Impact of COVID-19 and the Russia-Ukraine Crisis on Micro Small and Medium-Sized Enterprises (MSMEs) in Botswana

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ABBREVIATIONS
AfCFTA  African Continental Free Trade Area
AU    African Union
BB    Business Botswana
BEMA  Botswana Exporters and Importers Association
BIDPA Botswana Institute for Development Policy Analysis
BSIC Rev.4 Botswana Standard Industrial Classification Revision 4
BES   Business Expectation Survey
BURS  Botswana Revenue Services
CSO   Central Statistics Office
CEDA  Citizen Economic Development Agency
COMESA Common Market for Eastern & Southern Africa
ERTP  Economic Recovery and Transformation Plan
ECA   Economic Commission for Africa
ISIC Rev.4 International Standard Industrial Classification Revision 4
MSMEs Micro, Small and Medium Enterprises
LEA   Local Economic Authority
NC    National Consultant
SACU  Southern African Customs Union
SADC  Southern African Development Community
SB    Statistics Botswana
SDG   Sustainable Development Goals
SRO-SA Sub-regional Office for Southern Africa
UN-ECA United Nations Economic Commission for Africa
VAT   Value Added Tax
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This country report is a deliverable of the project titled “Global initiative towards post-COVID-19 resurgence of the MSME Sector”, or the MSME Surge project that was funded by the United Nations (UN) Development Account (DA) 13th tranche from 2020 to 2022. The project brought together the United Nations Conference on Trade and Development (UNCTAD), the UN Department of Economic and Social Affairs (DESA) and the five UN regional economic commissions including the United Nations Economic Commission for Africa (ECA), through its Sub-regional Office for Southern Africa (SRO-SA) based in Lusaka, Zambia.

The country report for Botswana was authored by Ernest Makhwaje, ECA SRO-SA consultant who led the implementation of the survey in Botswana, with a team of enumerators, working under the overall coordination of Mads Knudsen, lead SRO-SA international consultant, from Vanguard Economics Ltd. The report was prepared under the direct supervision of Bineswaree Bolaky, Economic Affairs Officer, ECA SRO-SA working under the overall guidance of Isatou Gaye, Chief, Sub-regional Initiatives Section, ECA SRO-SA.

This country report is one of 11 country reports assessing the impact of COVID-19 and the Ukraine crisis across the member states of ECA SRO-SA, which comprise of Angola, Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe. The report is a collaboration between ECA SRO-SA, the SADC Business Council, Business Botswana and the Botswana Exporters and Manufacturers Association. Special thanks are expressed to Peter Varndell, Executive Secretary, SADC Business Council and his team, Norman Moleele, Chief Executive Officer, Business Botswana, and Mmantlha Sankoloba, Chief Executive Officer, BEMA for their support and guidance on this initiative. The draft country report was presented and discussed at the Regional Meeting on Technology and Innovation for MSMEs in Southern Africa, 21-23 June, 2023 in Cape Town, South Africa, organised by the ECA SRO-SA and the SADC Business Council. The meeting was attended by senior government officials and private sector associations of ECA SRO-SA member states.

Special thanks is extended to the Government of Botswana, specifically the: Ministry of Finance; Ministry of Local Government and Rural Development; Ministry of Trade and Industry; Statistics Botswana and Botswana Revenue Services for providing background data and information critical for drafting the country report.
EXECUTIVE SUMMARY

This study is a deliverable between SRO-SA, the Southern African Development Community (SADC) Business Council and members of the SADC Business Council in Botswana, namely Business Botswana and Botswana Exporters and Importers Association. The objective of the study country report is to provide highlights of how MSMEs in Botswana are harnessing technology, innovation and regional integration agreements to mitigate the impact of COVID-19 and the Russia-Ukraine crisis on their performance. Among others, the study report is expected to contribute towards emerging literature that analyses post-COVID-19 and Russia-Ukraine crisis recovery strategies for MSMEs in the SADC region and Africa at large. Furthermore, the report is aimed at providing information necessary for mitigating the economic and social impact of COVID-19 and facilitate the contribution of MSMEs to the implementation of Sustainable Development Goals (SDGs). This country study forms part of a series of 11 country studies, covering the 11 member states of ECA SRO-SA, which will culminate in the production of a regional report that will summarise key findings and policy recommendations at country and sub-regional level within SADC.

The study was administered across seven (7) Districts, covering the two cities of Francistown and Gaborone inclusive of major surrounding villages. A deliberate decision was also made to ensure the inclusion of the Northwest/Chobe District, as it is a major hub for the tourism sector, which is a major contributor to Botswana's GDP. A total of 205 MSMEs were interviewed covering aspects such as demographic details of businesses, performance of businesses in capacity utilisation, staffing levels, sales turnover, participation in international trade, challenges faced by MSMEs due to the impact of COVID-19 and the Russia-Ukraine crisis as well as the use of technology and innovation.

In general, the study established that all MSMEs were negatively affected by the COVID-19 pandemic and the Russian/Ukraine conflict largely because of travel restrictions and supply disruptions. This is because Botswana is a net importer and as such, its enterprises are vulnerable to exogenous economic fundamentals. Hence global/regional travel restrictions and supply chain disruptions led to the observed high inflation, reduced production, reduced access to supplies, limited access to capital, shortage in stocks of finished products, and ultimately reduced consumer demand, all of which affected sales revenues and net profits due to MSMEs. In response to these, enterprises resorted to laying off staff, particularly short-term employees and scaling down on production levels. Very few resorted to the use of new tools and processes for running their businesses such as internet, online media & digital platforms. There was, however, a consensus among MSMEs for the need of government support in terms of access to markets, access to inputs, empowering local businesses and improving infrastructure. These are seen as positive incentives for businesses to invest in new technologies and innovations, which is currently very limited but crucial for creating resilience to future shocks.

Majority of MSMEs also seem to be located in urban areas suggesting a possible rural-urban migration indicating a lack of business opportunities in rural areas. However, observations are that, currently there is an influx of foreign owned chain stores in rural areas taking over local-owned small businesses, suggesting that there should be some level of business opportunities in rural areas and the need for strategic use of Foreign Direct Investment to support local private sector development. To enhance resilience of MSMEs in rural areas, it is deemed necessary to fast track development and implementation of the Fiscal Decentralisation Strategy, which is currently at Cabinet consideration. It is also necessary to consider reserving some MSME’s activities for local ownership as a way of empowerment and security in certain key activities such as those in agriculture and health subsectors. On 3rd December 2021, for instance, the Government of Botswana imposed an import ban on a list of 16 vegetables such as tomatoes, carrots, beetroot, potatoes, cabbage, lettuce, garlic, onions, ginger, turmeric, chilli peppers,
butternut, watermelons, sweet peppers, green mealies and fresh herbs and has seen resilience of local producers over the COVID-19 pandemic. This has substantially enhanced the ability of local MSMEs to access the local market and show signs of resilience. This is in addition to the Botswana's 2003 Trade Act that exclusively reserves licenses for citizens in 35 sectors, including butcheries, general trading establishments, gas stations, liquor stores, supermarkets (excludes chain stores), bars (other than those associated with hotels), certain types of restaurants, boutiques, auctioneers, and car washes, as part of Citizen Economic Empowerment. This list was reinforced in the Government Gazette on “reservations to locals”, published on 20th May 2020. However, enforcement of the Act seems to be lacking given observations made during the survey where majority of “general trading establishments” and “supermarkets” are currently run by foreigners as nationals have rented out or sold reserved licenses to foreigners. Hence, as a way of empowering and encouraging growth of local MSMEs, it is further suggested here that the design, deployment and evaluation of local content supply and production reservation policies should be fostered/revisited. A deliberate policy pronouncement should also be instituted to ensure that those large-scale traders particularly in rural areas, who obtained licences before enactment of the reservation law, are required by policy to re-invest within their operating areas and contribute accordingly to the tax revenues.
1. INTRODUCTION

This study has been commissioned by the United Nations Economic Commission for Africa (UNECA), Sub-regional Office for Southern Africa (ECA SRO-SA) to assess the impact of COVID-19 and the Russia-Ukraine crisis on Micro, Small and Medium Enterprises (MSMEs), in Botswana and the role of technology, innovation and regional integration. The study takes into account the role of technology in facilitating MSMEs business processes. Similar studies were undertaken concurrently in 10 other countries that constitutes the Southern SADC and the 11 member states of ECA SRO-SA. The study in Botswana is part of a regional report that summarises key findings and policy recommendations at country and sub-regional level. The Botswana study was a joint deliverable between SRO-SA and members of the SADC Business Council (specifically Business Botswana ((BB) and Botswana Exporters and Importers Association ((BEMA)) and the SADC Business Council itself and was conducted over a period of six (6) months from 24th November 2022 to 31st May 2023.

1.1 Background of the study

The study in Botswana is a deliverable of the UN project namely “The Global initiative towards post COVID-19 MSME sector”, which is intended to develop and implement capacity-building tools for governments and MSMEs. The objective of the project was to facilitate resurgence and strengthen resilience of MSMEs in developing countries and economies in transition.

While the pandemic and the current Russia-Ukraine crisis intensified the existing social and economic challenges for MSMEs in Botswana, it also presented a window of opportunity to: “accelerate structural reforms to transform the economy; diversity of exports; boost the role of the private sector in economic development; transit towards knowledge and digital economy; heighten internet connectivity; investment in digital skills and infrastructure and increase integration into global & regional value chains;” (Ministry of Finance, October, 2020). It is also noteworthy to indicate that, regional integration arrangements provide a wide range of market outlets for goods and services from and to Botswana and for MSMEs in particular. Hence, by design, SADC, the Southern African Customs Union (SACU), and the African Continental Free Trade Area (AfCFTA) have the potential to help Botswana accelerate economic growth post-pandemic recovery. To this end, one of the key questions addressed in this study was, “to what extent has MSMEs in Botswana taken advantage of this huge potential market regardless of the negative impacts on the business environment emanating from COVID-19 and the Russia-Ukraine crisis, and what challenges exist that might be preventing them from doing so”? The study also looks at the extent to which these MSMEs have utilised technology as well as assistance provided by Government to build their MSMEs resilience and participation in economic development.

1.2 Research methodology

In Botswana, the study was administered across seven (7) Districts (Figure 3.1), covering the two cities of Francistown and Gaborone inclusive of major surrounding villages. A deliberate decision was taken to include Northwest/Chobe District, which is a major hub for the tourism sector given that tourism is a major contributor to GDP.

As of November 2022, there were 24,515 registered operating businesses in Botswana, majority of which were in the Districts of Gaborone (9468), Francistown (2494), Central (2818), Kweneng (2059), Southeast (891), Kgatleng (493) and Chobe (453), inclusive of both MSMEs and large enterprises (Statistics Botswana, November, 2022). Due to difficulties encountered in obtaining actual data for individual enterprises, the entire population of MSMEs
in the National Business Register was assumed to be the study sample frame for a random target sample of not less than 200 interviewees. The target survey sample also deliberately included registered members of Business Botswana (BB) and Botswana Exporters and Manufacturers Association (BEMA). Five enumerators using a questionnaire developed by UNECA SRO-SA (Appendix 1) administered the survey. The enumerators were taken through a one-day crash course to ensure that they all have the same understanding of the questionnaire. Administering the survey included a combination of telephone calls, sharing the survey link, and one-on-one visits. The survey was undertaken from 24th November 2022 to 31st May 2023.

The biggest challenge, which substantially delayed administering the survey, was access to data for individual MSMEs. Due to legal requirements, both BB and BEMA, were not able to share details of their registered members. Similarly, even though the National Business Register contained locations and addresses of the registered businesses, there were no emails or telephone numbers provided and Statistics Botswana was bound by law not to share such personal details. To overcome this, the approach was to share links of affiliated members through officials of the respective institutions. The results were a very low response rate even with persistent reminders sent to affiliates by the respective institutions. The approach was changed to telephone calls and one-on-one site visits, and this was more effective in reaching out to the target group of interviewees. It was also observed that the questionnaire was quite long, the length of the questionnaire was intended to ensure comprehensiveness, and the slow internet connection with occasional disruptions lengthened the interview administering time. It was also difficult to keep a respondent from business activities for over 30 minutes for the purpose of the interview. However, where internet connection was very slow or lost mid-interview, the enumerators continued the interview using a copy of the questionnaire and fed responses into the online questionnaire as soon as the internet connection was available. During the interview, all ethical considerations were observed with regard to seeking informed consent by participation.

The respondents were also assured of the confidentiality of all data and information collected.

The study collected demographic details of businesses. It also measured performance of businesses in capacity utilisation, staffing levels, sales turnover and participation in international trade. It further assessed challenges faced by MSMEs; the impact of COVID-19 and the Russia-Ukraine crisis on MSMEs; and the MSMEs’ responses to these constraints.

It finally assessed the use of technology and innovation among MSMEs during the COVID-19 pandemic and the Russia-Ukraine crisis, as well as knowledge and utilisation of regional integration frameworks among MSMEs in Botswana.

The subsequent section 2 of this study presents the economic context of Botswana, which defines the environment within which the MSMEs operated over the period between 2019 and 2022. This is followed by the profile of the surveyed MSMEs in section 3. Section 4 presents the impact on MSMEs sales and employment levels. Section 5 presents the current challenges encountered by MSMEs, while section 6 presents the impact and response to COVID-19. Section 7 presents the impact and response to the Russia-Ukraine crisis on MSMEs, while section 8 presents challenges and opportunities in technology uptake, and section 9 presents the challenges and opportunities in international trade and regional integration. Section 10 presents the outlook for the future and requests from businesses, while the last section 11 concludes the study and presents the recommendations.
2. BOTSWANA – COUNTRY CONTEXT

2.1. Economic Context

2.1.1. Background

Botswana’s composition of Gross Domestic (GDP) can be grouped into three major sectors: (i) Agriculture, Forestry & Fishing (livestock, crops, horticulture, poultry, fisheries and bee keeping); ii) Industry (Construction, Mining, Water and Electricity and Manufacturing); and iii) Services (Wholesale and retail trade (Accommodation and Food Services – mainly tourism), Transport and Storage, Public Administration, Finance, Insurance and Pension Funding, and Social and Personal Services) (2022 Budget Strategy Paper, Ministry of Finance). The Services sector constitutes the largest share at about 60.2% of the GDP (Figure 2.2) and employs the vast majority of the working class at about 62.5% (Figure2.7). In 2022, the agriculture sector, contributed around 1.8% to the GDP of Botswana, while 37.5% came from the industry and 55.9% from the services sector (Statistica.com).

Botswana exports are largely dominated by diamonds (more than 60% of total exports), copper and nickel, beef and textiles. These exports are mainly destined to the United Kingdom (56% of total exports), South Africa, Israel and Belgium markets. The rather small export base is an indication that Botswana’s economy continues to be less diversified and driven by primary products of diamonds, copper/nickel and beef. In addition, the country’s import bill averaging P20 billion per annum over the last five years, further illustrates symptoms of a less diversified economy highly dependent on imports to satisfy domestic needs. Given this situation, it is understandable that, as far back as 2010, Government directed Ministries and their Stakeholders to intensify efforts to diversify the economy through initiatives such as the Economic Diversification Drive (EDD) Short-Term and Medium to Long-Term Strategy. Government also launched the Botswana e-commerce Strategy in October 2021, aimed specifically at diversifying the economy from dependence on minerals. Other Government initiatives aimed at enhancing growth of MSMEs to support export and economic diversification include the creation of two entities, namely the Citizen Entrepreneurial Development Agency (CEDA) and the Local Enterprise Authority aimed at providing financial and technical support for business development with a view to promote viable and sustainable citizen owned SMMES. More effort is however still needed to ensure that such initiatives by Government yield positive results as challenges in relation to diversifying the economy and exports are still eminent. With the current status quo where exports are dominated by diamonds, there are limited opportunities for MSMEs to participate in the value chain particularly in the lucrative diamond industry. Government could however create opportunities by continuing with aggressive development and implementing policies that reserves certain activities such as diamond polishing and benefaction to local MSMEs.

The main imports to Botswana include fuel, food, beverages and tobacco, machinery and electric equipment, chemical and rubber products, pharmaceuticals and vehicles. The country is also heavily dependent on electricity imports, as it only produces 60% of its needs domestically. Its main imports partners are South Africa (75% of total imports), China, Israel, Namibia and Zimbabwe. According to a Statistics Botswana report, Botswana’s total imports were valued at P 9, 872, 555, 567.20 (US$ 737,526,400). Of this amount, food imports amounted to P 1, 173, 829, 205 (US$ 87,690,579) translating to 11.9% of the total import bill. The seemingly high food import bill suggests that the country relies on its neighbours, for food imports which therefore exposes the country to food insecurity. The high import bill is an indication that there are opportunities for MSMEs to invest in this sector, as there is a readily available market. This is the more reason why over years, Government introduced several agricultural policies and programmes such as the Financial Assistant Policy (FAP) and the Integrated Support Programme for Arable Agriculture Development (ISPAAD).
FAP was introduced as far back as 1982 to financially assist MSMEs that can produce or process goods to replace imports and/or produce for export. ISPAAD was introduced in 2008 and was reviewed in 2023. Its main objective is to address challenges facing arable farmers and the inherent low productivity of the arable sub-sector.

Most of Botswana’s manufactured exports are sold under preference, whilst diamonds and copper nickel are sold to Europe on duty-free terms. Textiles markets include SACU (duty-free) as well as the United States of America (duty-free under the Africa Growth and Opportunity Act (AGOA) arrangement). However, the Botswana Government’s policy of empowering citizens through local preference schemes runs counter to SACU free trade. This situation reflects the difficulty faced by new MSMEs to build competitive industries in a marketplace dominated by big and well-established producers mostly those who are based in neighbouring countries. Given the globalisation drive, currently Botswana has little option but to pursue outward oriented industrial and trade policies that puts emphasis on openness and competitiveness at the global level. To be competitive at this level, MSMEs will require a lot of Government support to access investment capital at affordable interest rates, enhance efficiencies through the use of technology and produce quality products that can compete in open markets.

2.1.2. Economic Landscape 2020 -2023

Overall, the economy of Botswana contracted by 8.7% in 2020, before recovering to a growth rate of 11.8% in 2021. In 2022, growth was subdued, and the economy grew by only 3.7% (Figure 2.1), before moderating to 4.1 percent in 2023.

All these manifested within the backdrop of the COVID-19 pandemic and the ongoing Russia-Ukraine crisis, which has, among others, resulted in inputs supply disruptions and adversely affected domestic demand by reducing real/disposable household incomes through high inflation. Average annual inflation for instance rose from 2.2% in 2020 to 12.4% in December 2022 and was at 7.9% in April 2023. Such levels are well above the upper end of the Bank of Botswana’s medium term objective range of 3–6 percent.

Within this socio-economic environment, the performance of MSMEs in Botswana was negatively affected in several dimensions. The subdued economic performance, high inflation and bank rates implies reduced demands for goods and services let alone that the business community is largely dominated by Wholesale and Retail trade (Figures. 5.1, 5.3 and 5.5). This services sub-sector is also highly dependent on imports from outside the country, which exposes it to imported inflation and high transport costs (Figures. 9.1, and 9.3). Despite these hurdles, a significant number of MSMEs stayed operational over the duration of intense COVID-19 business disruptions. As at the end of November 2022, micro enterprises were the largest establishments accounting for 62.4% of employment, seconded by small establishments at 30.5% and the medium and large establishment at 3.5% respectively (Figure 3.2.3) The implication of this is that majority of MSMEs in Botswana falls within the micro and small enterprises bracket. By design, micro and small enterprises have no competitive edge in open markets as they lack economies of scale.

2.2. Government response

In July 2020, the Government of Botswana (GoB) implemented an Economic Recovery and Transformation Plan (ERTP), as an effort to mitigate the effects of COVID-19. The ERTP assistance was in the form of wage subsidies; waiver of certain levies due to Government; loan guarantee scheme; and deferment of profit taxes payable by firms. Further to these, as of the 1st of August 2022, the GoB revised downwards the Value added Tax from 14% to 12%.
To curb the rising inflation, in April 2022, the Bank of Botswana (BoB) increased the Monetary Policy Rate (MoPR) by 51 basis points from the then prevailing rate of 1.1% on the 7-day Bank of Botswana Certificate to 1.7%. Consequently, the prime lending rate rose from 5.8% in May 2022 to 6.3% in June 2022. In August 2022, BoB further hiked the MoPR by 50 basis points to 2.7%. This resulted in prime lending rate increasing to 6.7% percent in August of the same year.
Botswana’s GDP, which is at 19.57 billion US$ (2023) (current prices), has annually been declining at an average rate of 2.72% until 2020 when the GDP declined at an average rate of -8.7%. From 2020 to 2022 the GDP saw a 7.7% growth again. The services sector accounts for 63.6% of the GDP, and the industry sector has contributed more to GDP growth in 2021.

The exchange rates have risen significantly since 2022, and the inflation rate spiked between 2020 and 2022.

Both export and import have been growing, and they contribute significantly to Botswana’s GDP.

In Botswana, the services sector employs the vast majority of the population.

89% of MSMEs in Botswana are micro enterprises. 60% of the MSMEs were established within the last 8 years.
3. PROFILE OF SURVEYED MSMEs

Key findings: The sample is representative of the known MSME population in terms of business size, age, sector, geographic location, ownership, and level of formality.

In total 205 MSMEs were interviewed of which 200 were operational comprising of 62.5% micro enterprises, 30.5% small enterprises, and 3.5% each for medium and large enterprises (Figure 3.2.3). This distribution falls in line with MSMEs in the November 2022 National Business Register and implies that the survey sample is a good reflection of known registered MSMEs in Botswana. More than 50% of these operational enterprises have been established within the past 10 years and have businesses within the three major sectors of services (78%), industry (18%) and agriculture (3%) (Figure 3.2.4). About 26% of those interviewed are members of an association. The latter is more of a reflection of a low response rate of members of the associations than the actual population of members within the MSMEs spectra.

Over 90% of the enterprises interviewed are operating within urban areas with over 70% owned by nationals on a split ownership of 41% women and 51% men. During 2021, most businesses had a turnover of not more than US$ 50,000 (Figure 3.2.5). There was however a significant number of businesses (22%) which were 100% owned by foreigners. From a business point of view, this could be a matter of concern as this may imply unfair competition given that most MSMEs import their products where some of these foreign business owners may be coming from. Observation are that of late, there has also been an infiltration of large scale foreign-owned wholesale trading conglomerates in rural areas, taking over local-owned small-scale trading retail stores and thus business from locals. Even though foreign traders are welcome, there is a need to ensure that their presence is accompanied by foreign direct investment and not as substitutes for business activities which can be undertaken by local MSMEs. There is also a high likelihood that such foreign conglomerates are not investing in the development of the villages they are established in and neither are they paying all taxes due. Hence, this observation may require a full inquiry and policy pronouncements to protect local MSMEs in rural areas as well as tightening tax collection policies and initiatives.

The survey has also revealed that very few MSMEs were owned by the youth at 16% (Figure 3.3.3). This is a concern given that Government has set aside a substantial number of programmes and funds, such as the Youth Development Fund (YdF) established as far back as financial year 2009/10 specifically as a grant to assist the youth aged between 18 and 35 years to set up businesses and/or expanding businesses.
3. PROFILE OF SURVEYED MSMEs

3.1 Enterprise location
205 businesses were surveyed, and a majority are located in urban areas.

81 North East
42 South East
38 Central
13 Southern
11 North West
9 Kweneng
6 Kgalagadi
5 Other

Total businesses surveyed: 205

3.2 Operational enterprise demographics

The majority of businesses are formal, micro (0-6 employees) and in the service sector. Half of the businesses earn between US$ 26-50k.

Figure 3.2.1: Formal vs. informal business

- 15% Formal business
- 85% Informal business

Figure 3.2.2: Enterprise registered with association

- 26% of the businesses are part of a member association

3.2.3 Size of enterprise by employees

- Micro (0-6): 62.5%
- Small (7-29): 30.5%
- Medium (30-199): 3.5%
- Large (above 200): 3.5%

Figure 3.2.4: Sectors

- Agriculture: 18.5%
- Industry: 16.5%
- Services: 55%

Figure 3.2.5: Annual turnover 2021 (US$)

- < 5k: 21.5%
- 5-25k: 26.5%
- 26-50k: 16.5%
- 51-100k: 12.4%
- > 100k: 21.5%

3.2.6 Age of firm

- < 1 year: 16.5%
- 1-3 years: 34.5%
- 4-5 years: 16%
- 6-10 years: 8.5%
- > 10 years: 4%

Figure 3.2.7: International traders

- Exports & Imports: 8%
- Doesn’t trade: 56%
- Import only: 31%
- Export only: 5%

More than half of the businesses were established within the last 10 years.

Most enterprises import more than they export.

3.3 Owner demographics

Batswana own the vast majority of businesses, with men and non-youth accounting for the vast majority of ownership.

Figure 3.3.1: Nationality of owners

- Owned by nationals: 75.5%
- Less than 50% owned by nationals: 15%
- Fully owned by foreigners: 10%
- More than 50% owned by nationals: 5%

Figure 3.3.2: Gender of owners

- Enterprises owned by men: 50%
- Enterprises owned by women: 41%

Figure 3.3.3: Age of owners

- Enterprises owned by youth: 16%
- Enterprises owned by non-youth: 84%

Figure 3.3.4: Respondent role in the enterprise

- Staff: 35.1%
- Solo owner: 29.3%
- MD/CEO: 18.1%
- Manager: 14.6%
- Co-owner: 7.3%
- Board member: 0.5%
4. IMPACT ON MSME SALES REVENUE AND STAFF NUMBERS

Key Findings:

- All businesses experienced a decrease in sales in 2020 due to COVID-19, irrespective of size or specific sector. For all sectors, there was a recovery in sales during 2021 before surging again in 2022 at the rate of 38% in the agriculture sector, 14% and 40% in industry and services sectors respectively.
- Both importers and non-traders experienced a decrease in sales revenue in 2020 and 2021. However, in 2022, only importers had 11% increase in sales revenue.
- In terms of staff turn-around, part-time employees were laid off at a faster rate than full-time employees especially in 2020. Even though the growth rate of employees declined in 2022, there was a general increase in permanent staff over the same year.
- For both non-traders and importers, a good number of permanent and part-time employees were laid off in 2020 and 2022.

Over the survey period, it was observed that MSMEs that are non-traders laid off 11% of part-time and 5% of full-time staff in 2020, while traders laid off at higher rate of 23% of part-time staff and 1% of full-time staff in 2020. Irrespective of sectors and trading status, given a reduced production and loss of revenue and profits, it made economic sense for MSMEs to cut costs by laying off employees (Figures. 4.2.1, 4.2.2 and 4.2.3). In general, part-time workers were laid off at a faster rate than permanent staff. This supports economic logic in the sense that part time employees are usually hired based on business activity/production level and in most instances, MSMEs permanent workers are either minority shareholder and/or owners of the enterprise. Hence, when business is slow, part time workers are more at risk of being laid off than permanent employees largely in response to a decline in profit/revenue earnings.

In general, high inflation coupled with subdued economic growth as earlier stated in section one, has the potential to reduce household demand for goods and services. As Botswana is a net importer of production inputs, invariably import disruption should lead to reduced production; reduced access to supplies; and shortage in stocks of finished products. All these are a recipe for a decrease in sales revenues and net profits. This was also within the backdrop of restricted movement of people both within and between countries thereby reducing the number of potential clients available to any form of enterprise. Hence, at the height of the COVID-19 pandemic in 2020 when there were stringent travel restrictions, there were unavoidable production and import disruptions in Botswana. The latter also applied in 2022 when the Russia/Ukraine war intensified. In response to these, MSMEs in Botswana irrespective of size or sector generally reduced business activities and this impacted negatively on their sales revenues, with the agriculture sector recording a higher negative sales growth rate of about 20% compared to industry and services sectors (Figure 4.1.1). However, the agricultural sector seems to have been more resilient where an increase in sales was observed in 2022 at a positive growth rate of 38% (Figure 4.1.2). This is not surprising because relative to others, irrespective of any given catastrophe, people will always consume agricultural products if available. In Botswana, an increase in sales revenues for MSMEs engaged in agriculture may imply that restrictions/disruptions in imports opened up market opportunities for local agricultural products, which before the restrictions, were facing stiffer competition from cheaper products emanating from neighboring countries. This may also imply that the agriculture sector in Botswana is still underdeveloped and requires Government to develop policies that are specifically aimed at enhancing production efficiencies and capabilities to deliver high quality products than can compete in regional/international open markets.
As stated above, an important lesson from the Covid-19 pandemic and the Russia-Ukraine crisis, relates to the necessity for countries to build local productive capacities including in agriculture in order to guarantee food security, reduce import dependence and build resilience against external shocks. In the health sector, the two crises have also yielded lessons in terms of building local capacities in critical sectors such as pharmaceuticals. The latter is within the backdrop that, even though during the COVID-19 pandemic developed countries were prioritizing access to vaccines for their own nationals, the restricted access to and the high cost of vaccines presented challenges for developing countries in relation to ensuring adequate supplies, safety and protection for their citizens. To this end, the United Nations Economic Commission for Africa (UNECA) “African Continental Free Trade Area (AfCFTA)-Anchored Pharmaceutical Initiative” initiated back in 2018 had drawn attention for African countries to engage in public-private sector collaboration to strengthen national and regional capacities in the production and supply of health supplies. “The Initiative pursues a three-pillar approach to build up the continent’s healthcare industry through managed pooled procurement of pharmaceutical products, facilitate local production of pharmaceuticals and to ensure a sustainable harmonized regulatory, quality, and standards of medicines and related medical products” (UNECA, 2018). It is therefore suggested here that in the context of the above, Botswana should actively explore the possibility of being part of this Initiative as it has the potential to enhance the country’s capabilities for local production of pharmaceuticals including essential medicines. Being part of the Initiative also has the potential to create health business opportunities for MSMEs investment in the country and thus contributing to job creation and reducing the import bill, factors which are currently a challenge to address by government. Hence, in general, the pandemic came as a wake-up call for African countries to develop their own productive capacities including through regional integration and initiatives such as the AfCFTA. Needless to indicate that the AfCFTA, has the potential “to boost intra-African trade; and to strengthen production and exports, create employment, and limit the impact of commodity price volatility” (EAC, March 2023).

As trading under the AfCFTA formally commenced as recent as 1st January 2021, Botswana could still take advantage of this huge potential market and initiative by actively developing policies that support MSMEs capabilities to compete in open markets on a select pharmaceutical business operations.
Figure 4.1.1: Overall revenue growth

Businesses experienced a decrease in sales revenue in 2020 due to the impact of COVID, and recovered in 2021. However, growth slowed in 2022.

Figure 4.1.2: By sector

All the sectors faced a decrease in sales in 2020, whereas the agriculture sector saw an increase in sales compared to the industry and services sector.

Figure 4.1.3: By size of business

Micro and MSMEs decreased in sales revenue in 2020 and 2021. And an increase in sales revenue in 2022.

Figure 4.1.4: By international traders

Both importers and non-traders revenues decreased in 2020 and 2021. However, in 2022 the growth rate for importers increased while for non traders stayed the same.

Figure 4.1.5: By age of firm

All enterprises regardless of the age saw no change in revenue growth 2020 and 2021.
Figure 4.2.1: Overall staff growth

Part-time employees were laid off at a higher rate than full-time employees on average, especially in 2020. In 2022, the growth rate for part-time employees declined whereas, there was an increase in permanent staff.

Figure 4.2.2: By international traders

For both non traders and importers, a good number of permanent and part-time employees were laid off in 2020 and 2022.

Figure 4.2.3: By sector

In 2020, the agriculture and industry sector were more affected for part-time workers, whereas agriculture and services sector was more affected for permanent workers.
5. CURRENT CHALLENGES OF MSMEs

Key Findings:

- Low demand for goods and services (42%), inflation (40%) and access to capital (29.5%), price of inputs (19.5%), high interest rates (19%), and hard to get imported goods (14%) were the six most critical challenges that the MSMEs faced.
- Inflation and access to capital at 50% respectively were more prevalent in the agricultural sector while low demand for goods and services at 43% was primarily more prevalent in both the service and the industry sectors.
- Among the three main challenges for traders, inflation was more of a concern for importers (44%) while low demand for goods and services (45%) was more of a challenge to those who do not trade.
- Low demand for goods and services was more prevalent a challenge for micro enterprises (44%) while inflation (54%) was more common to small and medium enterprises.

All six most critical challenges of access to capital, inflation, and low demand for goods and services, price of inputs, interest rates and imported goods are generally interdependent. Access to capital is a key factor for investment in new business adventures and or infrastructure development to augment existing business processes. In Botswana, when the inflation pressure increased during 2020, Bank of Botswana responded accordingly by increasing the lending rate as a way of reducing containing monetary pressures. However, increasing the lending rate also had the effect of increasing the cost of borrowing and thus reduced access to funds for capital investment. Noteworthy to indicate that when the Government of Botswana implemented the Economic Recovery and Transformation Plan (ERTP) there was no “special provisions for capital investment for MSMEs. Hence, unsurprisingly enterprises are currently grappling with the challenge of access to capital particularly in the agricultural sector where the returns to investment are very low. Further, with reduced sales revenue and net profit as indicated in Figure 4.1 and Figure 6.4, businesses could not possibly use their own sources of funds for capital investment. High inflation, on the other hand, had the effect of reducing real disposable incomes and thus dampening consumer demand. The agricultural sector in Botswana is vulnerable to inflation as most of the inputs such as fertilizers, pesticides, seeds and implements are imported.

Inflation and access to capital were more prevalent in the agricultural sector while low demand for goods and services was more of a concern in the industry and services sector (Figure 5.3). With the advent of both the COVID-19 pandemic and the Russia-Ukraine crisis, Botswana experienced an unprecedented increase in food prices particularly cooking oil, flour, and mealie-meal. These products carry a relatively large weight in the calculation of inflation. The services and the industry sectors, which comprise largely of wholesale trade and tourism are largely dependent on imported goods and services and with movement, restrictions and limited imports they are vulnerable to increased prices that invariably dampen consumer demand. Prices in these sectors were largely driven by increased transport costs (particular petrol and diesel), which more than doubled during the two economic crises. Similarly, price of inputs is largely affected by imported inflation and this has the effect of limiting access to imported goods as it becomes more expensive for enterprises to order same quantities of goods/inputs to maintain production at levels similar to those before the crisis. This is the reason why inflation affected traders more than non-traders (Figure 5.4), as traders are more vulnerable to imported inflation than non-traders which in times of crises is more challenging to regulate by internal monetary instruments.
5. CHALLENGES

Figure 5.1: Challenges faced by businesses

Inflation, accessing capital, and low demand for goods and services are the main challenges that surveyed businesses face.

- Low demand of goods and services: 42%
- Inflation: 40%
- Accessing capital: 29.5%
- Price of inputs: 19.5%
- High interest rates: 19%
- Hard to get imported goods: 14%
- High taxes: 13%
- Technical constraints: 11%
- Undue involvement from government officials: 8%
- Regulations: 7.5%
- Foreign currency is expensive: 7%
- Access to skilled labor: 7%
- Insecurity: 1.5%

Figure 5.3: Main challenges by sector

Access to capital and inflation are prevalent in the agriculture sector while low demand for goods and services is prevalent in both the industry and services sector.

Figure 5.4: Main challenges by traders

Within the top three main challenges, inflation affects the most importers while low demand for goods and services affects those who do not trade.

Figure 5.5: Main challenges by size of business

Low demand for goods and services affects more micro enterprises while inflation affects more small & medium businesses.
6. IMPACT AND RESPONSE TO COVID-19

Key Findings:

- Most enterprises were negatively impacted by the COVID-19 pandemic (69.6% in 2020 and 68.2% in 2022 (Figure 6.1)). The top six aspects of business operations most affected include imports, production level, access to supplies, stocks of finished products, sales, and net profit (Figure 6.4). Enterprises responded to these negative effects in various ways but largely by, lowering production, laying off staff (11.4%) and started using domestic markets (11%) (Figure 6.5).
- Small and medium enterprises were more adversely affected by the pandemic than micro enterprises.
- Both non trading and importers were equally affected by the pandemic.
- 85% of the businesses that faced inflation believe that the challenge worsened since 2020 (Figure 6.6).
- Relative to other responses by enterprises to COVID-19, a significant proportion (19.5%) lowered their production levels and a combined 22.4% either laid off staff or started operating in the domestic market. A small proportion of MSMEs resorted to new tools and processes for running their businesses such as the internet, online media and digital platforms. It is also critical to indicate that COVID-19 came in as an exogenous shock to businesses and its duration was uncertain and this made it difficult for MSMEs to make any clear decisive action in the short-run thereby, negatively affecting investment decisions in the short-term.

Importers were the most negatively affected among all businesses as there was a general disruption in importing inputs such as flour, grains, and cooking oil from Ukraine. This resulted in shortages and substantial price increases of these inputs. Such products are dominant in the wholesale and trade sector and as such, an increase in their prices affects consumer demand and invariably sales revenues. Fuel prices also increased and resulted in higher transportation costs, which are usually transferred to consumers in the form of inflation. This is the reason why enterprises especially in the service sector cited a decrease in demand for their products as a challenge to their business performance.

COVID-19 affected all enterprises regardless of whether there were micro, small, medium or large. Travel restrictions affected business negatively on both the supply and the demand side. On the supply side, regional and international supplies became constrained, as countries were skeptical about the duration of the pandemic and thus were more concerned about their domestic market supply than exporting. This created shortages of production inputs and finished goods in those countries such as Botswana, which are net importers. Products sold by non-traders for example, come from large-scale wholesale conglomerates who rely on imports for their goods and services.

With limited goods and services, prices and thus inflation is bound to increase causing consumer demand to reduce and a decline in net profit and sales. Given this scenario, therefore it makes economic sense for some businesses to have reduced production and some laying off their staff. As indicated earlier, temporary staff were the most affected by this situation, as they are usually engaged only for a specific period of time to augment permanent employees in fulfilling specific business processes. Hence when activities within the business process decline due to unforeseeable circumstances, temporary employees are more likely to be laid off than permanent ones.
6. IMPACT OF COVID-19

**Figure 6.1: Extent of COVID-19 Impact**
Most enterprises were negatively impacted by the COVID-19 pandemic.

- Negative impact: 69.6%
- No impact: 14.5%
- Positive impact: 15.9%

**Figure 6.2: Impact by size of business**
Small and medium businesses experienced greater negative effect of the pandemic.

- Micro: Negative impact: 68%, No impact: 16%, Positive impact: 16%
- Small & Medium: Negative impact: 75%, No impact: 7%, Positive impact: 12%

**Figure 6.3: Impact on international traders**
Both non trading and importers were affected by the COVID-19 pandemic.

- Doesn’t trade: 16%
- Importers: 8% (Decrease), 81% (No change)

**Figure 6.4: Aspects of business affected by COVID-19**
Net profit and sales are the most affected business aspects.

- Lower
- No change
- Higher

- Stock of finished goods: 61% Lower, 21% No change, 18% Higher
- Sales: 73% Lower, 7% No change, 23% Higher
- Production level: 76% Lower, 15% No change, 8% Higher
- Number of employees: 33% Lower, 47% No change, 20% Higher
- Number of clients: 60% Lower, 15% No change, 25% Higher
- Net profits: 71% Lower, 10% No change, 19% Higher
- Loans: 61% Lower, 30% No change, 10% Higher
- Imports: 61% Lower, 3% No change, 36% Higher
- Exports: 60% Lower, 15% No change, 25% Higher
- Access to supplies: 60% Lower, 30% No change, 10% Higher
- Ability to pay salaries: 54% Lower, 30% No change, 16% Higher
- Ability to pay for inputs and variable expenses: 60% Lower, 20% No change, 20% Higher

**Figure 6.5: How businesses responded to COVID-19**
19.5% of the enterprises lowered their production during the COVID-19 pandemic.

- Lowering production: 19.5%
- No response: 13%
- Laying off staff: 11.4%
- Started working on domestic markets: 11%
- Deferring planned investments: 8.1%
- Focused more on domestic markets: 7.8%
- New customer/go to market strategy: 6.8%
- Stopped paying staff: 6.5%
- Found new external markets: 1.7%
- Others: 11%

**Figure 6.6: Whether main challenges that businesses face have worsened since 2020**
85% of the businesses who faced inflation believe that the challenge has worsened since 2020.

- Inflation: 85%
- Accessing capital: 75%
- Low demand for goods and services: 80%
7. IMPACT AND RESPONSE TO THE RUSSIA-UKRAINE CRISIS

Key Findings:

- 47% of enterprises experienced negative impacts from the Russia-Ukraine crisis.
- Small and medium enterprises experienced the negative impacts of the crisis the most at about 62%.
- Importers (63%) were the most affected by the war compared to those who do not trade (32%).
- Production level (6%) and exports (8%) were the most affected business aspects of MSMEs.
- 30.1% of enterprises did not respond to the impact resulting from the crisis.
- Majority (79%) of the enterprises interviewed believe the high inflation experienced was related to the crisis.

While 46% of MSMEs cited the Russia-Ukraine crisis as having impacted negatively on their business operations, 47 % reported no impact (Figure 7.1). The almost 50/50 split could be attributed to the composition of MSMEs where most of them are neither importers nor exporters. The impact is therefore indirectly felt and may not have been easily associated with the crisis by the respondents. Nonetheless, the top five aspects of business affected by the crisis include production level, stocks of finished goods; number of clients, access to supplies and sales (Figure 7.4). These are very similar to those cited as business disruption due to COVID-19. As per expectation, and as stated before, importers were the most negatively affected of all businesses as there was a general disruption in importing from Ukraine because of the war with Russia.
7. IMPACT OF THE RUSSIA-UKRAINE CRISIS

Figure 7.1: Extent of the Russia-Ukraine Crisis
Only 45.5% of the enterprises experienced a negative impact due to the Russia-Ukraine Crisis.

- Negative impact
- No impact
- Positive impact

45.5%: 7.5%
47%

Figure 7.2: Impact by size of business
Small and medium businesses experienced more negative effect of the crisis.

- Negative impact
- No impact
- Positive impact

Micro:
- Negative impact: 37%
- No impact: 55%
- Positive impact: 8%

Small & Medium:
- Negative impact: 62%
- No impact: 32%
- Positive impact: 6%

Figure 7.3: Impact on international traders
Importers were more negatively impacted by the Russia-Ukraine crisis compared to those who do not trade.

- Negative impact
- No impact
- Positive impact

Importers:
- Negative impact: 63%
- No impact: 32%
- Positive impact: 5%

Figure 7.4: Aspects of business affected by the Russia-Ukraine Crisis
Production level and exports were the most affected business aspect.

- Lower
- No change
- Higher

Stock of finished goods:
- 69%
- 13%
- 18%

Sales:
- 66%
- 17%
- 17%

Production level:
- 78%
- 24%
- 8%

Number of employees:
- 37%
- 42%
- 21%

Number of clients:
- 69%
- 14%
- 17%

Loans:
- 53%
- 36%
- 11%

Import:
- 67%
- 19%
- 14%

Exports:
- 96%
- 2%
- 2%

Access to supplies:
- 67%
- 19%
- 14%

Ability to pay salaries:
- 81%
- 27%
- 12%

Ability to pay for inputs and variable expenses:
- 76%
- 26%
- 8%

Figure 7.5: How businesses responded to the Russia-Ukraine crisis
More enterprises did not respond to the crisis.

- No response: 30.1%
- Lowering production: 10.9%
- Laying off staff: 10.4%
- Deferring planned investments: 7.4%
- Found new markets: 6.9%
- Taken new loans to bridge the crisis: 6.9%
- Focused more on domestic market: 6.1%
- Started working more online and from home: 4.3%
- Invested in new technologies: 4.3%
- Increased e-commerce focus/capabilities: 4.3%
- New customer/go to market strategy: 3.9%
- Stopped paying staff: 2.6%
- Created new organizational structure: 1.7%

Figure 7.6: Whether main challenges of businesses are related to the Russia-Ukraine crisis
The majority of businesses believe that inflation is related to the crisis.

- Challenges related to Russia-Ukraine Crisis
- Challenged worsened since Feb 2022

Inflation:
- 79%
- 90%

Accessing capital:
- 79%
- 90%

Low demand for goods and services:
- 49%
- 79%
8. CHALLENGES AND OPPORTUNITIES IN TECHNOLOGY UPTAKE

Key Findings:

- Only 22% of enterprises resorted to new technology tools and processes due to COVID-19. Of these, on-line media and digital platforms were jointly used by 50% of the enterprises, while 19.3% reported an increase in the use of internet.
- Facebook and WhatsApp were the two most popular social media platforms used by businesses for marketing.
- Use of social media accounted for 26% - 50% of sales for 34% of the enterprises.
- A significant proportion of enterprises (44%) has not experienced any changes in sales due to the use of digital platform.
- 21.8% of entrepreneurs need financial support for them to invest in new technologies. Other significant support needed by MSMEs to enhance their investment in innovation and new technologies includes access to inputs, empowering local businesses and improving infrastructure.

There was a general underutilization of new technologies by MSMEs in combating the impact of COVID-19 with only Facebook (31.1%) and WhatsApp (30.1%) commonly used as platforms for marketing (Figure 8.2). In part, this might be related to the unreliable internet connectivity that was also a key constraint in administering the survey for this study. Hence, investment in such infrastructure facility by Government and/or the private sector can be key to unlocking business opportunities for the MSMEs. This is the more reason why some MSMEs (21.8%) have pointed out to the need for financial support, which could facilitate capital investment specifically for enhancing network connectivity.
8. USE OF TECHNOLOGY AND INNOVATION DURING COVID-19

8.1 Whether businesses resorted to new tools and processes as a result of COVID-19
22% of enterprises resorted to new tools and processes due to COVID-19, companies mainly adopted the use of online media.

Tools and processes introduced
- Online media: 25%
- Digital platforms: 25%
- Increase the use of internet: 19.3%
- New products: 13.6%
- Entering new markets: 10.2%
- Specialised apps: 4.5%
- Mailed flyers to hand out in town: 1.1%
- German Trucks: 1.1%

8.2 Social media used for marketing
The two most popular social media platforms used by businesses for marketing are Facebook and Whatsapp.

- Tiktok: 3%
- Twitter: 2.6%
- Facebook: 31.1%
- WhatsApp: 9.3%
- Instagram: 7.3%
- Google: 4.3%
- An online shop: 3%
- A website: 7.6%
- Don't know: 23.2%
- More than 50%: 16.9%
- Between 25%-50%: 22.5%
- Between 11%-25%: 34.5%
- Less than 10%: 2.8%

8.3 Share of sales from digital tools
Social media accounts for 26% to 50% of sales for 34.5% of the businesses.

8.4 Impact of COVID-19 on sales from digital platforms
The majority of businesses have seen no change in sales from digital platforms.

- 7% Decrease a little
- 25.5% Increased a little
- 44% No change
- 16.5% Increased a lot
- 7% Decreased a lot

8.5 Support needed to invest in innovation and new technologies
21.8% of companies need access to affordable internet to invest in new technologies.

- Access to affordable internet: 21.8%
- Empower local businesses: 11.7%
- Financial support: 7.4%
- End the fuel crisis: 11.7%
- Improve infrastructures: 6.9%
- Improve regulations & processes: 4.7%
- Access to electricity: 3.2%
- Not applicable: 3.2%
- Capacity building: 3.2%
- Access to markets: 3.2%
- None: 2.6%
- Improve e-commerce: 2.6%
- Access to foreign currency: 2.1%
- Access to inputs: 0.5%
9. CHALLENGES AND OPPORTUNITIES IN INTERNATIONAL TRADE AND REGIONAL INTEGRATION

Key Findings:

- High transportation costs at 21.2% were cited as the main reason preventing enterprises from exporting. Enterprises were of the view that ending the fuel crisis (18.5%) could reduce transportation costs, thereby assisting in improving the potential for export. Additionally, reducing taxes (14.8%), enhancing easier access to markets (14.8%) and reducing prices of goods (11.1%) were seen as motivational factors for exporting. (Figures 9.1 and 9.2)

- Besides high transportation costs (31.6%) as a key factor hindering them from importing, enterprises suggested financial support (16.7%), reducing customs duties (15.4%), government support (15.4%) and reducing taxes (14.1%) as the top four likely incentives for increased imports (Figures 9.3 and 9.4)

- Very few enterprises (13.5%) were aware of the existence of the AfCFTA. Similarly, a small proportion of importers (18%) and exporters (34.2%), were aware of the potential of the AfCFTA, with only 3.8% of importers taking advantage of its potential. Majority of them (66.9%) were aware of the SADC and 3.7% of the Common Market for Eastern and Southern Africa (COMESA) agreements. (Figures 9.5 and Figures 9.6). Botswana, however, is not a member state of COMESA.

In Botswana, over the period 2020 to date, fuel prices have increased exponentially. As indicated earlier, this resulted in increases in transport costs fueling inflation pressure in subsequent years. Added to this was the Value Added Tax (VAT), which at the beginning of the pandemic stood at 14%. Importing enterprises also had to pay customs duty, raising prices further. However, VAT was temporarily revised downwards to 12% but has since been restored at 14% effective February 2023. The fact that MSMEs in Botswana are not aware of the AfCFTA, is unfortunate given that Botswana became the 51st country to sign the AfCFTA as far back as February 2019 even though ratification was delayed and done as recently as in February of 2023. It is worthy to indicate that the AfCFTA has the potential to be the world’s largest free trade area and offers possibilities to boost intra-Africa trade and the continent’s trading position in the global market. By ratifying the agreement, Botswana moved closer to allowing the country and its business community to access a huge 1.2 billion market. Hence the lack of awareness of the AfCFTA’s existence by MSMEs in Botswana, might imply that the AfCFTA Secretariat, development partners such as the UNECA as well as government and private sector associations, have to further intensify campaigns and trainings to sensitize and educate MSMEs about the AfCFTA. Failure to do so will result in a missed opportunity for Botswana enterprises to participate and leverage their business processes as early as possible in this potentially huge market outlet.
9. IMPORT AND EXPORT CHALLENGES

9.1 Export challenges
High transport cost is the main reason preventing businesses from exporting.

9.2 What could be done to improve exports
End of fuel crisis is the top suggestions to improve exporting.

9.3 Import challenges
High transport costs is the main hurdle hindering businesses from importing.

9.4 What could be done to improve imports
Enterprises suggested financial support and reducing custom duty as the main aspect to improve importing.

9.5 Proportions of enterprises who know trade agreements.
Only 13.5% are aware of the AfCFTA.

9.6 How traders perceive AfCFTA
A small number of both non traders and importers are aware of the AfCFTA potential and only 3.8% of the importers are taking advantage of it.
10. OUTLOOK FOR THE FUTURE AND BUSINESS POLICY IMPLICATIONS

Key Findings:

- Majority of the enterprises were optimistic about the future prospects of their businesses with about 41% of them believing that the situation will be better than today (Figure 10.1)
- Entrepreneurs are of the view that if there are to realise their anticipated brighter future, Government should support them by: providing subsidies (12%); enhancing access to markets (12%) and capital (11%) as this will facilitate investment processes (Figure 10.2).

Most enterprises in Botswana are now optimistic about their future business prospects given the removal of all COVID-19 restrictions in 2022. This is also within the backdrop that the economy has been on a positive growth trajectory since 2021 supportive of a brighter future for economic activity/business operations. Inflation has also moved down to within the Bank of Botswana objective range of 3% – 6% in 2023 (was 3.2% for September 2023), and thus expected to lead to reduced input prices, an increase in production and enhanced consumer demand and thus increased revenue earnings for businesses.
10. OUTLOOK FOR THE FUTURE

Figure 10.1: Forecast for financial situation
Most entrepreneurs are optimistic about the future of their businesses.

- Much worse than today: 11%
- A bit worse than today: 11%
- The same as today: 36%
- A bit better than today: 34%
- Much better than today: 7%

Figure 10.2: Area of support needed
Governement support and subsidies and access to capital are the main areas of support needed.

- Government support and subsidies: 12%
- Access to market: 12%
- Access to capital: 11%
- Empower local production: 8%
- Access to raw materials: 7%
- Reduce corruption: 7%
- Access to business infrastructure/premises: 6%
- Access to internet and network: 5%
- Reduce foreign interest rates: 5%
- Improve regulations: 4%
- Improve tax policies: 3%
- Deferral of rent: 2%
- Access to energy/fuel resources: 1%
- Increase delivery services: 1%
- Stabilize foreign currency: 1%
The survey results as discussed in the previous sections show that all MSMEs irrespective of size, geographic location or ownership were affected negatively by the COVID-19 pandemic and the Russia-Ukraine crisis but remain optimistic that business prospects will improve going forward. There was, however, differentiated impact depending on whether the business was importing or exporting with high transportation costs affecting traders rather than non-traders. In general, the top key issues of concern included inflation, reduced demand for goods and services, access to capital, and increases in transportation costs.

High levels of inflation, supply chain disruptions and constrained economic growth resulted in higher input prices and transport costs, reduced access to supplies, subdued business processes and ultimately, low demand for goods and services, reduced sales revenues and reduced net profit. With a reduction in sales revenues, MSMEs resorted to laying off employees particular those engaged on short-term basis.

Inflation and transportation costs are challenging economic fundamentals to address, as they contain a strong exogenous component. In Botswana, the latter usually comes through increases in fuel prices. To this end, Botswana saw unprecedented increases of inflation in the form of high fuel prices and intermediary inputs costs.

The use of new technology by Botswana MSMEs is also very limited. Suffice to note that Botswana is currently striving to move towards a digital economy. The transition towards a more digitalized economy and society has likely been given greater impetus by the COVID-19 pandemic, which restricted travel and physical presence in the workplace. Worldwide, the pandemic also provided an opportunity to pilot the systems – both hardware and software – that are needed in the digital economy, as well as to stress test those systems in the face of synchronized global demands. It is therefore imperative that countries, including Botswana, draw lessons from the pandemic and use technology to define clear policies and strategies, modernize business, improve efficiencies, as well as take advantage of emerging opportunities in the national, regional and global markets. The rapid move worldwide towards the digital economy provides many opportunities for MSMEs in Botswana, not just in improving economic and administrative efficiency but also in stimulating the development of a business ecosystem that can provide employment opportunities and the basis for exportable services.

Two factors are critical for this to happen. This includes: (i) a well-functioning (i.e. reliable and fast) and cheap internet services, and (ii) the movement of government services online (e-services – some of which is already happening). Achieving this should provide the basis for a new campaign to attract inward digital investment by MSMEs.

This will need a deliberate effort by government to build the necessary infrastructure that drives down internet connectivity costs and stabilises access disruptions as well as defining supportive policies for improving productive capacity of MSMEs such that they can take the lead in driving economic growth. There may also be need for the appropriate Ministries, Institutions and MSMEs associations to facilitate and intensify awareness campaigns on the benefits of using technology and innovation as key factors for market access and identifying business opportunities. Therefore, there might be need for targeted subsidies to facilitate private sector specific investment in new businesses and technology including infrastructure development for digital/network connectivity.

One general observation that both the pandemic and the crisis demonstrated is that, in order to harness the huge potential offered by global integration in enhancing economic growth and
development, it is equally important to ensure that individual countries build self-sustaining capabilities in critical areas such as those in health pharmaceuticals and agriculture.

In this respect, it is key that net importing nations such as Botswana consider accelerating implementing policies that allow for building the necessary capacities to support establishment and growth of key industries in these sectors. More should also be done to harness and appraise MSMEs on available regional integration arrangements such as SADC and the AfCFTA to foster uptake and industrialization through trade. Hence, it is critical that Botswana strive to be part of the ECA AfCFTA-Anchored Pharmaceutical Initiative as this has the potential to enhance the country’s capabilities to access and/or produce essential medicines necessary to strengthen security of supply at times of need.

The study has also shown that MSMEs in Botswana are very vulnerable to exogenous shocks largely because there are net importers of both inputs and finished tradable goods. To enhance their resilience, it is critical that the Government accelerates the development and more critically implementation of supportive policies for export-led growth. This should be complemented by fast tracking completion in building supportive internet connectivity infrastructure and ensure that these are accessible and affordable to MSMEs. On the same note, the study has highlighted not only that the COVID-19 and the Russia-Ukraine crisis have negatively affected MSMEs performance in Botswana but that the country should strive to strengthen national productive capacities in order to reduce its dependence on imports particularly in the food/agricultural sectors and health sector. For instance, in the agricultural sector, at the height of the pandemic and the Russia-Ukraine crisis, there were opportunities for raising revenue within this sector, provided the supply capacities could have been increased. Opportunities as presented in the 2022 – 2027 SACU Strategic Plan outlines priority sectors for the development of value chains, within the agricultural sector of which Botswana can take advantage of. These includes: Agro-processing; Leather and Leather Products; Meat and Meat Products, and Fruits and Vegetables.

These are in line with priority sectors identified by Government for implementation during the second half of NDP 11 (Ministry of Finance, October 2020). Some work in developing a value chain strategy for cooperatives in the agricultural sector is currently underway. As far back as 2014, a Beef Value Chain Analysis and Action Plan (International Trade Centre, 2015) was undertaken, whose objective was to identify bottlenecks and constraints related to competitiveness of MSMEs and access to international markets. On 21st May 2018, the Horticulture sector Value chain analysis and Action Plan, whose objective was similar to that of the beef industry, was also undertaken. Despite the fact that a number of strategies and action plans have been undertaken, to date, the contribution of agriculture to GDP and is still limited. If implemented, such strategies and action plans can be very helpful in taking advantage of regional market opportunities and diversifying the agricultural sector to an extent that it could contribute meaningfully to GDP. Hence, it is suggested here that Botswana should take a more active approach in implementing the recommendations of such value chain strategies. This is within the backdrop that it has been Government concern overtime that “weak implementation capacity continues to be a hindrance to the successful execution of development plans and transformation initiatives” (Ministry of Finance, October 2020). Furthermore, the Transitional National Development Plan (April 2023 – March 2025), identifies eight (8) national policy priorities (Ministry of Finance, 2023). Those that are relevant to this study include: Export led growth, Innovation, Digital Transition and Support for private Sector led growth. The fact that export-led growth has long been a policy objective, but has not been realized to date, shows that it is not the high-level policy objective that is the issue, but rather, complementary and supportive policies and policy environment that are necessary to make export-led growth happen. This is where much more effort needs to be directed, in order to boost exports, reduce the import bill and ultimately stimulate economic growth further towards pre-COVID-19 levels.
or beyond. It is also critical to ensure that there is policy congruence, such that there is no anti-export bias that could jeopardize the export-led growth objective.

Similarly, innovation and the digital transition are key in diversifying the economy and raising productivity and can help to reduce costs, improve competitiveness, and open up new areas of economic activity for MSMEs. Even though significant progress seems to have been made towards the digital transition during NDP 11, much still needs to be done to ensure completion of the national high-capacity broadband network that can reliably support both public sector and private sector needs. Botswana’s private sector is small and relatively undeveloped and is characterized by a limited number of medium and large-scale enterprises (Figure 3.2.3), that cannot achieve economies of scale and compete in global export markets.

Hence it is critical to observe that, if the private sector has to take the lead in growing the Botswana economy, there will be need for development and implementation of supportive initiatives in the form of “Business Environment Reform, Value Chain Development, and Special Economic Zones”, as identified and outlined in the Transition National Development Plan (Ministry of Finance, 2023, pp61). It has also been evident that majority of MSMEs in Botswana are located in urban areas, suggesting a possible rural-urban migration (due to lack of opportunities in rural areas). This situation can be reversed through fast tacking the development process and implementation of the draft Fiscal Decentralization Strategy, which is currently awaiting Cabinet decision. The Strategy advocates for devolution of power, decision-making, and resource mobilization from Central to Local level authorities. This has the potential to create business opportunities and stimulate growth of MSMEs in rural areas. The efficiency and effectiveness of the Strategy can be facilitated by enforcing implementation of the Botswana's 2003 Trade Act, which restricts certain MSMEs businesses for nationals only to support infant industries/businesses in rural areas and avoid complete replacement by foreign owned large wholesale and trading conglomerates. These large-scale traders already enjoy economies of scale within the value chain in the production and trading of goods and services. Such a replacement, which is currently noticeable in Botswana, would be contrary to promotion of rural development and the Government Citizen Economic Empowerment initiatives. It would also increase the vulnerability of the country to future exogenous crises.
REFERENCES

ANNEXES

Survey Questionnaire

Introduction and consent to interview
a. Yes  
b. No

A. Respondent Demographics

A1. Current role in the business (tick those that apply)
a. Sole owner
b. Co-owner
c. Board member
d. Managing Director/CEO
e. Manager
f. Staff
g. Other: _______________________

B. Enterprise/Firm Characteristics

1.1 Name and start year

B1. Country of the Survey
   a. Botswana

B2. Name of the Enterprise/Firm
   a. ___________________________

B3. In what year did the Enterprise/Firm start operating in the Botswana?
   a. ___________________________

1.2 Location

B4. Does the Enterprise/Firm have global Headquarters in Botswana?
   a. Yes
   b. No

B5. If no to B4, in which country is the Headquarters located?
   a. Country ___________________

B6. If yes to B4, does the Enterprise/Firm have establishments in other countries?
   a. Yes
   b. No

B7. If yes to B6, please list the countries in which the Enterprise/Firm has establishments
   a. Country a ___________________
   b. Country b ___________________
   c. Country c ___________________
   d. Other countries ___________________

B8. Province of the national enterprise Headquarters
   a. Central
   b. Kgatleng
   c. Kweneng
   d. North East
   e. North West
   f. Southern
   g. South East
   h. Other: ___________________
B9. Location of the national enterprise Headquarters
   a. Rural
   b. Urban

1.3 Main economic activity

B10. Main Economic Activity of the Enterprise/Firm (select as applicable)
   a. Agriculture, forestry and fishing (A)
   b. Mining and quarrying (B)
   c. Manufacturing (D)
   d. Construction (F)
   e. Wholesale and retail trade (G)
   f. Transport and storage (H)
   g. Accommodation and food services (I)
   h. Information and communication (J)
   i. Financial and insurance activities (K)
   j. Real estate activities (L)
   k. Professional, scientific and technical (M)
   l. Human health and social work activities (Q)
   m. Arts, entertainment and recreation (R)

B11. Description of economic activity (describe what your enterprise does)
   a. _______________________

1.4 Business registration

B12. Business registration
   a. Sole proprietorship
   b. Private company limited by shares
   c. Publicly traded company (Ltd)
   d. Cooperative
   e. Limited by guarantee
   f. NGO
   g. Not registered (informal)
   h. Other_____________________

B13. Is the Enterprise/Firm a member of a business association?
   a. Yes
   b. No

B14. If yes, which ones?
   a. Botswana Chamber of Commerce and Industry
   b. Other (specify)________________

1.5 Ownership

B15. What is the gender of owners?
   a. Fully owned by women (100%)
   b. More than 50% owned by women
   c. Less than 50% owned by women
   d. Fully owned by men (100%)

B16. What is the nationality of owners?
   a. Fully owned by nationals (100%)
   b. More than 50% owned by nationals
   c. Less than 50% owned by nationals
d. Fully owned by foreigners (100%)

B17. If any foreign owners, list their nationality
   a. ________________________________
   b. ________________________________

C. Enterprise/Firm Performance

1.6 Capacity utilization

C1. Are you currently producing at full capacity
   a. Yes
   b. No

C2. If no to C2, what level of capacity are you currently operating at?
   a. Less than 50%
   b. 50-60%
   c. 61-70%
   d. 71-80%
   e. 81-90%
   f. 91-100%
   g. Don’t know

1.7 Staffing

C3. Number of employees in the beginning of July 2022:
   a. Permanent employees________________
   b. Part-time employees________________
   c. Casual Labour______________________

C4. Number of employees in the beginning of July 2021:
   a. Permanent employees________________
   b. Part-time employees________________
   c. Casual Labour______________________

C5. Number of employees in the beginning of July 2020:
   a. Permanent employees________________
   b. Part-time employees________________
   c. Casual Labour______________________

C6. Number of employees in the beginning of July 2019:
   a. Permanent employees________________
   b. Part-time employees________________
   c. Casual Labour______________________

C7. Do you currently have any plans for increasing or decreasing staff numbers in the coming 6 months?
   a. Significantly increase
   b. Moderately increase
   c. No change planned
   d. Moderately decrease
   e. Significantly decrease

1.8 Sales turnover

C8. In what currency do you report sales:
   a. National currency
   b. USD
   c. Other: (specify) ________________________

C9. Estimated sales turnover for the financial year ending in the following years:
1.9 International trade

C10. Does this Enterprise/Firm export, import or both?
   a. Both exports and imports
   b. Export only
   c. Import only (skip to C15)
   d. Firm does not import nor export
   e. Don’t know

C11. In what currency do you report export sales:
   a. National currency
   b. USD
   c. Other: (specify) _____________________

C12. Estimated exports for financial years ending in the following years
   a. 2022 (expected)____________________
   b. 2021_____________________________
   c. 2020_____________________________
   d. 2019_____________________________

C13. Over the past year, which countries did the enterprise export to?
   a. Southern Africa
   b. Rest of Africa
   c. Europe
   d. Asia & Oceania
   e. North America
   f. South America

C14. If “a.” to C13, to which countries? (Tick those that apply)
   a. Angola
   b. Botswana
   c. Eswatini
   d. Lesotho
   e. Malawi
   f. Mauritius
   g. Mozambique
   h. Namibia
   i. South Africa
   j. Zambia
   k. Zimbabwe

C15. Over the past year, which countries did the enterprise import from?
   a. Southern Africa
   b. Rest of Africa
   c. Europe
   d. Asia & Oceania
   e. North America
   f. South America

C16. Over the past year, what type of imports did the enterprise buy from foreign suppliers?
D. Business Challenges and Policy Response

1.10 Challenges in general

D1. What are currently the main challenges for the business? (tick the 3 most relevant)
   a. Low demand for goods and services
   b. Accessing capital
   c. High interest rates
   d. Devalued currency
   e. Price of inputs
   f. Supply chain disruptions
   g. Regulations
   h. Corruption
   i. Access to skilled labour
   j. High taxes
   k. Others: (specify)____________________

For each selected, specify the issue (loop):

D2. If challenge a selected:
   a. Specify____________________________________________________

D3. If challenge b selected:
   a. Specify____________________________________________________

D4. If challenge c selected:
   a. Specify____________________________________________________

D5. If challenge d selected:
   a. Specify____________________________________________________

D6. If challenge e selected:
   a. Specify____________________________________________________

D7. If challenge f selected:
   a. Specify____________________________________________________

D8. If challenge g selected:
   a. Specify____________________________________________________

D9. If challenge h selected:
   a. Specify____________________________________________________

D10. If challenge i selected:
    a. Specify___________________________________________________

D11. If challenge j selected:
a. Specify______________________________________________________

D12. If challenge k selected:
    a. Specify______________________________________________________

1.11 Impact of COVID-19 pandemic 2020-2022

    a. Highly positive impact
    b. Moderately positive impact
    c. No impact
    d. Moderately negative impact
    e. Highly negative impact

D14. What was the impact on your business in the following parameters? (Tick your rating)

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Very High</th>
<th>High</th>
<th>No Change</th>
<th>Low</th>
<th>Very Low</th>
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<td>a. Sales</td>
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<td>b. Exports</td>
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<td>c. Number of employed staff</td>
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<td>d. Production level</td>
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<td>e. Number of clients/contracts</td>
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<td>f. Stock of finished goods</td>
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<td>g. Access to supplies to operate the business</td>
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<td>h. Ability to pay salaries</td>
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<td>i. Ability to pay for inputs and variable expenses</td>
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<td>j. Ability to pay back loans</td>
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<td>k. Imports</td>
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D15. If positive impact (a or b to D13), in what way did the pandemic have a positive impact on your business?
    a. Increased profit margins from higher prices
    b. Less competition in the market
    c. Improved access to skilled labour
    d. Increased use of technology
    e. Increased use of local raw materials
    f. Other: (specify)_____________________

D16. How did your business respond to the pandemic 2020-22? (select those that apply)
    a. Stopped operating
    b. Stopped paying staff
    c. Laying off staff
    d. Lowering production
    e. Found new domestic suppliers
    f. Found new foreign suppliers
    g. Invested in new technologies
    h. Taken new loans to bridge the crisis
    i. Started working more online and from home
    j. Increased e-commerce focus/capabilities
    k. Deferring planned investments
    l. Found new external markets
m. Focused more on domestic market
n. New customer/go to market strategy
o. Created new organizational structure
p. Other: (specify)_________________________

D17. Since the outbreak of COVID-19 in 2020, has this establishment benefited from support measures issued in response to the crisis?
   a. Yes
   b. No

D18. If no to 17, what of the follow options best describe the reason why this establishment did not receive any national or local government measures issued in response to the crisis?
   a. We were not aware
   b. Too difficult to apply
   c. We were not eligible
   d. We applied but did not receive it
   e. Corruption is preventing us to access
   f. Other: (specify)_________________________

D19. If yes to D17, what kind of support? (tick those that apply)
   a. Cash transfer
   b. Deferral of rent, mortgage or utilities
   c. Deferral of credit payments
   d. Suspension of interest payments
   e. Rollover of debt
   f. Access to new credit
   g. Loans with subsidized interest rates
   h. Fiscal exemptions or reductions
   i. Tax deferral
   j. Wage subsidies
   k. Suspension of membership fees
   l. Personal Protection Equipment (PPE)
   m. Hand washing stations or hand sanitizer
   n. Health and Safety guidelines on social distancing in the workplace

D20. Who provided the support?
   a. Landlord
   b. Commercial bank
   c. The Government
   d. Family
   e. Suppliers
   f. Buyers
   g. Business Association
   h. Other: (specify)_________________________

D21. To what extent was the support useful for the business?
   a. Very useful
   b. Useful
   c. Not very useful
   d. No effect
   e. Negative effect

D22. By mid-2022, to what extent was the business still impacted by the Covid-19 pandemic?
   a. Now a highly negative impact
   b. Now a moderately negative impact
c. No impact any more

d. Now a moderate positive impact

e. Now a highly positive impact

1.12 Impact of Russia-Ukraine war since February 2022

D23. How is the Russia-Ukraine war since February 24th impacting your business?
   a. Highly negative impact
   b. Moderate negative impact
   c. No impact
   d. Moderate positive impact
   e. Highly positive impact

D24. What was the impact on your business in the following parameters? (Tick your rating)

<table>
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D25. If positive impact (a or b to D13), in what way did the Ukraine crisis have a positive impact on your business?
   a. Increased profit margins from higher prices
   b. Less competition in the market
   c. Improved access to skilled labour
   d. Increased use of technology
   e. Increased use of local raw materials
   f. Other (specify)__________________________

D26. How did your business respond to the Ukraine crisis? (select those that apply)
   a. Stopped operating
   b. Stopped paying staff
   c. Laying off staff
   d. Lowering production
   e. Found new domestic suppliers
   f. Found new foreign suppliers
   g. Invested in new technologies
   h. Taken new loans to bridge the crisis
   i. Started working more online and from home
   j. Increased e-commerce focus/capabilities
   k. Deferring planned investments
1. Found new external markets
2. Focused more on domestic market
3. New customer/go to market strategy
4. Created new organizational structure
5. Other: (specify)_________________________

D27. Since the Ukraine crisis, has this establishment benefited from additional support measures beyond those issued in response to the crisis?
   a. Yes
   b. No

D28. If no to D17, what of the follow options best describe the reason why this establishment did not receive any national or local government measures issued in response to the Ukraine crisis?
   a. We were not aware
   b. Too difficult to apply
   c. We were not eligible
   d. We applied but did not receive it
   e. Corruption is preventing us to access
   f. Other: (specify)_________________________

D29. If yes to D17, what kind of support? (tick those that apply)
   a. Cash transfer
   b. Deferral of rent, mortgage or utilities
   c. Deferral of credit payments
   d. Suspension of interest payments
   e. Rollover of debt
   f. Access to new credit
   g. Loans with subsidized interest rates
   h. Fiscal exemptions or reductions
   i. Tax deferral
   j. Wage subsidies
   k. Suspension of membership fees
   l. In-kind contribution of inputs/raw materials
   m. Other: (specify)_________________________

D30. Who provided the support?
   a. Landlord
   b. Commercial bank
   c. The Government
   d. Family
   e. Suppliers
   f. Buyers
   g. Business Association
   h. Other: (specify)_________________________

D31. To what extent was the support useful for the business?
   a. Very useful
   b. Useful
   c. Not very useful
   d. No effect
   e. Negative effect

1.13 Desired Policy response
D32. To what extent do you think the current Government policies are positive for the business environment in Botswana?
   a. Extremely positive
   b. Very positive
   c. Moderately positive
   d. Moderately negative
   e. Very negative
   f. Extremely negative

D33. What measures would be needed to improve the business environment in the current situation? (pick maximum 2)
   a. Prefer as little government interventions as possible
   b. Loan guarantee facilities
   c. Trade agreements with improved market access
   d. Tax deferral
   e. Wage subsidies
   f. Subsidies on inputs
   g. Cash transfers
   h. Other: (specify)____________________________

E. Trade Agreements
E1. Does the Ukraine crisis have any impact on your ability to trade?
   a. Severe impact
   b. Moderate impact
   c. Insignificant impact
   d. No impact at all

E2. As of today, does the Covid-19 pandemic still impact your ability to trade internationally?
   a. Severe impact
   b. Moderate impact
   c. Insignificant impact
   d. No impact at all

E3. What hurdles are you currently facing related to exporting?
   a. Regulations
   b. Customs tariffs
   c. Market knowledge
   d. Not competitive in foreign markets
   e. Technology
   f. High transport costs
   g. Corruption
   h. Lack of knowledge how to export
   i. Home market is large enough
   j. Other (specify)____________________________

E4. In your view, what could government do to improve your ability to export?
   a. Specify________________________________________
E5. What hurdles are you currently facing related to importing?
   a. Regulations
   b. Customs tariffs
   c. Market knowledge
   d. Not competitive in foreign markets
   e. Technology
   f. High transport costs
   g. Corruption
   h. Lack of knowledge how to import
   i. Home market is large enough
   j. Other (specify)__________________________

E6. In your view, what could government do to improve your ability to import?
   a. Specify______________________________

E7. To your knowledge, which of these trade agreements is your country signatory to?
   a. AfCFTA
   b. SADC
   c. COMESA
   d. AGOA
   e. Others (specify)________________________

E8. In your perception, what is the main objective of the AfCFTA?
   a. Specify__________________________

E9. Are you planning to take advantage of new opportunities in AfCFTA?
   a. Yes
   b. No

E10. What will be the impact of AfCFTA on your business?
    a. Very positive impact
    b. Positive impact
    c. No impact
    d. Negative impact
    e. Very negative impact

E11. If positive impact, how does the business benefit? (tick maximum 2)
    a. New market access on the company
    b. Improved access to suppliers and inputs
    c. Improved access to skilled labour
    d. Improved access to investing in other countries
    e. Opportunities for using new technology
    f. Improved access to investment into the business due to a larger market
    g. Others (specify)________________________

E12. If negative impact, how is the business impacted? (tick)
    a. Increased competition in our home market
    b. Others (specify)________________________

E13. What do you think will be the top 3 most significant challenges for your enterprise to be able to trade under the AfCFTA and benefit?
    a. Specify______________________________
    b. Specify______________________________
    c. Specify______________________________
F. Use of Technology

F1. For which of the following business functions has this establishment started using or increased the use of internet, online social media, specialized Apps or digital platforms in response to COVID-19 outbreak? Choose all options that apply
   a. Communicating with employees
   b. Communication with clients and suppliers
   c. Supply chain management
   d. Marketing
   e. Sales and bookings
   f. Payment methods
   g. Service delivery
   h. Other: (specify)_________________________

F2. Has the use of technology in the business increased or decreased in response to Covid-19?
   a. Increased a lot
   b. Increased a little
   c. No change as a result of Covid-19
   d. Decreased a little
   e. Decreased a lot

F3. Does your business use any of the following to market your business or sell your products or services?
   a. A website
   b. Facebook
   c. An online shop
   d. Youtube
   e. Instagram
   f. Whatsapp
   g. Twitter
   h. None of the above
   i. Other (specify)_________________________

F4. If any to the above, what is the share of sales generated using the external digital platforms?
   a. Less than 10%
   b. Between 11% -25%
   c. Between 26% -50%
   d. More than 50%
   e. Don’t know

F5. Has the focus on using digital platforms for sales increased or decreased as a result of Covid-19?
   a. Increased a lot
   b. Increased a little
   c. No change
   d. Decreased a little
   e. Decreased a lot

F6. In the year ahead, do you plan to invest in new technologies for your business operations or sales?
   a. Yes
b. No
F7. If yes, in what?
   a. Specify_______________________________

F8. What is the motivation for investing?
   a. Demanded by clients
   b. Responding to competitors
   c. To lower costs
   d. To access new markets
   e. Others (specify)_________________________

F9. If No, why not?
   a. Too expensive
   b. Don’t know what to invest in
   c. Cannot find a product/supplier
   d. No need

F10. What kind of support would you need from Government in order to invest in new technologies?
    a. Specify_______________________________