake or warehouse design.</p> <p>SA 1.3.2: Recruit a Business Intelligence Analyst.</p> <p>SA 1.3.3: Utilise data from the National SMME Registration exercise as the foundation for the BI system.</p> <p>SA 1.3.4: Implement the BI system to communicate informal sector information and support decision-making needs.</p>	<p>PI 1.3.1: Business intelligence software procured.</p> <p>SA 1.3.2: Business Intelligence Analyst recruited.</p> <p>SA 1.3.3: Business Intelligence system operational.</p>	<ul style="list-style-type: none"> • The Informal Sector Agency 	<ul style="list-style-type: none"> • September- December 2020

<p>SO 1.4: Development of partnerships with Informal Sector Associations</p>	<p>SA 1.4.1: Utilize the Botswana Informal Sector Association (BOISA), Thusanang Bagwebi and other informal sector associations for informal sector engagement and development.</p>	<p>PI 1.4.1: The Botswana Informal Sector Association (BOISA), Thusanang Bagwebi and other informal sector associations routinely engaged and involved in informal sector decision-making and development.</p>	<ul style="list-style-type: none"> • The Informal Sector Agency 	<ul style="list-style-type: none"> • Ongoing
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VISION 2036 PILLAR		PILLAR 1: SUSTAINABLE ECONOMIC DEVELOPMENT		
NDP THEMATIC AREA		DEVELOPING DIVERSIFIED SOURCES OF ECONOMIC GROWTH		
SUSTAINABLE DEVELOPMENT GOAL (SDG): Sustainable Development Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.		SDG Target: Target 8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries. Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors. Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. Target 8.6: By 2020, substantially reduce the proportion of youth not in employment, education or training.		
STRATEGIC GOAL 2: ECONOMIC REVITALIZATION OF THE INFORMAL SECTOR				
Outputs	Actions	Performance Indicators	Responsibility	Timeline
SO 2.1: Dispensation of COVID-19 Relief to the Informal Sector.	SA 2.1.1: Generate a 'List of COVID-19 Relief Fund Beneficiaries' utilizing the National SMME Registration database, and with assistance from the Botswana Informal Sector Association (BOISA), Thusanang Bagwebi, other informal sector associations, and other relevant sources. SA 2.1.2:	PI 2.1.1: Number of informal sector businesses assisted financially.	<ul style="list-style-type: none"> • Ministry of Investment, Trade and Industry • Ministry of Finance and Economic Development • The Informal Sector Agency 	<ul style="list-style-type: none"> • September-December 2020

	<p>Engage the Ministry of Finance and Economic Development to dispense P1000 COVID-19 Relief to each registered business in the Informal Sector</p> <p>SA 2.1.3: Develop Relief Fund procedures for fund disbursement.</p> <p>SA 2.1.4: Administer the COVID-19 Relief Fund to informal sector participants.</p>			
<p>SO 2.2: Establishment of Transfer Technology Innovation and Investment Clusters and Niches.</p>	<p>SA 2.2.1: Identify feasible informal sector clusters and niches yielding national competitive advantages through stakeholder consultative meetings and data mining.</p> <p>SA 2.2.2: Facilitate cluster and niche development through training, funding, supply chain management, marketing, and relevant local and international partnerships.</p> <p>SA 2.2.3: Expand existing Active Labour Market Policies (ALMPs) designed to support technology development, to women, youth and other COVID-19 vulnerable groups.</p> <p>SA 2.2.4: Purchase and deliver free Cloud Server Space to any informal sector participant interested in developing a new service or product web-based technology.</p>	<p>PI 2.2.1: Number of clusters and niches identified.</p> <p>PI 2.2.1: Number of clusters and niches developed.</p> <p>PI 2.2.3: Number of cluster and niche development partnerships supported.</p> <p>PI 2.2.4: Number of women, youth and other COVID-19 vulnerable groups supported in terms of technology development.</p> <p>PI 2.2.5: Cloud Service procured and shared with 'x' number of informal sector participants.</p>	<ul style="list-style-type: none"> • Ministry of Investment, Trade and Industry • The Informal Sector Agency • Local Enterprise Authority (LEA) • Citizen Entrepreneurial Development Agency (CEDA) • National Development Bank • Botswana Investment and Trade Sector (BITC) • Botswana Innovation Hub (BIH) • Botswana Institute for Technology Research and Innovation (BITRI) • National Food Technology Research Centre (NFTRC) 	<ul style="list-style-type: none"> • September-December 2020

<p>SO 2.3: Construction and Commissioning of Regional Informal Sector Production and Service Centres to support the Manufacturing and Retail Hubs</p>	<p>SA 2.3.1: Identify regional locations based on set location evaluation criteria. SA 2.3.2: Develop a Centre Technical and Financial Feasibility Plan, including an Environmental Impact Assessment, for each location. SA 2.3.3: Engage LEA on use of existing Incubator facilities. SA 2.3.4: Engage the Ministry of Finance and Economic Development on the construction, equipping and staffing of Production and Service Centres. SA 2.3.5: Prepare and advertise tender documents and evaluate bids for the construction and equipping of Production and Service Centres. SA 2.3.6: Furnish, staff and commission Centres.</p>	<p>PI 2.3.1: Regional Production and Services Centre Feasibility Plans. PI 2.3.2: Number of LEA Incubation Sites identified for use. PI 2.3.3: Number of Production and Service Centres constructed, equipped, staffed and commissioned.</p>	<ul style="list-style-type: none"> • Ministry of Investment, Trade and Industry • Ministry of Finance and Economic Development • The Informal Sector Agency • Local Enterprise Authority (LEA) • Citizen Entrepreneurial Development Agency (CEDA) • National Development Bank 	<ul style="list-style-type: none"> • October-March 2020
<p>SO 2.4: Construction and Commissioning of Informal Sector Market Access Centres.</p>	<p>SA 2.4.1: Identify regional locations based on set location evaluation criteria. SA 2.4.2: Develop a Centre Technical and Financial Feasibility Plan, including an Environmental Impact Assessment, for each location. SA 2.4.3: Engage current and proposed mall developers on spaces for informal sector businesses.</p>	<p>PI 2.4.1: Regional Market Access Centre Feasibility Plans. PI 2.4.2: Number of Market Access Centres constructed, equipped, staffed and commissioned. PI 2.4.3: Number of mall partnerships developed.</p>	<ul style="list-style-type: none"> • Ministry of Investment, Trade and Industry • Ministry of Finance and Economic Development • The Informal Sector Agency • Local Enterprise Authority (LEA) 	<ul style="list-style-type: none"> • October-March 2020

	<p>SA 2.4.4: Engage the Ministry of Investment & Trade and Industry on the construction, equipping and staffing of Market Access Centres.</p> <p>SA 2.3.5: Prepare and advertise tender documents and evaluate bids for the construction and equipping of Market Access Centres.</p> <p>SA 2.4.6: Furnish, staff and commission Centres.</p>		<ul style="list-style-type: none"> • Citizen Entrepreneurial Development Agency (CEDA) • National Development Bank • Botswana Investment and Trade Sector (BITC) 	
<p>SO 2.5: Diversification to COVID-19-related Informal Sector Business Opportunities.</p>	<p>SA 2.5.1: Identify participating and interested informal sector services providers and importers.</p> <p>SA 2.5.2: Support informal sector services providers and importers with business plan preparation.</p> <p>SA 2.5.3: Engage the Ministry of Finance and Economic Development, CEDA and other relevant stakeholders on funding arrangements.</p> <p>SA 2.5.4: Support informal sector services and importing businesses through training, funding, supply chain management, marketing, and relevant local and international partnerships.</p> <p>SA 2.5.5: Develop and implement informal sector COVID-19 pandemic training for importers.</p> <p>SA 2.5.6: Communicate import and distribution COVID-19</p>	<p>PI 2.5.1: Number of informal sector services providers and importers assisted.</p>	<ul style="list-style-type: none"> • Ministry of Investment, Trade and Industry • The Informal Sector Agency • Ministry of Finance and Economic Development • Citizen Entrepreneurial Development Agency (CEDA) • National Development Bank • Botswana Investment and Trade Sector (BITC) 	<ul style="list-style-type: none"> • September-November 2020

	<p>pandemic health and safety protocols using social media (e.g. Whatsapp) and informal sector associations.</p>			
<p>SO 2.6: Platforms established for Informal Sector Entrepreneurship Training and Cultural Change.</p>	<p>SA 2.6.1: Develop articulation frameworks and cooperation agreements for informal sector-relevant entrepreneurship training programmes offered across the different Ministries and parastatals in the public sector.</p> <p>SA 2.6.2: Organize training that facilitates innovation, cluster development, incubation, supply chain management, organizational management, marketing, financial management, and upscaling.</p> <p>SA 2.6.3: Organize training in programming and app development for women, youth and other COVID-19 vulnerable groups.</p> <p>SA 2.6.4: Organise training on e-commerce and digital solutions for marketing, and cashless supply chain management and sales.</p>	<p>PI 2.6.1: Articulation across the various entrepreneurship training programmes offered by Ministries and parastatals.</p> <p>PI 2.6.2: Memoranda of Understanding signed between the Ministry of Investment, Trade and Industry (MITI) and the various Ministries and parastatals offering entrepreneurship training programmes.</p> <p>PI 2.6.3: Number of informal sector businesses enrolled in and graduated from entrepreneurship training programmes.</p> <p>PI 2.6.4: Number of vulnerable informal sector participants trained in programming.</p>	<ul style="list-style-type: none"> • Ministry of Investment, Trade and Industry • The Informal Sector Agency • Botswana Institute for Technology Research and Innovation (BITRI) • National Food Technology Research Centre (NFTRC) 	<ul style="list-style-type: none"> • September 2020 – ongoing
<p>SO 2.7: Informal Sector Social Insurance Plan on the National Agenda.</p>	<p>SA 2.7.1: Engage relevant stakeholders on a Social Insurance scheme for the informal sector.</p> <p>SA 2.7.2: Commission a Feasibility Study on a Social Insurance scheme for the informal sector.</p>	<p>PI 2.7.1: Stakeholders Consultative Forum Report.</p> <p>PI 2.7.2: Feasibility Study Report.</p>	<ul style="list-style-type: none"> • Ministry of Investment, Trade and Industry • Ministry of Finance and Economic Development 	<ul style="list-style-type: none"> • September- November 2020

Appendix 2. Terms of Reference

TERMS OF REFERENCE FOR THE DEVELOPMENT OF AN INFORMAL SECTOR RECOVERY PLAN FOR BOTSWANA IN RESPONSE TO THE COVID-19 CRISIS

POSITION INFORMATION

Position: Informal Sector Consultant

Duty station: Gaborone, Botswana, virtual assignment

Duration of the assignment: 20 working days

Start Date: 1st May 2020

1. BACKGROUND

The World Health Organization (WHO) declared a novel coronavirus disease (COVID-19) a pandemic on 11 March 2020. The disease was identified first in Wuhan, China, in December 2019 and as of 19 April 2020, the virus has been detected in 185 countries with 2,241,359 confirmed cases of COVID-19, including 152,551 deaths (WHO).

While the primary strategy of affected countries is to limit transmission and support health systems to manage the surge of patients, multi-pronged approaches that include preventing economic and social disruption are being advocated for. This is because, COVID-19 has not only spread around the world as a health crisis, it is also an economic crisis. A multi-pronged approach is necessary to protect citizens and economies from the pandemic.

Several sources, such as the International Monetary Fund (IMF) and the African Development Bank (AfDB) are predicting a fall in global economic growth and African economic outlook due to the direct effects of the COVID-19 outbreak. ILO (2020) states that early estimates from UNECA already suggests that African economic growth could slow down to 1.8 percent in 2020 as opposed to 3.9 percent that was initially projected by AfDB.

To limit the spread of coronavirus, the Government of Botswana introduced Emergency (COVID-19) Regulations, 2020 dated 2nd April 2020. The Regulations cover; Declaration of lockdown, Prevention of Introduction or Spread of COVID-19, Restriction of Movement of People, Closure of Facilities and miscellaneous provisions.

The Emergency Regulations of 2020, in particular the lockdown, has decreased domestic demand for commodities and services. A lockdown was declared with effect from 2nd April, 2020 at midnight until 30th April, 2020, for the whole of Botswana. Part II of the Regulation states that;
*All businesses and offices may only continue their business operations by allowing their employees to work remotely from home except employees designated as essential service provider; and
During the period of a lockdown every person shall remain confined to their place of residence, inclusive of the yard space to avoid contact outside his household.*

The lockdown and closure of facilities, in particular, have affected the ability of enterprises to trade. Affected sectors include public transport, hawkers and street vendors, hair salons and liquor stores and restaurants. Women in Informal Employment: Globalizing and Organizing (WIEGO) cautions that staying home and social distancing have starkly emphasized the inequalities in our society, including amongst

workers. While these measures may seem simple and easy to adhere to for a large proportion of the formal sector workforce, they are exclusionary towards informal sector workers as it is impossible for them to observe these measures due to the nature of their livelihood and their socio-economic standing. As part of responding to COVID-19 crisis the Government of Botswana through the Ministers responsible for the Economic Cluster has developed an economic response to the COVID-19 pandemic with a view to addressing the following strategic objectives:

- i. Support to workers;
- ii. Stabilization of businesses;
- iii. Ensuring availability of strategic reserves; and
- iv. Promotion of opportunities for economic diversification.

While greater focus is on formal sector, the poor and very poor, it must be recognized that many informal workers do not fall into these categories. However, without support they are very likely to fall into poverty due to the economic fallout of COVID-19. To prevent this, the Government of Botswana through the Ministry of Investment, Trade and Industry (MITI) and the Local Enterprise Authority (LEA) have responded and now developing economic response and recovery measures targeting the informal sector.

LEA was established by the Small Business Act of 2004 to carry out on behalf of the Government of Botswana, and more specifically the MITI, to promote entrepreneurship and SMME development through providing business development services, identifying business opportunities for existing and future SMMEs, facilitating changes in regulations, promoting general entrepreneurship and SMME awareness.

LEA is currently facilitating business registration that includes data collection on the nature and economic characteristics of the informal sector businesses in Botswana. Data gathered will include, but not limited to; age composition, gender composition, education composition, main business activities. Based on the findings MITI and LEA will develop a recovery plan for the informal sector to revive the sector's economic activities.

The 2015/16 Multi Topic Household Survey (MTHS) carried out by Statistics Botswana notes that an establishment/unit is of an informal activity if it satisfied the following criteria:

- Not registered as a company
- Not registered with professional association
- Less than 5 employees
- Informal accounts or none
- Expenditure not easily distinguishable from household expenditure
- Employees casually hired
- Often temporary or mobile or in owner's home/plot

The survey estimated the total number of informal businesses in Botswana as 105,445, of which 55.5 percent were in households headed by males and 44.5 percent in households headed by females. Most of the businesses 49,946 (47.4 percent) were in Wholesale & Retail Trade industry, followed by Manufacturing with 14.8 percent and Real Estate with 11.0 percent.

It is against this background that a consultant is required to support the MITI and LEA to develop a recovery plan for the informal sector. This assignment will be undertaken with the support of the United Nations Development Programme (UNDP). The consultant must have extensive experience in working with household surveys of national coverage, especially labor force surveys and advising governments on

development issues and formulation and implementation of economic development, economic stimulus strategies.

2. OBJECTIVES AND SCOPE OF THE ASSIGNMENT

2.1 Objectives

The overall objective of the consultancy is to undertake a rapid light analysis of the impact of the covid-19 on the informal sector and propose a recovery plan in partnership with MITI and LEA.

Scope of Work

The Specific Terms of Reference for the Consultancy are as follows:

1. Support MITI and LEA to analyze the informal sector data and present a statistical picture of the size, composition and characteristics of the informal sector in Botswana.
2. Using data collected by LEA and other primary and secondary data methods assess the extent to which COVID-19 and related State of Emergency measures are impacting informal workers
 - a. The assessment must take into consideration different groups of informal sectors such as, domestic workers, home-based workers, street vendors and market traders
 - b. Review how other governments are addressing the needs of informal workers during this pandemic
3. Based on the assessment, recommend to the Government of Botswana comprehensive relief measures for addressing the needs of informal workers. The recommendations proffered must consider the;
 - a. Different trades in the informal sector.
 - b. Vulnerable groups within the informal sector including but not limited to women, people with disability
 - c. Current COVID-19 economic relief measures and social protection programmes and recommend ways of supplementing them to cover informal workers.
 - d. New COVID-19 relief measures targeted exclusively for the informal sector
4. Recommend measures that the informal workers can uptake without government intervention
5. Recommend measures e.g. favourable policies, terms of trade and appropriate legal frameworks that must be introduced and maintained post COVID 19 to;
 - a. Increase productivity of informal enterprises and the incomes of the informal workforce.
 - b. Create demand for the goods and services produced by informal enterprises and workers.
 - c. Encourage competition the ability to negotiate favourable prices and wages for the goods and services they sell
 - d. Protect rights and entitlements as workers and as entrepreneurs, including the right to work (e.g., to vend in public spaces), labour rights, business or commercial rights, and property rights.
 - e. Protection against the risks and uncertainties associated with informal work.

3. METHODOLOGY

The consultant shall collect and make use of all available information and apply sound technical practices and methods in carrying out the assignment. It must appropriately respond to the scope of work to produce the intended deliverables. The consultant is expected to carry out a light desk top review of various documents. The consultant is also expected to work under the guidance of MITI, LEA and UNDP.

4. KEY DELIVERABLES

The following are the articulated deliverables for the consultancy;

Deliverables	Explanation/Requirement/s	Provisional Timelines
Inception report	The Report should have a clear roadmap for undertaking and completing the assignment. In other words, the inception report should detail the understanding of the assignment; show how each action in the Scope of Work will be addressed by way of proposing methods, sources of data and data collection procedures. Include a proposed schedule of tasks, activities and deliverables. Designate a lead team member for each task or product if applicable.	3 working days after signing the Contract
Draft Report	The draft report will be developed after satisfactory completion of the first deliverable and must respond to all the requirements of the assignment. The Report must contain findings from the rapid analysis and the response plan.	15 working days after approval of the inception report
Final Report	The final report must be delivered after all comments from the reference group and other stakeholders as determined by LEA and MITI are incorporated.	2 working day after approval of the draft report
Total number of working days		20 working days

5. PLANNING

The assignment is expected to be spread over a period of maximum twenty (20) days starting from contract placement. Any extension beyond the agreed period will be a no cost extension.

6. REQUIRED QUALIFICATION AND EXPERIENCE

The consultant must demonstrate extensive experience in research, data collection, or data analysis on the informal economy. The consultant must also demonstrate extensive experience on past assignments

of similar nature, indicating names of clients, nature and scope of work, client contact details, personnel involved and contract value. In addition, the consultant must possess expertise in all areas associated with this assignment.

The consultant will be responsible for overall management of the assignment, quality assurance of the assignment and submission of all deliverables through soft and hard copies.

- Qualification: Minimum of master's degree in the social sciences such as economics, development economics, business management/development, industrial economics or any other relevant field.
- Experience: Minimum 10 years of experience in advising governments on development issues and formulation and implementation of development, economic stimulus and economic diversification drive strategies at national, regional and global levels. The consultant must also have good report writing and presentation skills as well as knowledge about the Botswana economy, developing and emerging economies.
- Expertise and knowledge of developing disaster/pandemic recovery plans in developing countries would be an added advantage.

Technical competence: she/he must have good knowledge and the technical expertise SMME and private sector development and economic diversification

7. IMPLEMENTATION ARRANGEMENTS

Ministry of Investment, Trade and Industry is the lead of all processes. The Consultant will report directly to the Policy Advisor at MITI with a matrix reporting line to the UNDP Resident Representative. Daily, until the end of the consultancy, the Consultant will work closely with the staff of MITI and LEA with support from the UNDP Team. Other stakeholders as determined by MITI and LEA may be requested to provide quality assurance and technical support to the entire consultancy.

Appendix 3. Stakeholder Interviews

DATE	INSTITUTION	NAME	POSITION
Saturday, 09.05.20	Botswana Informal Sector Associations	Mpho Matoteng Mr. Mogodu	Secretary Advisor
Monday, 11.05.20	Ministry of Investment Trade and Industry	Dr. Joel Sentsho	Trade Policy Advisor
	Office of the President	Moipidi Nkoane	Deputy Permanent Secretary -EDD (Ag)
	Business Botswana	Dichaba Molobe	Manager -Public Policy Advocacy and Lobbying
	Botswana Exporters Manufacturers Association	Mmantlha Sankoloba	Chief Executive Officer
Tuesday, 12.05.20	Office of the President (Poverty Eradication Unit)	Nyendi Moloji Ian Tema	Director -Poverty Eradication Director - Operations
	UNDP - RSCA	Renata Nowak-Garmer Usman Iftikhar	Programme Specialist - Employment and Social Protection
Wednesday, 13.05.20	Ministry of Finance and Economic Development	Moremi Moremi Boipelo Rakwadi T. Chakalisa	Director - Human Resource Planning & Enterprise Development Policy
	Botswana Bus Operators Associations	Tirafalo Mponang	Chairman and Bus Company Owner
Thursday, 14.05.20	Gaborone and Local Bus Services and Taxi Association	Edison Tlhomelang	Chairman and Former Taxi Driver
	Informal Worker ILO	Gofaone Montshiwa Annamarie Kiago	Semi-Formal Barber Shop Owner Specialist on Informal Economy
Friday, 15.05.20	Ministry of Local Government and Rural Development	Wazha Tema	Coordinator – Strategy & Reforms
	Thusanang Bagwebi - Informal Sector Associations	Omphemetse Setlhare Angela Setlhare Simon Kenneth Tiny Mogale	Chairman Member – Accessories Vendor Member – Clothing Vendor Member – Food Vendor
Friday, 22.05.20	University of Botswana LEISO Business Labs.	Dr. G.N. Ganamotse (Ph.D.Entrepreneurship, University of Essex),	University of Botswana Professor of Entrepreneurship and founder of LEISO Business Labs.

Appendix 4. Literature Review

Informal Economy Context

- Botswana Multi-Topic Household Survey Report 2015/16. Statistics Botswana. Statsbots.org.bw
- Ministry of Finance and Development Planning of Botswana and ENOSYST: Project to Undertake an Informal Sector Study for Botswana 2015.
- BIDPA Botswana Institute for Development Policy Analysis. Determinants of Informal Sector Business Success in Botswana. Tshepiso Gaetsewe 2018
- The Informal Economy and Decent Work: A Policy Resource Guide Supporting Transitions to Formality. International Labour Office and Cornell University 2013
- Decent Work and the Informal Economy. International Labour Office ILO
- Defining and Measuring Informal Employment. International Labour Office ILO
- 2007 Informal Sector Survey Report. Botswana Central Statistics Office.
- Contagion or starvation, the stark choice for informal workers during the COVID-19 pandemic. ILO
- Ministry of Finance and Development Planning Draft Informal Sector Strategy for Botswana 2019

COVID-19 Botswana Economic Context

- Local Enterprise Authority (LEA) Mandate
- Economic Review First Quarter January - March 2020. 'Economic impact of COVID-19 likely to be deep and long-lasting.' EConsult. <http://econsult.co.bw/>
- Ministry of Finance and Economic Development Press Release April 2, 2020., and
- Guidelines for Botswana Covid-19 Pandemic Relief Fund
- CEDA Centre for Economic Development Assistance of Botswana. LETLHABILE Press Release 5/15
- COVID-19 and the world of work. International Labour Office ILO
- Impact of the COVID-19 on the informal economy in Africa and the related policy responses. ILO
- Impact of lockdown measures on the informal economy. ILO

Botswana Country Context

- Botswana National Development Plan 11 Volume 1 April 2017 – March 2023
- Botswana Voluntary National Review on Sustainable Development Goals 2017
- Government of Botswana United Nations Sustainable Development Framework (UNSDf) 2017-'21
- Country programme document for Botswana (2017-2021). Executive Board UNDP, UN Population Fund.
- UN Botswana Gender Score Card Review Report UNFPA 2017
- Country Partnership Framework for Botswana, World Bank FY 2016-2021
- World Bank Country Context Report Botswana

Socioeconomic Context

- Protection Outcomes in Cash Based Interventions. Danish Refugee Council and CaLP 2015
- UN framework for immediate socio-economic response to COVID-19. United Nations April 2020
- Quarterly Multi-Topic Survey: Labour Force Module Report. Statistics Botswana Q3 2019
- WIEGO Working Paper No 1 August 2012: The Informal Economy: Definitions, Theories and Policies (Chen)
- Overseas Development Institute: Informal is the new normal Improving the lives of workers at risk of being left behind Elizabeth Stuart, Emma Samman and Abigail Hunt January 2018
- Recent experiences of formalization in Latin America and the Caribbean. Programme for the Promotion of Formalization in Latin America and the Caribbean, FORLAC.

Appendix 5. Questions – National SMME Registration Exercise

Questions asked included the following:

- Is your business registered with any of the following (CIPA, BURS, PPADB)?
- Does your business have a business account with the bank?
- Do you have a Local Council Hawkers License or Any Specialized license?
- Does your business have a tax clearance certificate?
- Do you pay fixed monthly salaries to your employees?
- Age
- Gender
- What is your main business activity?
- Sector
- Location of business operation pre-Corona shutdown (Residential, Open area in Mall, Local Council Shelter, Roadside, Owner Occupied).
- How long has your business been in operation at current location (in years)
- Place of business operation (town/city/ settlement/village)
- How many employees do you have (including yourself)?
- What is your average monthly income from your business?
- In 2019, how much was the highest income you made in one month?
- In 2019, how much was the lowest income you made in one month?
- How much was your income for April 2019?
- How much was your income for April 2020?
- Which financial services do you access?

Appendix 6. Notable Informal Sector Responses from the Global Context

- **Angola:** The Ministry of Economy and Planning, the Ministry of Commerce, the Ministry of Transport and the Ministry of Finance will encourage the formalization of economic activities, especially public transportation and informal trade sectors, introducing a mobile payments portfolio and financial support with micro-credit.
- **Burkina Faso:** Cash transfers to informal sector workers - total cost of US\$10 million (5 billion CFA) to help the fruits and vegetable informal retailers affected by the situation, particularly women.
- **Cabo Verde:** One off \$100 payment to 30k informal workers.
- **Chad:** The government will set up a solidarity fund for the vulnerable population amounting to CFAF 100 billion.
- **Chad:** The establishment of a Youth Entrepreneurship Fund (0.6 percent of non-oil GDP).
- **Chad:** For SMEs, the authorities will reduce by 50 % the business license fees and the presumptive tax for 2020.
- **Mauritius:** The Self-Employed Assistance Scheme gives financial support to the informal sector.
- **Namibia:** One-off N\$750 Emergency Income Grant to formal/informal workers who lost their jobs – emergency grant reached 580.000 people in April (total cost N\$562 million), wage subsidies for N\$400M, various worker loan schemes.
- **Seychelles:** Informal workers without pay slips may seek assistance from the Agency for Social Protection.
- **South Africa:** Considering an emergency income grant to assist informal workers who can't earn money during the nation's 21-day lockdown to buy food.
- **South Africa:** Proposal for monthly payments over a five-month period. Informal sector entrepreneurs one of the targets.
- **Sudan:** Informal workers one of the recipients of in-kind support to be provided by the Ministry of Labour and Social Development: food basket worth of 3.000 SDG (\$55) including pulses, oil, sugar, tea, wheat/sorghum flour, soaps, salt, expected to cover needs for 3 weeks.
- **Togo:** Creation of social safety net scheme "Novissi" - unconditional cash transfer scheme designed to support all Togolese informal workers whose incomes are disrupted by the Covid-19 response (signing via mobile phones, need to prove identity with valid voting cards).
- **Togo:** No water or electricity fees for informal workers.
- **Kenya:** Fee waivers on person-person mobile money transactions on M-PESA were approved.
- **Peru:** Government extended cash allowance of 380 soles (about €110) to poor and very poor families.
- **Canada:** Government announced an \$82 billion (about US\$57.4 billion) emergency fund for COVID-19, which includes financial support for both the employed and self-employed, including family benefits.
- **India:** Kerala State Government announced package of measures including cash, health support, food.
- **Ecuador:** Some 90,000 food kits will be delivered in Quito to self-employed traders.
- **Ghana:** No fees from service providers on mobile money used for utilities for the next three months.
- More information and programmatic links on implementations across Sub-Saharan Africa here: <https://socialprotection.org/discover/publications/covid-19-compilation-social-protection-measures-and-resources-relevance-sub>

Appendix 7. Government of Botswana Policies Applicable to the Informal Sector (ALMPs and Others)

Current Covid-19 Response Measures

As the economic crisis of COVID-19 developed, the Government of Botswana moved quickly to respond with policy implementation meant to support citizens, households, and basic financial systems. These policies present the background required to understand the current context. The following policies have been implemented in Botswana:

Formal Private Sector Wage Subsidy

Rapidly implementing a strategy which would be followed by countries around the world, on April 1st 2020 Finance Minister Dr. Thapelo Matsheka announced the implement a wage subsidy for formally-employed workers. The following criteria apply:

- Applicable only to citizen employees;
- Employers in identified sectors must be registered for tax with BURS;
- Employers must make a commitment not to retrench employees as a result of the pandemic;
- Applicant employer must produce a wage bill from December 2019;
- The subsidy period commences in April and ends in June 2020.

This subsidy provides 50% of formal employees' monthly wages, based on a previous wage bill, within a range of 1000 to 2500 Pula per month.⁴⁸

Based on the 2018 formal employment figures by sector, and accounting for the 50% stipulation and range noted, it is estimated that the wage subsidy can be costed at roughly 200,000,000 Botswana Pula (BWP) per month.⁴⁹ The program is to run for 2.5 months, totalling approximately 500,000,000 Pula, equivalent in May 2020 to approximately Euro €38,480,657.80 in total or €15.39M per month. Further programs have also been enacted to assist formalised private sector enterprises with tax rebates. By working to support its incorporated private sector, Botswana is applying a safety net to ensure the resiliency and reinvestment in the economy of the present and of the future.

COVID-19 Food Assistance Rapid Response

In addition to the formalised private sector wage subsidy, the GoB acted quickly to implement a food assistance relief program. This program, managed by the Ministry of Local Governance and Rural Development, assesses citizens and delivers food baskets for those in need. At the time of writing it is estimated that roughly 300,000 food baskets have been delivered. This initiative utilizes social workers, who assess needs of families and deliver food baskets reducing instances of hunger and unrest given the lockdown protocols. Baskets contain carbohydrates, greens, vegetables and meat from Botswana. The Ministry has sourced these inputs from local farmers, which has helped support those businesses.

COVID-19 Pandemic Informal Sector Response Programming

An appropriate response to address enterprise stability needs of the informal sector is somewhat more challenging than producing a wage subsidy for the formal private sector for the following reasons:

- Informal sector participants are difficult to identify and reach: businesses are not registered and the physical range of residences and operations areas for the informal sector is not known with precision.
- Informal sector participants most often do not keep any books – it is difficult to know how much support or what type of support to deliver.
- The informal sector can be difficult to define in absolute terms.
- Participants in the informal sector have not registered for the BURS tax authority and have not paid

⁴⁸ <https://www.rsm.global/botswana/news/covid-19-botswana-government-wage-subsidy-scheme>

⁴⁹ Government of Botswana Twitter.

taxes – though those earning under 36,000 Pula per year need not pay tax, and those earning from 36,000 to 72,000 must pay only 5% tax. The context of these enterprises remaining unregistered can understandably promote a thought-process which reduces enterprise support options, since the firm has chosen not to participate in the Government revenues system.

Thus, informal sector enterprises have not been able to earn revenues since April 2nd, resulting in what can be considered a considerable strain on the family accounts and livelihoods of participants. This report will seek to understand if the responses to-date should be seen as sufficient, or if there would be reason to conclude that informal sector should be engaged further.

The Current Covid-19 Informal Economy Response

Letlhabile

On May 15th, 2020, the Citizen Entrepreneurial Development Agency (CEDA), an agency of the Ministry of Investment, Trade and Industry (MITI) launched the Letlhabile platform specifically targeting informal sector participants.

Letlhabile will provide loans of 500 to 10,000 BWP, at 5% annual interest on the remaining balance with a three-month interest-free moratorium period. The notice specifically mentions that ‘street vendors, hawkers, food vendors, tuck-shops, car washes, hairdressers’ and so on are the target of the program – i.e. some informal sector participants. Some perspectives hold that *policy options* exist in the case of low repayments: for example, the moratorium can be extended, or the loan forgiven to a degree. This is to say policymakers have some leeway to adjust protocols at a later date should repayments prove cumbersome. At the least, the Letlhabile program provides a mechanism for informal enterprises to themselves gauge how much they may need and should be able to repay – thus systematising progressive ‘agency’ within the program. It will be interesting to see how many firms do take up the offer for a loan, and how deep into the informal sector the programme will penetrate.

Emergency Response Fund Essential Supplies Loan

On May 15th, 2020, CEDA also released plans to offer an ‘Essential Supplies Loan’ of up to BWP 30M for up to 15 years for manufacturing ‘essentials that are related to COVID-19 and/or products which have a high propensity and viability to be manufactured during and beyond the period of COVID-19.’

Batswana firms do produce applicable products such as hand sanitizers, though it is thought that these firms, or any firms able to reasonably borrow a large sum, are likely formal and not informal. It is not clear to what extent informal sector participants, such as tailors whom have begun to produce masks, will be able to access this facility. However, it seems to be a meaningful loan facility promoting manufacturing and diversification while reducing dependence on imports – key objectives indeed.

MEDIA RELEASE

LETLHABILE

The Citizen Entrepreneurial Development Agency (CEDA) has launched an informal sector stimulation programme named Letlhabile which will focus specifically on uplifting the informal sector which has been negatively impacted by its vulnerability and reliance on an active formal sector and the movement of the public, whose mobility has been restricted by travel restrictions implemented to control the spread of COVID-19. The product will target individuals who predominantly sustain their livelihood through business activities at the micro and informal sectors.

Letlhabile will focus on supporting businesses in the informal and micro enterprise sector that were in existence and trading prior to the COVID-19 pandemic, specifically prior to 29th February 2020. The time horizon for the programme is 6 months effective 15 May 2020 until November 2020.

Letlhabile will provide loans from P1000.00 up to P10,000.00.

Together with the funding intervention, the Agency will undertake capacity building interventions in the areas of record keeping, business formalisation and packaging and branding. These interventions will be delivered in clusters and where necessary and competing, interventions will be done at a business level.

TARGETED INFORMAL SECTOR

- Retail (Street vendors, Hawkers, General dealers, Tuckshops, Food vendors at markets)
- Services (Hair-Dress and other artisan come)
- Agriculture (Fruit processing)
- Any other types of micro business

ELIGIBILITY

- Any individual who is a business at least up to P10,000.00

FINANCIAL TYPE OF SUPPORT

- Working Capital & Asset Finance Loan (Tools, machinery, equipment, Stock, raw materials, fuel or transport)

LOAN INTEREST CHARGE AND MORATORIUM

- Loan shall be charged at 5% interest rate per annum on a reducing balance method
- Interest free Moratorium period of 3 months from the date of business trading

SECURITY

The following shall be acceptable collateral for any loan granted:

- Individuals without formal employment

FINANCIAL TYPE OF SUPPORT

- Working Capital & Asset Finance Loan (Tools, machinery, equipment, Stock, raw materials, fuel or transport)

LOAN INTEREST CHARGE AND MORATORIUM

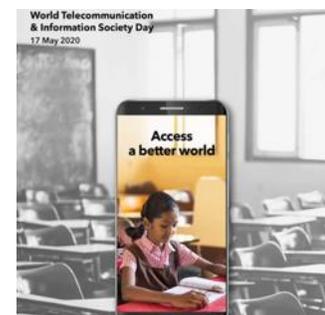
- Loan shall be charged at 5% interest rate per annum on a reducing balance method
- Interest free Moratorium period of 3 months from the date of business trading

SECURITY

The following shall be acceptable collateral for any loan granted:

Peggy O. Serame
@SeramePeggy

We have further eased doing business in Botswana through legislation that regulates starting a business. Details of the Regulations for both the Trade & Industrial Development Acts will be explained in the coming days.



Program Findings Continued: ALMPs and other Programmes

Applicable Informal Sector Programs Operating Unrelated to Covid-19

In Botswana, the Poverty Eradication Assistance and Rural Area Development Programme⁵⁰ works to ensure poverty-stricken citizens are able to provide for themselves and their families by offering technical training, business training, and financial support across a number of trades. These include: Home-based laundry, leather works, jam and vegetable pickles, bakery management, textiles, food catering, tent renting, landscaping, backyard tree nursery management, and hair salon management.

The like-minded Poverty Eradication Program similarly ‘promotes micro and small-scale entrepreneurship’, and provides technical training and enterprise-development financial assistance (ibid). The Women’s Economic Empowerment Programme is a new program under development, which will help groups of women obtain seed money to start their own income generating projects.⁵¹

The Youth Development Fund (YDF) is a socio-economic programme for young people, meant to support start-ups and expanding businesses.⁵²

A slate of Rural Development Programs have been developed to promote entrepreneurship in the livestock, tree nursery, and transportation space.⁵³

The popular ‘ipelegeng’ unemployment relief programme is an important cash-for-work program in which casual labourers can be paid for immediate work over the course of one month.⁵⁴

Social Insurance Programs

The Government of Botswana has a defined contribution pension scheme, the Botswana Public Officers Pension Fund (BPOPF) for civil servants, in which the GoB contributes 5% for the member’s 15%. The GoB also funds a variety of pension schemes. The 2012/13 the budget for pensions was P348.3 M.⁵⁵

Several private voluntary occupational schemes are supervised by the non-Bank Financial Institutions Regulatory Authority (NBFIRA). Occupational pension plans are usually established by medium-sized and large employers. these systems together cover 49,752 formal sector employees (in 2013). In 2013 there were 97 existing private pension schemes (ibid).

Active Labour Market Programs

A variety of Active Labour Market Policies (ALMPs) have been developed. Some are noted in the section to follow. A complete list as of 2013 is available via the World Bank Social Protection Plan available here: <https://bit.ly/3ctkr1n>. Notable is the Youth Empowerment Scheme, which includes Computer Literacy.

Existing Programming Continued: Entrepreneurship Programming by LEA and CEDA

It has been found that Botswana is the global leader in progressive entrepreneurship programming. Below are programs which the policymakers of the Government of Botswana have developed and implemented for over a decade. The COVID-19 crisis should not necessarily be seen as an event for which policy must take a step back – in fact, the road behind has somewhat eroded. It should be instead seen as an event which further and clearly necessitates moves ahead.

Figure A.5.12

⁵⁰ <https://www.gov.bw/social-upliftment-programme/poverty-eradication-assistance-rural-area-development-programme>

⁵¹ <https://www.gov.bw/grants/womens-economic-empowerment-programme>

⁵² <https://www.gov.bw/grants/youth-development-fund>

⁵³ <https://www.gov.bw/social-services?txterm=137>

⁵⁴ <https://www.gov.bw/social-upliftment-programme/ipelegeng-unemployment-relief>

⁵⁵ World Bank Botswana Social Protection Assessment December 2013 <https://bit.ly/3ctkr1n>

The work of the MITI embody this direction including these platforms developed by LEA and CEDA:

Mabogo-Dinku: loan offers micro-enterprises an opportunity and enables citizen participation in enterprise development. Mabogo-Dinku loan provides micro enterprises with funds for their needs e.g. working capital and small asset finance.

Training and Mentoring: cultivate the right entrepreneurial skills by providing the CEDA beneficiaries with hand holding services for business related functions such as marketing management; financial management; operations management, and human resources management. Provision of these is an attempt to address either the lack of or inadequate business skills.

Services Loans: Provides a variety of loan facilities for businesses operating in the services industry.

Trade Finance facilities: Offers Purchase Order Financing, Invoice Discounting, Factoring, Performance Bonds, Suppliers Guarantees, Bank Guarantees and other Credit Guarantees, as well as bridge loans from P500.00 to P30 million.

Structured Finance Equity Investing: Invests in opportunities to create consistent value. Partners with management to invest in businesses that have potential for high growth. Nurtures portfolio companies, up-skill staff and provides strategic direction to the management team, consider exit.

Incubation: LEA has five incubators aimed at providing low-cost, property based facilities and shared services to

Appendix 8. Positive Challenges, Positive Externalities, Proposed Micro-Grant Recapitalization Programmes

- a) The central question here is should the 1000 Pula be used to rebuy sales stocks, or not – and if not, be used to purchase foodstuffs, or to pay rents. Policymakers will have to consider if they would like to see all sellers purchasing into the same value chains as previously, or if this would be a good time to coach on **diversification** – taking into account the ‘crisis’ nature of the moment. Such coaching may in fact be essential if new rules regarding borders and imports necessitate a changing of trades for some whom have sourced from South Africa (informal clothes importers, for example). In any case the low figure of 1000 Pula is a basic life-line subsidy – families would likely use this stimulus on rents, local foodstuff purchases, and some repurchasing of stocks.
- b) The largest challenge is locating the members of the informal sector and verifying their true roles in that field while avoiding risks of **moral hazard**. In usual times, questioning associates in the peri-urban villages where many informal traders do business would be possible.⁵⁶ For this circumstance, the Registration administered by LEA will be an excellent resource.
- c) A further challenge will be Distribution Methodologies, for which the Cash for Work and Voucher experiences would be useful. A mobile money solution could also be of interest. These are topics which will require additional focus and specialisation.

Positive Externalities of a Proposed Micro-Grant Recapitalisation Stimulus Program

This stimulus can be used as an opportunity for the following

- **Registration:** The stimulus can be used as an opportunity to incentivise un-registered firms towards an initial institutional engagement. As noted in the Informal Sector Agency recommendation above, this will lead to more robust partnership with entrepreneurial training and a continuous process of ‘active graduation’ through Labour Market Interventions and ALMPs, which will be discussed in the Recovery Section. This would include advisory on diversification and entrepreneurship, and perhaps most essentially seed-level training towards entry into existing Active Labour Market Programs. Firms will be incentivised to Register by the Stimulus.
- **Improved Communications with Informal Sector Participants:** A further goal should be to improve Communications with the informal sector. Following this, it can be better-communicated to participants that BURS registrants are tax-exempt beneath a threshold of 36,000 Pula annually. This is an opportunity, for if Botswana can engage the vast majority of informal sector participants in formal registration and into a robust **Social Contract** of mutual benefit, Botswana will be a leading voice in one of the most important economic and regional ‘future of work’ conversations.
- **Immediate Support for New, Diversified Value Chains.** A central informal sector challenge, as noted above, is the lack of profitability of many trades. Many entrepreneurs are operating in over-saturated fields, competing only on price. These entrepreneurs can be supported to opt into value-chains like sanitiser sales, cooperation with restaurants for delivery, or cooperation with technology companies for ‘last-mile’ operations, which will steer entrepreneurs away from saturated industries where pure cost competition drives quality down and promotes chronic informal sector poverty.

⁵⁶ Interview with Dr. Joel Sentsho of the Ministry of Investment, Trade and Industry

Appendix 9. Leiso Business Labs

LEISO: IGNITING ENTREPRENEURSHIP THROUGH INTERVENTIONS THAT MATTER

It was around the fireplace that our grandparents shared and passed pertinent knowledge and life skills to generations through storytelling and adages. We are Leiso Business Labs – your preferred partner for fostering entrepreneurship in Botswana and beyond.

OUR LEGAL STRUCTURE

Leiso Business Labs (LBL) is a social enterprise that is registered in Botswana in 2019 as a company limited by guarantee. The company is founded by two women founding members. The legal structure prohibits any profit distribution but promotes reinvestment of profits into the business to perpetually drive the mandate of the organisation thus ensuring the sustainability of the enterprise.

WHY LEISO?

Sub-Saharan countries, like many emerging economies, Botswana inclusive, experience high young population rates also known as “the youth bulge”. The youth bulge can potentially become an investment opportunity when the young population creates a deal flow for future gainful employment in productive activities. However, it becomes a demographic time-bomb when it results in high unemployment rates for the youth as they reach employment ages. High unemployment rates have led to a plethora of problems such as poverty, urban migration, and high dependency on necessity entrepreneurship (the informal economy).

These emerging economies are overly dependent on natural resources, which are susceptible to depletion – thus necessitating the development of economic diversification initiatives. However, most economic diversification policies have yet to yield significant impactful results.

This problem is exacerbated by low entrepreneurial spirit among individuals in most emerging economies. Whilst we appreciate national initiatives for driving entrepreneurship, most institutions target those who already have innovative ideas – hence ignoring those who have not started thinking about entrepreneurship or those practicing necessity entrepreneurship.

It is this gap which Leiso Business Labs purposes to address. We at Leiso Business Labs believe there is a need for a holistic and inclusive approach to entrepreneurship development that ensures a steady pathway from start-up to growth enterprise whilst addressing both the supply and demand sides of entrepreneurship.

OUR PURPOSE

The main purpose of Leiso is to drive the Entrepreneurship Agenda through development of a **National Culture of Entrepreneurship** through partnership with stakeholders.

Leiso strives to support Entrepreneurs in building their ventures by developing bespoke training and development programmes, coaching, knowledge sharing and development of networks to ensure efficiencies in time to market, high growth and higher survival rates for early stage and growth entrepreneurial companies.

OUR OBJECTIVES

- a. To facilitate for individuals to choose entrepreneurship as an alternative career choice with a view to reduce social ills such as poverty and unemployment;
- b. To create entrepreneurship awareness amongst individuals, particularly marginalized groups such as youth, women and retirees, in both urban and rural areas therefore building capacity for inclusive economic development;
- c. To develop entrepreneurial capacity of individuals to enable them to attain a profitable and rewarding entrepreneurial journey;
- d. To provide a safe-haven for start-up and growth of new ventures;

- e. To drive innovation at all levels of the economy (i.e.in rural, urban, SMME’s and Corporates);
- f. To facilitate the development of Entrepreneurship, and of Social Entrepreneurship, through Incubation Frameworks.

OUR MODEL

As a social enterprise, Leiso Business Labs has a two-pronged approach to its revenue and sustainability model.

i) Grants, Sponsorships and Donations:

The service delivery will be facilitated through appeals to well-wishers, grants and appeals to our partners’ Corporate Social Investment initiatives. This funding stream is essential as it enables Leiso to partner with governments, development agencies, multi-laterals, embassies and foreign missions, and other stakeholders to drive the country’s entrepreneurship agenda.

ii) Commercial Sale of Interventions

Leiso also provide paid services to ecosystem players, corporates, and investors at commercial rates. Partners such as banks and the Botswana Innovation Hub may outsource our services for their clients or themselves for corporate entrepreneurship strategies, institutional capacitation, innovation development, and mergers and acquisitions pipeline advisory.

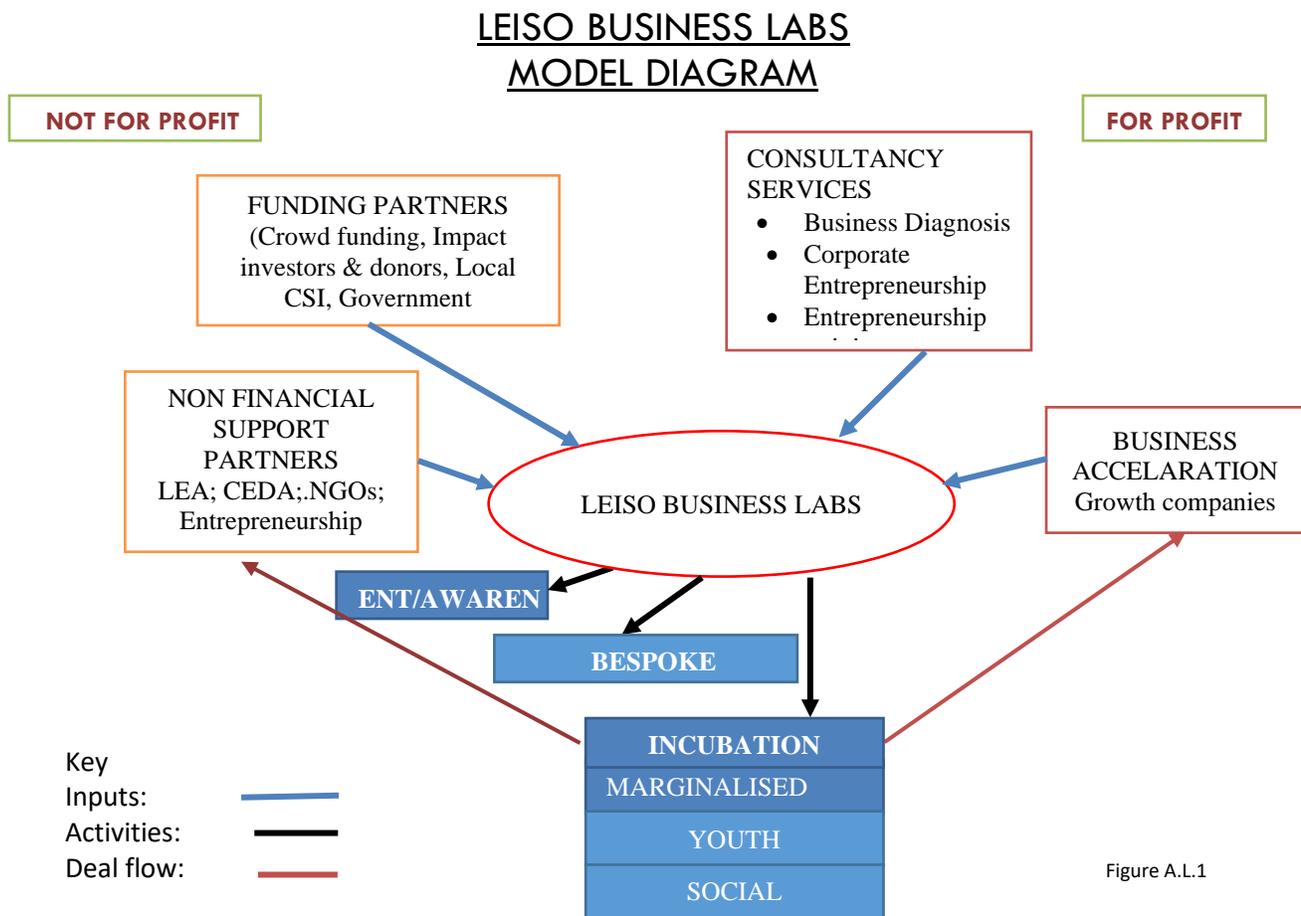


Figure A.L.1

Appendix 10. University of Botswana

ENTREPRENEURSHIP DEVELOPMENT INITIATIVES

Botswana has in recent years recorded high unemployment rates, specifically amongst the youth. For the first time, the country is faced with the dilemma of unemployed graduates. This can be attributed to the earlier orientation towards education and learning for the job market by both the government as the main employer and the country's educational institutions.

To curb the unemployment problem, the Botswana government has developed initiatives including the Graduate Internship Programme and the Job Creation Initiative. However, the 2013 Global Entrepreneurship Monitor (GEM) study, undertaken by a team from the University of Botswana's Faculty of Business, has indicated that most youth do not take up these government programmes.

Also, the GEM study has pointed to the fact that youth tend to engage in necessity entrepreneurship – i.e. the 'informal sector'. This has been corroborated by the 2015 National Informal Sector Study, which has reported high participation of the youth in the informal sector. Furthermore, echoing the sentiments of the Global Entrepreneurship Development Institute on lack of start-up skills in Africa, the stakeholders attending an Entrepreneurial Ecosystem workshop on 21 February 2018 unanimously identified a gap for developmental support of in the entrepreneurial ecosystem. This problem does not only arise at the national level, but even within the university ecosystem as there is no coordinated effort towards development of the entrepreneurship drive, with all stakeholders involved.

This calls for Botswana to equip its young people with skills to facilitate for the youth to take an active and meaningful role in the country's economic activity. Consequently, the role of education in this endeavour cannot be over-emphasized. Business skills, specifically entrepreneurship education, will promote participation of the youth in the economic activities and will contribute towards the nation's efforts to diversify the economy.

To this end, the University has put in place several initiatives:

1. Bachelor of Business Administration Degree in Entrepreneurship and Business Development.
Started in 2012, the mandate of the BBA in Entrepreneurship and Enterprise Development programme is to address the requirement of the Graduate Employability Strategy by aiming to produce graduates who are entrepreneurs.
Unlike other courses, the BBA Entrepreneurship programme seeks to graduate entrepreneurs who would not only create employment for themselves but would also create employment for others. The programme is structured such that in their final year, semesters 7 and 8, the students take business incubation courses. It was envisaged that the business incubation courses will provide the students with the experience of developing highly innovative, feasible and scalable business models that address the problems of their local communities.
2. Executive Master's degree in Entrepreneurship Programme.
This 2years part-time programme culminates into either a turnaround strategy for an existing enterprise, dissertation, or creation of a new venture. It includes a fully-developed business incubation programme which supports executives who opt for new venture creation.
3. The BUSINESS clinic™ (TBC).
The clinic started its operations in the late 1990s. The Business Clinic is a unit within the Faculty of Business mandated with inculcating entrepreneurship culture within the University while supporting the National Development Plan and economic development agenda. The clinic uses a two-pronged strategy of capacitating students as well as at community level;

Student Development Programmes

The Clinic has some flagship programmes within its structures that nurtures entrepreneurship and contribute towards general employability and quality of graduate. In addition, the Clinic delivers some programmes in collaboration with external stakeholders and industry players. Some of the student development programmes are:

- a) Small Business Consultancy programme- students use this programme to interact with small businesses (mainly informal sector) offering them business advisory skills.
- b) Student Enterprises
The Business Clinic has some enterprises (coffee shops and print shops) under its arm that are being operated and managed by students as part of their learning.
- c) Speakers Platforms
From time to time the Business Clinic hosts different speaking sessions by young entrepreneurs in an effort to inspire the spirit of entrepreneurship.
- d) Entrepreneurship Week
The Business Clinic in partnership with a local bank hosts an annual entrepreneurship week event. Student Entrepreneurs Incubation Programme
- e) The Business Clinic runs an incubation programme for students who are entrepreneurs. They receive business advisory and counselling services.
- f) Business Pitch Competitions - The Business Clinic runs Business Pitch competitions with sponsorships from the service providers that are running businesses on campus. In addition, the clinic offers support and coaching to students when they enter competitions externally. This year a University of Botswana attained 1st position at the CEDA University Challenge winning a USD30,000 cash prize.

Plans are underway to facilitate entrepreneurial activities, by students across the university for students not on entrepreneurship programmes, through business incubation.

Industry /Community Development

a) Support to other ecosystem players

The Business Clinic develops and facilitates training and skills development for other ecosystem players. For the past two years, the clinic has been supporting the Botswana Innovation Hub with technical support for its competitions; FemBioBiz (a competition for female bio-tech entrepreneurs), and Botswana Innovation Fund (a national competition for innovation projects funding).

b) In-house Training Programmes

The Business Clinic in partnership with Frankfurt School of Finance (a project supported by the European Investment Bank) delivered business skills training for the youth entrepreneurs (50 youth entrepreneurs were trained). The training also extended to a specific women business skills programme (30 women) were trained.

Trainees were sourced from Ministry of Youth, Sport Culture Development (as Youth Development Fund Beneficiaries), the Gender Department (beneficiaries of the Gender Funding programme for Women), and the Women Finance House Botswana (Thusang Basadi). Women Finance House Botswana a microfinance non-governmental organization for the women in the informal sector.

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