

Annex 4

Support to Implementation of Suppliers Development Programme (SDP)

Project Number: 00102694

Brief Description

This project will support both the public and private sector to adopt the Supplier Development Programme (SDP) as a strategic tool to insert indigenous firms in the supply chains and to build their competitiveness through skills development. Small businesses are associated with low levels of productivity. They rarely get access to financing for innovation, support for exports or access to public procurement tenders. They face unequal relations in supply chains that mean that costs and risks are often pushed down to them by larger firms.

The Project aims to create demand-based, market-driven opportunities for SMEs to increase their competitiveness through the innovative Suppliers Development Methodology while connecting essential small-scale producers/suppliers to larger markets locally as well as abroad. Additionally, it will strengthen the entrepreneurial ecosystem in country to encourage innovation and create employment.

As a tool, the SDP has a targeted approach to engage large scale companies purchasing (or willing to purchase) goods and services from SMEs. The SDP focuses on integrating suppliers into a strategic relationship that allows them to improve their productivity, competitiveness, and quality of products. The SMEs will go through a rigorous six stage improvement process over a period of 12 months with close involvement of the lead/anchor company. The improvements brought about in these SMEs will enable them to produce/manufacture more goods in better quality, less time and low costs; enhance their capacity to explore and enter new markets including export markets. This important linkage between large sourcing companies and their small suppliers' remains central to the assistance, helping the SME's to expand and generate employment opportunities. The project will focus on five (5) priority sectors of Mining, Agro Processing, Leather, Projects (infrastructure), and Textile to develop the associated value chains. This project is a component of the larger programme called "Support to Economic Diversification and Inclusive Growth Project". signed with the Ministry of Investment and Trade (MITI)

I. DEVELOPMENT CHALLENGE

Botswana aspires to be a high-income country, with an export-led economy underpinned by diversified, inclusive and sustainable growth driven by high levels of productivity by 2036¹. This aspiration must however be seen in the context of an economy that remains largely driven by its rich natural resource base. The country is also faced with high (17.3%²) unemployment rates, especially among the youth. Botswana has performed poorly in terms of competitiveness, especially when compared with other upper middle-income countries³. The country has also not performed well on the ease of doing business with the World Bank Ease of Doing Business Report ranking the country at 72 out of 189 countries in 2016, down from 38 in 2009⁴.

The above notwithstanding, the Government of Botswana recognizes that reliance on a single sector is unsustainable, and that economic diversification is essential⁵. Several policies, strategies and programmes have been put in place though with mixed results.

Despite Botswana's impressive growth, recent studies point to the following four (4) specific issues which must be addressed in the short to long term. **First**, Botswana must generate diversified export-led economic growth and employment⁶. Botswana is faced with the dual problem of a trend of declining growth rates on one hand and low job-creating capacity of growth on the other, and both need to be tackled urgently⁷. The post-independence average annual GDP growth rates of above 10 percent have been difficult to achieve in the recent past. To date, the country remains highly reliant on diamonds and the public sector, making the country more vulnerable to external shocks.

Minerals, especially diamonds, contributed 24% of GDP in 2014 and nature based tourism contributed 3.2% in 2014, while agriculture, though contributing insignificantly (hovering around 2%), is a major source of communities' livelihoods⁸. The share of the services sector in GDP (49.1% in 2015) is also largely linked to the minerals sector. Minerals contribute a third of government revenues⁹. These combined, show that the economy is vulnerable to any unfavourable conditions in the mining sector, particularly the price of diamonds.

Over the past five decades, Botswana has achieved an annual average growth rate of per capita income as high as 6.4 percent, thanks to revenue from diamonds. There has been, however, a recent trend of decline in economic growth which must be reversed. Economic diversification aims to accelerate the growth of non-diamond sectors. There has been some moderate progress in recent years. The non-mining sector's contribution to value added has grown from two-thirds to three-quarters over the past decade.

Successful economic diversification must be export-led. Between 2010 and 2013, the contribution of diamonds to goods export remained around 76 percent, a high share that rises further to over 90 percent when other minerals are added¹⁰. This is because much of the non-mining growth has taken place in non-tradable service sectors, which rely on domestic consumption to grow. Services exports, which accounted for around 15 percent of total exports in the early 2000s have stagnated, and their contribution to total exports has subsequently fallen to just 5 percent in 2013.

¹ Vision 2036 – Achieving Prosperity for All

² 2015/16 Botswana Multi Topic Household Survey

³ Draft Botswana National Human Development Report

⁴ Ibid

⁵ Country programme document for Botswana (2017-2021)

⁶ National Development Plan 11

⁷ Ibid

⁸ Vision 2036 – Achieving Prosperity for All

⁹ 2017/18 National Budget Speech

¹⁰ Country programme document for Botswana (2017-2021)

Second, the sources of growth should aim at growing the economy, and generate substantial employment opportunities to ensure equal access to economic opportunities by most of the population¹¹. Unemployment (20 percent) is higher among the youth aged between 18 and 25 with females and those with lower academic achievements - never attended school, as well as those with certificate and general education levels - constituting the highest numbers.

Past growth in Botswana has been characterized by weak employment generating capacity. While employment grew strongly and unemployment fell between 2003 and 2010, more than half of all new jobs came in small-scale or subsistence agriculture, heavily subsidized through government programs. Outside of agriculture, job creation has mainly been coming from the public sector¹². The formal private sector created on average just over 3,000 jobs per year over the period 2003 to 2010, far below the level needed to absorb the 15,000-20,000 annual new entrants to the labor market¹³. While the pace of growth of non-farm self-employment has increased in recent years, it still accounts for just 23 percent of private sector employment and 10 percent of all employment¹⁴. Virtually all private sector job creation has come in non-tradable services sectors, with the manufacturing sector shedding jobs and the construction sector being stagnant¹⁵.

Third, productivity growth is key to achieving faster and more inclusive growth, because it is the foundation on which to build the global competitiveness of the private sector¹⁶. Productivity is an area where the most critical weakness of Botswana economy lies¹⁷. Overall, total factor productivity, a measure of efficiency with which factors of production have been used in our economy, has been a drag on growth over the past 10-15 years¹⁸.

Poor work ethic is one of the factors often identified as a major contributor to low productivity at the firm level; and the issue has been highlighted consistently in the annual World Economic Forum Global Competitiveness Index as the single biggest constraint facing firms in Botswana¹⁹. This has been echoed by the private sector in general. Evidence from the 2010 Employer and Employee Survey, supported by a study carried out by the Botswana National Productivity Centre, found that the biggest skills gaps were not technical but behavioural, with personal characteristics such as honesty, commitment and hard work, reliability and punctuality, communication, and team work considered most crucial for employers²⁰.

The much-desired prosperity has to be driven by productivity growth that the current economic model has not delivered. Productivity ultimately depends on improving the microeconomic capability of the economy and the sophistication of local competition, hence the need to grow the SME and informal sectors²¹. Improving input factor productivity through investment in workforce development (skills, training, and work ethic) and the adoption of technology will be critical to developing more competitive firms²².

Whatever is the sectorial focus of growth and productivity, it has to be the private sector that transforms strategy into action on the ground²³. Indeed, a dynamic and innovation private sector has the potential to discover new ground and create new sources of growth, rendering the envisaged sectorial focus of the national growth strategies no more than just an indicative

¹¹National Development Plan 11

¹²World Bank, Botswana systematic country diagnostic, 2015

¹³ibid

¹⁴ibid

¹⁵ibid

¹⁶World Bank, Botswana systematic country diagnostic, 2015

¹⁷ibid

¹⁸ibid

¹⁹World Economic Forum Global Competitiveness Reports

²⁰Botswana National Productivity Center Report

²¹Vision 2036 Framework Document

²²World Bank, Botswana systematic country diagnostic, 2015

²³ Vision 2036 Framework Document

guide²⁴. Ultimately future success depends on the extent to which a vibrant private sector, both citizens owned and foreign owned, grows in Botswana.

Competitiveness of Botswana's economy starts with competitiveness of its businesses at the factory floor. Therefore, all participants in the private sector, business owners, managers, and employees, have important roles to play in realizing the national dreams²⁵. The private sector must renew its efforts in enhancing competitiveness in the non-government market. Continuous efforts must be made to improve business strategy and operations, labor relation and human resources management, as well as product quality management. Private sector leaders must stride to excel in technology adoption, absorption and innovation. It is ultimately the responsibility of the private sector to develop new products and new production methods, and gain ground in the global market.

SMEs, defined as non-subsidary, independent firms which employ fewer than a given number of employees are critical to the economic development of any country²⁶. They contribute towards Gross Domestic Product (GDP), employment creation, poverty eradication, economic diversification and government revenues. According to the World Bank, formal SMEs contribute up to 60% of total employment and up to 40% of national income (GDP) in emerging economies and these numbers are significantly higher when informal SMEs are included²⁷.

Despite being hampered by shortage of reliable data, the contribution of SMEs, has been found to be significant. The last ever comprehensive study in 1998 estimated that there were approximately 56, 300 Small, Micro and Medium Enterprises (SMME) businesses operating in Botswana, employing 125,000 people including business owners²⁸. The report also estimated the SMME sector's contribution to be in the range of 30-45% of GDP, while that of large firms stood at 38-48% of GDP. Statistics Botswana conducted a survey of the informal sector in 1999/2000, which identified 28,726 household enterprises employing a total of 222,611 persons²⁹. Vision 2036 recognises that if such enterprises could be supported to increase their productivity, their contribution to the development of their respective economies could be enhanced³⁰.

Fourth, studies show that SMMEs in Botswana face challenges that threaten their survival, chief of which is limited access to markets, limited access to capital, and low competitiveness³¹. Other noteworthy challenges include, limited expertise, and innovation; poor planning and management; products quality; lack of business acumen; and inadequate marketing³².

Several government led programmes, going back to the Local Preference Scheme (1976), the Reserved Sectors Policy (1982), the Financial Assistance Program (1982), and the more recent 'Hubs' and Special Economic Zones, along with support agencies (CEDA, LEA, BEDIA/BITC, etc.) were established to promote diversification and the development of the domestic private sector³³. The most recent policy – the Economic Diversification Drive (EDD) – aims to develop a diversified private sector through a two-stage process involving: i) local preferences in government procurement; followed by, ii) facilitating competitiveness for firms to participate in regional and global export markets. In 2016, the government approved a national Local Economic Development (LED) framework to guide and co-ordinate the planning and

²⁴ibid

²⁵ibid

²⁶<https://stats.oecd.org/glossary/detail.asp?ID=3123>

²⁷<http://www.worldbank.org/en/topic/sme/finance>

²⁸<http://www.lea.co.bw/sites/default/files/publications/Packaged%20BIDPA%20Study.pdf>

²⁹ ibid

³⁰Vision 2036 – Achieving Prosperity for All

³¹<http://www.lea.co.bw/sites/default/files/publications/Packaged%20BIDPA%20Study.pdf>

³²ibid

³³World Bank, Botswana systematic country diagnostic, 2015

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implementation of local economic growth and diversification initiatives that are expected to be driven by SMMEs owned principally by women and the youths. While a lot of effort has been put by the government and other stakeholders such as banks to finance SMMEs to help them succeed; it should be noted that no matter the amount of funding made available, if an SMME has little or no access to markets, failure is imminent as business success comes through sale of products or services.

II. STRATEGY

This project will target SMEs. It will support both the public and private sector to adopt the Supplier Development Programme (SDP) as a strategic tool to insert indigenous firms in the supply chains and to build their competitiveness through skills development. Work done by UNDP in other countries shows that many small businesses are associated with low levels of productivity. They rarely get access to financing for innovation, support for exports or access to public procurement tenders. They face unequal relations in supply chains that mean that costs and risks are often pushed down to them by larger firms.

The Project aims to create demand-based, market-driven opportunities for SMEs to increase their competitiveness through the innovative **Suppliers Development Methodology** while connecting essential small-scale producers/suppliers to larger markets locally as well as abroad. Additionally, it will attempt to strengthen the entrepreneurial ecosystem in country to encourage innovation and create employment.

UNDP will support implementation of market oriented interventions to improve competitiveness of small and medium scale companies through the Suppliers Development Programme (SDP). The SDP has a targeted approach to engage large scale companies purchasing (or willing to purchase) goods and services from SMEs in Botswana.

The Suppliers Development Methodology focuses on integrating suppliers into a strategic relationship that allows them to improve their productivity, competitiveness, and quality of products. These small and medium companies go through a **rigorous six stage improvement process** over a period of 10 to 12 months with close involvement of the lead/anchor company. The improvements brought about in these SMEs will enable them to produce/manufacture more goods in better quality, less time and low costs; enhance their capacity to explore and enter new markets including export markets. This important linkage between large sourcing companies and their small suppliers' remains central to the assistance, helping the SME's to expand and generate employment opportunities.

Based on UNDP's experience in Central America, **specialized tools and IT platforms have been developed to manage and execute the SDP**. In this regard, a pool of national consultants will be trained on the specific Suppliers Development Methodology (SDM) of the Suppliers Development Programme. The certified consultants will work with the private sector enterprises upon signing of agreement with the SDP Management Team. The whole process of SDP improvement consists of the following six stages:

Stage 1: Promotion and Formalization (1 month)

This stage involves introduction of the programme to the business, describing its benefits, selection of suppliers and setting common goals and targets for the programme. Signing of agreement to formalize induction of the business in the programme completes this stage.

Stage 2: Diagnostics (2 months)

During this stage, a comprehensive assessment of the business takes place. It involves in depth analysis of the financial management systems in place, technical and functional assessments, operational processes and procedures mapping, examination of the quality management systems and production efficiency analysis to identify areas of improvement through tools developed based on international industry best practices. During this stage performance, indicators are developed, baseline data is collected and a supplier's assessment

system is also constructed. This stage culminates with a comprehensive diagnostic report for each company.

Stage 3: Interaction (1 month)

In this stage, using the results of the previous stage of diagnostics an agreement is reached between the lead company and its suppliers on a prioritized list of areas of improvement in an interactive meeting. Goals, milestones and comprehensive process is agreed upon between all parties and meeting minutes are endorsed.

Stage 4: Designing improvement plans (1 month)

This stage features improvement plans for each company or business group: the plans are based on the results of the diagnosis. Suppliers are evaluated and analysed by the lead company with a subsequent report on the areas for improvement. Solutions for key issues are formulated, resources identified, responsibilities agreed and an implementation plan for these solutions is drafted during this stage with all stakeholders.

Stage 5: Implementation and Follow up (3 months)

The implementation of the improvement plan starts in this stage. All the steps agreed and the resources identified are employed to obtain the maximum improvements for the companies in the value chain. In this stage actions lines are followed and assistance from other partner organizations is also sought if required.

Stage 6: Documentation and Systematization (1 month)

The baselines defined during the diagnosis stage are compared. The analysis of the final results is done and conclusions and recommendations are developed. All the necessary documentation of the methodology is left behind with the lead company so that it is able to implement the programme with other suppliers.

The implementation of the programme greatly depends on the consultants that are working to implement SDP in the value chain. These consultants are trained on the Suppliers Development Methodology through a rigorous training and accreditation process undertaken by the management team of UNDP. The consultants learn up to 54 different tools required to complete each of the stages mentioned above to understand their application and practical implementation.

Key partnerships have been forged with Government and private sector organizations for successful implementation of the component. Botswana Investment and Trade Center (BITC), Botswana Chamber of Mines and Debswana have all expressed interest in leading the implementation of the programme. Other private sector companies and government ministries will be invited to be part of the programme over time.

Project Strategy and Focus

Based on wider consultations with Botswana Chamber of Mines, Debswana, Ministry of Investment, Trade and Industry, Botswana Investment Trade Centre and other stakeholders - the project will augment on going initiatives aimed at promoting export led and inclusive growth, using indigenous SMEs development as a leverage entry point, especially those enterprises doing business with the mining sector and government.

The envisaged support demand thought leadership, advice on strategic and innovative solutions, ensuing capacity development, special actions to boost employment and livelihoods, economic diversification and growth, as well as growth of exports. This commitment implies focus on development and application of innovative tools to implementation of existing government and private sector led policies and programmes. The project will also tap from global knowledge and experiences through South-South Cooperation.

A mix of partnerships will be explored with focus on SMEs (beneficiaries), large firms such as Debswana and government ministries, as well as development partners led by UNDP. Potential project support mechanisms include: (i) facilitating market based SMEs-private-public

linkages and partnerships development, (ii) joint programming with relevant development partners on issues of employment, green jobs and value addition, (iii) innovative domestic financing for SMEs growth, (iv) capacity strengthening for SMEs growth and integration into domestic and global supply chains, and lastly (v) south-south and triangular cooperation to share knowledge and experiences.

In essence, the project goal is to promote innovation as a means of attaining sustainable and equitable growth and develop tools/solutions that respond to the challenges facing the growth of the participating SMEs, especially in relation to their potential role in contributing to the diversification and growth of the economy of Botswana, and thereby contributing to job creation, poverty eradication and reducing inequality.

Project Rationale

The theory of change upon which the project goal, objectives, focus, beneficiaries and results frameworks are based is explained below.

The Case for Inclusive Markets Agenda

Recognizing the vital role that markets play in poverty reduction and economic growth, UNDP has adopted a focus on Inclusive Markets Development. The Inclusive Markets Development (IMD) approach recognizes that different interventions are required at different places and times in order to ensure that markets function more effectively for the poor. This may include entrepreneurship promotion, enterprise development and creation of supportive market infrastructure, enhancing market institutions, policies and legal frameworks. The defining factor, however, is that the IMD approach seeks to strengthen the whole market system where needed – enterprises, business relationships, market structures or the business environment.

The Case for Project Focus on Small Medium Enterprises

Inserting indigenous firms in the local and global supply chains will build their competitiveness.

- i. Focusing on improving productivity, innovation, products quality and access to finance will in turn boost the national economy by reinforcing the competitive capacities of emerging sectors through strengthening and improving domestic value chains coordination in such way that the large enterprises demanding goods and services integrate the micro, small and medium enterprises into a strategic relationship that allows these to be developed as their suppliers.
- ii. Supporting SMEs to incorporate business process improvements, encourage teamwork, and enhance market integration through associated best practices encourages long-term sustainability of the businesses.
- iii. Second, SMEs are critical job and wealth creators for the following reasons:
 - a) When a vibrant SME sector invests in additional employees, their business grow more productive, fuelling their demand for additional investments in production technologies and marketing activities to expand the market for their products. This economic activity generated by SMEs raises economy wide income levels and creates more equitable growth because they create jobs.
 - b) Increased employment by SMEs brings a greater section of the society into the middle class. With a higher level of income, this burgeoning middle class then consumes more goods and services, leading to a diversification and expansion of local markets.
- iv. As the demand for their goods grow, SMEs have a greater impetus to invest and exploit economies of scales of production leading to additional growth. This implies that the presence of a strong and well-functioning SME sector should have a significant positive influence on income inequality and, eventually, poverty levels.

Thirdly, when supported, SMEs growth has the potential to expand opportunities for informal sector to supply their growing input and or segment their market need, therefore contributing in employment creation, especially for women and the growing population of unemployment youth.

The Case for use of Supplier Development Programme

UNDP will support implementation of market oriented interventions to improve competitiveness of small and medium scale companies through the Suppliers Development Programme (SDP):

- i. The SDP has a targeted approach to engage large scale companies purchasing (or willing to purchase) goods and services from SMEs in Botswana.
- ii. The strategy focuses on integrating suppliers into a strategic relationship that allows them to improve their productivity, competitiveness, and quality of products. These small and medium companies go through a rigorous six stage improvement process (outlined above) over a period of 10 to 12 months with close involvement of the lead/anchor company.
- iii. The improvements brought about in these SMEs enables them to produce/manufacture more goods in better quality, less time and low costs; it enhances their capacity to explore and enter new markets. This important linkage between large sourcing companies and their small suppliers' remains central to the assistance, helping the SME's to expand and generate employment opportunities.
- iv. A pool of national consultants is trained on the specific Suppliers Development Methodology (SDM) of the Suppliers Development Programme.
- v. The certified consultants work with the private sector enterprises upon signing of agreement with the SDP Management Team.

The Linkage with (income) Inequality

There is compelling evidence that high levels of inequality act as a brake on growth. Extreme inequality limits the development of markets; it leads to market failures, including lower levels of investment by poor people; and it contributes to financial instability. As a result of this, this project will work to empower a segment of the marginalised groups including women and youth owned SMEs to strengthen their financial empowerment and access to technologies so that they contribute to national development.

III. RESULTS AND PARTNERSHIPS

Expected Results

The project will focus on five (5) priority sectors of Mining, Agro Processing, Leather, Projects (infrastructure), and Textile to develop the associated value chains. A value chain includes the concept of productive chain (the set of operators directly involved in the production, after the transformation and transfer to the market performance of the same product), but includes additional elements such as institutional aspects, relationships between companies, power relations, transcends product placement on the market to be at the customer service and sales.

UNDP will partner with Debswana and Botswana Chamber of Mines (BCM) to develop a mining, value chain aimed at strengthening the capacity of SMEs doing business with the Company in the areas of mining, projects (infrastructure), and leather. UNDP will also partner with Botswana Investment and Trade Center (BITC) to develop the textile value chain aimed at SME empowerment and linkages programme for Edcon (Pty) Ltd, Pepkor Group and Foschini (Ltd) Pty in Botswana for the textile and clothing manufacturing companies. BITC and BTCA identified 10 manufacturers to be enrolled into the programme as suppliers to the retailers. Edcon (Pty) Ltd, Pepkor Group and Foschini (Ltd) Pty will then select the SMEs/ companies who have the potential to win a contract and pre-qualify SMEs to participate in their supplier development programme from this list. In addition, the agro-processing value chain will be developed as a priority.

The expected results at a higher level are: (i) strengthened institutional capacity to implement the SDP methodology; (ii) a pool of trained and certified SDP Consultants; (iii)

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established value chains with participating anchor businesses and SMEs; (iv) increased participation of local SMEs in supply chains. At the level of the informal sector, expected results are (v) increased participation of the poor in the economy; (vi) increased incomes of the target population through jobs (informal employment); and (vii) reduced poverty in target districts.

At a lower (operational) level, the following are the expected results: (i) an SDP management team in place; (ii) A pool of consultants identified and trained (iii) consultants deployed in the identified value chains; (iv) promotion of the programme to private sector to get the value chains; (v) at least five value chains in the first year of implementation; by end of first year of implementation.

Resources Required to Achieve the Expected Results

Indicative resources required to achieve the above highlighted results include a direct project budget of USD 1,609,195.00. Additionally, the project will require technical support facilities within the UN, government and other partners as well as use of South-South and triangular facilities for additional technical skills, especially in specialised aspects of policy implementation. Focus will be placed on development of implementation tools and models as a way of strengthening national and sub national governments. Resources requirements are: strong partnerships with key actors (government, financial institutions, Business Associations; technical assistance from UNDP; a pool on local consultants with support from an international SDP consultant; financial resources; SDP IT platform, and office equipment such as computers, desks, etc.

Partnerships

Partnership with the private sector as represented by Business Botswana, Botswana Chamber of Mines and Debswana, Botswana Investment and Trade Center who have already expressed interest in this project will be effectively pursued because the SDP is anchored on the private sector. The Ministry of Investment, Trade and Industry is a critical partner who will also be UNDP's gateway to coordinate this project. Other national Support institutions critical to SDP at operational level are Human Resources Development Council, Commercial Banks and financial Institutions such as BDC and CEDA, and LEA. These institutions important are for provision of resources and services.

Partnership between UNDP Botswana and UNDP Pakistan will be strengthened to ensure that the project fully benefits from the experiences and knowledge base that already exists in Pakistan.

The project will also pursue a strategy of partnership with relevant development partners such as the to maximize the impact of interventions. Resource mobilisation will be actively undertaken to augment available resources. Collaboration with the Private Sector, Civil Society Organisations, Media, Academic and Research institutions will be encouraged to facilitate support in kind.

Risks and Assumptions

A key risk is the difficulty of mobilizing resources in an upper-middle-income country. Related to this is the unsustainable nature of the over-reliance of the Government on a single sector for revenue. To mitigate those risks, the existing resource mobilization strategy will be reviewed with a focus on partnerships with non-state actors and the private sector to mobilize skills and resources for sustainability.

Botswana is susceptible to economic shocks especially those that have global dimensions, as such, the project will focus solely on strategic interventions with a multiplier effect. The Project will also support interventions which strengthening the countries financial, institutional and project management to reduce unnecessary losses.

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Beyond the above, UNDP are not envisaging serious issues because risk mitigation is built into the methodology. The diagnostic stage of the methodology includes robust tools to identify environmental risks within the business that we assist.

Stakeholder Engagement

Because this is a demand driven programme that will be promoted as a service that any company can access., it is necessary to continuously engage with different stakeholders, especially potential lead companies and potential beneficiaries from the SMEs sector. To this end, a national workshop was held at the initial stages of the project. A Project Board with representation from UNDP, MITI, Business Botswana, Botswana Chamber of Mines and Debswana will be constituted. In addition, the Project Management Team will be mandated and empowered to engage as many stakeholders as possible to ensure project success.

South-South and Triangular Cooperation (SSC/TrC)

UNDP will promote South-South and triangular cooperation into programming of operational with a view to maximise knowledge sharing to the end of realising of national goals and internationally agreed development goals, including the Sustainable Development Goals. A Service Level Agreement between UNDP Botswana and UNDP Pakistan will be expanded to include support to strengthen the capacity of the local team to fully rollout the SDP methodology in Botswana.

Knowledge

The project will create visibility for knowledge and lessons learned generated by the project so others can benefit including publications, documentaries and educational materials. Beyond this, the project will adapt the already existing knowledge materials, tools and systems to the Botswana situation. Various diagnostic tools that allow identify the problems and situations of the Supplier Enterprises, in three different areas: Operational efficiency (the product and its classification, quality, delivery times, price, services and technical assistance), continuous improvement (number and impact of the improvement projects) and quality systems (quality assurance and total quality), among others are already developed and constitute UNDPs knowledge base.

Sustainability and Scaling up

The project intends to scale up these initiatives through ensuring a culture of capacity building through-out the project. UNDP will focus its initiative on piloting initiatives with a strong multiplier effect, which can easily be taken over and up-scaled by Government.

IV. PROJECT MANAGEMENT

Cost Efficiency and Effectiveness

UNDP is working closely with Government and Private Sector counterparts to ensure that the project has a clear and achievable sustainability plan. The SDP component by design includes user fees which is charged to the companies benefiting from the Programme. The cost sharing between the lead company and its smaller suppliers is expected to provide adequate funds to be eventually self-sustaining on the one hand while ensuring commitment on the other. This is being done with an aim to eventually incorporate SDP with its self-financing mechanism into the SMEs agenda in Botswana.

All the enrolled local private sector consultants who will be trained through this project will contribute a small but significant fee to ensure their commitment to the programme. In addition, consultants' fees will be based on approved UN Consultancy Fees for Locally

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Recruited Consultants in Botswana to avoid paying exorbitant fees paid by some of the participating lead companies.

The project is multi-sectoral running across many sectors. It is primarily a technical assistance project based on demand from businesses in different sectors with no hard infrastructure or equipment. The project is sector neutral and could include all types of businesses to be assisted ranging from small suppliers in the agriculture sector to larger manufacturing concerns. Since the project does not target broader sector issues it addresses improvements at the organizational level (SDP only) thus sectoral policies do not affect the programme. However, the project will stay within the broad contours defined by the sectoral policies. It will aim to assist enterprises to improve their business and compliment the work of the Government to achieve the common goal of enhancing productivity and increasing competitiveness at the firm level.

Project Management

This project will be implemented via National Implementation Modality (NIM). However, where expedient, procurement of assets and selection of implementing partners and activities will be conducted via the UNDP Programme and Procurement Services in line with the organization's rules and regulations, under the rubric of the principle value for money. The management of project funds will be carried out according to UNDP financial rules and regulations against the budget presented in this project document.

A Project Board will be established to ensure overall management and supervision of the project including the approval of annual work plan (AWP) and quarterly plans. The Board may authorise deviation from agreed activities and is responsible for general management oversight. It is responsible for providing technical guidance and provides support to performance improvement issues. The Board will meet at the inception of the project and every quarter to review progress reported to it.

The project will be managed by a dedicated project team based in UNDP office comprising a project manager with support staff including an Administrative Associate and an IT Officer. The team may be further strengthened to include an M&E Officer, Communication Officer and an Office Assistant. The professional and support staff will be hired on contract through a competitive recruitment process.

The Project Manager will be responsible for overall planning and implementation of the project. Key responsibilities include preparation of work plans reflecting the scope and timeline of project activities; day to day implementation of the project and monitoring of progress in accordance with the work plan; ensuring timely delivery of project outputs; and ensuring that project delivers on its results in a timely fashion with benefits accrued to the deserving individuals and businesses.

The financial, recruitment and procurement rules of UNDP will be applicable to all operations. The participating organisations will advise the project through Project Board. Management structure of the project is given below. General Management Support budget of USD 584,195.00 is planned to cover project evaluation, staff salaries, office equipment and travel.

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RESULTS FRAMEWORK

Intended Outcome as stated in the UNSDF Programme Results and Resource Framework:

1. By 2021 Botswana has high-quality policies and programmes towards the achievement of sustainable development goals targets and national aspirations
2. By 2021 Botswana fully implements policies and programmes towards the achievement of sustainable development goals targets and national aspirations
3. By 2021 state and non-state actors at different levels use high-quality, timely data to inform planning, monitoring, evaluation and decision-making

Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:

Applicable Output(s) from the UNDP Strategic Plan: Growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded.

Project title and Atlas Project Number: Support to Economic Diversification and Inclusive Growth (00102694)

EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)				DATA COLLECTION METHODS & RISKS
			Value	Year	Year 1	Year 2	Year 3	FINAL	
Institutional capacity to implement SDP strengthened Gender Marker: 1	# of SMEs participating in local supply chains	Project Reports	0	2017	50	50	50	150	DCM: Project quarterly reports R: None
	# of jobs created by SMEs in targeted value chains	Project Reports, SONA, NDP 11	0	2017	tbd	tbd	tbd	tbd	DCM: Project quarterly reports R: None
	Proportion of lead companies' procurement on local SMEs of their total budget	Project Reports, SONA, NDP 11, Debswana Reports	BWP694	2017	tbd	tbd	tbd	tbd	DCM: Project quarterly reports R: None
	# of SMEs participating in local supply chains	Project Reports	0	2017	50	50	50	150	DCM: Project quarterly reports R: None
	# of jobs created by SMEs in targeted value chains	Project Reports, SONA, NDP 11	0	2017	tbd	tbd	tbd	tbd	DCM: Project quarterly reports R: None
	% increase in the number of SMEs exporting goods	SDP Monitoring Portal	tbd	2017	tbd	tbd	tbd	tbd	Trade Statistics; Follow up Survey Project Progress Reports
	# of medium/small scale companies reporting at least 5% growth in revenues 1 year after programme completion	SDP Monitoring Portal	tbd	2017	tbd	tbd	tbd	tbd	Company Financial Statements
	Output 3.1: Increased institutional capacities to collect,	SDP Monitoring Portal in place	SDP Monitoring Portal	No	2017	No	Yes	Yes	Yes

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<p>manage, analyses, package and utilize data to improve planning, monitoring, evaluation and decision-making towards sustainable development of the economy</p>	# of analytical reports generated from national surveys	SDP Monitoring Portal	0	2017	0	2	2	4	Project Progress Reports
	# of national surveys supported that include disaggregated data on SMEs	SDP Monitoring Portal	0	2017	0	1	1	2	Project Progress Reports
	# of knowledge products (bulletins, policy briefs) from the knowledge management system and South-South Initiatives	SDP Monitoring Portal	0	2017	3	1	1	5	Project Progress Reports
	Quality, timely and reliable disaggregated data availability for use by decision-makers and citizens	SDP Monitoring Portal	No	2017	No	Yes	Yes	Yes	Project Progress Reports

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V. MONITORING AND EVALUATION

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.	Project Manager, MITI, BITC, UNDP, DEBSWANA	0
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.	Project Manager, MITI, BITC, UNDP, DEBSWANA	0
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.	Project Manager, MITI, BITC, UNDP, DEBSWANA	0
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.	UNDP Programme Specialist	0
Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.	Project Manager, MITI, BITC, UNDP, DEBSWANA	0
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)		Project Manager, MITI, BITC, UNDP, DEBSWANA	0
Project Review (Project Steering Committee)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of-project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Specify frequency (i.e., at least annually)	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.	Project Manager, MITI, BITC, UNDP, DEBSWANA	8,000


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Evaluation Plan

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNSD/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
Project Evaluation	MITI	TBD	<ol style="list-style-type: none"> 1. By 2021 Botswana has high-quality policies and programmes towards the achievement of sustainable development goals targets and national aspirations 2. By 2021 Botswana fully implements policies and programmes towards the achievement of sustainable development goals targets and national aspirations 3. By 2021 state and non-state actors at different levels use high-quality, timely data to inform planning, monitoring, evaluation and decision-making 	31 December 2019	MLGRD, PECU, BITC, MIAC, UNDP, DEBSWANA	Cost sharing: 60,000

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VI. MULTI-YEAR WORK PLAN

EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year				RESPONSIBLE PARTY	PLANNED BUDGET					Annual Budgets			
		Y1	Y2	Y3	Y4		Funding Source	Budget Description	Amount	2017	2018	2019	2020		
														2017	2018
Strengthened institutional capacity to implement SDP	Finalisation of the Concept Note	x				UNDP/DEBSWANA/BCM	In-Kind	Technical Assistance	-	-	-	-	-	-	-
	High level engagement with relevant stakeholders	x				UNDP/DEBSWANA/BCM	In-Kind	Technical Assistance	-	-	-	-	-	-	-
	Preparation of National Stakeholders Workshop	x				UNDP/DEBSWANA/BCM	In-Kind	Technical Assistance	-	-	-	-	-	-	-
	National Stakeholders Workshop	x				UNDP/DEBSWANA/BCM	In-Kind	Technical Assistance	19,438.12	19,438.12	-	-	-	-	-
	Development of Project Document	x				UNDP/DEBSWANA/BCM	In-Kind	Technical Assistance	-	-	-	-	-	-	-
	Approval of Project Document	x				Project Board	UNPD	Technical Assistance	-	-	-	-	-	-	-
	Recruitment of SDP Project Management Team					UNDP/DEBSWANA/BCM/BITC	UNDP	Technical Assistance	1,000.00	1,000.00	-	-	-	-	-
	Recruitment of local SDP Consultants		x			UNDP/DEBSWANA/BCM/BITC	UNDP	Technical Assistance	3,000.00	1,000.00	1,000.00	-	-	-	1,000.00
	Training of local SDP Consultants		x	x		UNDP/DEBSWANA/BCM/BITC	UNDP	Technical Assistance	63,000.00	21,000.00	21,000.00	-	-	-	21,000.00
	Tools for Suppliers Development Programme developed		x	x	x	UNDP/DEBSWANA/BCM/BITC	UNDP	Technical Assistance	150,000.00	150,000.00	-	-	-	-	-
	Lead Companies and Suppliers identified and improvement plans developed (Stages 1-4)		x	x	x	UNDP/DEBSWANA/BCM/BITC	DEBSWANA	Technical Assistance	219,810.67	73,270.22	73,270.22	-	-	-	73,270.22
	Improvement plans implemented in selected SMEs (Stage 5-6)		x	x	x	UNDP/DEBSWANA/BCM/BITC	DEBSWANA	Technical Assistance	385,751.21	128,583.21	128,583.21	-	-	-	128,583.21
	MONITORING		x	x	x	UNDP/DEBSWANA/BCM/BITC	DEBSWANA	Technical Assistance	5,000.00	-	2,500.00	-	-	-	2,500.00
	Sub-Total for Output 1									847,000.00	19,438.12	274,853.43	276,353.43	276,353.43	276,353.43
	Increased institutional capacities to collect,	Development SDP Monitoring & Evaluation system		x			UNDP/DEBSWANA/BCM/BITC	DEBSWANA	Technical Assistance	65,000.00	-	-	-	65,000.00	-

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manage, analyses, package and utilize data to improve planning, monitoring, evaluation and decision-making towards sustainable development of the economy	Biennial survey that include disaggregated data on SMEs in Botswana	x	x	UNDP/DEBSWANA/BCM/BITC	DEBSWANA	Technical Assistance	40,000.00	-	20,000.00	-	20,000.00
	Production of knowledge products (bulletins, briefs) on SDP implementation and South-South initiatives	x	x	UNDP/DEBSWANA/BCM/BITC	DEBSWANA	Technical Assistance	30,000.00	-	10,000.00	10,000.00	10,000.00
	Annual collection of quality, timely and reliable disaggregated data availability on SDP	x	x	UNDP/DEBSWANA/BCM/BITC	DEBSWANA	Technical Assistance	40,000.00	-	20,000.00	10,000.00	10,000.00
	MONITORING	x	x	Project Board	DEBSWANA	Technical Assistance	3,000.00	-	1,000.00	1,000.00	1,000.00
Sub-Total for Output 2											
Evaluation relevant)	EVALUATION		x	UNDP/DEBSWANA/BCM/BITC	UNDP	Technical Assistance					
	Staff Salaries	x	x	UNDP	UNDP	Technical Assistance	534,000.00	-	178,000.00	178,000.00	178,000.00
	Office and project Equipment	x	x	UNDP	UNDP	Laptops, Printers, Phone	7,695.00	-	7,695.00	-	-
	Office and project Equipment	x	x	UNDP	UNDP	Desks, Chairs, cupboards	6,500.00	-	6,500.00	-	-
	Travel	x	x	UNDP	UNDP	Local travel	15,000.00	-	5,000.00	5,000.00	5,000.00
	Consultants	x	x	UNDP	UNDP	Technical Assistance	21,000.00	-	21,000.00	-	-
Sub-Total											
TOTAL							1,609,195.00	19,438.12	609,048.43	183,000.00	500,353.43

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VII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

This project is a significant part of and must be read with the “Support to Economic Diversification and Inclusive Growth Project” coordinated by the Ministry of Investment, Trade and Industry. At that level, a Project Steering Committee (PSC) will provide overall direction and strategic guidance to the project. The PSC will be responsible for making, by consensus, management decisions for the project and holding periodic reviews. The PSC will be co-chaired by UNDP and Ministry of Investment, Trade and Industry (MITI) representing the Government of Botswana (GoB). Its members are set out below.

At the level of this project, a Technical Committee will be set up with membership from Botswana Investment & Trade Center (BITC), Business Botswana, Debswana, Botswana Chamber of Mines, UNDP, Participating Development Partners, and representative of.

The Board meeting will be convened at least twice a year, at the beginning of each year to approve the annual work plan and review progress of the preceding year and a mid-year for current year progress review. Any additional meetings of the Board could be convened, as and when required.

Project Board

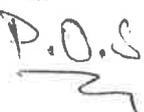
Composition: The PSC will be comprised of the following members:

- i. Permanent Secretary, MITI (Chair)
- ii. Resident Representative UNDP (Co-Chair)
- iii. Chief Executive Officer, Business Botswana (Member)
- iv. Managing Director, Debswana, (Member)
- v. Chief Executive Officer, Botswana Chamber of Mines (Member)
- vi. Chief Executive Officer, BITC (Member)
- vii. Representative, Development Partner (Member)
- viii. Programme Specialist, Economic Diversification and Inclusive Growth, UNDP (Ex-Officio)
- ix. SDP Project Manager (Secretariat)

The participating representative may be substituted by another representative of the organization, informed prior to the meeting.

Terms of Reference: The Project Steering Committee is the group responsible for:

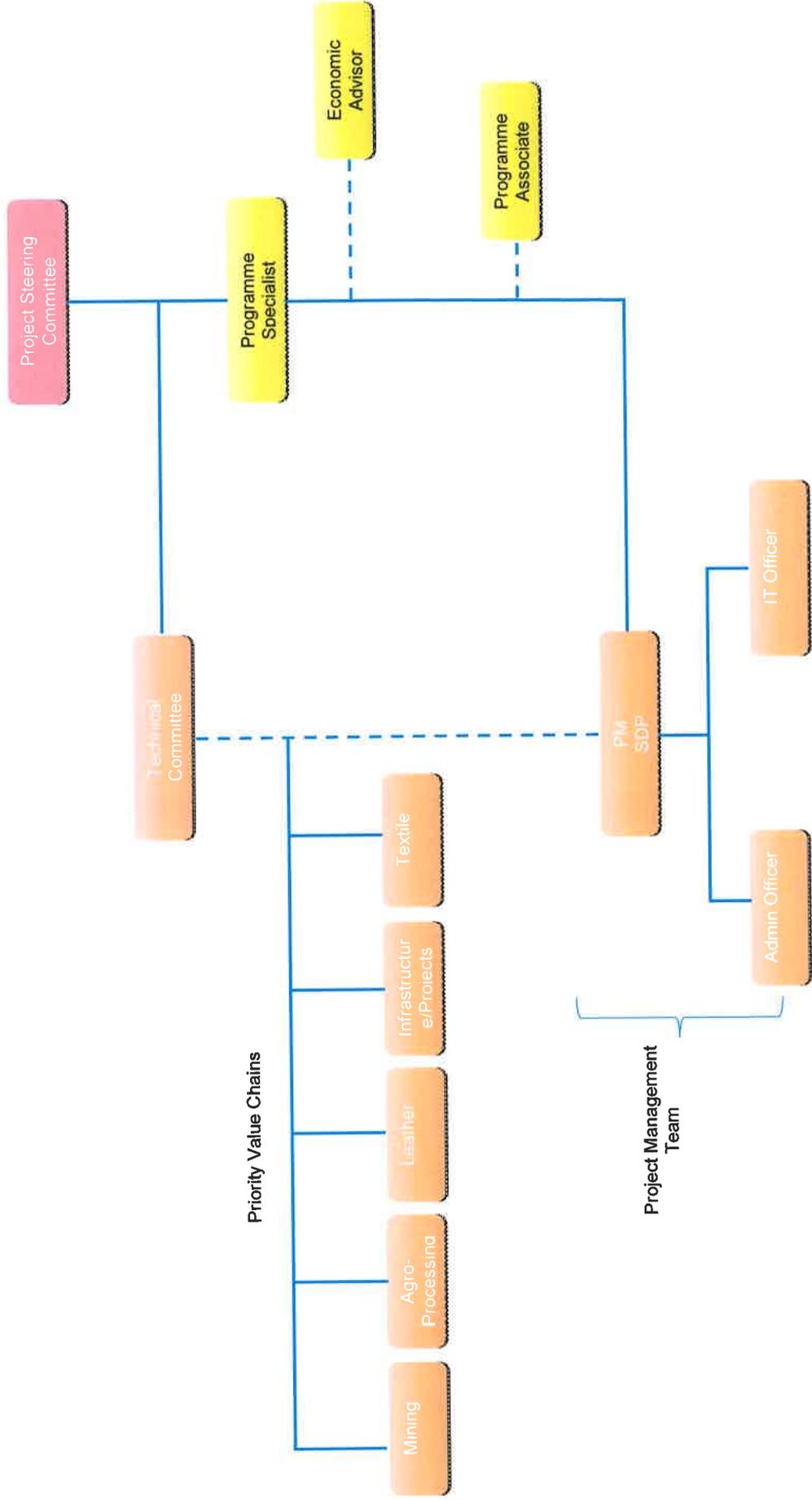
- ☞ Making management decisions, through consensus, for the project including approval of project annual work plans and any required revisions. The Board decisions should be made in accordance to standards that shall ensure best value to money, fairness, integrity transparency and effective international competition.
- ☞ Undertake the review of project progress at designated decision points during the implementation of a project, or as necessary when raised by the Project Manager. The PSC is consulted by the Project Manager for decisions when tolerances (normally in terms of time and budget) have been exceeded.
- ☞ Provide overall guidance and direction to the project, ensuring it remains within any specified constraints;
- ☞ Address project issues as raised by the Project Manager;
- ☞ Provide guidance and agree on possible countermeasures/management actions to address specific risks;


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- ☞ Appraise the Project Annual Review Report, make recommendations for the next AWP, and inform the PSC of the results of the review.
- ☞ Provide ad-hoc direction and advice for exception situations when project manager's tolerances are exceeded;
- ☞ Assess and decide on project changes through revisions;

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Figure 1: Project Management Structure



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