

Towards formalisation of women-owned or -led MSME

ICR Facility Technical Assistance to CEDA



Yolanda K Gibb & Dinah Bennett

International Consultants for Entrepreneurship & Enterprise (ICE)

March 2024



Co-funded by the European Union



This Inception Report is part of an intervention supported by the Investment Climate Reform (ICR) Facility. The ICR Facility is co-funded by the European Union (EU), the Organisation of African, Caribbean and Pacific States (OACPS) under the 11th European Development Fund (EDF), the German Federal Ministry for Economic Cooperation and Development (BMZ) and the British Council. The ICR Facility is implemented by GIZ, the British Council, Expertise France, and SNV. This specific intervention is led by International Consultants for Entrepreneurship & Enterprise Ltd. on behalf of the British Council.

The contents of this publication are the sole responsibility of the author and do not necessarily reflect the views of the donors or the implementing partners.

The ICR Facility supports public and private stakeholders in African, Caribbean and Pacific (ACP) countries in creating a more conducive, sustainable and inclusive business environment and investment climate.

More information: www.icr-facility.eu

Implemented by



This paper/report was written by Yolanda K Gibb and Dinah Bennett, International Consultants for Entrepreneurship & Enterprise



Table of Contents

| | |
|---|-----------|
| Table of Contents | 3 |
| Abbreviations | 6 |
| List of Figures | 7 |
| List of Tables | 7 |
| EXECUTIVE SUMMARY | 8 |
| CHAPTER 1: INTRODUCTION | 10 |
| Botswana – an overview | 10 |
| Background to the study | 11 |
| Structure of the report | 12 |
| CHAPTER 2: THE BUSINESS ENVIRONMENT FOR FORMALISATION IN BOTSWANA | 14 |
| Defining the informal sector | 14 |
| The informal sector in Botswana and the challenge of decent work | 15 |
| The formalisation process | 16 |
| An overview of the business environment | 17 |
| An overview of the business ecosystem | 18 |
| CHAPTER 3: THE INFORMAL SECTOR - FINDINGS FROM THE PRIMARY RESEARCH | 21 |
| Description of the sample | 21 |
| Formalisation as a business decision | 22 |
| Broader business challenges experienced by women entrepreneurs | 25 |
| Needs for financial and non-financial support | 29 |
| CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS | 31 |
| Primary areas of intervention | 33 |
| - Foster better quality women-owned or -led entrepreneurship in Botswana | 33 |
| - Facilitate the formalisation process better for enterprise sustainability and decent work | 34 |
| - Ensure potential procurement opportunities to can be accessed effectively | 35 |
| Cross-cutting actions | 36 |
| - Sex disaggregated data collection for better monitoring and target setting. | 36 |

| | |
|--|-----------|
| - Clear Definitions | 36 |
| - Improvements to (physical and digital) infrastructure. | 38 |
| BIBLIOGRAPHY | 39 |
| ANNEXES | 42 |

Towards formalisation of women-owned or -led MSMEs in Botswana

Abbreviations

| | |
|--------|--|
| BER | Business Environment Reform |
| BOISA | Botswana Informal Sector Association |
| BTCA | Botswana Textile and Clothing Association |
| BURS | Botswana Unified Revenue Service |
| CEDA | Citizen Entrepreneurial Development Agency |
| CIPA | Companies and Intellectual Property Authority |
| FGD | Focus Group Discussion |
| ICR | Investment Climate Facility |
| ISF | Industry Support Facility |
| KII | Key Informant Interviews |
| LEA | Local Enterprise Agency |
| MFED | Ministry of Finance and Economic Development |
| MSME | Micro, Small & Medium Enterprises |
| MVP | Minimum Viable Product |
| NBFIRA | Non-Bank Financial Institutions Regulatory Authority |
| TBA | Thusanang Bagwebi Association |
| UNDP | United Nations Development Programme |
| VSLA | Village Savings and Loan Associations |

List of Figures

Figure 1: The formalisation process

Figure 2: Overview of the business support ecosystem

Figure 3: The business decision to formalise

Figure 4: Characterising the Business Environment

List of Tables

Table 1: Comparison of Definitions

Table 2: The formalisation decision: drivers and barriers

Executive Summary

The informal sector is both important and growing in Botswana, with an estimated 116,571 informal businesses employing just over 191,000 people, translating into an average number of 1.6 employees per company¹. The informal sector is thought to contribute 26.7% to GDP². In July 2020, it was estimated that 75% of the informal sector businesses in Botswana were owned or led by women. Of these women, 58% were over 35 years old and 66% had been in operation for four years or less. Incomes were very low, with 92% earning less than 5,000 Pula per month, and 28% earning less than 1,000 Pula per month. 86% of the women did not pay monthly salaries to their employees and 86% did not have a bank account. Furthermore, many informal businesses suffered significant reductions in income during the Pandemic³.

From a policy perspective, Botswana is keen to encourage the gradual formalisation of businesses, so that MSME can achieve their potential and benefit from the advantages of formalisation. There is a general view that women running formal businesses would be better able to access legal rights and social benefits, improve their ability to access finance as well as participate more easily in trade fairs, e-commerce platforms, public procurement and export markets. At the same time, experience has shown that appropriate policies and regulations need to be in place in order to ensure that the business environment does not harbour gender-based constraints, such as unequal access to property rights, skills training, technology and finance. From the point of view of the business owner, the decision to formalise is a complex and contextualised one, and formalisation constitutes a process that generally takes place over a period of time. Furthermore, not all businesses are in a position to formalise in the short to medium term, making it important to find ways to support the informal sector while they are as yet unable to formalise.

Despite the difficulties experienced by informal businesses, an earlier study had established that some two thirds of the informal sector in Botswana might be willing to become part of the formal economy⁴. However, what was less clear from this study were the conditions under which this transformation would be possible, and how many of the businesses that indicated their willingness would actually follow through. With this in mind, the objectives of this study were to understand the formalisation process in Botswana and explore the drivers and barriers related to this process as they were experienced by women owning and leading businesses. To contextualise the study, the legal, regulatory and policy environment was briefly reviewed in order to establish the degree to which it is gender-responsive. Key members of the ecosystem were identified, mapped and consulted. The research methodology therefore incorporated a literature review, a document review, a series of key informant interviews with members of the ecosystem, and a number of focus groups with over 100 business women across the country, as well as a dissemination and validation session with stakeholders. Drawing on the analysis of the findings, the study seeks to identify potential changes in the business environment that would support formalisation more effectively.

Based on the findings, the factors that favour the decision to remain informal were found to consist of two key types: perceived advantages of remaining informal and perceived barriers to formalisation. There was a fairly widespread belief that remaining informal provided more flexibility, came without additional costs and obligations and was “just easier”. As many of the women highlighted, as an informal enterprise you can still operate and get business. The perceived barriers that may lead informal businesses to shy away from formalisation were heavily centred around the “cost of compliance”, or the cost of registering the business and complying with the additional requirements related to registration, such as opening a bank account. Related to the issue of compliance was the pressure to maintain registered status from one year to the next. This involves filing company returns annually, maintaining the bank account and paying any other related costs. Establishing a limited company also requires the contracting of a company secretary. In the view of many respondents, this not only represents additional expense, but makes budgeting difficult because the cost of a company secretary can vary significantly. Some of the women highlighted that once you are registered as a formal business, a range of stakeholders make assumptions about your size, your financial stability, your ability to pay, your resilience, and other characteristics. If a business has formalised prematurely, it may encounter difficulties living up to those expectations. Furthermore, all of the expenses related to formalisation clearly have an impact on the profitability of an enterprise. Many of the respondents were already struggling to get by in the current economic environment; if they also incur the additional formalisation costs, modest profits can easily turn into losses.

¹ The Informal Sector Recovery Plan, which in turn draws on the multi-topic household survey report 2015/2016.

² World Economics, accessed at <http://dev.worlddeconomics.com/Informal-Economy/Botswana.aspx> February 2024.

³ LEA, National SMME Registration exercise, data as at July 2020.

⁴ The Informal Sector Recovery Plan, which in turn draws on the multi-topic household survey report 2015/2016.

Set against these factors were those that favoured the decision to formalise. Based on the primary research, these factors essentially fell into two categories: strategic and operational. Strategic factors were closely related to the business aspirations of the owner. Where a business owner had more of a growth mindset, there were strategic reasons that justified formalisation. As a formal business, the company could create a better image and use formalisation to underpin the company branding. Formalisation lends a degree of credibility and even legitimisation to a business. As a result, formalisation tended to be an integral part of the journey of a business focused on growth and expansion. The second set of factors were more operational in nature, but in essence they too supported the ability of a business to grow. Respondents cited legal advantages that are conferred on the enterprise through formalisation, with businesses able to make use of legal instruments to protect their business dealings or to benefit from recourse to legal proceedings if necessary. Similarly, potential financial advantages were available to a formal business, since there are generally many more avenues for access to funding if you have a registered business. Access to additional business opportunities was also seen to be a driver of formalisation. Finally, formal businesses were perceived to obtain better access to enterprise support measures that are available.

To provide a context for the formalisation decision, the research also delved into the wider set of challenges experienced by business women in Botswana. Although not directly related to the formalisation process, they are nonetheless factors that prevent many women from growing and formalising their businesses. The findings of the primary research, enriched by secondary sources where available, give rise to a series of recommendations, which are summarised below.

The inherent nature of many women-owned and -led businesses in Botswana can be a barrier to formalisation. While women entrepreneurs are prevalent in Botswana, the findings of the ICR intervention highlighted that many of the businesses run by women are small, under-capitalised and lack resilience in the face of external shocks. Women entrepreneurs often struggle to run these businesses due to time-poverty, lack of access to collateral, limited business and financial education and lack of access to business networks. Furthermore, women are predominantly found to be operating in sub-sectors that offer limited profitability and growth opportunities. As a result, and despite the business environment in Botswana being considered relatively conducive to entrepreneurship, women-owned and -led enterprises tend to be more vulnerable and less likely to survive. Therefore, the country is not seeing sufficient numbers of women at the helm of quality start-ups, resilient enterprises and businesses with growth potential. Although the business environment appears largely gender-neutral, more needs to be done to incorporate targeted efforts that empower women entrepreneurs and address some of the structural barriers that remain.

Findings also highlight the large proportion of women entrepreneurs who stop short of full formalisation, opting instead for a hawker's or trader's licence, or to register the business name only. Not only do women entrepreneurs operating in survival mode remain informal, even women with growth aspirations may find formalisation too large a commitment, particularly due to their lack of confidence in achieving a consistent level of business income. If more women-led and -owned businesses were robust, competitive and had real growth potential, voluntary formalisation would be much more common. This has two implications for the business environment: there is both a need to ensure that support to women entrepreneurs addresses their needs better and a need to ensure that the cost-benefit of formalisation is more favourable. A combination of both should have a positive impact on voluntary formalisation. In the shorter term, policymakers could usefully explore the possibility of adjusting the formalisation process in Botswana to make it more suitable and affordable to a sub-set of the currently informal sector.

According to the findings, for many of the women, the hoped-for procurement opportunities do not materialise. The perceived opportunities for participating in public tenders was one of the main drivers for many women entrepreneurs deciding to formalise their business. Even after registering with the Integrated Procurement Management System of the Public Procurement Regulatory Authority, many failed to bid successfully. Although private sector supply chains also offer commercial opportunities, they were difficult for women-owned and -led businesses to gain access to. There is therefore a need to identify and address the persistent barriers to increased and more sustained access to public and private procurement opportunities for women.

In addition to these three recommendations, three cross cutting areas were highlighted as priorities for action: the need to make improvements to (physical and digital) infrastructure, the need to foster the consistent collection and analysis of sex disaggregated data collection for better monitoring and target setting; and the need for a set of clear definitions to support data collection efforts, including the definition of women-owned or women-led businesses.

Chapter 1: Introduction

Botswana – an overview

Botswana is landlocked and has consistently sought integration with the Southern African Region, including being a member of the South African Customs Union (SACU) since 1910 and becoming an original member of the Southern African Development Community in 1980. To facilitate trade and movement, Botswana has invested in roads, railways and border crossing, including the Kazungula Bridge, which connects the country to its Zambian and Zimbabwean neighbours. Economically, Botswana relies on South Africa for access to ports, roads and transportation infrastructure to facilitate international trade. Given the comparatively large size of the South African economy, Botswana is vulnerable to economic trends and shocks in South Africa.

Botswana is a multi-party democracy with regular elections, usually every 5 years, with the next election scheduled for later this year (2024). The ruling Botswana Democratic Party (BDP) has been in power since 1966. The Umbrella for Democratic Change (UDC) is the main opposition force, but based on current forecasts, although the opposition appears to be gaining strength, the BDP is still expected to return to power following the next elections.

Unemployment is high, standing at over 25% at the end of 2022. Inequalities also remain high, with the UNDP noting that the Gini Coefficient was the 9th highest. Income inequality, land inequality, potential inequality due to ethnicity, as well as gender inequality at political and economic levels⁵.

Traditionally the large public sector has played an important role in the economy. In 2023, government expenditure accounted for almost 30% of GDP⁶. A recent UNCTAD report highlights that the public sector accounts for 48,4% of formal employment⁷, and a recent IMF report considers the economy to be dominated by the public sector, with the State-Owned Enterprises (SOE) in particular thought to constrain private sector development⁸.

Diamonds account for over 90% of Botswana's exports and are a major source of fiscal revenue. Lack of diversity in the economy makes Botswana vulnerable to global shocks. Furthermore, the diamond sector has been experiencing some difficulties. Debswana, jointly owned by Botswana and de Beers, saw a 25% drop in diamond sales in 2023, with the company planning production cuts in 2024 in order to adjust to market demand⁹. As a way of securing the future of the industry, plans are being made for Botswana to move up the value chain by including more polishing as well as jewellery design and manufacture. Furthermore, the establishment of a Diamonds for Development Fund is expected to support these aims by supporting skills development in the sector¹⁰.

Women entrepreneurs tend to be concentrated in agriculture, services and low value-added services. Agriculture depends on rainfall and is vulnerable to the impact of climate related events. Women in agriculture are especially vulnerable, due to the fact that the majority focus on small scale horticulture. They use traditional farming methods, lack access to transport infrastructure and contend with expensive inputs. The fact that most rural women are living below the poverty line reinforces their difficulties. Women also dominate in horticulture production. Most land allocated to horticulture is underutilised and yields are low, while prices fluctuate given the volatile yield levels, largely due to the impact of weather conditions. Low tech farming methods predominate, there is limited access to machinery (usually hired), and few processing companies. While some farmers sell directly to supermarkets, many women sell their produce as hawkers directly to the public. In terms of livestock, women raise indigenous chickens to supplement their household income, selling directly to the public rather than the commercial trade or supermarkets, without recourse to storage, refrigeration or processing facilities. In contrast, men raising livestock tend to concentrate on larger animals (Euromonitor International, 2023).

⁵ <https://www.undp.org/botswana/publications/inequality-botswana-analysis-drivers-and-district-level-mapping-select-dimensions-inequality>

⁶ https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

⁷ https://international-partnerships.ec.europa.eu/document/download/8675c9e1-9ef0-4338-a9c3-cce6dfc46a76_en

⁸ IMF Country Report for Botswana, 23/317

⁹ <https://www.zawya.com/en/world/africa/botswanas-debswana-diamond-sales-down-251-in-2023-on-weak-demand-fb609qv4>

¹⁰ <https://rapaport.com/analysis/a-new-dawn-for-the-botswana-diamond-industry/>

The way in which land is owned in Botswana also contributes to challenges, as it limits how much land is available for private use or investment, with only an estimated 5% available as freehold. The majority of land is held by tribal authorities, with citizens of Botswana eligible to apply for land rights, essentially a leasehold. The 2015 Land Policy, which stipulated that only unmarried women or wives of men who did not own land were eligible for land rights, was amended in 2020 to remove this discrimination¹¹.

The clothing and textiles sector is seen as an important sector, but Botswana relies on imports for raw materials and the sector generally lacks appropriate skills for competitive production. A Textile and Clothing Institute (TCIB) was set up to provide vocational training. However, few women are in leadership positions or run substantial companies in the sector, but rather predominate as employees, with low wages and long hours (Euromonitor International, 2023).

The government has been working towards diversifying the economy. One proposed direction is to support the development of the knowledge economy, with a National ICT Policy Review e-commerce Strategy launched in 2021. E-commerce is considered an important platform for national growth and development, with the potential to support private sector development, enhanced productive capacity and greater diversification.

As Botswana has transitioned to a middle-income country, international donor support has decreased and the country is moving away from being a recipient, as it works towards the goal of becoming a high-income country by 2036. In absolute terms, official development assistance (ODA) from all countries to Botswana decreased from over 30% of Gross National Income (GNI), reaching a negligible amount at the turn of the century, and remaining so, with the exception of a spike between 2006-2008, largely in response to the HIV/AIDS crisis¹². EU funding declined by more than half for the European Development Programme (EDP) 11, covering the period 2014-2020. The focus of donors at this time was on economic diversification and greater competitiveness. The development of appropriate skilled labour was seen as an important contributor to achieving these goals¹³.

Background to the study

This study forms part of a wider intervention requested by the Citizen Entrepreneurial Development Agency (CEDA), established in 2001 and reporting to the Ministry of Entrepreneurship. CEDA provides a range of financing products and, as part of its offer, is able to finance projects that other financial institutions such as commercial banks would not normally fund. Two of the products offered by CEDA – Mabogo-Dinku, which provides subsidized loans for micro-entrepreneurs to enable citizen participation in enterprise development, and Letlhabile, which offers finance to the informal sector – have been successful and have prompted CEDA to explore the possibility of developing a more structured approach to supporting women in the informal sector, to enable them to achieve decent work, greater productivity and improve their readiness for formalisation and investment.

The research covered an overview of the informal sector in Botswana, with particular reference to women in the sector. It focused on the benefits to formalisation as well as the barriers to doing so, considering both the internal barriers and the barriers that arise as a result of specific provisions in the prevailing regulatory environment. Existing policies and initiatives addressing the formalisation of women led enterprises were reviewed. Secondary data was collated and analysed relating to women entrepreneurs in Botswana and their needs. Examples of good practice from other countries were drawn upon, as were existing theoretical frameworks relevant to the issue of formalisation.

This technical study, which seeks to understand the challenges and resulting needs for support of women in the informal sector, is part of a wider intervention, and focuses particularly on the changes to the business environment that may be required in order to catalyse a broader transition towards decent work and formalisation by women-owned and -led enterprises. The intervention is supported by the Investment Climate Reform (ICR) Facility, and has the following objectives:

- To build evidence about the business environment for women entrepreneurs in Botswana, the challenges they face, and the needs and opportunities for supporting those in the informal sector specifically;

¹¹ <https://www.reuters.com/article/us-botswana-women-landrights-trfn/botswana-opts-to-make-land-owners-of-wives-with-new-law-idUSKBN2682XF/>

¹² https://odi.cdn.ngo/media/documents/191206_botswana_web.pdf

¹³ https://odi.cdn.ngo/media/documents/191206_botswana_web.pdf

- To develop a CEDA framework, including suitable products, to support women-led businesses in the informal sector towards formalisation and the provision of decent work;
- To equip CEDA staff with the knowledge and skills to use that framework; and
- To galvanise support to improve the business environment for this group.

The decision to formalise is a complex one, as is the journey towards formalisation experienced by individual women entrepreneurs. The objective of the study implied the need to understand how women perceive formalisation and how they decide whether it is for them. It also implied the need to be able to map their journey towards formalisation, identifying the factors that trigger formalisation and those that cause women to maintain their informal status. In essence, the aim was to gain insights into the formalization process from the lived experiences of the women. Xheneti et al (2019), based on a review of 76 articles, highlight the importance of the "rich contextual and temporal dimensions" that must be taken into account when attempting to understand the decision to formalise, cautioning that gender is not the only factor that explains women's choices. The choices are also influenced by the sociocultural context, the associated norms, gender roles in the home, business dynamics and the situational context that women find themselves in. Some constraints experienced by the informal sector apply to both men and women, while others are gender specific and faced only by women. Some constraints are limited to certain sectors, or experienced by poor communities, but existing power imbalances mean that women are affected more. Kantor (2002) distinguishes between women-exclusive constraints (such as family responsibilities, mobility) and women-intensive constraints (including access to human capital and productive resources) constraints. Kantor (2002) concurs that formalisation is a "complex and dynamic process".

Given the above considerations, the methodology adopted for this study was essentially qualitative in nature, using focus groups as the main data gathering tool. Focus Group Discussions (FGD) allowed for richer and more nuanced discussions, which is important when dealing with complex issues such as formalisation. This approach was selected over individual interviews for engaging with the women entrepreneurs, since FGD permit a dynamic exchange of ideas based on diverse viewpoints. Given the common context of the women, we were able to build on those shared experiences and develop a degree of consensus on certain issues, whilst improving our understanding of what drove differences in opinion. The FGD allowed us to shed light on the administrative processes that need to be followed for formalisation, how they are perceived by women entrepreneurs and what the major difficulties are considered to be. The analysis of the FGD notes permitted the identification of common themes and patterns, recurring topics and concerns. The composition of the FGD allowed us to include specific characteristics of the women, such as age groups, the sub-sectors they are operating in and the different levels of formalisation that they have achieved.

The focus of this intervention was to use the research findings to develop a framework for use by CEDA, an objective that influenced the sample selection. The sample was drawn from the CEDA database of clients that had applied for finance under the Mbogo Dinku or Letlhabile loan schemes, both of which are available to informal businesses. Not all had received funding by the time of carrying out the focus group. This was an ideal group from which to draw participants, as the women owned businesses were largely informal in nature, though a sub-set of them was likely to have the potential to formalise. We are aware that there are other informal segments further from the goal of formalisation that were not part of the study. Furthermore, only a small number of women consulted had formalised their business. To overcome potential limitations from the sample selection, we validated the findings with a dissemination & validation session. The findings were presented and discussed in Gaborone in November 2023, which provided further insights presented in the following pages. A list of organisations consulted during the research is provided in Annex I.

The insights derived from our engagement with women entrepreneurs were complemented by a series of Key Informant Interviews with individuals from the business ecosystem. The objective of these interviews was to better understand the environment for women led enterprises in Botswana as well as the country context for formalisation.

Structure of the report

This introductory chapter offered a brief overview of Botswana in order to provide a broader context for the technical study as well as the background to the study itself, its objectives and the methodology employed. The remainder of the technical study is organised as follows.

Chapter 2 provides context for the primary study and focuses on the business environment for formalisation in

Botswana. First, we attempt to define the informal sector, drawing on existing definitions that have been used within Botswana in previous studies, notably the household survey of Botswana and the Informal Sector study that was undertaken. The chapter then considers the importance of the informal sector in Botswana, which was recognised by the government, as evidenced by the development of an Informal Sector Recovery Plan post COVID-19. The section highlights the vulnerability of informal sector enterprises, noting the difficulty of achieving decent work for the majority of entrepreneurs operating in this sector. Chapter 2 also reviews the formalisation process in Botswana in order to provide a context for the findings of the primary research. Given that the focus of technical study is on women-owned and -led businesses, the chapter ends with an overview of the gender-responsiveness of the business environment in the country and maps key members of the business ecosystem.

Chapter 3 reports on the primary research that was undertaken as part of the study. Following a brief overview of the profiles of the women entrepreneurs that participated in the study, the chapter characterises the formalisation process as a business decision, analysing both the drivers and barriers that influence the decision. The chapter then broadens out to provide a picture of the challenges faced by women entrepreneurs before honing in on the needs expressed by the women for financial and non-financial support.

Chapter 4 focuses on a series of recommendations for improvements to the business environment that would support the formalisation of women-owned and -led enterprises as well as facilitating a transition to decent work for informal and formalising businesses.

Chapter 2: The Business Environment for Formalisation in Botswana

Defining the informal sector

The informal sector and the informal economy are distinct concepts, each with their own definition¹⁴. The **Informal Economy** is much broader and includes all economic activities by workers and economic entities that operate outside formal regulations, whether they involve self-employment or wage employment. The informal economy highlights the lack of secure employment contracts, benefits, social protection, and workers' representation. The **Informal Sector** refers to unregistered enterprises owned by individuals or households, including enterprises that employ informal workers. The definition is based on the legal status and registration of these entities, as discussed at the beginning of this section. This technical study is predominantly focused on the latter definition.

There is no one single definition of what constitutes an informal business in Botswana, but the two most relevant to this study are the definition adopted by Statistics Botswana for their Household Survey Report¹⁵ and the definition adopted by the Ministry of Finance and Development Planning for their Informal Sector Study referred to in the UNDP recovery plan¹⁶. Table 1 provides a comparison of the two definitions.

Table 1: Comparison of definitions

| | Household Survey | Informal Sector Study |
|------------------------|---|---|
| Registration | Not registered as a company Not registered with professional association | Not formally registered with a regulatory authority OR registered but have the following characteristics |
| Employees | Less than five employees Employees casually hired | Does not pay determined salary to employees at specific time intervals |
| Establishment/location | Often temporary, or mobile, or in owner's home plot | |
| Financial criteria | | Does not regularly compile annual financial statements Income/expenditure not maintained separately from that of the promoters |

Registration with the regulatory authority is a common criterion to both definitions, with the definition adopted by the Informal Sector Study highlighting that registration must be accompanied by other criteria related to compliance. This conceptualizes formalization as an event (i.e., it occurs upon registration). The impact on employees is also taken into account in these definitions, specifically the definitions incorporate the concept of casual hiring versus regular employment with contracts as the differential factor between informal and formal.

Officially, formalization defines how a business is positioned and dictates the status of that business within its business environment and vis-à-vis competitors as well as the types of opportunities the business can pursue. From the point of view of the entrepreneur, formalization is both a strategic and an operational issue and not always black and white. Nor was there complete consensus on the definition among the entrepreneurs consulted for the study. For example, the issue of 'informal' versus 'illegal' was raised during one FGD. Formalization can also usefully be conceptualized as a continuum, where entrepreneurs analyse potential trade-offs in order to make decisions about what stance to adopt, and whether to move from one state to another.

¹⁴ https://www.oecd-ilibrary.org/definitions-of-informal-economy-informal-sector-and-informal-employment_103bf23e-en.pdf

¹⁵ Botswana Multi-topic Household survey report 2015/16

<https://statsbots.org.bw/sites/default/files/publications/Botswana%20Multi%20Topic%20Household%20Survey%20REPORT%20015%2016.pdf>

¹⁶ <https://www.undp.org/botswana/publications/botswana-national-informal-sector-recovery-plan>, referring also to the Ministry of Finance of Botswana (2015). Project to Conduct an Informal Sector Study for Botswana. Prepared by Econsult Botswana for the Ministry of Finance of Botswana. September 2015.

The informal sector in Botswana and the challenge of decent work

The informal sector is significant in Botswana, with the estimated number of informal businesses having grown by over 200% between 2007 and 2015. In 2015, there were an estimated 116,571 informal businesses employing just over 191,000, which translates into an average of 1.6 employees per company¹⁷. The informal sector is estimated to contribute 26.7% to GDP¹⁸. According to the exercise to map the informal sector undertaken by LEA, in July 2020, 75% of the informal sector businesses were owned or led by women. Of these women, 58% were over 35 years old and 66% had been in operation for four years or less. Incomes were very low, with 92% earning less than 5,000 Pula per month, and 28% earning less than 1,000 Pula per month. 86% of the women did not pay monthly salaries to their employees and 86% did not have a bank account. Importantly, many of the businesses suffered significant reductions in income during the Pandemic¹⁹. Despite the difficulties of the informal sector, it appears that some two thirds of the informal sector might be willing to become part of the formal economy²⁰. However, what is less clear is the conditions under which this transformation would be possible, and how many of the businesses that indicated their willingness would actually follow through. It is our hope that the present study will begin to answer those questions.

Formalisation in the context of this intervention is seen as a process underpinned by a series of support actions to the sector at different stages of formalisation. Although many entrepreneurs formalise their companies as they grow, others choose not to, and may instead create multiple informal businesses. Remaining in the informal sector can have consequences such as not being afforded protection in the way that formal enterprises enjoy, or having limited access to certain sources of finance or non-financial support. Informal businesses tend to be more precarious and may result in the entrepreneur and any employees being subject to working conditions that are less than optimal. While not automatic, planned growth and formalisation can be achieved in a way that also seeks to improve conditions with a view to affording the entrepreneur safe and decent work. As their business ventures grow and create jobs, entrepreneurs are likely to need finance to fund the growth.

Individuals running and working in informal businesses are generally exposed to precarious circumstances and unstable incomes. ILO is committed to ensuring that decent work is not only a feature of formal businesses but is also introduced along the entire spectrum of the economy, from formal to informal²¹. This implies that although formalisation of businesses is a goal, there is no automatic correlation between increasing formalisation and better working conditions. It also suggests that steps can still be taken to improve the working conditions of businesses that do not formalise. Hence there is a need to address the deficits related to decent work in the informal economy, in addition to facilitating the journey towards formalisation for those who are able to do so. Despite the small size of these businesses and the difficult conditions experienced by those who run them, a recent report highlighted that some two thirds of the informal sector is willing to consider transforming to the formal sector in Botswana²². Nonetheless, the informal sector is expanding rather than contracting. This highlights that despite the interest, in reality formalisation is neither rapid nor simple for most entrepreneurs. The ICR intervention that has given rise to this technical study has been developed in the spirit of this view, framing formalisation as a journey and considering the conditions under which women are economically active, and focusing on how women can be supported irrespective of their current position along the continuum of formalisation.

Decent work is defined as employment that respects the fundamental rights of individuals and workers, ensuring fair income, security in the workplace, and social protection for families. Initially formulated by the International Labour Organization (ILO), the organisation emphasizes four key components of decent work: job creation, rights at work (including minimum wage and safe working conditions), social protection, and social dialogue where workers can engage in discussions to negotiate work-related matters with employers and authorities. Decent work for all has been incorporated into the Sustainable Development Goal (SDG) 8. The European Commission, which has officially incorporated decent work into its agenda since 2006, argues that decent work should pay a fair income; guarantee a secure form of employment and safe working conditions; ensure equal treatment and opportunities; provide social protection; offer personal development opportunities and provide for freedom of expression²³.

Many women running a business in the informal sector do not achieve decent work. Typical challenges include

¹⁷ The Informal Sector Recovery Plan, which in turn draws on the multi-topic household survey report 2015/2016.

¹⁸ World Economics, accessed at <http://dev.worlddeconomics.com/Informal-Economy/Botswana.aspx> February 2024.

¹⁹ LEA, National SMME Registration exercise, data as at July 2020.

²⁰ The Informal Sector Recovery Plan, which in turn draws on the multi-topic household survey report 2015/2016.

²¹ Decent work and the informal economy, 90th Session of the International Labour Office (2002). Accessed <https://www.ilo.org/public/english/standards/realm/ilc/ilc90/pdf/rep-vi.pdf> February 2024

²² The Informal Sector Recovery Plan, which in turn draws on the multi-topic household survey report 2015/2016.

²³ https://international-partnerships.ec.europa.eu/policies/sustainable-growth-and-jobs/employment-and-decent-work_en

discrimination, lack of access to economic resources, and unsafe working conditions. They may be vulnerable to exploitation and find their opportunities for personal development and social integration limited. They are also often deprived of legal protection for themselves and their businesses.

The formalisation process

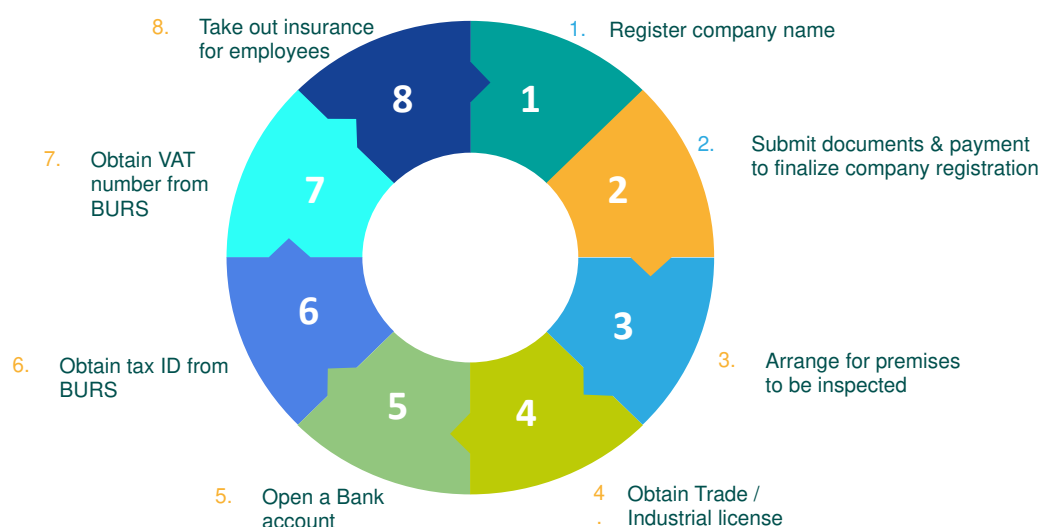
The agency responsible for formalisation in Botswana is the Companies and Intellectual Property Authority (CIPA). Registration of business is a process that can be completed online, with companies creating a profile with the organisation and following the requisite steps. We discuss the key steps in this process below in order to create a context for the research findings. In addition to the formal registration of businesses via CIPA, entrepreneurs who are not quite ready to take this step do often apply for a Hawker Licence or Certificate. This can be obtained at the local level from the Town or District Council commercial affairs offices. These come under the jurisdiction of the Ministry of Investment Trade and Industry. The application process is much simpler, cheaper and requires proof of identify, a photograph, and an indication of the type of goods that are to be traded and where the applicant wishes to trade, as well as the completion of an application form, accompanied by the requisite fee.

In contrast, the formalisation process is much more involved. The first step is the registration of the company name. This step is separate to the registration of the company itself, and many applicants will stop here. Those that continue, will submit the remaining documentation and make a second payment in order to finalise the company registration process. Once the company is registered, there are a number of other steps in order to achieve full compliance.

Register company name: Registering the business name with CIPA is the first step along the path to formalization. Technically, it is possible to register the company name during the company registration process, but it is possible to first reserve and then register a company name in advance of the company set-up process. The cost of registering a name is 170 Pula (at time of writing). Once the name is registered, it needs to be renewed every three years. Registering a business name has fewer requirements than registering a company, making it both easier to maintain and cheaper. It is quite common for entrepreneurs to register the business name and then stop there.

Submit documents and payment to finalise registration: Once the business name has been registered, the next logical step is to register the company. There are several steps to this process. There are four types of company: a private company (limited but no public shares), a public company (limited and public shares), closed company (CC), and a company limited by guarantee, often adopted by NGOs for instance. Since 2012, entrepreneurs can register their companies themselves. Since 2019 it has been a requirement for the filing to be done online. A number of companies appoint company secretaries to carry out this process on their behalf. In any event, a registered company is expected to appoint a company secretary within three months of initial registration, which is normally as a limited company. There is no provision for a partnership as a business form in Botswana.

Figure 1: The formalisation process



Arrange for premises to be inspected: For many businesses, there is a requirement that their business premises be inspected. This is conducted by the Industrial Affairs Department of the Ministry of Trade and Industry. There are several departments involved in this process, including the Environment Department, the Health Department and the

Town Planning Department. This process is normally expected to take around 7 days.

Obtain trade or industrial licence: A trade licence is obtained from the City Council in Gaborone. Alternatively, entrepreneurs obtain an industrial licence from the Ministry of Trade and Industry. The process for obtaining such a licence can take up to three weeks.

Open a bank account: Before applying for a Tax Identification number, the entrepreneur needs to open a bank account.

Obtain Tax ID from BURS: The entrepreneur applies for the tax identification number (TIN) from the Botswana United Revenue Services (BURS) and also registers in the employee withholding Pay-As-You-Earn tax scheme. This process can take around 7 days to complete.

Obtain VAT number from BURS: A company engaging in a taxable activity must register for VAT at the Department of Customs and Excise if the value of that activity is over 1 million BWP in a 12-month period at the time of writing. The precise threshold is defined in the Fifth Schedule of the Value Added Tax Act.

Take out insurance for employees: As a final step, companies are required to obtain workplace injury insurance for their employees.

Companies who do not fulfil their obligations of filing regular returns with CIPA will find themselves automatically removed from the registry of companies. For companies that wish to voluntarily de-register the company following a decision to close a business, this is also done through an application to CIPA, which needs to be submitted together with a no objection letter from BURS.

With the exception of closed companies, all other registered companies must appoint a Company Secretary within three months of incorporation. In the case of closed companies, the requirement is for an Accounting Officer. The principal role of the Company Secretary is ensuring compliance with the provisions of the Companies Act, including potential name changes or adjustments to the company constitution, the filing of compliant annual returns, and support the directors in the maintenance of records. The prerequisites for acting as company secretary require the individual to be a legal practitioner or be a member of one of three associations in Botswana or an alternative association covering Southern Africa²⁴. CIPA has lists of the members of the first three Associations on its web-page.

Furthermore, the registration of a business brings with it recurrent obligations. The business is required to submit annual returns. For companies limited by guarantee, this task is carried out by mandated company secretaries, which constitute a further expense. There are significant penalties in place for failure to file, or late filing. As a result, many entrepreneurs simply let their registration lapse if they are no longer able to keep up with the obligations of running a formalised enterprise. This process can pose problems for small-scale women entrepreneurs. Renewal of the company registration is 500 Pula annually. If the entrepreneur is paying a company secretary, the total cost might come to 1500 Pula every year (although the charges of company secretaries vary considerably), which is significantly more than an entrepreneur would pay if she decided to only register and renew the name. As mentioned earlier, 28% of informal businesses run by women have annual revenues below 12.000 Pula, meaning that the costs of continued registration represent more than 2 months of revenue every year.

An overview of the business environment

Gender equality is enshrined in Section 3 of the constitution. Botswana is Party to the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the Beijing Declaration and its Platform for Action (BPfA). The National Vision 2036²⁵ expressly promotes equal opportunities for women and men, and boys and girls. The institutional mechanisms and structures for gender equity include the Ministry of Nationality, Immigration and Gender Affairs, the National Gender Commission (which has a clear mandate to monitor and evaluate the implementation of gender policies) as well as Civil Society organisations. According to the National Review for the implementation of the Beijing platform for action, the budget that the Gender Affairs Department has at its disposal is below what is required to implement the planned programmes. Nonetheless, financial and technical support for women's empowerment has been provided by the government, including via disbursement of grants to Women's NGOs, Community based

²⁴ Botswana Institute of Accountants, Association of Business Consultants of Botswana, Botswana Association of Company Secretaries, Southern African Institute of Chartered Secretaries and Administrators

²⁵ <https://www.statsbots.org/bw/sites/default/files/documents/Vision%202036.pdf>

organisations and other groups, with the objective of helping women access income generation projects. The report highlights that women suffer discrimination due to contradictions between formal and customary laws and the lack of uniformity in the application of the law in customary courts, which have a tendency to preserve cultural practices that disadvantage women (National Review Beijing +25). Euromonitor International (2023) suggests that despite the commitment to gender equality and the strategies in place, the prevailing level of gender-responsive budgeting is insufficient to achieve effective implementation of the policies and plans.

Legally, a woman in Botswana can register a business, open a bank account and sign a contract in exactly the same way as a man. However, according to a recent report, 44% of women believe they need their husband's permission to do paid work (United Nations Development Programme 2021). Furthermore, the law does not explicitly prohibit discrimination in access to credit based on gender. In terms of assets, men and women have equal ownership rights to immovable property, to inherit assets, with spouses granted equal administrative authority over assets during marriage. However, daughters do not have the same rights as sons to inherit assets from their parents and the law in Botswana does not provide for the valuation of nonmonetary contributions. The latter inequalities can affect a woman's ability to draw on her own capital for setting up a business. In terms of the workplace, the law does not expressly prohibit discrimination based on gender, nor is there legislation on sexual harassment in employment, with a lack of criminal penalties or civil remedies when such harassment takes place²⁶.

Although the legal and regulatory environment was considered highly conducive and supportive of women entrepreneurship, and the presence of customised entrepreneurship education and training was acknowledged, a study of 400 women entrepreneurs in Botswana highlighted that women entrepreneurs do experience a number of challenges, including lack of knowledge, technical skills and know-how to develop and implement marketing strategies, as well as little or no knowledge of sources of financial and nonfinancial support. All of these put them at a disadvantage. They also experience intense competition in the market and perceive themselves as being marginalised (Rudhumbu et al, 2020).

The National Entrepreneurship Policy (NEP) for Botswana is a policy framework that provides a comprehensive structure to promote entrepreneurship and Small, Medium, and Micro Enterprises (SMMEs) development, with the latest NEP published in 2019. The document distinguishes opportunity driven entrepreneurship from necessity driven entrepreneurship, with the latter referring to self-employment as a response to unfavourable economic circumstances rather than in response to specific market opportunities or innovations. Government policy in this instance is generally targeted towards self-employed and smaller enterprises as well as marginalised members of the community, including women. Women are also highlighted as an important component in the informal sector. The NEP highlights the government's commitment to mainstreaming the needs of the informal sector and initiatives to support the graduation of informal enterprises to the formal sector. The National Development Plan 11 (2017-2023), in 2016, which includes gender mainstreaming and the prevention of gender-based violence.

A key document is the Informal Sector Recovery plan (ISRP) that was developed with the support of the UNDP office in Botswana. The government of Botswana has recognized the importance of the sector with the Informal Sector Recovery Plan (ISRP), which complements the Private Sector Recovery Plan, and which is based on six guiding principles, including the transition to formalization (with the objective of creating decent work²⁷) as well as support for women and youth. One of the recommendations of the study was to create an Agency with the mandate to register informal businesses. This mandate was subsequently given to LEA, a key parastatal reporting to the Ministry of Entrepreneurship which provides non-financial support to micro, small and medium enterprises. LEA implemented the registration of informal businesses, with those who registered receiving 1,000 Pula as a one-time payment under the Industry Support Facility (ISF). These were businesses that had previously not been eligible for COVID-19 related support due to their informal nature.

An overview of the business ecosystem

To complete the picture of the context within which women entrepreneurs do business, Figure 2 provides a brief overview of the business support ecosystem. The role of government in shaping the legal, regulatory and policy environment has already been considered in the previous section. In this section, the focus is on the provision of

²⁶ Women, Business and the Law, <https://wbi.worldbank.org/en/data/exploreeconomies/botswana/2024>

²⁷ According to the ILO, "Decent work sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for all, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men." <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

support. Government provides support to women entrepreneurs through the Local Enterprise Agency (LEA), which was established by the Small Business Act of 2004, initially attached to the Ministry of Investment Trade & Industry, though now reporting to the recently created Ministry of Entrepreneurship, while CEDA focuses on financial support. Support is also provided through District Councils and via the Ministry of Nationality, Immigration and Gender Affairs.

LEA²⁸ offers support to entrepreneurs via business advisory services, training, incubation and market access. The organisation has a presence across the country through its accelerators and incubators. Incubators generally offer a nine-month programme including space, training, technical support and access to markets. The Botswana Innovation Hub²⁹ exists to develop an innovation culture and support entrepreneurship, with initiatives such as First Steps Venture Centre (FSVC).

Figure 2: Overview of the business support ecosystem



Civil society, NGOs and international donors are more limited. The private sector, specifically the diamond sector, is providing support, including to women, such as the AWOME (Accelerating Women Owned Micro-enterprises) initiative launched by de Beers in 2017, in partnership with UN Women, with the second phase of the initiative currently under implementation.

The University of Botswana has collaborated with the EU in the past to provide training and entrepreneurship capacity building³⁰. The University of Botswana has also offered an executive Master in Entrepreneurship³¹. Both University offers a range of online programmes in business related topics³², in addition to an Entrepreneurship Lab Business Idea Incubator³³. The Botswana Institute for Development Policy Analysis (BIDPA) has conducted research on entrepreneurship and gender in Botswana, focusing on the challenges and opportunities for women entrepreneurs in Botswana (for example, Mamabolo and Lekoko, 2021). Researchers from the University of Botswana also publish on the topic.

There are also a number of business and industry organisations that operate in Botswana. Women in Business Association (WIBA) is an independent, non-governmental association established in 1990 in order to promote women in business. The organisation both supports women and engages in advocacy. Business Botswana is a private, non-profit organisation that represents the interests of the private sector of Botswana, although the majority of its members are medium and larger organisations. The Botswana Textile and Clothing Association focuses is a sector specific organisation. The Botswana Informal Sector Association (BOISA) has a mandate to advocate, represent and promote the rights and wellbeing of all informal economy workers.

Financial support is critical to business. The financial sector in Botswana is regulated by the Ministry of Finance and Economic Development (MFED). Two regulatory agencies exist: the Bank of Botswana and the Non-Bank Financial Institutions Regulatory Authority (NBFIRA). Given that the informal sector has very limited recourse to formal financial institutions and commercial banks in particular, it is of interest to this study to understand the landscape of the non-

²⁸ <https://www.lea.co.bw/our-services>

²⁹ <https://www.bih.co.bw/programs/>

³⁰ <https://www.ub.bw/news/ub-partners-eu-entrepreneurship-capacity-building>

³¹ <https://www.ub.bw/programmes/business/executive-master-entrepreneurship>, though it is unclear whether this programme continues to be offered

³² <https://online.bothouniversity.com/faculties/faculty-of-business-and-accounting/>

³³ <https://botswana.bothouniversity.com/students/entrepreneurship-lab/>

bank financial institutions³⁴. Nonbank lenders in Botswana include Microfinance institutions, which offer a combination of microloans, micro savings and microinsurance, In Botswana, micro-lenders tend to offer consumption loans to consumers. There are also finance companies, which offer loans to MSMEs while leasing companies rent out equipment to the same target group. Most of the financing and leasing in Botswana is carried out by government owned entities. Pawnshops are mostly targeted at individuals who make use of movable collateral to borrow. They are recognised as non-bank financial institutions as per the NBFIRA Act (2016). The number of pawnshops has been increasing steadily since 2014 and by far the majority are based on Gaborone. Only 3% of all pawnshops are based in rural areas. Savings and Credit Cooperative Societies (SACCOS) come under the regulations of cooperatives and are established throughout the country. Finally, hire purchase companies also provide ways of financing equipment and higher ticket items.

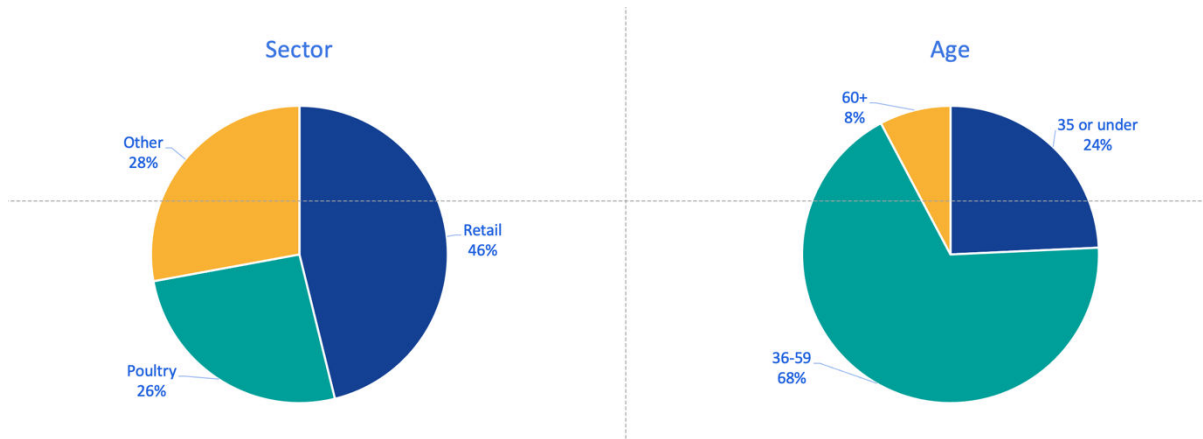
³⁴ This section draws from NBFIRA's 2020/2021 Annual Research Bulletin which reviews the non-bank credit market.

Chapter 3: The informal sector - findings from the Primary Research

Description of the sample

In total, 104 women participated in the Focus Group Discussions as part of the primary research phase. The population from which most of the respondents were drawn was the CEDA client database (the remainder coming from LEA), although not all of the women who participated in the FGD had received loans from CEDA. In terms of location, 64% of the total were from urban areas (primarily Gaborone and Francistown) and the remaining 34% from rural areas (Shakawe, Kanye and Molepolole). The two focus groups run with LEA clients were held virtually and included women from a variety of locations and made up the remaining 2%.

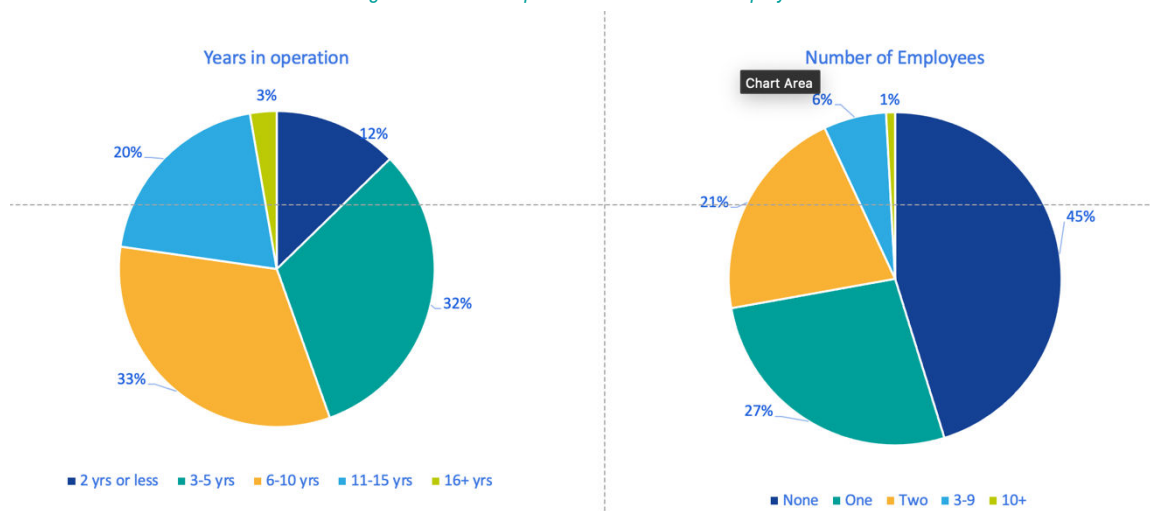
Figure 3: Business sector & Age of Entrepreneur



Sector: The largest group of participants were active in the retail sector (46%). Many of these women ran tuck-shops or similar, with a small number operating other types of retail outlets, including second hand clothing. Just over a quarter of the women (26%) were engaged in poultry raising. These two sectors reflect the overall makeup of the population. The remaining 28% of respondents ran a wide variety of businesses.

Age of entrepreneur: The age of respondents ranged from early 20's to over 70, with over two thirds (68%) falling into the 35-59 age group. The remaining 8% of respondents were 60 or over. This proportion is larger than was the case in the LEA mapping exercise, where 58% of women were over 35. Almost a quarter could be classified as youth, at 35 or under (24%).

Figure 4: Years in operations & number of employees



Age of business: The businesses varied widely in terms of age, taking into consideration that the question was aimed at establishing how long the women had been in business, independent of whether that was in the informal or formal sector. It did not take into account any temporary hiatus where women may have stopped running their business for short periods. 6% of respondents had been in business for two years or less. A further 21% had been in business between two and five years. This means that almost three quarters (73%) had been in business for more than five years. Two in five of the total sample (41%) had been in business between 6 and 10 years. A further 28% had been in business between 11 and 15 years. The remaining 14% had been in business for 16 years or more. Given the age spread of the women entrepreneurs, this can be interpreted to mean that most of them have engaged in some form of income generation activity for a large part of their adult lives. It also highlights that many of them have been operating as informal businesses for a significant period of time.

Size of business: The largest proportion of businesses (45%) were run by the women themselves without the help of employees. Over a quarter (27%) had a single employee, and a further 21% had 2 employees. This means that only 7% had 3 or more employees. In fact, with one exception (a cooperative), this last group of businesses had between 3 and 7 employees. This means that all of the businesses except the cooperative can be classed as micro-enterprises.

Business status: Three quarters of respondents had a hawkers' or vendors' licence. 38.5% had registered at least their business name with CIPA. This means that a number of respondents had both a trader's/hawker's licence and CIPA registration. Just under a quarter of respondents had a trading licence. Five percent had no type of registration whatsoever.

Formalisation as a business decision

To understand the context for the formalisation decision, it is important to consider the motivations and business aspirations of the women entrepreneurs in the sample.

Business aspirations at start-up. One important reason for starting a business was the inability to find employment. Some of the women had been in employment, but lost their jobs. Others had left employment voluntarily because of lack of flexibility, toxic workplaces or because the wages were low. Set against this "push" factor, were those women who opted for self-employment from the start, either because they had a skill they could exploit, or because of an interest or passion that they wanted to follow. Others spotted an opportunity that they thought they could exploit. Many of the women had experience of their mothers or other family members running businesses as they were growing up.

Although the initial impetus for getting into business in these cases was external, many of the women soon became motivated by the business itself, dedicating as much time and effort as they can to making it successful. For others, the desire to be their own boss was the most important motivator to setting up their own business, though the reasons behind this varied. Many also saw starting a business as a way to be independent, to make their own decisions.

Business Growth. Overall, establishing a business, however modest, gives women a sense of agency, of being in control of their destiny. This sense of agency is also reflected in the aspirations for growth that many of the women expressed. Growth was seen as a way of getting access to greater opportunities, including being able to sell to larger companies and access procurement opportunities. Many spoke of employing others. The precise options for growing the business varied. For those in farming, this might include installing irrigation, expanding the farm, opening a shop or supplying larger customers on a regular basis. For other sectors, this may include creating a brand, and even exporting. Some of the women talked about reaching a position where they could inspire others, do good for others, or leave a legacy to their children.

A number of respondents described how they had grown their businesses. For many, growth is measured in successively increasing the level at which they are trading, for others this means moving from selling from a table to owning their own tuck-shop. Growth may also include an element of diversification, such as the respondent who began in horticulture farming and subsequently opened a vegetable shop and also a butchery. Another respondent describes how she has progressively grown her business to the point where she can now employ someone.

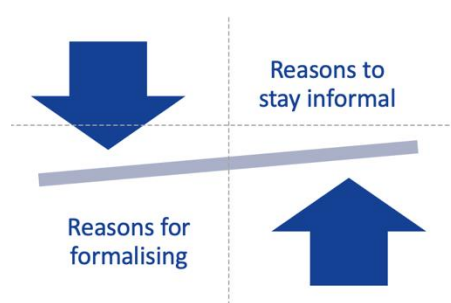
However, for others, growth has been more difficult to achieve. This may be because someone is still trying to find the right business, *"I am not specialized, ... I keep buying different things as per what the market demands, ... I am mixing a lot of things"*. Some women find that the business generates enough for them to survive but insufficient to allow them to save. *"It's just that we eat the money, we don't save."* Others who do save, for example to purchase a piece of equipment to help them grow their business (for example a generator, incubator, oven, ice-cream maker, sewing equipment, a vehicle, among others) find that it may take them years to save for it, without really knowing whether it will still be relevant to purchase the item by the time they have saved up for it. In the meantime, the business continues

at its current pace and the savings may be used to take care of an emergency.

Fluctuations in business revenue. Fluctuations in sales throughout the year were common. For example, businesses supplying school uniforms find their sales concentrated in a single short period every year. Those supplying weddings find sales concentrated in spring and summer. Hairdressers note that they have fewer customers when it rains and during winter. Ice cream sales are seasonal. For street vendors, the rainy season is challenging “*there is no business because you don’t have a place where customers can come inside*”. Some women may be aware of strategies to compensate for seasonal or fluctuating sales in theory, but lack the funds to be able to put them into practice.

Respondent’s view of formalization process: Many of the respondents had registered their business and/or their business name themselves and found it easy enough, with respondents divided about whether the online format has made it easier. Some engaged a consultant/company secretary as that seemed easiest, others decided to do it themselves because of the cost of hiring a company secretary. However, others found it less straightforward, at times leading them to abandoning the process and continuing to operate in the informal sector. Some respondents highlighted the difficulty in finding a company secretary that they can trust. The inspection of premises constituted a difficult hurdle for respondents as it can be difficult to locate suitable premises. “I started operating from home, then I relocated to a caravan But couldn’t get my business formalized as the local council did not approve of caravans as places of operation.”

Figure 5: The business decision to formalise



Prior research evidence highlights how women entrepreneurs engage with formalization and the complexities surrounding their decisions. A recent study among women in Nepal notes that women’s interpretations of formalization are influenced by environmental uncertainties and social conflicts, leading to varied actions regarding formalization. The study emphasizes the dynamic and cyclical nature of formalization choices among women, with implications for their ethical considerations Karki et al (2021). We attempt to tease out the factors that drive formalisation versus those that favour remaining informal from the results of our study. The inability to predict whether a woman’s business will generate sufficient income in future years to justify the cost of formalising and remaining formal was a clear concern. This report now looks at how the business decision to formalise is influenced by two sets of opposing drivers: those that push the business owner towards formalising and those that pull the business owner away from formalisation.

Factors driving the desire to maintain informal status. Overall, there are a number of reasons that are related to the cost of complying with requirements that are part of the formalisation journey. One such issue is the need to find suitable premises for running the business. For a business such as a bakery, which cannot be run from home, formalization means finding somewhere to rent, and this pushes up the cost of running the business beyond what many can afford. The difficulty of finding suitable premises is a further problem, which brings with it the inability to pass the formal inspection of premises and facilities. The cost of compliance also includes other expenses such as transport and other costs. This all comes out of business proceeds. Furthermore, the cost of compliance (fees) is perceived to have increased significantly over recent years. Some of the procedures were also seen to take too long, as an example, a respondent submitted an inspection letter and found themselves still waiting for a response nine months later. As a result of the foregoing, a number of respondents highlight that they get as far as registering the name and then stop as they become aware of the process and associated cost of fully registering. They noted that offering a more flexible ways of paying, including paying in instalments, might help some of the businesses deal with these costs. The final barrier related to the formalisation process was the need to carry out many of the processes online. Those businesses that do not have access to the internet are forced to find an internet café, which involves additional cost. A number of respondents indicated a preference for dealing with CIPA agents directly and the establishment of local offices or CIPA agents periodically coming out to the villages.

Once formalised, the cost of retaining formal status was also considered a cost. One respondent calculated the cost as

follows: submitting annual returns and tax clearance cost her 2.500 Pula, in addition to the fee for annual returns submission, which came to 800 Pula. She was also required to maintain a bank account balance of 1.000 Pula. As these are costs that are incurred irrespective of sales, she was reluctant to commit. Fluctuating sales, the need to close the business down for a period due to the need to deal with family emergencies and commitments, all lead to the burden of formalization weighing more heavily on businesses owned by women. When the business is not doing well, it becomes difficult to pay the annual fees. For many women, the only solution was to stop fulfilling their obligations, resulting in the company becoming de-registered. There were a number of women who highlighted that this had happened to them.

The need to appoint a company secretary, if not to register the business, within the first year, was seen as a burden. Some respondents had registered their business before the use of a company secretary was made mandatory, and they felt that this was much easier and also saved on costs. As the rates for company secretaries implementing the registration and filing processes for their clients are not regulated, the women confirmed that in practice, prices fluctuate. Often, they consider the prices too expensive, and a number of respondents would rather do this for themselves. Furthermore, several women noted that normally the company secretary received the communications about due returns etc., whereas the entrepreneur did not get a copy. Relying on the secretary for timely information meant that sometimes the business was unprepared and had not been able to plan to have the money available to pay when needed. Interestingly, some examples were cited by respondents who had been directly helped by CIPA, and this had worked out much cheaper.

Unsurprisingly, many women were concerned about both income and profit. A number highlighted the lack of positive trade-off between the money spent on formalization and the gains in terms of income or profitability. As one respondent commented, *“The need to pay VAT, BURS, banks and consultants not only reduces profitability, it also creates cash flow problems as these are bills that need to be paid.”* This was especially worrisome for those who had not managed to take advantage of expected new business. Many businesses that had formalized with the idea of going after tenders found that they were subsequently not awarded tenders and therefore fell back into supplying goods and services on an informal basis.

Some women respondents were worried about the assumptions that others make about a business that is formal. They felt that being a formal enterprise created expectations in the eyes of others. Potential clients ask for documentation that the business did not have when they tried to compete for tenders. Customers expected a range of services such as swiping machines, branded packaging of commodities, gift cards, etc., which are associated with larger stores (consumers). In hairdressing, this would mean more sinks and hairdressing stations, as well as the availability of a wider range of (often more expensive) hair products. Formal but smaller businesses could not afford to provide most of these things.

In the end, working in the informal sector conferred greater flexibility while not really prejudicing the business. There was less focus on separating business and personal money management - *“when it is informal you make sales, buy what you need and go home”*. Working hours were also seen by some as less rigid when they are working informally, making it easier to balance home and work life. As one participant highlighted, *“I do not see an advantage in registering since a business owner can do the things, she wants to do without it”*. For others a trader’s or hawker’s licence from the council was considered enough. Those that remained informal sometimes felt *“the process [of registration] has been made difficult to burden people”*, calling for simpler processes and less paperwork. Still others were unclear about how the formalization process works and were not always clear on the importance of registering, or the benefits to be had beyond being able to participate in tenders

Factors driving formalisation. Despite the myriad reasons to remain informal, the FGD revealed that an important sub-group of the women were very clear about the benefits of formalizing their business. In some cases, this was something they had already done in order to take advantage of the different benefits; in other cases, they could see the value of formalization in theory but there were circumstances hindering them from taking the step. In this section we review some of the key benefits discussed in the FGDs.

The strategic reasons for formalizing were closely related to the business aspirations of the business owner, particularly for those who embodied a growth mindset and felt that formalisation formed an integral part of the expansion journey of their business. Essentially, one of the key messages the proponents for formalisation wanted to transmit was that they were taking the business seriously and were committed to growth. Alongside these aspirations they mentioned the desire to run the business well and have formal administration practices.

The impact on image and brand was considered critical. First and foremost, the brand was seen as an important way of increasing visibility and reinforcing marketing activities. Formality was seen as a precursor to being able to advertise more effectively on digital channels. In the words of one participant, *“the company looks legitimate, which is helpful if*

you want to charge your customers a deposit, they are more likely to trust you". Similarly, another respondent commented that "other businesses may approach you because you look serious". The corollary to this is that informal businesses often feel undermined.

Beyond the strategic benefits, formalisation was thought to be accompanied by more operational advantages. Respondents cited the legal implications of formalization. Formalisation provided access to certain activities, for example, "to operate a generator, you need to be registered and compliant". Respondents highlighted potential access to legal redress in the case of a customer defaulting on payment or if disputes with customers or suppliers should arise. As a formal business, it is possible to conclude formal agreements, which mean that a business cannot easily be evicted. A minority of women mentioned that formal businesses can access insurance policies.

In addition to legal benefits, formalisation was considered to bring financial benefits. One of the first implications is that the business will separate business and personal finances, which in turn means that the business funds will not be inappropriately used for domestic and personal issues. It may result in less bad debt as customers are more likely to pay up if you are a formal business. Being formal also enables the business to ask for payment in advance and to use bank transfers, which are considered more secure than cash. Since government no longer makes use of cheques, the bank transfer was considered to be the only possible secure payment mechanism

One of the assumptions that a number of women respondents had was that formal businesses are generally more resilient in the face of crises when compared to their counterparts trading in the informal sector. Table 2 provides an overview of the strategic and operational factors that form part of the decision process to formalise.

Table 2: The formalisation decision: drivers and barriers

| Factors favouring formalisation | Factors favouring informal business |
|---|---|
| <p>Strategic factors</p> <ul style="list-style-type: none"> • closely related to the business aspirations of the owner • presence of a growth mindset: formalisation is an integral part of the expansion journey • Branding: formal company generally has a better image • Lends credibility and even legitimisation to a business | <p>Perceived advantages of remaining informal</p> <ul style="list-style-type: none"> • provides more flexibility, • comes without additional costs and obligations • Is "just easier". • You do not need to be formal to get business |
| <p>Operational factors</p> <ul style="list-style-type: none"> • Provide support for a growing business • legal advantages: can use legal instruments to protect their business dealings and have recourse to legal proceedings if necessary • financial advantages: many more avenues for potential access to funding • access to additional business opportunities • better access to enterprise support measures that are available. | <p>Perceived barriers to formalisation</p> <ul style="list-style-type: none"> • cost of registering the business and complying with the additional requirements such as opening a bank account • maintaining formal status: filing company returns annually, maintaining the bank account and paying any other regular costs • need to contract a company secretary: represents additional expense. Cost of company secretary varies, making budgeting difficult • Stakeholders make (unfounded) assumptions about your size, your financial stability, your ability to pay, your resilience, etc. Premature formalisation makes it difficult to live up to those expectations. |

Broader business challenges experienced by women entrepreneurs

While the previous section considered the issues related to the formalisation decision and/or journey, in this section we explore the broader range of challenges experienced by women-owned and -led businesses. It is important to bear in mind that the majority of the women participating in the research that has informed this study ran informal or semi-formal businesses. The findings highlight two categories of challenges: issues related primarily to the entrepreneur and her business and challenges that are related to how they relate to the external environment. The degree to which the business challenges are present will be affected by the type of business, the sector in which it operates and the experience, mind-set and skill-set of the entrepreneur. These same characteristics will also influence the degree to which the entrepreneur is able to cope with external challenges.

Lack of Profitability. Many of the women find themselves doing business under increasingly competitive circumstances. This may be due to the presence of many similar businesses in the same area. For some businesses, this has been exacerbated by supply shortages, which also push up prices. Coupled with the lower spending power of many customers and competition from Chinese shops (particularly in the clothing sector) or supermarkets (Choppies, Saverite), all of which drive down prices, it is becoming increasingly difficult to remain profitable. Others complain about

cross-border sellers coming in from abroad and selling without authorization, allowing them to undercut prices.

Problems managing cash flow. Managing cash flow is a problem for many. Depending on the type of business they run, there may be some income every day (tuck shop) or at least several times per week (clothes store), while others have less frequent but proportionately higher sales (catering or decorating services). In the meantime, women need to purchase supplies, inputs or stock, and they may have running costs such as rent and utilities. Cash flow is also a problem for those women who have been able to supply supermarkets as invoices are paid a month after submission, or when selling to local authorities, where it may take even longer to get paid. For some women, the business is only possible if they are able to access a loan to cover working capital. For example, to raise chickens the entrepreneur must buy the chicks, pay rent, water and electricity, and purchase feed, but it takes six weeks to recoup the money, so the loan covers the shortfall and living expenses in the meantime. When the income is received, the loan is paid off and the cycle starts anew. The entrepreneur finds it impossible to break out of the cycle, and without the loan the enterprise would shut down.

Problems due to demand for Credit Sales. In the current economic climate, more and more customers of the businesses are asking for credit sales. This puts additional pressure on the cash flow of the business. Bearing in mind that many of the women entrepreneurs are already finding themselves stretched by limited resources, this can severely impact their ability to keep the business afloat. In addition to the question of liquidity, it was also clear that many of the entrepreneurs participating in the research felt their business was not very profitable. Though clearly linked to cash flow, selling on credit deserves a separate mention. Particularly since COVID, there has been a much higher demand for credit from customers. Often the choice is between a credit sale or no sale at all, with selling on credit bringing additional risks of default in addition to further squeezing cash flow. Tuck-shop owners report customers buying on credit and then moving on to another shop when they have reached their credit limit. Often this money is difficult, almost impossible to recuperate. For some respondents, it is not just the risk factor, but also the sheer effort involved in managing and following up with creditors. This has led to some business owners making the decision to trade on cash terms only. Giving credit can also be difficult for businesses in sectors such as decorating. When the balance for the work becomes due, clients either start to complain about things to hold up payment or decide to pay in instalments although this had not been previously agreed. For the smallest, informal businesses, there is no effective recourse.

The implication of lacking resources. While lack of money is the most frequently cited issue, and may be the root cause of many of the problems cited here, it is worth understanding the impact a lack of resources has on the business. Many of the women highlighted the problem of a lack of suitable equipment for their business. For example, in agriculture they may lack an irrigation system, they may not be able to afford cooking equipment, or the cost of transport to make deliveries may be prohibitive. One possible consequence of this is that women take much longer to get everything done, further encroaching on the limited time they have. Another is that they are unable to supply their product to the market because they cannot afford the cost of transport.

Sourcing sufficient raw materials and supplies to be able to run the business continuously is also a problem for some. One respondent did not have the cash reserves needed to maintain a continuous supply of chickens. Instead, she purchased in batches, using the income from one batch to finance the next one. Being unable to supply a potential customer with a daily quantity of chickens meant that she was unable to bid for many tenders. When cash is in short supply, women resort to selling to order, asking for a down payment in cash and the remainder on delivery. Unfortunately, they are likely to lose many customers if the competition holds stock, even if the competitors' prices are higher.

Finally, women entrepreneurs highlighted the importance of finding a good location from which to do business. Women who are engaging in subsistence horticulture are unable to scale because they are unable to find suitable land and lack the finance to acquire or lease it. Generally, it is not easy to own land in Botswana. Having to rent from someone else was highlighted by some of the women as a problem, as it places them at the mercy of a landlord who required them to move out at short notice.

Lack of separation between business and household expenses. One of the fundamental challenges for many of the women was the failure to separate household finances from business finances. The business is essentially run alongside the household. Money may be taken out of the business to defray household expenses. Many women end up using the proceeds of the business to deal with family needs or household expenses on a regular basis. Even when they save in order to invest in their business, they may end up using the funds to deal with a family emergency. At times it is inventory rather than money: for example, when a woman running a tuck-shop takes some of her stock home to feed the family.

Record Keeping. Problems associated with separating household and business expenses are exacerbated by the lack of record keeping among many of the women entrepreneurs. Many of the women run their business without keeping

detailed records. As one respondent put it, *“In my case I keep my personal money with my business funds and spend blindly so my business ends up suffering”*. Another respondent acknowledged that better record keeping would give her a better chance of securing finance. Nonetheless, it is important to acknowledge that irrespective of whether records are being kept, when the business is a critical contributor to the family’s livelihood, funds will be withdrawn to cover household expenditure.

Access to networks and capacity building. Lack of knowledge and skills was also frequently identified as a challenge to running the business effectively. This related to financial management skills as well as more technical skills related to the business the women were running. At times women highlighted that they needed to learn more, but did not fully articulate what was missing. For some, gaining access to the right kind of business networks was also a challenge. While creating opportunities for networking and capacity building are important, it is equally critical to remember that women are generally time-poor and would find it difficult to take off periods of time for training. Hence efforts to build the capacity of women entrepreneurs will need to be addressed in a more creative manner.

Arduous and potentially hazardous working conditions. Arduous working conditions. Many women put in incredibly long days in order to get everything done, but this can take a toll on their health. Street vendors work in dusty conditions. Without access to affordable transport, women walk long distances in order to get things done. Constant work on the computer leads to eye strain and back pain from sitting for long periods of time. Without equipment, women end up carrying 50kg sacks of poultry feed or bulk bales of clothing. Other hazards include the constant inhalation of chicken droppings which affects the lungs of poultry farmers over time and chemicals used in the hairdressing industry can burn skin and damage eyes. There is a wide range of factors that give rise to physical strains and injuries, and/or result in financial losses for the entrepreneur.

The impact of climate and natural events. Businesses are at the mercy of outside events, such as the impact of natural disasters or other external events. Some women farm land that is subject to “very harsh extreme weather”. Women in the poultry business experienced high mortality rates among their chicks, particularly in response to weather fluctuations and extreme weather events. This could largely be avoided by the acquisition of incubators. Disease outbreaks such as fowl flu were another potential risk. Still others had been exposed to climatic events or adverse weather conditions that destroyed their crops.

Unreliable power infrastructure. Some of the women experienced frequent interruptions in the supply of electricity. For example, women using freezers to store food found their stock spoiled when the food defrosted, leading to lost business. An entrepreneur running an internet café not only found it impossible to operate during power outages, but power surges damaged her equipment. A back-up generator would mitigate this risk, but in practice the women often lack the resources to do so

Vulnerability to crime. A further risk mentioned was the vulnerability to crime. Some of the respondents highlighted that their premises had suffered break-ins or theft. Hawkers and traders did not always feel safe in the places where they had set up to trade. One respondent explained how crime impacts her business, *“I have to close early to preserve my life as most neighbours of mine who own tuck-shops get attacked before closure time and get their money taken”*.

Impact of COVID. COVID affected a number of respondents because they were forced to close their business during lock-down. Those with commitments to landlords and employees faced immediate difficulties meeting them without revenue coming in. Some were able to successfully negotiate with landlords to reduce or defer rent payments. Others were able to apply for and obtain government support to pay they employees, although not all fully understood how to make the application and ended up getting less support than they could have. Still others ended up having to close their business for good. In fact, in the summer of 2023, a number of the respondents in the FGD were still trying to recover from the pandemic or were continuing to suffer from the after-effects. A number of business owners found that demand remained significantly lower than it had been pre-pandemic. For instance, a caterer supplying events highlighted a trend towards smaller weddings since COVID, which had reduced her average revenue from an event. The reduced spending power of customers coupled with a greater need for customer credit had a detrimental effect on the turnover of women operating in the retail sector. One respondent had been running a business based on imports for over a decade, but she found herself running up significant debts due to COVID, which they are still trying to pay off. Another respondent, also engaged in international trade, tried to keep the business running by turning to online buying. She found this to be an unsatisfactory solution, because she was unable to control the quality of the goods. Working off photographs rather than being able to handle and inspect the second-hand clothing she was purchasing; she found the goods harboured undisclosed defects or looked completely different than the photograph. As a result, she had been left with stock she could not sell. Some respondents who had closed their businesses during COVID ended up abandoning their previous business and re-starting in a different sector. A number of the respondents had turned to CEDA for support and obtained loans under Lethabile and Mabogo Dinku.

Cross-border trade. The impact of COVID on cross-border trade has already been discussed. Women also reported difficulties with customs clearance and the high duty charges, which, once added to the cost of shipment, make it unprofitable for them to do business. It is unclear whether this is due to the lack of clarity in the duty calculation process, officials taking additional payments, or whether it is due to a lack of understanding on the part of the businesses.

Lack of transparency in the tendering process. A number of women had registered their business in order to qualify for tenders, only to find that “the degree of politics surrounding the process makes it impossible” for them to break in to this segment. In the words of one respondent, “*Tenders are always won by the same people*” and it is difficult to get feedback on why one did not succeed. Another highlights “*[Tenders] are not easily awarded, especially if you are not connected*”. They also find themselves competing with larger companies on comparatively small tenders, particularly since COVID. Given that participating in government tenders is a key motivator for women to formalize their business, it is disappointing for them to find that the business does not materialize.

Land & premises. Finding land and / or suitable premises from which to run the business was an issue for a number of women. In some cases, they had rented land that was subsequently sold or subject to dispute, meaning that they were forced to abandon the space. In other cases, it was difficult to find a suitable location. The lack of amenities for many of the women trading under hawkers or traders’ licences was also highlighted. Although the difficulties with land registration in Botswana are known and do not only affect women, it appears from the research that finding a suitable and affordable place to do business is still an issue for many women. Some continue to run the business from home, with the associated constraints. Others find more or less permanent solutions by renting what they can find. Nonetheless, the uncertainty this generates is a challenge.

Market limitations. Many of the women highlighted that market limitations impede their ability to make a living. There are several issues that may contribute to the market limitations. The first is that many of the businesses target market segments with limited purchasing power. Their market is also geographically very limited, on the whole. A third factor is the proliferation of very similar businesses in a single neighbourhood. Many of the sectors in which respondents operate, such as poultry and tuck-shops, are saturated. This makes it increasingly difficult to achieve returns, particularly in the face of the declining disposable income of their customer base. In combination, these three factors make it very difficult indeed for a business to sell at a profit over a sustained period of time, let alone grow.

The second source of market limitations was when expected opportunities to grow did not materialise or could not be exploited. Specifically, reference was made to tendering, both to micro-tendering opportunities or government tendering opportunities available through their platform after registering. The cost of doing business was often too high. Some of the women encountered difficulties with cross-border trade, particularly related to transport costs and duties for importing second hand goods (usually clothes) from neighbouring countries with a view to selling them on the local market in Botswana. Having to pay additional costs at this point could severely impact their margins and even price them out of the market. Other respondents highlighted that the relatively small population in Botswana makes it more challenging to scale a business if the owner is not able to target markets further afield. Although some women were thinking about how to innovate, to offer something different to the competition in order to capture market share, there was a feeling that this could be risky as many of their customers were perceived as reluctant to change.

A recent study on the challenges and needs of the urban informal sector of Botswana focused specifically on roadside vending in Gaborone (Helming, 2023)³⁵. Roadside vending is defined as “selling goods from pitched premises by roadsides ... and other open areas”. Roadside vending was chosen due to the preponderance of women engaged in this activity, with 75% of the sample consisting of women. The study is based on 8 expert interviews and interviews with 20 vendors guided by semi-structured questionnaires. Key challenges identified by the study:

- Problems related to the location where the traders sell were identified. This included disputes related to the traders’ licenses, but predominantly focused around the lack of facilities and appropriate places to trade. There is a need for semi-permanent structures that provide shade and protection against the rain. Secure storage facilities would solve the current practice of traders removing their stock to a safe location on a daily basis, wasting both time and money. Protection against theft was a further concern. These issues were also highlighted in our own focus group discussions.
- Traders highlight competition and low demand as reasons for not selling. In contrast, ecosystem members were more likely to point to lack of customer service and lack of adherence to food hygiene standards. The lack of financial records was also detected, which in turn makes it difficult for the business to provide evidence

³⁵ Helming, S. (2023) Challenges and Needs of Botswana’s urban informal sector: an explorative analysis of roadside vending in Gaborone, Friedrich Ebert Stiftung

of prior trading. Financial inclusion of this sector is still a problem, and although institutions such as CEDA and the Women's Finance House Botswana offer loans for informal traders, some traders are worried about their ability to repay the loans.

- Vendors in the study were described as particularly vulnerable even within the informal sector. Their vending activities were begun due to economic necessity. Some had other sources of income or were obtaining support from relatives. They have limited savings and not all of them access the available social protection measures that they may be entitled to.
- Traders were more likely to be aware of the one-time post-COVID grant than the financial support offered by CEDA, but a number of those who were aware of potential support did not access it as they believed the application requirements and processes to be too complex. Furthermore, the informal sector associations felt that they could be more involved in dissemination efforts, advocacy and assisting members to apply for loans.
- The traders interviewed were largely sceptical about the benefits of registering their business.

The subject of problems of growing a business in resource-scarce environments are examined in a recent article (Ngoasong & Kimbu, 2019). The study highlights that the degree to which women entrepreneurs are embedded in networks (either formal or informal) can condition whether they find it difficult to survive or grow. It notes that these so-called lock-in effects need to be addressed before women-owned businesses can achieve their objectives of growing their business. This process is different for each woman and her business, as she goes through a journey of learning as well as accessing and utilizing resources in the course of her business activity. Entrepreneurs who have not developed the necessary managerial and social skills find it difficult to achieve the necessary breakthrough to access the necessary funds and non-financial resources needed to break out of their current level of operations and pursue a growth trajectory. This provides a partial explanation as to why some of the respondents are unable to lift themselves out of a precarious survival situation or move from a more stable but still limited plateau of sales to growing their business.

The findings from the primary research highlight how women entrepreneurs running survival businesses are most likely to struggle with a number of business challenges. Businesses that are pursuing a focused growth strategy can be expected to have some systems for tracking business records, understand better the concepts of liquidity and profitability, and have higher levels of capacity in terms of running a business and managing finances. For them, potential dangers include running out of cash if the business grows too fast, or spending too much time on record keeping because the systems in place are not scalable. For the portfolio entrepreneur, the complexity of managing several ventures may cause some of these issues to manifest in other ways. Finally, many of the challenges discussed in this section may also be faced by women running formal enterprises.

Needs for financial and non-financial support

Asked specifically about access and use of financial services, led to the following findings. The need to open a bank account was seen as a money drainer as women encountered various hidden charges and fees. Bank charges were complained about generally, particularly the lack of transparency with bank charges. A number of women felt that as they were not always directly associated with transactions and movements in the account, it was difficult to understand how they were calculated. For some, setting up the bank account had proved to be complex. The requirement by banks that account holders maintain a minimum balance was considered a burden. The amount cited varied, but amounts of up to 1,000 Pula were mentioned during the research. Failure to do so would lead to the account being closed and if necessary, the process would need to be re-started in order to open another account. Being an account holder at a particular bank did not necessarily lead to a successful outcome when applying for a loan, which further reduced the attractiveness of a bank account. As one respondent pointed out, "*you don't need a bank account to trade informally*". Some women were using personal account for business as well, but others recognized the benefits of having separate accounts. Orange money was mentioned as an easier and cheaper option by a number of respondents, suggesting that mobile money is becoming an alternative to the traditional bank account.

In relation to financial and non-financial support, the focus groups explored possible solutions with the women. Suggestions made by the women focused on the following:

- **Registration:** Finding a way to reduce or adjust the cost of registering a business for the very small business could make this more affordable. In addition, it would be helpful to consider the profit levels of businesses in the design of solutions. Some way of regulating the cost of company secretaries or finding other ways of accessing the services they provide would also help to reduce the costs surrounding formalisation.

- **Opportunities for learning and networking:** There was a clear need and desire for learning, but there was also an emphasis on finding ways to support learning that focused on what was relevant to women on an as-needed basis and that was delivered in a way that fitted with their commitments.
- **Opportunities for engaging with others:** This was mentioned both in terms of networking with other women and also potentially to go further than this and find mechanisms to cooperate with other businesswomen.
- **Help with access to markets:** At first glance, this could involve assistance to facilitate women's ability to win tenders, find larger customers and markets where there is demand for their goods and services. However, in practice this may require re-thinking the offer, which in turn may require financial and non-financial support to make this work.
- **Better infrastructure:** This was particularly highlighted in respect to building permanent structures for the street vendors and hawkers with licenses from local councils
- **Alternative credit scoring:** Those informally employed have no way of demonstrating their income, and tend not to have access to collateral. This problem is compounded by the fact that they do not tend to keep records. Thought needs to be given to innovative solutions to overcome this issue, and by ensuring that women become part of the solution.

Chapter 4: Conclusions and recommendations

For the purposes of the technical study and this framework, the business environment is characterised in its broadest sense. Typically, this is divided into three levels: macro, meso and micro. Figure 1 provides a graphic representation of these three levels.

- The **macro** environment, and that which is perhaps typically considered synonymous of the business environment, covers regulations, laws and policies that are usually developed at the national, sometimes at the regional or local level.
- The **micro** level of primary interest to the research is made up of women-owned or -led businesses, in particular micro, small and medium enterprises, both formal and informal.
- Between the business environment and the women entrepreneurs there is an intermediary level (**meso**) made up of an ecosystem of support organisations that may come from the private or public sector as well as business member organisations, enterprise support organisations and networks.

Figure 4: Characterising the Business Environment



The business environment for women-owned SMEs in Botswana is progressively becoming more gender-responsive. Botswana stands out globally with the highest percentage of women business owners³⁶, indicating a significant presence of women in entrepreneurship. The country has policies that support women-owned enterprises in public procurement processes, fostering an environment conducive to female entrepreneurship. Initiatives like Gender Responsive Budgeting (GRB) and the African Continental Free Trade Agreement (AfCFTA) are being utilized to empower female founders and expand their businesses across the continent. However, despite these advancements, challenges such as limited access to finance and stringent loan requirements persist, hindering the growth of women-owned businesses in Botswana and across Africa. Efforts are being made to address these issues through programs that aim to improve access to capital, financial services, information, networks, and markets for women entrepreneurs. Overall, while progress is evident, there is still room for improvement to create a fully inclusive and supportive business environment for women-owned SMEs in Botswana^{37,38}.

The ICR intervention, of which this Framework is part, seeks to identify potential opportunities for Business Environment Reform. Three key areas emerged as potential candidates for Business Environment Reform, with another three items identified as potential cross-cutting improvements. The rationale for their selection is provided below, before expanding

³⁶ 2021 Mastercard Index of Women Entrepreneurs (MIWE) reports that 38.5% of total business owners are women in Botswana.

<https://www.mastercard.com/news/media/phwevxc/the-mastercard-index-of-women-entrepreneurs.pdf>

³⁷ <https://www.linkedin.com/pulse/women-cant-grow-economy-we-lock-them-out-altvest-capital>

³⁸ <https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/Library/Publications/2021/Rethinking-gender-responsive-procurement-en.pdf>

further on the recommendations themselves

The inherent nature of many women-owned and -led businesses in Botswana can be a barrier to formalisation.

While women entrepreneurs are prevalent in Botswana, the findings of the ICR intervention highlighted that many of the businesses were small, under-capitalised and lacked resilience in the face of external shocks. Difficulties encountered by the women entrepreneurs included having limited time to spend running the business due to family and community responsibilities; lack of access to collateral, which in turn limited their options for finance: a lack of access to business and financial education, and to business networks. Furthermore, the women were predominantly operating in sub-sectors of relatively low profitability, particularly at the scale they were running their businesses. As a result, and despite the business environment in Botswana being considered relatively conducive to entrepreneurship, a number of the women-owned and -led enterprises were vulnerable and in danger of not surviving. Furthermore, growing the business without significant investment and changes in the business model would limit the opportunities. The findings are reflected in the fact that the country is not seeing sufficient numbers of women at the helm of quality start-ups, resilient enterprises and businesses with growth potential. Although the business environment appears largely gender-neutral, more needs to be done to incorporate targeted efforts that empower women entrepreneurs and address some of the structural barriers that remain.

The final step from informal or semi-formal to full formalisation is too large to be feasible for many women-owned and -led businesses.

Findings also highlight the large proportion of women entrepreneurs who stop short of full formalisation, opting instead for a hawker's or trader's licence, or to register only the business name with CIPA. Not only do women entrepreneurs operating in survival mode remain informal, even women with growth aspirations may find formalisation too large a commitment, particularly due to their lack of confidence in achieving a consistent level of business income in the years following formalisation. If more women-led and -owned businesses were robust, competitive and had real growth potential, voluntary formalisation would be much more common. The previous point highlights the challenges in this regard. As a result, Botswana is left with a vicious cycle that is difficult to break. For consistent formalisation to occur, there is both a need to ensure that support to women entrepreneurs addresses their needs better, and to ensure that the cost-benefit of formalisation is more favourable for the affected businesses. A combination of both should have a positive impact on voluntary formalisation. In the shorter term, policymakers could usefully explore the possibility of adjusting the formalisation process in Botswana to make it more suitable and affordable to a sub-set of the currently informal sector. There may also be potential actions that would enable businesses in the process of formalisation to obtain certain benefits and access to more support. The mapping of the informal sector and the Report on the Informal Sector are encouraging signs in this regard.

Although access to public procurement is seen as a potential reason to formalise, a number of women who had formalised their business highlighted that the hoped-for procurement opportunities do not materialise.

The perceived opportunities for participating in public tenders was one of the main drivers for many women entrepreneurs deciding to formalise their business. Even after registering with the Integrated Procurement Management System of the Public Procurement Regulatory Authority, many failed to bid successfully. Although private sector supply chains also offer commercial opportunities, they were difficult for women-owned and -led businesses to gain access to. There is therefore a need to identify and address the persistent barriers to increased and more sustained access to public and private procurement opportunities for women. Drawing lessons from the experience of other countries could form a useful input here. For example, Kenya's experience with the Access to Government Procurement Opportunities (AGPO) program set an objective of increasing the share of public procurement spending going to women, youth and persons with disabilities to 30%³⁹.

These three recommendations, particularly if addressed in parallel, should have a positive impact on the formalisation of women-owned and -led businesses in Botswana. However, to ensure that policy decisions are evidence based and that progress can be effectively tracked, two further recommendations are made: the need to foster the consistent collection and analysis of sex disaggregated data collection for better monitoring and target setting; and the need for a set of clear definitions to support data collection efforts, including the definition of women-owned or women-led businesses. A third cross-cutting recommendation relates to the need to make Improvements to (physical and digital) infrastructure, particularly in the rural and remoter regions. This becomes increasingly important in a country such as Botswana, which has embraced digital government, including for processes such as business registration. It also makes sense as it can allow providers of financial and non-financial services to leverage technology for more effective service delivery.

³⁹ <https://idrc-crdi.ca/en/stories/kenyan-women-bid-success-public-procurement#:~:text=Kenya's%20Access%20to%20Government%20Procurement,youth%20and%20persons%20with%20disabilities.>

Primary areas of intervention

Foster better quality women-owned or -led entrepreneurship in Botswana

Why is this important? The business environment per se in Botswana is considered relatively conducive to entrepreneurship and does not feature significant barriers to entry. Despite this, the country is not seeing sufficient numbers of women at the helm of quality start-ups, resilient enterprises and businesses with growth potential.

The case for change. While women entrepreneurs are prevalent in Botswana, the findings of the ICR intervention highlighted that many of the businesses run by women are small, under-capitalised and lack resilience in the face of external shocks.

Women entrepreneurs often struggle to run these businesses due to time-poverty, lack of access to collateral, limited business and financial education and lack of access to business networks.

Women are predominantly found to be operating in sub-sectors that offer limited profitability and growth opportunities.

The vision. A more entrepreneurial culture is embedded in Botswana and women are equal and active participants in this culture. The number of quality start-ups owned or run by women entrepreneurs has increased. More women-owned and -led businesses are growing and scaling in a sustainable manner. These businesses are also operating in non-traditional sectors.

Key Actions. Making lasting change involves a combination of short-term actions to support women who are already in business, at any point along the formalisation continuum. Short term actions focus on enhancing the ecosystem that address the challenges faced by women entrepreneurs that were identified through the research. This should be complemented with actions that focus on the introduction of effective entrepreneurship education and skills development from a young age, incorporating the necessary mechanisms to ensure that women have equitable opportunities to access this provision. Specific actions include the following:

- Map out the current set of financial and non-financial services for different segments of women entrepreneurs available in Botswana in order to identify key gaps in provision.
- Develop awareness campaign for women entrepreneurs and those contemplating entrepreneurship. Create focused messages for specific sub-segments. These campaigns should show the benefits of entrepreneurship, but couple them with lived experiences of a range of role models that may be at different levels in the formalisation journey. Importantly, they need to have the type of profiles that the various target segments can identify with.
- Design support for women entrepreneurs that address their time-poverty and limited resources. Include opportunities for mentoring, experience exchange and networking convenient to their location and availability. Begin with microlessons coupled with advisory and consultancy services where possible to help apply the learning.
- Ensure that there is a cohesive set of financial and non-financial services for entrepreneurs at all stages of their business development journey, from pre-start through informality and on through start-up and growth. This requires cooperation by ecosystem members to co-develop and co-deliver solutions.
- Develop better approaches to segmentation of women entrepreneurs in order ensure that both financial and non-financial services are better able to address the needs of women entrepreneurs.
- Encourage partnership and cooperation among women entrepreneurs to enable them to achieve critical mass, address some of the barriers to resilient entrepreneurship and grow their businesses.
- Introduce more opportunities for Entrepreneurship Education & Skills Development at all levels of education, starting with primary and secondary education in order to foster an entrepreneurial mindset from an early age. In addition, efforts must be made to ensure that digital skills and financial literacy training is incorporated into the curriculum. These are life skills that make an important contribution to the quality of entrepreneurship. Care must be taken to ensure that these efforts are inclusive and reach women and girls equally, providing them with opportunities to create more robust and resilient businesses.

Who should be involved? Key partners in supporting nascent and existing women entrepreneurs are the Ministry of Entrepreneurship, together with LEA and CEDA. However, it is critical to draw in other relevant government departments (Ministry of Trade & Industry, Gender Affairs Department, Ministry of finance, etc.) when this makes sense. The same goes for other organisations and entities from the private and public sector that provide non-financial services and/or that have direct access to networks of women entrepreneurs, and providers of different types of finance for women entrepreneurs. For this action to be effective, it would make sense to bring together a task force, with public and private sector participation.

To develop actions that will support an entrepreneurship culture, it is important to bring in the Ministry Departments responsible for education at each stage of the education cycle. Identify existing initiatives to extract examples of good practice and lessons learned. Analyse the gap and begin with pilot initiatives that demonstrate impact, enabling more effective lobbying for incorporating this into the education strategy and ensuring it is properly resourced. All actions must be developed with a gender lens to ensure both equitable access for women and girls but also real opportunities to benefit from these actions.

Facilitate the formalisation process better for enterprise sustainability and decent work

Why is this important? Currently a large proportion of informal businesses owned or led by women are in survival mode for much of the time. In addition they are working in precarious conditions and their income is highly volatile. Yet, outside the formal system, they are largely unprotected and their access to support is more limited than their formal counterparts.

The case for change. The lack of formalised and sustainable women-owned or -led enterprises in Botswana is in large part a consequence of the quality of women-owned or -led businesses. If more of them were robust, competitive and had real growth potential, voluntary formalisation would be much more common. Therefore, it can be assumed that making strides in terms of improving the quality of entrepreneurship would have a degree of impact on voluntary formalisation. In the shorter term, and given the gap between running an informal and a fully formalised business, it makes sense to explore the possibility of adjusting the formalisation process in Botswana.

The vision. More women-owned and -led businesses are operating and thriving as fully formalised businesses. Those that are on a journey towards entering the formal sector are progressing along key milestones which enable them to unlock certain benefits and access to support.

Key Actions. There are two recommendations that respond to this issue. Looking at experiences from elsewhere, the approaches seem to involve a mix of non-contributory programs as well as efforts to incentivize and support the formalization of informal economic activities. This would include taking steps to extend social protection coverage to informal and semi-formal businesses and workers. Botswana could also make sure that companies with a hawker's licence gain access to benefits, including access to safe places to trade. Currently there appear to be no clear benefits to having a hawker's licence other than the right to trade in line with the licence's provisions. The second line of action would be to consider offering an intermediate step between the hawker's licence and full company registration and/or offer the micro businesses a way to register with CIPA for a more modest cost and/or lower obligations. Specific options to raise these issues and engage other stakeholders with a view to finding solutions include the following:

- Bring together a task force to analyse the current formalisation journey, understand the benefits and obligations each stage in the journey represents to the entrepreneur, and identify potential opportunities for change.
- Prioritise potential changes and assess the viability. Other actions will emerge once this phase has been done.

For the very small business in Botswana, initial steps towards formalisation often include the application for a trader's licence or hawker's licence from the local authority. This provides an informal business owner with an initial degree of legitimacy. However, from the research it is unclear whether that represents any specific benefits to the entrepreneur. In addition, a small business might register a business name with CIPA. Both of those steps are relatively simple, inexpensive and do not carry with them additional requirements for compliance. It is important to reward this step with some benefits and / or protection, to help the semi-formalised business consolidate its activities, such as a guaranteed physical space to trade, easier access to funds, or access to business opportunities (see also next section on procurement).

The next step a business can take in the formalisation journey is full company registration with CIPA, together with the additional steps for compliance. In addition, this step requires the entrepreneur to contract a company secretary, a

sometimes-expensive undertaking to facilitate the registration process. This step is also irreversible, as failure to comply with annual requirements result in the accrual of fines and the de-registration of the business. The potential cost for re-establishing registration following the payment of outstanding fees results in few companies taking this step, preferring to let the company lapse. If anything, an entrepreneur may set up a different company instead. Establishing an intermediate step that has lower cost and fewer commitments could make the transition easier.

It is important to note that addressing formalisation should go hand in hand with the steps in the previous action of fostering better quality women-owned and -led entrepreneurship. Women need to build their capacity to manage their business and access funds to attain the critical mass necessary to formalise, confident in their ability to maintain this status.

Who should be involved? CIPA is a key actor here, but it will be important to work hand-in-hand with the Ministry of Trade and Industry, the Ministry of Entrepreneurship and the Department of Gender Affairs, Ministry of Finance and the Botswana Unified Revenue Service (BURS). To represent the business community, it would be important to include representative organisations such as the Women in Botswana Association (WIBA) and the Botswana Informal Sector Association, as well as LEA, which has access to a wide network of businesses. It will also be important to include local government representation, since they have a key role to play in offering

Ensure potential procurement opportunities to can be accessed effectively

Why is it important? The research highlighted that the perceived opportunities for participating in public tenders is one of the main drivers of women entrepreneurs taking the decision to formalise their business. Such companies may then go on to be registered on the Integrated Procurement Management System of the Public Procurement Regulatory Authority.

The case for change. Despite the potential opportunity, the research also highlighted that for many of the women, the hoped-for business does not materialise. This was the case both for those informal businesses who were looking to access micro-procurement opportunities and those entrepreneurs with with formal enterprises that wanted to bid successfully for larger orders. Private sector supply chains were also seen to offer commercial opportunities, but they too were difficult for women-owned or -led businesses to gain access to. There is a need for more and sustained access to public and private procurement opportunities for women. This speaks to the need to provide better support for women-owned or -led businesses to ensure that they have a better chance of accessing these opportunities.

The vision. Women are successfully winning bids to supply through procurement opportunities: micro-opportunities in the case of semi-formal businesses, and larger contracts for formalised businesses. There is a need for more research to understand the dynamics of these opportunities and to develop strategies to improve women's access.

Key Actions. Public procurement in Botswana is subject to the Procurement Act that came into effect in April 2022. This Act highlighted the establishment of the Public Procurement Regulatory Authority to replace the former Public Procurement and Asset Disposal Board. Key actions include:

- Analyse the proportion of women-owned and -led businesses that are currently winning procurement and microprocurement bids
- Identify the key constraints to more women-owned and -led businesses (i) bidding and (ii) winning contracts.
- On the basis of the constraints, identify the root causes.
- Assess the procurement regulations for any potential negative impact on this group of women.
- Proposed actions focused on (i) making procurement processes easier, (ii) considering the need to amend any regulatory or legal provisions and (iii) providing women with capacity building and support.
- Develop na action plan on the basis of this.

Who should be involved? The Public Procurement Regulatory Authority, together with the local councils who handle micro-procurement, is a key partner. Other members of the support ecosystem can be brought in to support the capacity building of the women.

Cross-cutting actions

Finally, there are three cross-cutting issues that are expected to underpin the specific recommendations provided above.

Sex disaggregated data collection for better monitoring and target setting.

There was very little evidence of the collection of sex-disaggregated data in Botswana, specifically as regards statistics related to entrepreneurship. Without this data it is difficult to offer hard evidence on the current state of women-owned or -led entrepreneurship, nor is it possible to develop clear baselines and set targets that can then be monitored. Accurate, suitably disaggregated data will permit policymakers to design targeted interventions and support mechanisms tailored to address the unique needs and barriers faced by women entrepreneurs in formalizing their businesses. Sex-disaggregated data will ensure that the government and other stakeholders in Botswana are able to monitor and evaluate progress as well as assessing the effectiveness of policies and initiatives aimed at empowering women economically. The following steps would be needed.

Assessment of Current Data Collection Practices: The first step requires a thorough review of existing data collection methods and systems to assess the extent to which sex-disaggregated data is currently being collected in relation to women-owned businesses. Furthermore, is captured data being analysed for insights? An understanding of the current situation will allow for the identification of gaps and areas for improvement.

Standardization of Data Collection: To the extent possible, it would be helpful to develop standardized guidelines and protocols for collecting sex-disaggregated data specifically tailored to women-owned businesses. This will ensure that data collection methods are gender-sensitive and capture relevant information related to business ownership, operations, and challenges. This point is related to the second recommendation, the need for standard definitions.

Capacity Building: It may be necessary to provide training and capacity-building programs for government officials, data collectors, and relevant stakeholders involved in data collection efforts, to ensure that they understand the importance of sex-disaggregated data and are equipped with the necessary skills to collect and analyse it effectively.

Engagement with the wider ecosystem: Raise awareness among the general public, policymakers, and stakeholders about the importance of sex-disaggregated data in promoting gender equality and women's economic empowerment. Highlight the benefits of collecting and utilizing such data for supporting women-owned businesses and fostering inclusive economic growth. It is also important to engage with women entrepreneurs, business associations, and civil society organizations, both in the design and implementation of data collection initiatives and to gather insights and feedback on data collection methodologies.

Use findings to improve Policy Formulation: Incorporate sex-disaggregated data into the formulation of policies, programs, and initiatives aimed at supporting the formalization of women-owned businesses. Use data-driven insights to design targeted interventions that address specific barriers and challenges faced by women entrepreneurs.

Develop Regular Monitoring and Reporting Mechanisms: Establish mechanisms for regular monitoring, analysis, and reporting of sex-disaggregated data on women-owned businesses. Track progress over time and use data findings to inform policy adjustments and strategic decision-making.

In order to operationalize this recommendation, it is important to develop definitions that will be universally applied.

Clear Definitions

Currently there appears to be no single accepted definition of women-led business or women-owned business in Botswana, nor could any official definition be found. Therefore, one of the first actions to be taken is to define the terms clearly, obtain agreement on definitions and ensure that the agreed-upon definitions are used to collect data by the government and other bodies. Consulting sources outside Botswana highlighted the complexity involved in developing such a definition. The following notes provide some background information that should be helpful.

Ownership. It is often considered that a minimum of 51% ownership of the company is an appropriate yardstick for defining the term. However, experience has shown that the larger the company, the more difficult it is to achieve this percentage. There are examples of other definitions that require 70% ownership by women for a company to be classified as women-owned. In other countries, the percentage is fixed at around a third, in recognition of the fact that increasing the percentage will make it difficult for companies to reach the thresholds.

Management and control. Additional to the definition of ownership is the idea that women should be managing the business and in control of the decisions that are being made. This could be independent of the ownership structure, although unless the company has a large shareholder base, a woman occupying the role of CEO or General Manager in a company may find it difficult to push for decisions if the ownership is all or predominantly male.

Fronting. This is a phenomenon that has been increasingly detected in environments where subsidies are created for women-owned businesses. Businesses that ostensibly meet the women-ownership criterion are in fact controlled by men. The rationale for this is that it provides access to the funding that the business would otherwise not qualify for.

Certification and validation. In order to overcome some of the problems created by fronting, initiatives have been created to certify the fact that a business is women-owned. This certificate then functions as proof that the business is owned by women and they become eligible for subsidies or receive additional points when bidding for public procurement contracts, for instance. The main drawback to this solution is that certification can be complex and expensive. This means that a significant number of women-owned businesses can find themselves excluded if they cannot afford certification.

Informal businesses. One of the drawbacks to being an informal enterprise is the lack of access to financial and non-financial services. When attempting to provide such services for women entrepreneurs in the informal economy, the very nature of the business means that there are problems determining ownership and control.

Cooperatives. The definition of women-owned or women-led cooperatives needs to be addressed separately, as it is a different animal. Instead of CIPA, it is the Department for Cooperative Development housed within the Ministry of Investment, Trade and Industry that is responsible for registering and regulating cooperatives in Botswana. The Cooperative Societies Act of 2014 is the associated legislation. Registering a cooperative requires a minimum number of people aged 18 or over (10 for a cooperative, 20 for a financial cooperative, or SACCO) who together submit an application for registration to the Director of Cooperatives.

One definition versus multiple definitions. While standardization provides clarity it comes at the cost of flexibility. This is a trade-off that needs to be considered by regulators and policy makers.

ISO Standard for definitions. The ISO standard that was recently developed attempts to inject some homogeneity into the definition of women-owned and women-led businesses⁴⁰. Below are the most relevant elements extracted from this standard.

3.1. women-owned business: business (3.10) that is more than 50 % owned by one or more women, whose management (3.5) and control (3.7) lie with one or more women, where a woman is a signatory of the business's legal documents and financial accounts, and which is operated independently from businesses that are not owned by women

3.2. women-led business: business (3.10) that is at least 25 % owned by one or more women, whose management (3.5) and control (3.7) lie with one or more women, which has at least one third of the board of directors comprised of women, where a board exists, where a woman is a signatory of the business's legal documents and financial accounts, and which is operated independently from businesses that are neither led nor owned by women

3.3. women-led cooperative: cooperative (3.11) in which more than 50 % of the total number of votes are held by women, where the majority of the board of directors are women, and where the majority of leadership positions, if applicable, are held by women

3.4. women-led informal enterprise: informal enterprise (3.19) whose management (3.5) and control (3.7) lie with one or more women. The woman/women make(s) the important strategic and operational decisions about the economic unit for which her/their work is performed and about the organization of her/their work, she/they is/are not accountable to or supervised by other persons, and she/they is/are not dependent on a single other economic unit or person for access to the market, raw materials or capital items.

One of the general difficulties of capturing accurate, quality data is the lack of clear definitions of women-owned or -led businesses. Given that Botswana is at an early stage of developing a system for sex-disaggregated data in the field of

⁴⁰ <https://www.iso.org/obp/ui/#iso:std:iso:iwa:34:ed-1:v1:en>

entrepreneurship, it would make sense to address the issue of definitions first. The evolving opportunities for entrepreneurship mean that some forms of entrepreneurship may not be fully captured in prevailing data collection methods. This would include women working in online businesses or women who are part of the gig economy. When considering the system for data collection, there is also an opportunity to factor in the issue of intersectionality – it would be important to cover factors such as ethnicity, socio-economic status, etc.

Improvements to (physical and digital) infrastructure.

Although Botswana in general has good physical and digital infrastructure, the research shows that many of the women working in the informal sector do not have access to decent infrastructure. While they may have received trader's licences or hawker's licences from their local authority, they are still trading at the road-side or in other places that are far from ideal in terms of conditions and safety. If the local authorities were able to provide basic facilities for trading, offering a degree of security, this could support women trading in these areas.

Bibliography

- A Handbook on using the mixed survey for measuring informal employment and the informal sector. (2011). Asian Development Bank.
- Accelerating Women Entrepreneurs. A Handbook for Practitioners. (n.d.).
- Baez Morales, A. & Universidad de Guanajuato. (2022). Differences in efficiency between Formal and Informal micro-firms in Mexico. *Análisis Económico*, 37(96), 181–200. <https://doi.org/10.24275/uam/azc/dcsh/ae/2022v37n96/Baez>
- Becker. (2004). The informal economy Sida.pdf.
- Botswana national informal sector recovery plan. Part 2. The action plan. (2020). Government of Botswana.
- Botswana National Informal Sector Recovery Play. Part 1: Analysis and Recommendations. (2020).
- Botswana National Performance Monitoring and Evaluation Policy. (2017).
- Brown A & Nyakumala R (2022). Study of Kigali’s Informal Economy: Action Plan to improve the business environment and resilience for informal operators
- Business Environment Reforms to Promote Equal Opportunities for Women in the Labour Market – Evidence from ACP countries – ICRReport, August 2021. (2021).
- BUSINESS-DEVELOPMENT-KIT. (n.d.). Botswana Ministry.
- CEDA. (2020). Guidelines (CEDA) Revision June 2020.
- Charmes, J. (n.d.). The informal economy: Definitions, Size, Contribution, Characteristics and Trends.
- COVID 10 Pandemic Recovery Plan for the Private Sector. (2020).
- Diagnosis of informality: Methodological note. (2022).
- Fourie, L. J. (2003). RETHINKING THE FORMALISATION OF THE MINIBUS- TAXI INDUSTRY IN SOUTH AFRICA.
- Freire-Serén, M. J., & Panadés, J. (2013). Do Higher Tax Rates Encourage/Discourage Tax Compliance? *Modern Economy*, 04(12), 809–817. <https://doi.org/10.4236/me.2013.412086>
- Govt Publication. (2019). Rapid Evaluation of the Tourism Policy of 1990 and related Tourism Strategies.
- Holzacker, H., & Skakova, D. (2019). Kyrgyz Republic Diagnostic.
- ICR Facility Intervention with Business Botswana close out meeting. (2022).
- ILO. (2019). Terms of Reference: Consultants to undertake informal economy diagnostic.
- ILO. (2021a). A diagnostic of the informal economy in Iraq (p. 66).
- ILO. (2021b). Diagnosis on informality in targeted intervention areas of the PROSPECTS programme in Uganda (p. 110).
- Kantor, P. (2002). A sectoral approach to the study of gender constraints on economic opportunities in the informal sector in India. *Gender and Society*. Vol. 16, pp 285-302.
- Kiaga, A., & Leung, V. (n.d.). The Transition from the Informal to the Formal Economy in Africa.
- Helming, S. (2023) Challenges and Needs of Botswana’s urban informal sector: an explorative analysis of roadside vending in Gaborone, Friedrich Ebert Stiftung

- Meagher, K. (n.d.). Unlocking the Informal Economy: A Literature Review on Linkages Between Formal and Informal Economies in Developing Countries. 27.
- Ministry of Industry and Trade, Tanzania. (2002). Small and medium enterprise development policy.
- Ministry of Investment, Trade and Industry (2019). National Entrepreneurship Policy (NEP) for Botswana. *Making entrepreneurship a culture for Botswana*
- Nelson, E. G. (2003). THE VOLUNTARY FORMALISATION OF INFORMAL ENTERPRISES IN A DEVELOPING ECONOMY - TANZANIA. Unpublished Thesis. University of Twente.
- Ngoasong, M. Z., and Kimbu, A. N. (2019). *Why hurry? The slow process of high growth in women-owned businesses in a resource-scarce context*. Journal of Small Business Management. Vol. 57, No. 1 pp 40-58
- Ntumwa, C., Kulemeka, M. N., Mokati-Sunkutu, R., Dube, M., Ajumbo, M. G., Mollinedo, M. C., Pedersen, M. A., Karembu, M. A., Mshana, R. L., Li, J., Achieng, M. J., Emenanjo, M. I., Assefaw, M. M., Aleobua, M. B., Dridi, W., Wael, M. S., Mwila, M. A. K., & Ba-Okotie, A. (2022). BANK GROUP COUNTRY STRATEGY PAPER 2022-2026.
- National review for implementation of the Beijing Platform for action – Beijing +25 (2019). Republic of Botswana
- OECD & International Labour Organization. (2019). Tackling Vulnerability in the Informal Economy. OECD. <https://doi.org/10.1787/939b7bcd-en>
- Ohnsorge, F., & Yu, S. (2021). The long shadow of informality—Challenges and policies. World Bank Group.
- Pollack, M., & Jusidman, C. (1998). A gender based approach to the urban informal sector: The case of Mexico. ILO.
- Private sector recovery plan—Detailed recommendations. (n.d.).
- Private sector recovery plan—Results framework. (n.d.).
- Private Sector Recovery Plan Roadmap for implementation. (2022). Business Botswana.
- ProblemTree SME formality.doc. (n.d.). [Map].
- Rei, D., & Bhattacharya, M. (2008). The impact of institutions and policy on informal economy in developing countries: An econometric exploration. ILO.
- Rudhumbu N., du Plessis, E., and Maphosa C. (2020). *Challenges and opportunities for women entrepreneurs in Botswana: revisiting the role of entrepreneurship education*. Journal of International Education in Business, Vol. 3, No. 2
- Social Dialogue and the Informal Economy_Revised June 2020. (2020).
- Stakeholder Mapping & Analysis and Communication Strategy. (2022). Business Botswana.
- Sultana, N., Rahman, M. M., & Khanam, R. (2022). Informal Sector Employment and Economic Growth: Evidence from Developing Countries in SDG Perspective. Sustainability, 14(19), 11989. <https://doi.org/10.3390/su141911989>
- Tevdovski, D., Filipovski, V., & Ivanovski, I. (n.d.). A DIAGNOSTICS APPROACH TO ECONOMIC GROWTH IN SMALL OPEN ECONOMIES: THE CASE OF THE REPUBLIC OF MACEDONIA.
- Thapa Karki, S., Xheneti, M., & Madden, A. (2021) conducted a study titled "To Formalize or Not to Formalize: Women Entrepreneurs' Sensemaking of Business Registration in the Context of Nepal."
- Tobin, C. (n.d.). Trends in Gender Finance in ACP Development Finance Institutions: Overview and Selected Examples.
- Tokman, V. E. (n.d.). Modernizing the informal sector.

Transition from the informal to formal economy—Summary. (n.d.).

Transition from the informal to the formal economy recommendation, 2015 (204)—Worker’s Guide. (2017). ILO.

United Nations Development Programme. (2021). Inequality in Botswana; An analysis of the drivers and district-level mapping of select dimensions of inequality | United Nations Development Programme. UNDP.

<https://www.undp.org/botswana/publications/inequality-botswana-analysis-drivers-and-district-level-mapping-select-dimensions-inequality> Vision 2036 Presidential Task Team (Ed.). (2016). Botswana Vision 2063—Achieving Prosperity for All.

Women’s Financial Inclusion Toolkit—Paving the way for women’s economic empowerment. (n.d.).

Xheneti, M., Madden, A., and Karki, S. T. (2019). Value of formalisation for women entrepreneurs in developing contexts: a review and research agenda. *International Journal of Management Review*. Vol. 21, pp 3-23

Annexes

Annex I Organisations consulted during the research

