

The Magic touch of the Entrepreneur - Unlocking Botswana's Start Up Talent

Botswana has a huge range of resources and organisations to help the growth of its Small Medium and Micro-enterprises (SMMEs), as well as one of the most entrepreneurial populations on the continent, but, as Jonathan Elliott has been finding out, innovation and access to finance remain major hurdles.

If the economies of Southern Africa are to flourish, the key will not be government spending or big corporations, but the entrepreneurial spirit of individual businesses and their leaders. If this has a very familiar ring to it, its because it could be the start of a keynote address in any number of business and economics summits across the African continent over the last 20 years.

And not just in Africa. Almost all countries now hail entrepreneurship as vital to their economic survival. All over the world, governments are throwing tax breaks and other incentives at start ups and SMMEs and there is much evidence to suggest they are very wise to do so. Because startups mean jobs.

Large corporations tend to let large numbers of their workers go but, according to the latest Global Job Creation Survey from EY [<http://www.ey.com/gl/en/services/strategic-growth-markets/center-for-entrepreneurship-and-innovation---job-creation-survey>] , more entrepreneurs than big businesses expect to create jobs. Some 59% globally expect to increase their total workforce in the next 12 months, while just 28% of large corporations are planning to do so. Small wonder then, that pretty much everywhere you go, the magic touch of the business genius is seen as the answer to national economic growth.

In Botswana, some 75% of new jobs last year came from the SMME sector, according to the Local Enterprise Authority (LEA) [<http://www.lea.co.bw/>] . And globally, survey after survey confirms that Botswana is a leader in entrepreneurial energy. According to Mastercard [<http://newsroom.mastercard.com/asia-pacific/documents/report-mastercard-index-of-women-entrepreneurs-2017/>] , 34.6% of the country's entrepreneurs are women, just .2% shy of the top slot held by Uganda. This may be caused by necessity, rather than being inspired by business ideas and the promise of running a successful business, but it demonstrates the presence of a vigorous enterprise culture. High levels of unemployment force the country's talented and numerous graduates to turn to their own resources and initiatives to get their careers started.

Botswana can also boast the second highest score in the world for Total Entrepreneurial Activity (TEA), as measured by the Global Entrepreneurship Monitor (GEM) [<http://www.gemconsortium.org/>] survey last year. GEM counts this as the percentage of adults who have started a business in the last 3 months. Botswana scored 35%, not far behind top scorer Senegal at 39%. The average for the sample, which included 60 countries worldwide was 21%. Not just that, 60% of those questioned in Botswana said they wanted to start a business in the next three years.

But getting that spirit up and running is one thing, making it a sustainable driver of the economy is something else. For enterprises to flourish, they need support and investment. Again, Botswana enjoys a range of organisations ready to help.

The Citizen Entrepreneurial Development Agency (CEDA) [<http://www.ceda.co.bw/>], set up in 2001, offers advice, financial and technical support as well as funding for start-ups. It's not confined to SMMEs and offers support to expansions as well as stock or working capital in new and existing business ventures. The Youth Development Fund (YDF) targets entrepreneurs in the age bracket of 18-45 with grants and interest-free loans and offers funding from P50k to 100k per project. The LEA, established in 2004, aspires to be the national centre of excellence for SMME development and has 13 branches nationally. But it has also developed an expertise in business incubation, and has four hubs in Francistown, Gaborone Glen Valley and Pilane.

These offer low-cost facilities, workshops and factory space as well as shared capital equipment and business services to nurture the development of new firms, especially in sectors that are already promising and offer down stream growth. With the pressing need for Botswana's economy to diversify away from diamonds, its arguably these hubs that offer the most exciting prospects.

The Gaborone incubator stimulates an obvious potential for a national leather industry and allied upholstery, shoe manufacturing and other leather businesses. Pilane's incubator offers the opportunity for food processing and household chemicals manufacturing firms to grow. While Francistown's hub fosters businesses specialising in mining-related products such as metal fabrication and protective clothing. Finally, Glen Valley, in Gaborone, promotes innovative horticultural enterprises - especially in high value, high demand, high yield crops under controlled environments using treated waste water.

With an eye on the need for the economy to develop a tech sector, there is the Botswana Innovation Hub (BIH), set up to promote technology-based innovation and entrepreneurship in new manufacturing and services enterprises.

In addition to state-funded initiatives, the banking sector offers attractive finance options, some of Botswana's larger private companies have set up kickstarter funds and incubator projects targeting young people and specific industries. It seems there is no shortage of organizational enthusiasm from both public and private sectors to get the entrepreneurial spirit going.

At first glance, Botswana's impressive scores on entrepreneurial energy and investment in the SMME sector could be a cause for celebration, but caution is needed.

Although the World Bank forecasts suggest that 80% of future jobs in developed markets will be created in SMMEs, those developed markets support the growth of SMMEs with mature, long standing sources of affordable structured finance.

50% of SMEs globally lack access to finance and in southern Africa, this problem is particularly acute, according to the World Bank. Without reliable finance, the sector will inevitably struggle. But this is not the only obstacle for Botswana's SMMEs.

While support organisations and initiatives do their part, the fundamental seedbed for an enterprise economy also has to be there. Botswana's education expenditure is among the highest in the world, at around 9% of GDP, but this is only slowly providing the skilled workforce the country needs to produce a thriving and mature SMME sector.

And that feeds into another important challenge for SMMEs in Botswana which is innovation. The GEM research suggests that enterprises in Botswana operate in a narrower field of sectors and consequently generate fewer jobs, new markets or products. Nearly half of all the businesses surveyed are in wholesale or retail businesses, while potentially more lucrative sectors like ICT, financial, professional, health, education and other service industries stay relatively under-developed.

The executive director of GEM, Mike Herrington, says that more specialist support needs to be directed to help right these imbalances and central to these are world class training in financial and technology skills.

The challenges faced by Botswana's entrepreneurs in keeping their businesses going are the same facing startups everywhere : loan repayment and cash flow, effective business management, accurate record keeping to facilitate finance, consistent product quality and an over-reliance on government procurement. But there have been many successes and lessons learned, not least an increasingly coordinated approach to SME development among the support organisations.

Botswana's competitive lead on entrepreneurship points to a promising future for its SMMEs - but the hurdles of skills, innovation and consistent access to affordable finance remain.

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