

Report on the National Business Conference 2010 NBC11

Deepening Diversification through Private Sector Leadership
Francistown, September 26th -29th, 2010

The theme chosen for the 2010 National Business Conference was "***Deepening Diversification through Private Sector Leadership***". For at least the past two decades, economic diversification has been at the centre of the government policy framework. The intention has been to lessen the dependence of the economy on mining in general and in particular to diversify beyond diamond mining. The rationale has been to broaden the economic base, in anticipation of the decline in diamond production from 2020 onwards as existing deposits are depleted.

The general perception is that the diversification policy has not been successful, or at least not as successful as had been hoped. The actual record is mixed, and there appears to have been more success in diversifying exports than in diversifying the structure of GDP. However, concerns remain about the balance of activity and responsibility between government and the private sector. Much of the non-mining private sector remains heavily dependent upon government. It is widely agreed that there is a need for a renewed commitment to deepen diversification, while reducing dependence upon government, and hence it is imperative that the private sector takes a stronger, leading role.

The aim of the 2010 NBC was to explore issues of diversification and strengthening the leadership role of the private sector in the process. The conference was organised around a number of themes, including:

- Deepening Diversification
 - Overview of Botswana's diversification experience
 - Has Botswana's diversification strategy been successful?
 - What lessons can be drawn from other countries with strong private sector-led growth?
- Opportunities for the private sector
 - Where do opportunities lie for the private sector? Highlights of experiences and opportunities from mining, manufacturing, agriculture and services.
- The Policy Environment
 - The macroeconomic policy environment
 - The new Industrial Development Policy
 - Using and improving the results of the World Bank "Doing Business" Report
- Education and Skills
 - Does investment in skills and education meet the needs of the economy?
 - What are the plans for future investment in education and skills development?
- The business climate and public investment
 - Regulations affecting business and investment
 - Improving and promoting competition; the new Competition Act and Authority
 - How effective is communication between government and the private sector
 - How the private sector can work with Government in developing the six Hubs
- Building the private sector
 - Strengthening local entrepreneurship and attracting FDI
 - Developing export markets for goods and services

The conference drew upon a mixture of local experience and international expertise. As before, the conference aimed to draw up a set of recommendations for both Government and the private sector that would help to drive reform and enable Botswana to successfully meet the diversification challenge.

MOONO:

KGATELELO YA KABAKANYO YA ITSHOLELO E E

ETELETSWENG PELE KE MAPHATA A IKEMETSENG KA

NOSI.

Maikemisetso a khuduthamaga e ke go tsenelela ko tengnyana-teng mo dikgannyeng tsa kabakanyo ya itsholelo. Goromente wa Lefatshe la Botswana o sale a dirile kabakanyo itsholelo kgang ya botlhokwa. Go feta dingwaga tse masome a mararo, madi a le mantsi a tsentswe mo mananeong a a itebagantseng le go kabakanya itsholelo, mme le fa go ntse jalo, go nnile thata go bona kgolo mo mhapheng o; ka jalo, re bona go tlhokafala gore re buisane re tle ka ditsela tse eleng gore di tla gatelela kabakanyo ya itsholelo ka ketelcelo pele ya maphata a ikemetseng ka nosi re sa lebale mosola wa goromente mo mosepeleng o. Moteng ga bukana e, o tla fitlhela tsamaiso ya tiro, ditlhogo tsa dipuisano, ditlhoso tsa tsone le babui ba tsone.

Re itumelela fa o supile kgathego mo kgannyeng e. BOCCIM le ba dirisanyi ka bone, ba go amogela mo bokopanong bo!

PULA!!!

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Summary Status Report on the Implementation of 10th National Business Conference Resolutions

Ms Maria Machailo-Ellis, Executive Director, BOCCIM

In 2008, the National Business Conference adopted 26 resolutions for implementation by various government ministries. Of these 25 are reported to have been implemented while 1 is being implemented in the current financial year. The table below gives a summary of the implementation of these resolutions. The full text of the implementation of the resolutions is available on the BOCCIM Website at:

<http://www.boccim.co.bw/boccim-events.php>

<http://www.boccim.co.bw/boccim-media-documents.php?type=Document>



RES	CONTENT	MINISTRY RESPONSIBLE	STATUS
1	A national climate change policy is urgently required to guide climate change mitigation and adaptation initiatives. Existing policy instruments and strategies should be reviewed with the aim of integrating and or using these as a basis for addressing climate change mitigation and adaptation where feasible. Consider establishing national body to co-ordinate and oversee.	MEWT	<ul style="list-style-type: none">• National Body in place• 16 Member National Committee on Climate Change chaired by the PS includes private sector
2	The private sector should participate in collective regional negotiations on climate change mitigation and adaptation to tackle common problems, and also be informed of emerging opportunities and counteract any negative international climate change responses on Botswana. Participate in international discussions.	MEWT	<ul style="list-style-type: none">• Ministry continues to engage private sector in various negotiations
3	Botswana should invest aggressively and promote investment in research and development initiatives into solar energy as an alternative to conventional sources of energy.	MMEWR	<ul style="list-style-type: none">• Feasibility study on 200 MW Solar Thermal Power Station completed. Will be developed up to Bankable Feasibility and Implementation during NDP 10
4	The private sector should participate fully in global initiatives promoting carbon efficiency and access available funding mechanisms.	MMEWR	<ul style="list-style-type: none">• Negotiations are on issues related to policies on Carbon Tax. Private Sector being encouraged to participate in Carbon Finance of Clean Development Mechanism
5	There should be strong mobilization of the citizens to promote popular awareness of and involvement in environmental issues, by both government and the private sector.	MEWT	<ul style="list-style-type: none">• DEA continues to engage in awareness campaigns with private sector

6	Botswana should implement international standards for environmental management and integrate them into policy, and environmental sustainability should be deliberately and effectively integrated into NDP 10.	MEWT	<ul style="list-style-type: none"> Environment Sustainability has been factored into NDP 10, DDP 7 AND UDP 3 processes. NSSD and Environmental Management Act are being developed
7	Promote integrated water resource management and start rigorous implementation of water demand management measures, including reduction of losses in water reticulation systems and accelerated re-use and recycling of treated water, prioritization of water demand and developing mechanisms to allocate water to the most productive and efficient sectors of the economy, and wise and efficient use of the country's water abstracted from shared water courses.	MMEWR	<ul style="list-style-type: none"> Water Sector Reform Initiatives (WSRI) are currently underway. During NDP 10 network rehabilitation programmes will be carried out
8	Ensure targeting of water subsidies towards social goals and vulnerable groups, while reducing the total amount of subsidies.	MMEWR	<ul style="list-style-type: none"> As part of WSRI a "Tariff and Affordability Study" is being carried out
9	Establish a clear and consolidated legal framework to govern IFSC companies as well as expand its powers, mandate and funding.	MFDP	<ul style="list-style-type: none"> A Draft IFSC Legislation was produced. Government decided to merge BEDIA & IFSC. A draft IFSC/BEDIA bill is being worked on.
10	Ensure that the enabling environment for the IFSC and IFSC companies matches or exceeds the best international standards, including the speedy implementation of an extensive double taxation network.	MFDP	<ul style="list-style-type: none"> 10 DTAs are in force with some European and African Countries. More are being pursued.
11	Augment and improve support services to create an enabling environment for business in general and for IFSC companies and exporters of services in particular, with specific emphasis on telecommunications services, human capital and costs of doing business.	MFDP	<ul style="list-style-type: none"> The interventions in Resolutions 9 & 10 are also aimed at creating a more enabling environment for IFSC companies and business in general
12	Deepen capital markets to facilitate investment and establish Botswana as a key source of capital for foreign companies looking to invest in Africa.	MFDP	Government continues to issue bonds of various maturities and treasury bills. Govt collaborates with the BSE. Problem is the lack of activity in the secondary market.
13	Consider establishing a sovereign wealth fund which should invest in a wide range of assets to generate a future source of income, along the lines of Temasek (Singapore).	MFDP	BEAC's is determining the suitability of maturing the BDC property investments for bundling into a property trust to create a base for an IPO designed to broaden the range of stocks listed on the BSE and to provide a new class of investable assets for individuals and fund managers in Bots.
14	Government should take the necessary policy actions now to ensure a gradual transition and reduction in public spending as a percentage of GDP. Government should introduce new and innovative tools to guide and monitor sustainable budgeting relative to revenues, which requires a long-term vision, establishing priorities, analysis, planning, and fiscal discipline.	MFDP	<ul style="list-style-type: none"> Govt. has made commitment to reduce expenditure from 40% to 30% of GDP by end of NDP 10

15	The existing network of social safety nets should be thoroughly reviewed with a view to modernization in line with international best practice, to achieve improved targeting and better value for money.	MFDP/ MLG	<ul style="list-style-type: none"> Study to review social protection policies concluded in July 2010 and is being considered. To link with Ministry of Local Govt. Social Development Study
16	The NBC reaffirms the 1998 and 2000 resolutions regarding the establishment of a comprehensive national pension and social security system.	MLHA	<ul style="list-style-type: none"> Consultative Workshops held Consensus on the need to develop Broad Based Occupational Pension Scheme for Botswana Tripartite Task Force in place to consider ToRs for a Consultancy Procurement of a Consultant at ITT stage
17	An extensive dialogue should be conducted with the business sector to clearly define their role and needs in human resource development.	MFDP	<ul style="list-style-type: none"> NHRDS in place HRDAC in place See full Text
18	Develop a clear industrial policy that makes a clear distinction between SMMEs to large firms.	MTI	<ul style="list-style-type: none"> Review of 1998 IDP on going Review of SMME Policy also on going
19	Mainstream SMME sector development in all our national economic development agendas such that the impact of all laws/policies and regulations can be SMME-friendly.	MTI	<ul style="list-style-type: none"> Not done. Awaits completion of SMME Policy
20	Increase spending on R&D as a proportion of GDP, both private sector and government.	MIST/MOESD	<ul style="list-style-type: none"> Government is yet to decide on what proportion of GDP is to be spent on R&D by each responsible ministry.
21	Strengthen the role of market-forces in the allocation of land, strengthen security of tenure and introduce the necessary changes to land tenure, lease arrangements and planning regulations.	MLH	<ul style="list-style-type: none"> Draft Land Policy incorporating Resolutions 21, 22, 23 and 24 circulated to stakeholders in June and July 2010. Was expected to be discussed by Cabinet in August 2010.
22	The tribal land system should be reformed to permit land occupiers to realize the (potential) commercial value of the land.	MLH	See above
23	The allocation of tribal land should be through a commercially-oriented centralized agency.	MLH	See above
24	Education of Batswana on the fundamental of land economics.	MLH	See above
25	Develop the capacity of both government and the private sector to engage in regional and international trade negotiations, particularly with respect to trade in services.	MTI	<ul style="list-style-type: none"> Ministry continue to engage the Private Sector in regional/int. trade negotiations by ensuring that it is represented in the Gvt negotiating team or solicits its views. Private sector has a challenge of financing their trips when meetings/negotiations are held outside.
26	Ensure that the necessary supporting legislation (e.g. data protection) is in place to support the development of services exports.	MTI	<ul style="list-style-type: none"> Copyright and Neighbouring Rights Act in place together with Industrial Property Act

WELCOME RECEPTION

At the Bank of Botswana Atrium

Welcome Remarks

Linah K Mohohlo, Governor, Bank of Botswana



Once again, on behalf of the Board and Management of the Bank of Botswana, I would like to welcome you warmly to the Bank's Francistown Branch and to the reception on the eve of the BOCCIM National Business Conference.

The Conference is yet another testimony to the foresightedness and vision on the part of the Government and BOCCIM, who realised many years ago, before most, that the Government, private sector and civil society must share and implement a common agenda for the advancement of the common good.

Each time, on this occasion we enjoy the opportunity of meeting you as our stakeholders in a relaxed and cordial atmosphere. This signifies a sense of community and common purpose and, in this case, with a view to advancing the course of the next three days.

Just to emphasise this point, in one way or another, you are all stakeholders of the Bank, and this is so because, directly or indirectly, the Bank's mandate contributes to the achievement of virtually all national goals especially those relating to economic growth and improvement in human welfare; and we have to work together to advance this lofty ideal. Indeed the Bank's efforts in containing inflation; managing the country's foreign exchange reserves; regulating and supervising banks; safeguarding and promoting a secure and efficient payments system; and discharging other related functions, invariably advance the deepening of economic diversification and create a favourable environment for private business activity to flourish, for the benefit of the country and its people. Thanks to the BOCCIM biennial Business Conference for affording us the opportunity to engage the theme further. In the intervening period since we last met two years ago, we at the Bank have appreciated your untiring constructive perspectives on the economy and its prospects.

We are, therefore, as indeed is the case for all of you, looking forward to benefiting from this year's National Business Conference with its indispensable focus on the role of the private sector in addressing economic

diversification. From time to time, the Bank has done some work on this important matter, and we are eager to exchange views on the inter-play between public policies and private sector responses. Equally important, as a two-way street, the private sector will certainly be interested to learn how their policies affect public policy. This unique two-way dialogue and engagement has come a long way and needs to be nurtured going forward for the benefit of the country.

The subject of economic diversification has received attention from the Government and many other quarters in the past. In my view, by now we should be masters of the subject matter, at least theoretically. It would not surprise me, therefore, if the conference allocates sufficient time, at this and subsequent conferences, to concrete deliverables. In other words, I am suggesting that it is about time that we have something to show, by way of new private sector entities setting up a presence in the country. As it so happens, economic diversification in our country has received a new lease of life and sense of urgency, coming as it does, at a time when the country and the rest of the world is emerging from the recent economic recession. The recession has no doubt given us fresh impetus, energy to recommit ourselves to a collective sense of purpose and, for that matter, the fundamental truth that we share a common global destiny. Accordingly, therefore, we should share ideas and, in our policy-making processes, we should identify synergies with Government policies as well as those of the private sector and civil society.

It goes without saying that the Bank strongly shares the view that it is only through diversification of private sector activities that the country can create employment opportunities in an effort to alleviate poverty, generate resources for fiscal sustainability and, in the process, contribute to the ultimate realisation of the goals of *Vision 2016*. The strategy for realising this goal includes consultation and sharing ideas towards overcoming common challenges.

I hope that this evening's relaxation will invigorate us to meet the very important task ahead, of finding ways and means of "*Deepening Diversification through Private Sector Leadership*" in the next three-days. It is my expectation that the lessons from the Conference will guide our activities going forward. Needless to add, the Bank stands ready to play its part in contributing towards the conditions necessary for economic diversification, in the best interest of broadening and deepening the country's economy, thus enabling it to grow sustainably.

With these remarks, Ladies and Gentlemen, I invite you to quench your thirst more and indulge yourselves with the culinary delights availed to you.

I wish you a pleasant evening.

Thank you.

SESSION 1: OFFICIAL OPENING

Chairs:

- Mrs Grace Muzila, Director General, National Strategy Office
- Dr Jaloni Pansiri, Chair of the National Business Conference Organising Committee

MC: Ms Maria Machailo-Ellis, Executive Director, BOCCIM

Opening Remarks

Mr Modiri Mbaakanyi - President of BOCCIM

Your Excellency, the President of Botswana Lt General Seretse Khama Ian Khama
Hon Minister of Trade and Industry, Mme Makgato-Malesu
Other Cabinet Ministers here present
The Governor of the Bank of Botswana, Mme Linah Mohohlo
His Worship the Mayor of the city of Francistown
Excellencies, Members of Diplomatic Missions
Members of our Development Partners
The BOCCIM Vice Presidents
BOCCIM Council Members
Chairpersons of this conference, Mme Muzila and Dr Pansiri
Senior Government Officials
CEOs of Parastatals and Non-Government Organisations
Captains of Industry



Ladies and Gentlemen

Good morning. It gives me great pleasure to be standing here this morning on behalf of BOCCIM and the organising committee of this conference, to welcome you to the 11th National Business Conference.

Firstly, I'd like to pay a special tribute to His Excellency, the President of Botswana, for his presence here today. His Excellency has done everything in his power to make sure that he is part of this very important event, even if it meant changing the original date of the conference, which was originally planned to take place on the 6th to the 8th of this month, but because of his busy schedule this was not possible. He did manage to give us a slot – this week – because he wanted to be with us this morning.

Sir, since your inauguration in 2008 we have observed with great pleasure, interest, and indeed appreciation, your leadership that clearly demonstrates your government's commitment to playing its role in facilitating private sector participation in the economy of Botswana. At the May 2009 High Level Consultative Council (HLCC) you categorically stated that the HLCC forum would remain the platform for dialogue between government and the private sector through BOCCIM, and no other. In that regard, you went ahead to introduce the *pitsos* as another forum that can accommodate all other stakeholders. You continued to remind your cabinet ministers through our engagements

that they must serve the private sector and address their needs at all costs, as and when required to do so.

To achieve this, Sir, you set very high standards of service delivery for the public sector. In the same vein, you have often called the private sector to account and to demonstrate that they are responsible, as was seen with the escalating food prices and recent indiscriminate price hikes following the VAT increase from 10% to 12%. You continued to demand diligence from the private sector as they deliver government projects. It is now quite evident Sir, that your message in your inaugural speech in 2008 which made it crystal clear that the private sector should be the driving force of, and the main investor in, our economy. This message was directed not only at the private sector but to each and everyone who has a role to play in the economic development of this country. BOCCIM is grateful for the support you have shown.

Ladies and gentlemen, let me express a very warm welcome to our guest speaker, Mr Bobby Godsell, who has taken time out of his very busy schedule, to come and share with us his experience and thoughts on our chosen theme and its relevance to our economy. Bobby is highly regarded, both in South Africa and in the region, as can be seen from his profile. What is even more important to me is that he comes from close to home, and therefore doesn't need to do any research on our country, because in fact Botswana is part of his experience.

Ladies and gentlemen, I think we must commend the organising committee for their diligent work and most importantly, for their choice of guest speaker. As usual, the committee, with assistance of consultants, has gone all the way to bring together the best presenters for this conference. I have no doubt that what we will learn from this year's conference will have some lasting effects on the future of our economy.

This year, the NBC is held under the theme: "Deepening Diversification through Private Sector Leadership". This conference is taking place at a time when our economy is trying to come to grips with the effects of the global economic recession. Undoubtedly the recession has had a dramatic impact on government revenues, which has in turn affected private sector activity, given that the level of government's development expenditure largely drives the private sector in this country. While there has been a turnaround in the diamond export revenue, and the rest of the economy seems to be heading for recovery, a large portion of the SMME sector is still trapped in the woods. There is an issue about credit availability in the market because most lending institutions are still risk averse. On the other hand, most economists suggest that world economy may experience a double dip, and this will only go to put more pressure on the banks to be more cautious in their credit assessment. In our view, and in the context of the theme of this conference, private sector leadership in the effort to diversify our economy can only be effectively achieved by addressing certain critical issues. These issues have been raised by BOCCIM at the various fora, including the High Level Consultative Council.

Your Excellency, privatisation of state-owned enterprises is key to ensuring private sector participation. Through the various forms of privatisation such as PPPs, outsourcing and others, this country can unlock the value in eligible state-owned enterprises and thus remove the need for government to continue funding these entities. Such a move will allow government to direct its public expenditure to the provision of essential social and economic infrastructure, and leave the rest to the private sector.

Land is yet another issue that is critical for private sector participation. Needless to say, it was at this forum in 2008, that we passed four resolutions to address issues of land. The land policy, land administration and planning in Botswana are not conducive to development of land. Disparity on land values emanating from the manner in which the land is held, transfer periods, granting of planning permission, as well as the period for bond registration, continue to have a negative impact on the successful conclusion of land developments. And I remember, Sir, you did say that now that government revenues are constrained because of the global economic recession, the private sector must now take over in terms of creating jobs – and obviously development of land,

through construction and other activities, is a major contributor to job creation.

Your Excellency, the issue of citizen economic empowerment cannot be overemphasised, and it has been talked about many times. If the private sector is to be the real engine of growth, an enabling environment is required. But more importantly, the extent to which citizens participate in the economic activities of this country, determines the vibrancy of the private sector. This can only be achieved through adopting a deliberate policy to ensure that citizens are involved and participate in the economic activities of their country. It is my hope that though our deliberations in the next three days, one way or the other we will seek medium- to long-term solutions to address these issues.

At BOCCIM we endeavour to continue to do our best, not only in driving dialogue between the private and public sectors through events such as this one, but also in ensuring that we meet the needs of our members with particular emphasis on SMMEs. Our recently completed strategic plan seeks to harness the potential of business support institutions such as LEA, BNPC, BEDIA and BoBs. All these institutions are an outcome of this conference, and we believe that through strengthened partnerships with BOCCIM, together we can deliver our mandate of securing a robust private sector.

Ladies and Gentlemen, allow me to conclude my welcome remarks by expressing my gratitude to the Governor of the Bank of Botswana, Mme Mohohlo, for continuing to be the curtain raiser for this event. We welcome the cocktail by the Central Bank on the eve of this conference, and it is always something that delegates look forward to. But most importantly, it contributes significantly to raising the profile of the National Business Conference. Madam Governor, we thank you very much for your continued support.

As you may know, this conference is co-hosted by BOCCIM and government, through the Ministry of Trade and Industry. It is a long-standing partnership which is very unique. My gratitude goes to the Minister of Trade and Industry, Mme Dorcas Makgato-Malesu, for her role in hosting this event and the leadership that her ministry continues to demonstrate in this dialogue. We thank you very much Madam and your team.

To all the private companies who put forward their sponsorships for the conference and to all the delegates who have paid to participate, I wish to say a very special thank you, because this conference does not exist without you. I am confident that we will have fruitful deliberations in the three days ahead of us.

Thank you for your attention.

Welcome

Mayor of Francistown – Mr Shadreck Nyeku

Director of Ceremonies
His Excellency the President
Honorable Ministers
Honorable Councillors
The BOCCIM President
The District Commissioner
Heads of Departments for Government and Non-Governmental Organizations
Members of the Diplomatic Corps
Members of Parliament
BOCCIM Executive Director
BOCCIM Council Members
Private Sector Representatives
Distinguished guests
Ladies and gentlemen

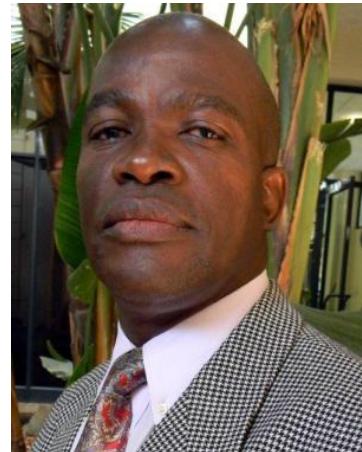
It is a great honour and pleasure for me to welcome all of you at this momentous occasion organized by BOCCIM. Let me take this opportunity to thank the organizers for choosing the City of Francistown as their host. Bagaetsho, we can never be too thankful for such a gesture. I wish to point out that you have come at a time when Francistown is busy developing additional infrastructure which is intended to facilitate private sector investment and to make this city a pleasant place to live in. You may have noticed that there is an Airport Expansion project together with the construction of the Stadium.

Let me take this chance ladies and gentlemen to thank BOCCIM for the support it has always accorded our City council. It is indeed a great partner in our development endeavours. This is very true because BOCCIM has always assisted us in order to fulfill our mandate. We continue to interact with BOCCIM in various ways, amongst which are through the Local Level Consultative Council, Urban Development Planning and others. You will realize, Your Excellency that BOCCIM is indeed interested in the development of Francistown.

Distinguished guests, since 1988, our city has been a host to this high profile and important National Business Conference (NBC) whose outcomes continue to shape the business climate and the economy of Botswana.

This is the eleventh time we host the NBC and we hope that the tradition will continue for years to come. We look forward to the day when a similar conference aimed at Local Authorities and business is hosted so as to allow us to engage on issues that would enable us to develop strategies that would foster growth and the creation of a business friendly environment at the local level. Francistown would not mind hosting that one as well!!!!

Let me take this chance to commend BOCCIM for continuing to put the City of Francistown on the map through the Northern trade fair. As a matter of fact, BOCCIM should explore the possibility of cooperating with



the City of Francistown in a more meaningful way regarding the organization and running of the BOCCIM Northern Trade Fair.

Ladies and Gentlemen as was stated at the tenth conference, Local Authorities should be seen as important players in Botswana's investment promotion strategy, because local authorities are the epitomes of development which manage facilities and infrastructure that affect investors in our cities, towns and villages.

City Councils, Town Councils, District Councils need to take stock of their activities and determine the extent to which they contribute meaningfully to a business friendly environment. They need to review the manner in which they engage with the private sector so as to ensure that they become facilitative to doing business. There are concerns that have been raised in various quarters that suggest that local authorities are more towards being punitive instead of being facilitative towards business people. Maybe this explains why Botswana ratings in the Doing Business Report have been rapidly declining. This calls for serious introspection by ourselves as local authorities to find out whether we do not somehow contribute to this state of affairs!

Bagaetsho, let us all re-dedicate ourselves in order to develop Francistown because if we do we will surely live to reap the benefits. Distinguished guests, government cannot be expected to deal with challenges of poverty, unemployment and crime alone. We are of course thankful for the recently introduced drought relief measures, albeit being temporary. We are therefore advocating for more sustainable methods.

One way of starting this process, Your Excellency, would be for us councillors to re-focus our debates towards those issues that deal with how we can create business-friendly environment in our localities. We need to fully recognize that our role is to facilitate the establishment of businesses that will bring revenue as well as creating employment for

our people. We need to bring investors and take deliberate decisions to ensure that businesses are assisted to establish themselves in the quickest time possible. In Francistown ladies and gentlemen we are busy trying to promote the small businesses and it is our wish that wholesalers in the City do not sell items in small quantities but rather in bulk so that the small businesses can also benefit.

Ladies and Gentlemen, another area that needs urgent attention in local authorities is to strengthen our relationship with the private sector growth through the local high level consultative council. These developments will not only bring us closer to businesses but they will surely provide us with a great opportunity to have a better understanding of the needs of investors, both the existing ones and those that want to set up businesses. A closer working relationship with the private sector is very crucial in this regard.

Distinguished Guests as a way of promoting Investment, City of Francistown is busy networking itself with international Cities in order to forge strategic partnerships that will help us in our mandate. .

Dear guests, my aim today was not to make a speech but welcome you to our City of opportunities. On behalf of Francistowners, and indeed on my own behalf, I would like to welcome all of you to this occasion and to Francistown in general, please find time to walk around the CBD and see for yourselves what Francistown has to offer. Once again, Bagaetsho, you are greatly welcome.

I thank you.

PULA!!! PULA!!! PULA!!! PULA!!!

Official Opening

His Excellency, Lt. Gen. S.K.I. Khama

Conference Chairpersons – Mrs Grace Muzila and Dr Jaloni Pansiri
The President of BOCCIM – Mr Modiri Mbakanyi
His Worship the Mayor – Councillor Shadreck Nyeku
Guest Speaker – Mr Bobby Godsell
BOCCIM Executive Director – Ms Maria Machailo Ellis
Members of the Diplomatic Corps
BOCCIM Council Members
Cabinet Ministers
Members of Parliament
Permanent Secretaries
Members of the Private Sector
Councillors
Distinguished Guests
Ladies and Gentleman



1. The theme chosen for the 11th National Business Conference is "**Deepening Diversification Through Private Sector Leadership**". The theme is a topical one at this juncture in Botswana's economic development. The global financial and economic crisis that has dominated the world economy over the past two years has illustrated that. The crisis has also illustrated that we cannot permanently rely on government to drive the economy.

2. As we met at the last National Business Conference in early September 2008, we were not aware of the full intensity of the financial and economic crisis that was about to engulf the world economy. Since that time, all regions of the world have been impacted by the crisis. We have seen through global recession, the shrinking of world trade,

collapsing financial institutions, rising unemployment, increased reliance on state social programs, rising poverty, salary freezes, salary reductions and laying off of workers in the private and public sectors.

3. Like all countries, Botswana has been negatively affected by the global financial and economic crisis. The main impact has come through the international trade effects, with Botswana's major exports – diamonds, copper/nickel and tourism – badly affected by the recession in major developed economies. As a result of problems in the international diamond market, mining of diamonds was cut back in 2009, which pushed the economy into recession in that year, with GDP growth of around minus 4 percent. Reduced export earnings have caused the balance of

payments to deteriorate and require a drawdown of the foreign exchange reserves in order to finance imports. Reduced government revenues from the mineral sector have led to large budget deficits, financed by a combination of borrowing and drawdown of savings.

4. The combination of recession and twin deficits – on the balance of payments and the government budget – made 2009 the most challenging year for the Botswana economy for three decades. The savings and foreign exchange reserves accumulated from years of prudent policies have enabled Botswana to withstand these challenges reasonably well. Continued government spending during the crisis has provided a fiscal stimulus that boosted the domestic market. The early months of 2010 have seen a healthy recovery in commodity prices (for diamonds, copper and nickel) that has boosted the mining sector, and GDP growth in 2010 should be of a positive rate. Nevertheless, the crisis highlighted some of the challenges facing policymakers. Diamond exports are not expected to return to the peak levels of 2007 for several years, and substantial investments are required to extend the life of the main diamond mines.

5. The long-term fiscal impact on Botswana will be reduced government spending and a renewed focus on policy reform in order to boost economic growth: although the crisis was devastating, it acted as a snapshot of the future, should the economy continue being driven by the mining sector and we fail to diversify. Many years of successful development have been slowed by the economic crisis. It is thought that the unemployment rate has increased in 2009 given the closure of textile industry firms and retrenchments by some private companies, especially those that are export based. We in government considered salary cuts and lay offs only as a last resort should the salary freeze we have had in place not be sufficient as an intervention to cut spending. We still intend to try and avoid such actions which may necessitate extending the freeze until the situation normalises.

6. With an anticipated decline in diamond production from 2020 onwards as existing reserves become exhausted, the need for diversification is an urgent priority. Diversification within the mining sector is seen as having considerable potential, along with the further development of the tourism industry, other tradable services, as well as manufacturing. Though the mining sector suffered a severe dip during the crisis, the non-mining sector (particularly service sector) has shown tremendous growth and proves to be a potential economic driver for Botswana. At this point we are prepared to fully engage in measures that we need to continue the success story.

7. Therefore the theme of this conference '**Deepening Diversification through Private Sector Leadership**' is timely. Of course the need for diversification is not new. It is time to review and evaluate our current strategies and policies, and if necessary change them, in order to ensure that our diversification drive is successful.

8. We need to reflect on what it is that has impaired our diversification efforts to date. Is the policy framework inadequate or inconsistent? Is it a lack of skilled manpower, or restrictive policies and regulations? Are we failing to integrate ourselves sufficiently into the globalising world economy? Or are we finally feeling the impact of the so-called "resource curse", one aspect of which is that mining economies find it very difficult to diversify?

9. Let us also remind ourselves of the principles outlined in the "Botswana Excellence" strategy, which comprises a range of actions and instruments needed to achieve economic diversification and sustainable growth: these include creating an enabling framework; mindset change, economic openness and citizen empowerment through excellence. The strategy also encompasses the six Hub projects that have the potential to boost diversification by promoting sustainable new economic activities.

10. Government should not be the driving force in the economy, outside of mining, indefinitely. The private sector has to take the lead in driving the economy and we as government – including local authorities - have to play a complementary and facilitative role to ensure a conducive business environment.

11. Different government departments are decentralizing and the local authorities are taking over some functions. Local authorities must work productively with the private sector and make sure that they create an environment that is attractive for business so as to ensure diversification in their regions. They have a responsibility to draw investment to their regions, make them competitive and attractive. We must all make sure that government – central and local – avoids anything that may be seen as an anti-business attitude.

12. My Cabinet and I are aware of the uneasiness amongst the business sector attributable to the perception that we are not sufficiently addressing the issue of work and residence permits. While I concede that we may not be moving at the required speed in this aspect, it is worthy to note that we as Government welcome investors and would do all in our power to attract them to this country. What we disapprove is the tendency of some visitors to abuse the system. This then calls for due diligence when processing such applications which invariably causes some delay. In this regard, I want to advise all those who feel challenged in any sector to approach the relevant Ministry for assistance.

13. Allow me to reiterate the statement I made two years ago; It is a hallmark of my administration that we will listen to a range of views, whether conventional or unconventional, from within government, from the private sector, from civil society, and from outside of Botswana. One of the merits of gatherings such as this one is that many differing views can be aired, and yet at the end of the event some conclusions that hopefully reflect a broad consensus are reached. If ideas and policy initiatives are thoroughly discussed and well thought out, then that provides government with a very useful spectrum of

proposals to consider. As you are aware, many of the previous proposals emanating from this conference have been implemented, and I believe the country is much better off as a result.

14. I note that the agenda for this year's conference has a range of interesting topics and speakers; I see we have a good blend of local and international speakers, this will definitely be helpful. I am further pleased to see that there will be discussions on the opportunities in the private sector, the policy environment and building the private sector among other topics. I am aware that the BOCCIM Council and the Organising Committee for this event have deliberately aimed for a programme and speakers who will perhaps be controversial, may make us uncomfortable, certainly will be stimulating, and will require us to review and reconsider some things that we have taken for granted.

15. This is something that I will definitely encourage.

16. I am delighted to see that the Keynote Speaker, Mr Bobby Godsell, comes with a wide range of experience and fits well into our theme. You will hear more about him, and from him, later. I am informed that Mr Godsell boasts both an impeccable CV as well as a reputation both within the 'establishment' and otherwise – which is exactly what we need here.

17. In conclusion, I wish for another fruitful conference and look forward to the resolutions that will emanate from this conference.

18. I now wish to declare the 11th National Business Conference officially open.

Keynote Speaker

Bobby Godsell, Chairperson of Business Leadership South Africa



Bobby Godsell has a unique reputation: a South African businessman who championed workers' rights while simultaneously creating one of the most successful gold mining companies in the world, AngloGold Ashanti. Despite being the former CEO of Anglo Gold Ashanti Limited and a former president of the SA

Chamber of Mines, he has the public support of both the powerful National Mineworkers' Union and COSATU's general secretary, Zwelinzima Vavi. He is the chairperson of Business Leadership South Africa (representing the 70 largest public and private companies in the country) and was appointed by South African President Jacob Zuma to the National Planning Commission (NPC) in April 2010.

Mr Godsell obtained a Bachelor of Arts degree in Sociology and Philosophy from the University of Natal and a Master of Arts in Liberal Ethics from the University of Cape Town. He also spent a year pursuing postgraduate studies in Sociology and Philosophy at Leiden University in the Netherlands.

His rise in the mining world was extraordinary in its own right. He joined Anglo American in 1974, becoming a labour relations expert and getting involved in forming the company's employment practice policies. He was appointed head of Anglo's gold division in 1995, and despite what many regarded as his lack of operational experience he successfully drove the merger between AngloGold and Ghanaian gold group Ashanti, creating the world's second biggest gold mining group. It was also Mr Godsell's idea to explore SA's potential as a gold jewellery manufacturing centre and he persuaded the world's central banks to limit their gold sales at a time when the gold price was plummeting.

Mr Godsell co-chairs (with Zwelinzima Vavi) the Millennium Labour Council, a body that provides for social dialogue between South African business and labour leaders. He is the non-executive chairman of Freeworld Coatings, a listed company, deputy chairman (non executive) of Optimum Coal Holdings (a BEE Coal company) and non executive director of African Barrick Gold plc. He is an honorary professor at Wits Business School, teaching Philosophy of Management courses and is chairman of the board of directors of St Augustine College, a private Catholic university. With James Motlati, previous President of the National Union of Mineworkers, he co-authored "**Do it! Every South African's guide to making a difference**", published by Jacana in November 2008. Previous publications include co-editing with the American academic Peter Berger, "**A future South Africa: vision, strategies and realities**" published by Human and Rousseau in South Africa, and Westview Press in the US, and "**Shaping a future South Africa: a citizen's guide to constitution making**" published by Human and Rousseau.

Mr Godsell has worked extensively on issues associated with economic development in South Africa, building upon the country's natural resource base. With his successful business career and an understanding of the regional

economy, he is well placed to share insights that will help the private sector lead Botswana's economic diversification.

African Business in the 21st Century: Quo Vadis

The global economy in 21st Century

As we prepare to enter the second decade of this new century it is worth reflecting on the nature of global markets.

Great uncertainty continues as to whether the near collapse in global financial markets which threatened in the period September 2008 to around March 2009. Has the threat gone away, or is the prospect of a double dip recession still with us?

Beyond these uncertainties of the moment, deep shifts in the global economy are apparent. Perhaps as early as during the 1980's, but certainly from the 1990's a shift in the centre of global economic gravity has become evident. Broadly this shift is from Western economies, Europe and North America, who have been living beyond their means, incurring unsustainable levels of national, corporate and personal debt to Asian economies, particularly China and India, where people, companies and governments have accumulated huge savings, and built national economies with vastly positive balances of trade, and huge foreign reserves.

This shift reverses a two century period of what might be called North Atlantic (i.e. Europe and North America) global economic dominance.

This shift from West to East is matched by a similar shift from developed economic to emerging economies. The dramatic events of the six months from September 2008 to March 2009 have re defined the concept of risk for investors. When 4 of the 5 top US investment banks disappear, and Britain is forced to nationalise, and merge major banks, and there was a real threat that Main Street Bank ATM's would run out of cash risk in these economies takes on a new character.

When this financial risk is combined with very large debt at every level of these "advanced" economies, stagnant populations, and saturated markets it is not difficult to see why smart investors look elsewhere for returns and growth.

This shift is well captured in the hard numbers of the International Monetary Fund's World Economic, published in April this year. The IMF projects world growth rates for next year, 2011 at 4.3%. The growth of "advanced economies" (the United States, Europe, Japan, Britain and Canada) is projected 2.4%. In contrast emerging and developing economies are projected to grow by 6.5%, and Developing Asia (China, India and the ASEAN group of countries) by 8.7%.

Where is Africa in this new global economy?

Our continent's performance stands closer to the new centre of the global economy, than to the old Atlantic centres of power. Sub-Saharan Africa's growth for next year is projected by this IMF survey at 5.9%, with the Middle East and North Africa projected to grow at the more modest rate of 4.8%.

However I think the challenge for our continent is not next year's projected growth, but really where our continent will be over the next 25 to 30 years. Will we join the decline of the West, or the resurgence of the East? How will Africa's business answer this question?

This question will be answered by whether Africa creates wealth in a competitive way in what remains of this 21st century. I want to suggest that there are (at least) three critical areas of action that can help our continent meet this challenge.

Firstly: identifying, nurturing and expanding world class businesses

Real growth is, and can only be, about real wealth creation. And to create wealth we must go to where wealth creation really happens: in the individual business.

A compelling case can be made that the industrial revolution happened in Britain, rather than Holland, which had more accumulated capital and greater trade, or China with much bigger markets and better technology, because Britain was the first to free its citizens to start individual businesses. Through laws granting business a legal personality, separate from both the state and the persons who ran them, Britain unleashed the greatest wave of new wealth creation seen in history. As critical as is the right for individual citizens to start businesses (rather than to seek a charter from government) is the directly allied right for business to fail. In market economies business failure is essential to the process of innovation and improvement. The concept of Limited Liability, a British invention, enables a business to fail, but leaves the individuals concerned free to try again. This is particularly vital for small and start up businesses, where four or five failures are common before great success.

When countries discuss economic strategies, and particular industrial policies we need to start from the role of the individual business.

South Africa was a subsistence agrarian economy, occasionally exporting a little wool or wine whenever it suited its colonial masters, and importing everything until the discovery of diamonds and gold. Mining created

markets for construction goods such as steel. Companies (such as Haggie Rand) were created to manufacture the steel wire for the hoists of the increasingly deep mine shafts. Other companies created for residential housing purpose (Such as Scaw Metals) converted their industrial processes to make locomotives for the mines.

In this process South Africa echoes Sweden where companies such as Asea and SKF find their origins in mining, but no have little to do this that sector.

African countries need to nurture, promote and celebrate national champions that can grow from an existing economic base such as mining or agriculture, to being global competition in a much wider range of markets. We need our Nestles and Phillips.

Secondly: ensuring world class institutions and first rate human and physical infrastructure

If wealth creation starts in the individual business, to be sustained and to grow it requires the context of an effective, indeed a smart state. Every market place requires clear and effective rules. Such rules are the product of effective state institutions.

Clearly courts that can offer the fair and expeditious resolution of disputes, whether involving contending businesses, or businesses and the state are critical.

Equally critical are effective administrative systems for the registration of companies, patent and intellectual property registration; fair and effective tax administration.

Beyond these immediate foundations of an environment where world class businesses can thrive are a range of regulatory institutions. The effective regulation of financial services, to telecommunications, an effective competition authority all create a context where the rules of doing business are both predictable and are fairly administered.

I am sure that the race for effective wealth creation amongst developing nations will be strongly influenced by the quality of their institutions and regulators.

Let us then turn for a moment to both physical and human capital. Listen to the words of the US Secretary of State, George Marshall, describing Western Europe in 1947.

"The farmer has always produced the foodstuffs to exchange with the city dweller for the other necessities of life. This division of labour is the basis of modern civilization. At the present time it is threatened with breakdown. The town and the city industries are not producing adequate goods to exchange with the goods of the producing farmer. Raw materials and fuel are in short supply. Machinery is lacking or worn out. The farmer or the peasant cannot find the goods for sale that he desires to purchase. So the sale of his farm produce for money that he cannot use seems to him an unprofitable transaction. He, therefore, has withdrawn many fields from crop cultivation and is using them for grazing. He feeds more grain to stock and finds for himself and his family an ample supply of food, however

short he may be on clothing and the other ordinary gadgets of civilization. Meanwhile people in the cities are short of food and fuel. So the governments are forced to use their foreign money and credits to procure these necessities abroad. This process exhausts funds which are urgently needed for reconstruction."

This was the challenge facing those two nations, the United States and Canada, who funded what has become known as the Marshall Plan.

Many parts of our continent find themselves in similar circumstances. Indeed we need a Marshall Plan to renew and expand physical infrastructure. Nobody but ourselves can design this plan, though particularly if it can demonstrate the benefits for doing business and creating wealth in our part of the world finding investors should not be too difficult. Governments should lead, but surely Africa's private sector can play an important and creative role in designing the road, rail, harbour and telecommunication networks needed to turn Africa into a developed part of our world.

Thirdly: expanding markets

As Peter Drucker has insisted for the last 60 years business exists to meet the needs of customers. A recent survey conducted amongst South Africa's 80 largest companies identified market size as one of the greatest constraints to growth.

There are at least two ways in which African economies can expand their markets. The first is through regional integration.

The European Union, today representing the third largest market in terms of population (after China and India) and the second in terms of economic activity (after the United States) began as a very modest attempt of five European nations to share iron and steel resources in 1951. It is not important to note that the EU was never intended, nor is it now, as a political union. Political power remains firmly located in its 25 member states. But economic activity has been optimised across these national borders.

In our part of the world we have two important projects that seek regional integration.

SADC, which began life in 1980 as a network of independent Southern African countries engaged in struggle against Apartheid South Africa, grew into a regional economic organisation through its Windhoek agreement in 1992. SADC combines 15 countries, with a combined population of 258 million people and a GDP of US\$ 471 billion.

COMESA has its origins in both the East African Community and the Preferential trade Area of East Africa, but converted itself into a regional economic block for countries in North, East and Southern Africa. It has 19 member states, 8 of whom also belong to SADC.

Both these organisations have been better at agreeing fine sounding resolutions than truly achieving the realities of economic integration.

Should SADC and COMESA combine this would create a powerful African market of 500 million people, with a combined GDP of US\$ 800. If this combined organisation became a real common market, with goods, services, capital and people able to operate effectively within its external borders it would be a major source of wealth creation for each of its member countries and its half billion population.

Though the primary responsibility for achieving economic integration lies with African governments there is much that African business can do to help make this happen. Firstly they can ensure that regional integration is high on the national political agenda. Secondly they can be a source of technical assistance in ensuring that we move as quickly as possible from political agreement to new institutions, new rules and new and better ways of doing business. Sometimes this will involve sourcing and sharing knowledge. It may also require finding the people to make these new institutions work.

Conclusion

This is an ambitious agenda for African business. I am convinced it is both a necessary and indeed a possible agenda. I am also sure that I offer these thoughts in the African country best able to lead in all of these areas.

From independence Botswana has been the star performer of our continent. Over long periods of time your country has maintained the highest rates of economic growth. Your country has been a paragon of political stability. You offer a business friendly but development intense economy and polity. You have the highest level of per capita wealth in SADC, the strongest currency, the highest ratio of foreign reserves. You have demonstrated that sustained political and economic success is no stranger to our continent.

I have every hope that the Botswana Private Sector, in partnership with your government and society, can lead our continent's campaign to ensure that this 21st century will see Africa emerge from the shadows and emerge as a globally competitive creator of wealth and achiever of social development.

Vote of Thanks

Vice President of BOCCIM – Mr Thuli Johnson

Your Excellency, distinguished guests, good morning.

I'd like to begin by acknowledging the time we have all taken to be here to discuss the conference theme – Deepening Diversification through Private Sector Leadership. I am sure that we have listened carefully to the challenge that His Excellency gave us, that as we deliberate over the next three days, we will come out of this conference with resolutions that can be implemented by both ourselves and government in helping to further the path of diversification across the country.

Your Excellency, we'd like to thank you very much for taking the time in your busy schedule to be with us here this morning. We appreciate the continued support that you give us - and that your government gives us – in providing an enabling environment for private sector development. What we clearly hope to do is to continue to debate, engage and find ways of elevating the game and enabling private sector development to continue at pace in the country, and hopefully that will help us to diversify the economy.



Your Excellency, we recognise that you have to leave us now and hope that in two years' time when we have another conference of this nature, Sir, that you will be able to stay much longer and listen to the conversations that take place and participate in the discussions. Thank you very much for taking the time to be with us here today.

We've just listened to Bobby Godsell taking us through his three ideas of some of the things that we should be looking at, and I think, what for me was core to the conversation, was that we must get down to the business – let's think of exactly who we are talking about and what we can do to support the growth of those people.

I'd also like to thank His Worship, the Mayor, for welcoming us to Francistown; and indeed he's also given us food for thought of some of the things that we should be doing to move our business agenda forward.

I would like to thank the sponsors of this conference. I think that without them we would not be able to have a conference of this nature and magnitude; and so thank you to all the sponsors of the various categories for your sponsorship, and I think we will see evidence of it – as we did last night – throughout the conference.

I thank you all.

SESSION 2: CHALLENGES AND STRATEGIES FOR DEEPENING DIVERSIFICATION

Chair:

Mr Odirile Merafhe, Cash Bazaar Holdings

Africa's Diversification Experience, Issues and Challenges – an Overview

Dr Shanta Devarajan, Chief Economist Africa, World Bank



Shantayanan Devarajan is the Chief Economist of the World Bank's Africa Region. Since joining the World Bank in 1991, he has been a Principal Economist and Research Manager for Public Economics in the Development Research Group, the Chief Economist of the Human Development Network, and of the South Asia Region. He was the director of the World Development Report 2004: *Making Services Work for Poor People*. Before 1991, he was on the faculty at Harvard University's John F. Kennedy School of Government. The author and co-author of over 100 publications, Dr Devarajan's research covers public economics, trade policy, natural resources and the environment, as well as general equilibrium modelling of developing countries. Born in Sri Lanka, Dr Devarajan received his BA in mathematics from Princeton University and his PhD in economics from the University of California, Berkeley.

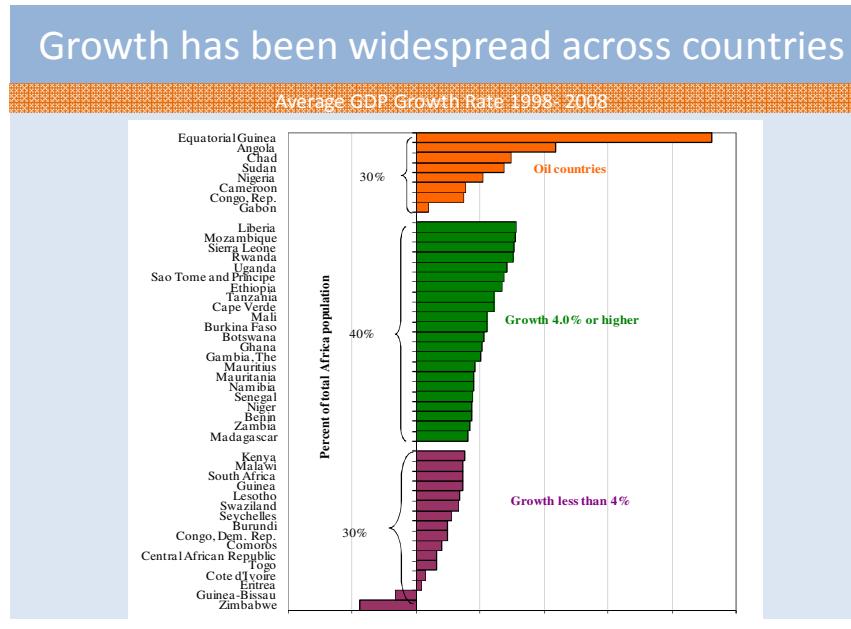
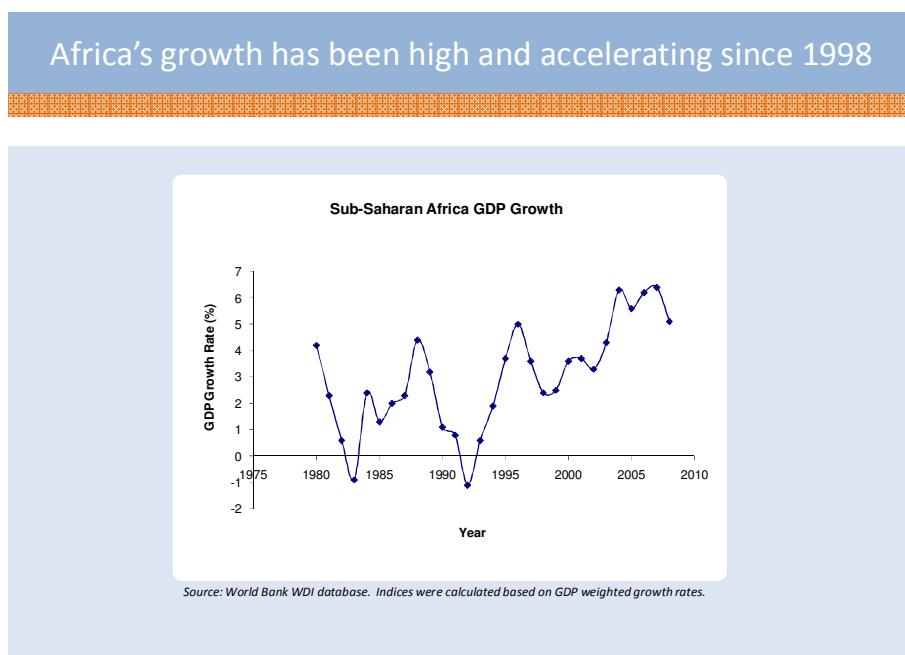
Abstract:

Government and Market Failures in Africa's Industrialisation

Africa's disappointing performance in industrialization can be traced to two factors: market failures, such as public goods that are undersupplied by the market; and government failures resulting from attempts to correct those market failures. The presentation will document examples from infrastructure, business regulation, agriculture, labour markets, education and health where well-intentioned government interventions backfired, and slowed Africa's progress towards industrialization. Building on a simple, analytical framework, the presentation will then show how recent initiatives attempt to address both market and government failures, and document some African success stories.

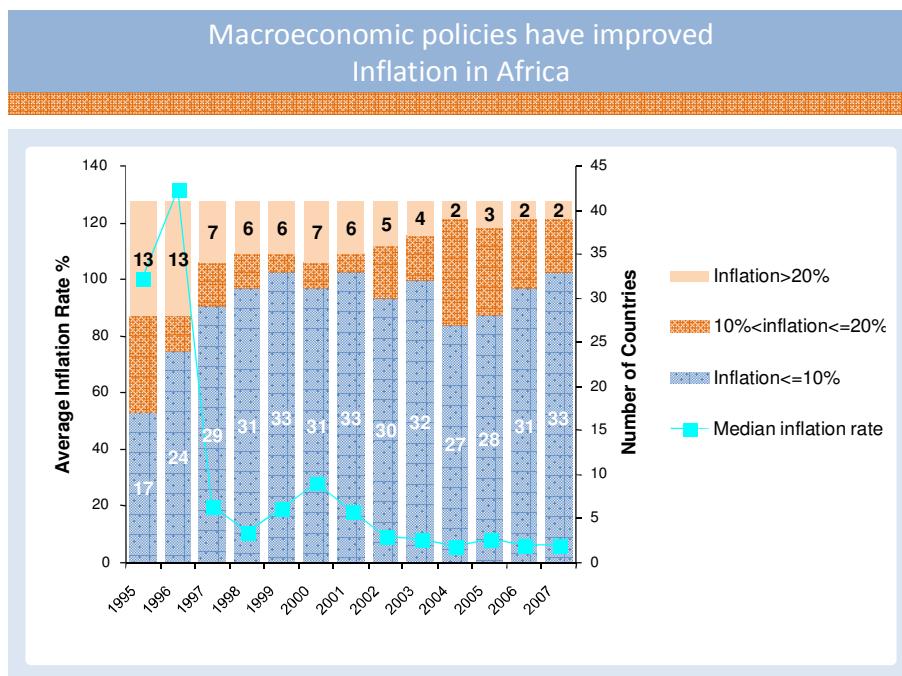
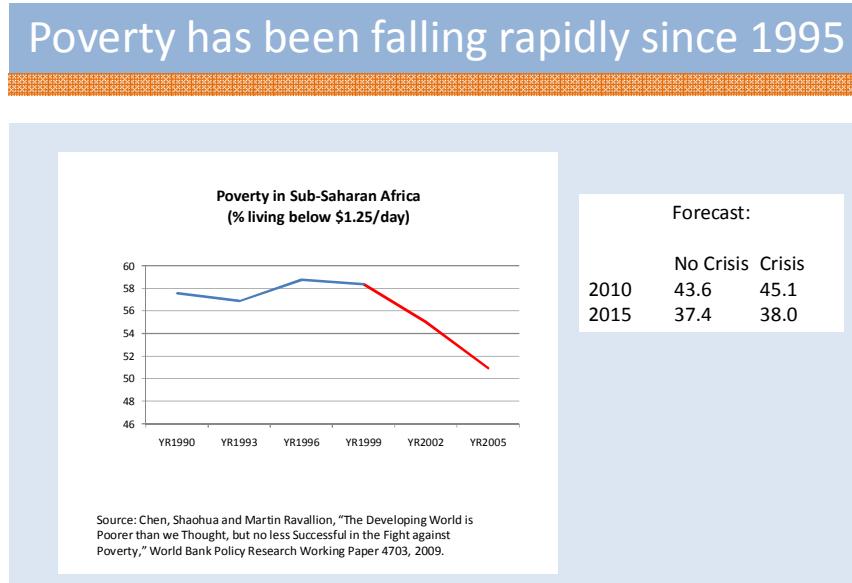
Government and Market Failures in Africa's Industrialisation

- Sub Saharan African economies have been growing, accelerating from the mid-1990s, from 3% a year to 5% per year until just before the crisis hit.



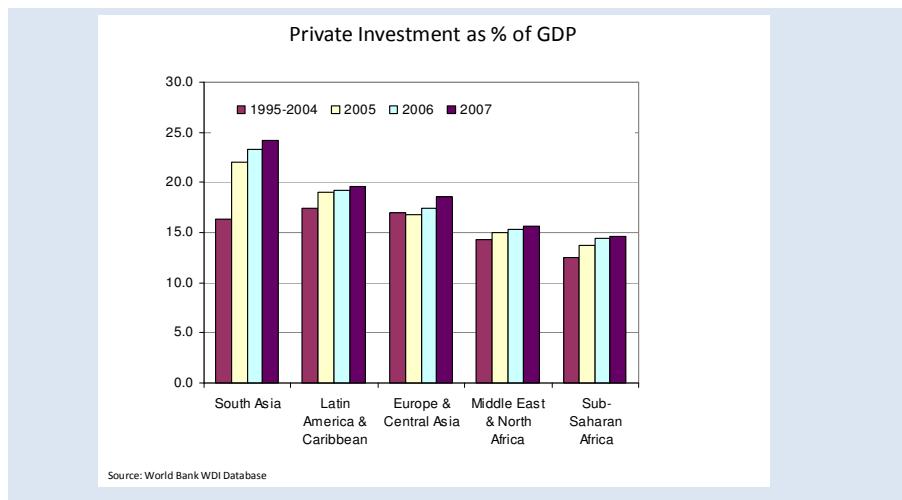
- 22 sub-Saharan countries (including Botswana) had growth of 4% or better for a whole decade from 1998 to 2008.

- This growth has contributed to some substantial poverty reduction.
- But is this period of growth sustainable?



- One of the reliable predictors of the sustainability of economic growth is the rate of private investment. However, private investment in Africa is still only about 15% of GDP
- Compared to Asia, where the average is about 30%, (and East Asia is even higher than that)

However, private investment in Sub-Saharan Africa is lagging



- Therefore it a source of concern that private investment has not responded to what appears as a boom in growth
- Another source of concern is Africa's lack of economic diversification

Africa lacks industrial dynamism

Country Type	Manufacturing Value Added per capita	Share of Manufacturing in GDP	Share of Manufacturing in Total Exports	Share of Medium and High Technology in total MVA	Share of Medium and High Technology in Manufactured Exports
Resource-rich economies	91.1	7.9	50.2	15.6	10.3
Non Resource-rich economies	121.8	12.1	59.1	15.1	16.8
Excluding South Africa	96.5	11.9	58.5	14.6	15.2
East Asia	582.3	29.5	91.9	97.5	64.1

Source: Does Africa Need Industrial Policy? Page, 2009, Brookings Institution

- African economies are still highly dependent on natural resources
- The share of manufacturing of overall GDP is about 12%, compared to East Asia - almost 30%
- This gap is even bigger in terms of GDP share of exports

Market failures

Infrastructure Education

- What market failures need to be addressed in the African context? These fall under 2 areas:
 - Infrastructure
 - Skills

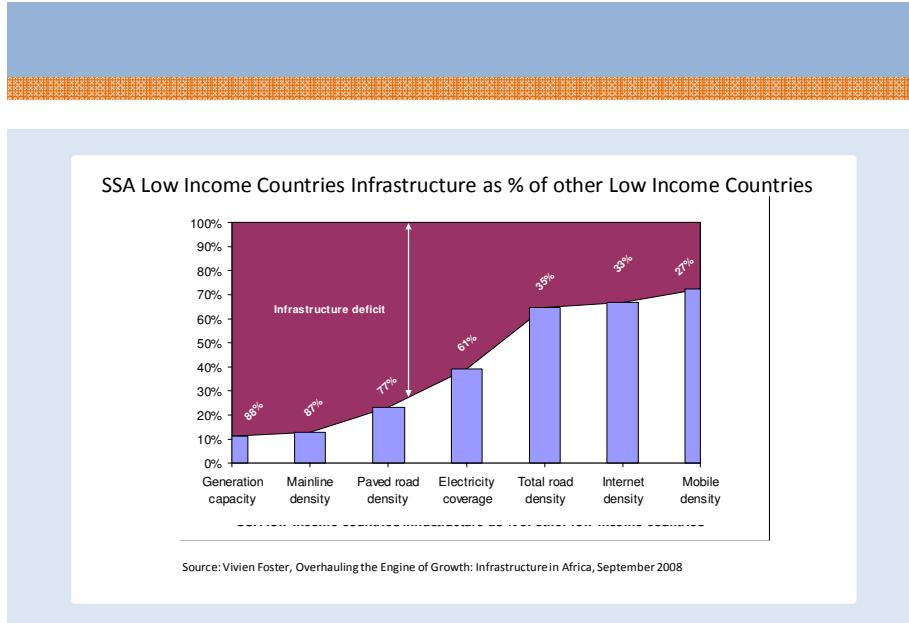
Infrastructure

Africa's Infrastructure Gap

Normalized units	Sub Saharan Africa- Low Income Countries	Other Low Income Countries
Paved Road Density	31	134
Total road density	137	211
Main line density	10	78
Mobile density	55	76
Internet density	2	3
Generation Density	37	326
Electricity Coverage	16	41
Improved water	60	72
Improved sanitation	34	51

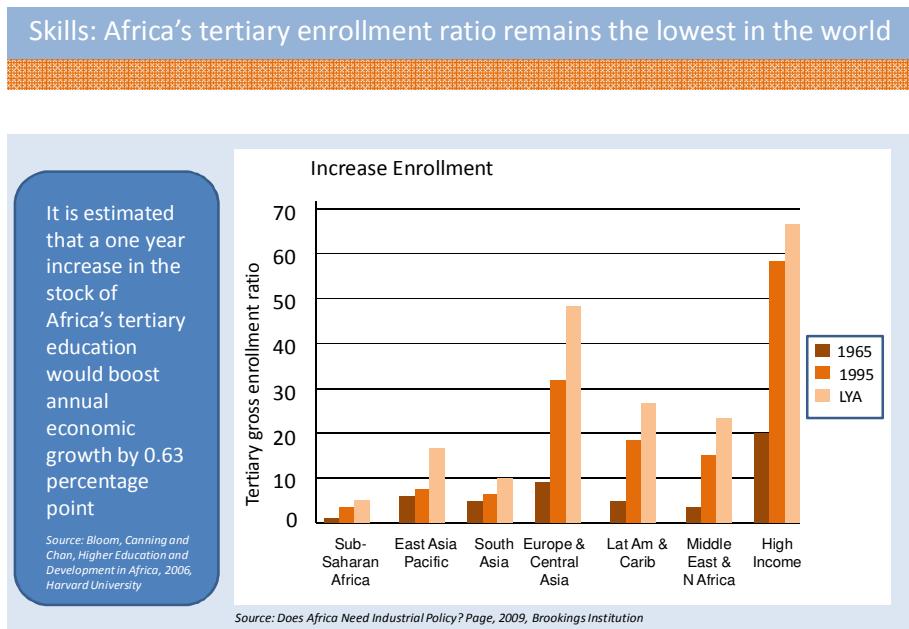


- Even compared to other low income countries, the infrastructure gap in Africa is enormous



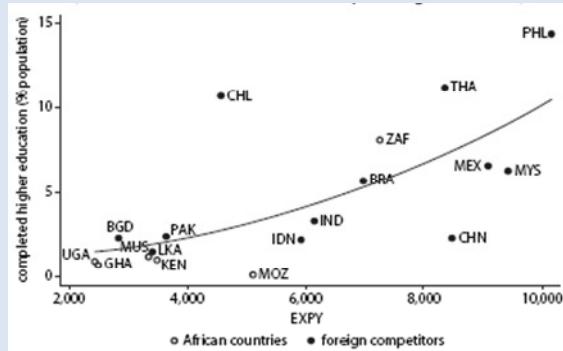
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- Africa is way behind other low income countries in terms of its level of tertiary education



- This gap goes all the way back to primary level
- The question is not only 'are children being enrolled in school' but 'are they learning anything'?

Given the level of higher education, African countries have lower levels of sophistication and competitiveness, measured by EXPY



Source: Bloom, Canning and Chan, Higher Education and Development in Africa, 2006, Harvard University.

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What is the real Problem?

The real problem is not that governments in sub-Saharan Africa have failed to intervene, but that these interventions have failed.

- When we address a market failure, we tend to introduce a government failure

This example from India illustrated the point:

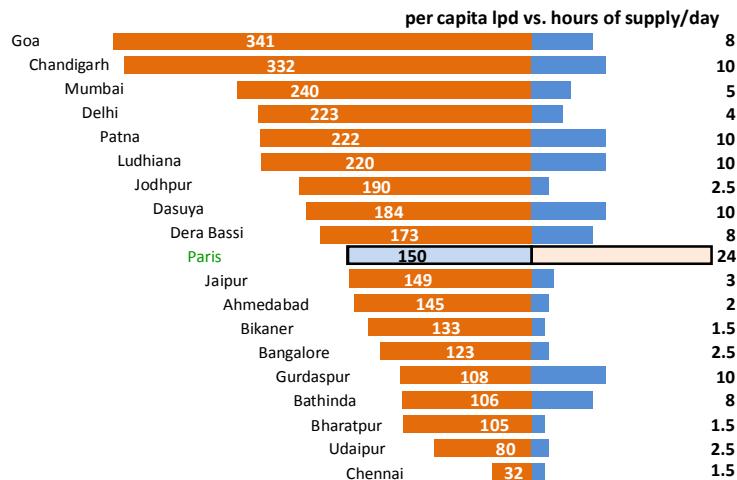
Government failures

Infrastructure Water in India

- Water is necessary for life
- Governments want water to be available to all, including the poor
- Therefore the price is set low, sometimes the water is even free

No city in India has 24/7 water!

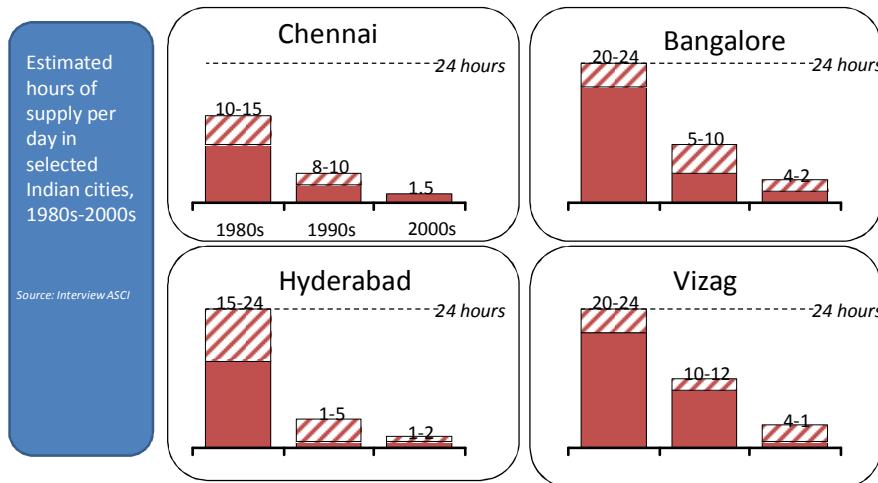
24X7 water: A pipe dream?



Source: Data collected from the water boards or utilities

- Availability of water (orange bars) has no correlation with number of hours of water per day (blue bars)
- When charged below market rates, water becomes a tool of political patronage

Quality is Declining



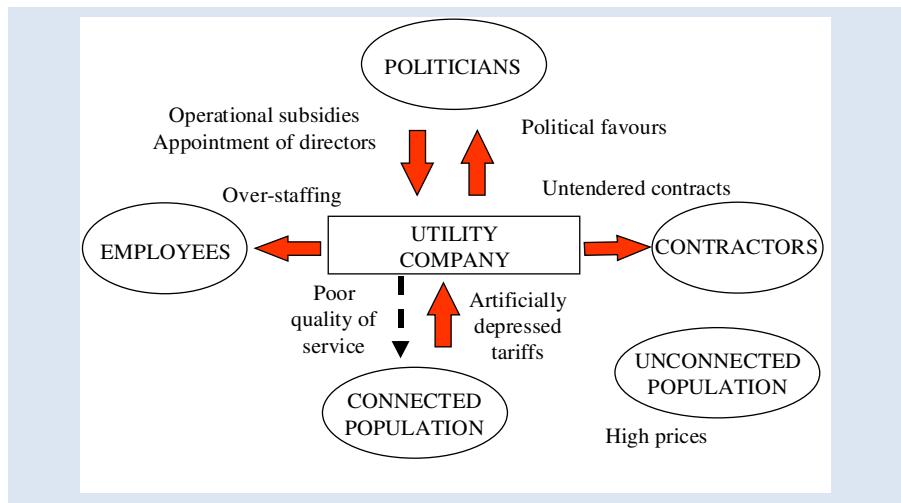
- Yet, even by providing free water, you don't necessarily give people access to water

Service to the poor is big business

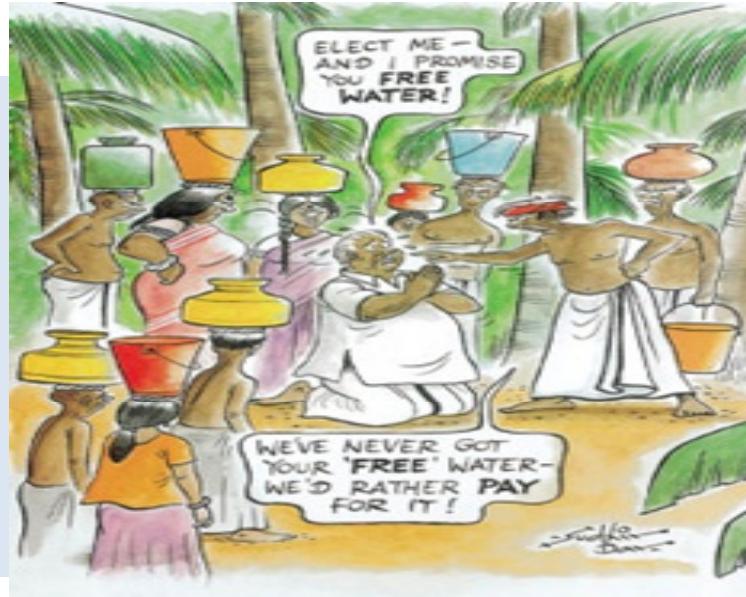


- The result is that the poor have to buy this 'free' water from those who have gained control of the utility for political ends
- These people pay between 5 to 16 times the meter rate

Politics, patronage, & network services



- The policy that was designed to provide water to the poor is precisely the policy that is denying poor people access to affordable water



- Therefore there is an apparent contradiction: Charge higher prices in order to ensure that the poor have access to water

The Example of Transport in Africa

Government failures

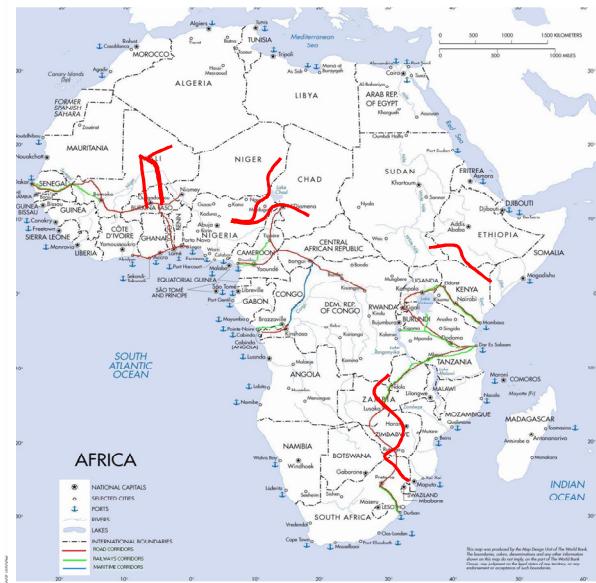
Infrastructure

Water in India
Transport in Africa

- Accepted perception that transport costs are very high in Africa
- Given as the reason why African goods have an inability to compete in world markets
- This is particularly relevant to landlocked countries, like this one

Geographical Scope of the Study

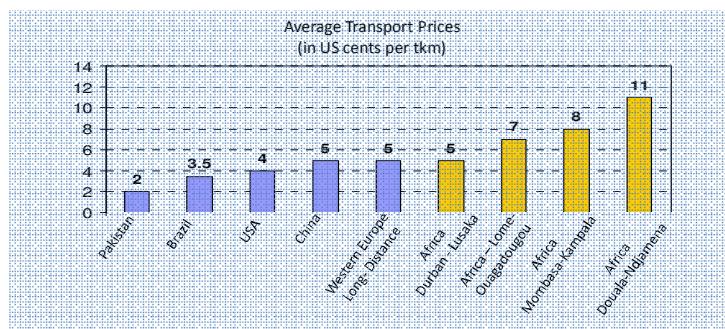
Selected Corridors



Study of 4 Major Transport Corridors

- Typical operating costs were found to be no higher than in France
- But transport prices were the highest in the world
- The difference is the profit margins of the trucking companies

	Central Africa	East Africa	West Africa	Southern Africa	France
Variable costs (USD per veh-km)	1.31	0.98	1.67	1.54	0.72
Fixed costs (USD per veh-km)	0.57	0.35	0.62	0.34	0.87
Total transport costs (USD per veh-km)	1.88	1.33	2.29	1.88	1.59



1

How is that Possible?

- All these countries have regulations that inhibit entry into the trucking industry
- Existing operators are guaranteed a monopoly by government regulation

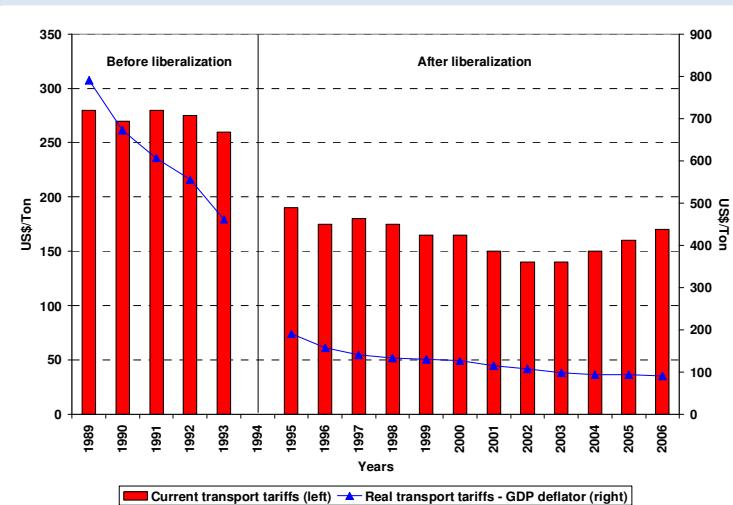
Profit Margins

Corridor	Gateway - Destination	Price (USD/ veh-km)	Variable cost (USD/veh- km)	Fixed cost (USD/veh- km)	Average yearly mileage ('000)	Profit margin (%)
West Africa	Tema/Accra - Ouagadougou	3.53	1.54	0.66	30-40	80%
	Tema/Accra - Bamako	3.93	1.67	0.62	40-50	80%
Central Africa	Douala - N'Djaména	3.19	1.31	0.57	60-70	73%
	Douala - Bangui	3.78	1.21	1.08	50-60	83%
	Ngaoundéré - N'Djaména	5.37	1.83	0.73	20-30	118%
	Ngaoundéré - Moundou	9.71	2.49	1.55	10-20	163%
East Africa	Mombasa - Kampala	2.22	0.98	0.35	130-140	86%
	Mombasa - Nairobi	2.26	0.83	0.53	90-100	66%
Southern Africa	Lusaka - Johannesburg	2.32	1.54	0.34	160-170	18%
	Lusaka - Dar-es-Salaam	2.55	1.34	0.44	160-170	62%

An interesting observation:
On Central Africa corridor, trucks with lower average yearly mileage have the higher profit margins

- Example of one of these countries where the president's brother owns a trucking company

Example of the Impact of Market Deregulation: The case of Rwanda



- One country, Rwanda, did deregulate, and process fell 75% in real terms (though this only partly solved the problem as they still have to ship their goods through Tanzania or wherever)

Conclusion

- Once again, we see that the problem of the high cost of shipping goods out of Africa is not a market failure (infrastructure deficit) but a government failure (regulations raise the price of doing business)
- This affects export competitiveness, manufacturing for export, etc.

Government failures

Infrastructure

Transport in Africa

Water in India

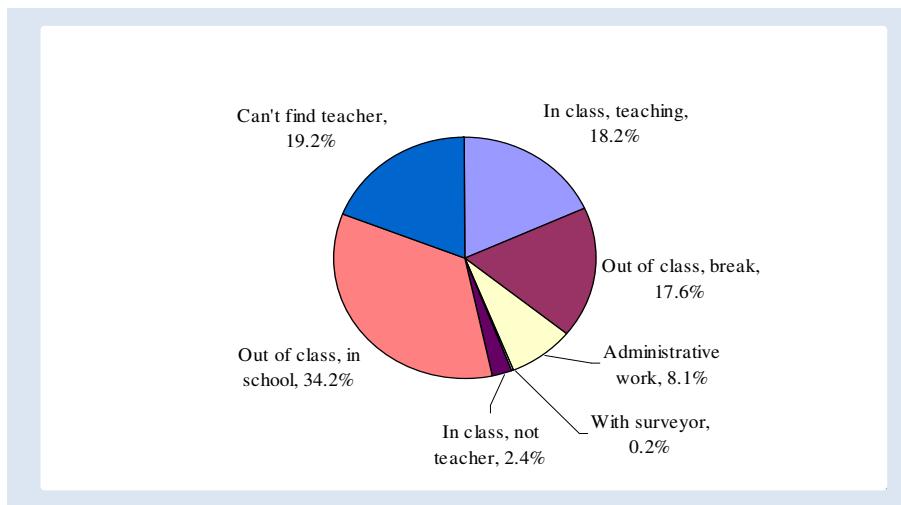
Education

- It is undeniable that governments need to provide basic education as a way for the citizens to escape poverty
- Buy enrolment is one thing, learning something is another

Absence rate among teachers

Country	Rate (percent)
Bangladesh	15
Ecuador	14
India	25
Indonesia	19
Papua New Guinea	15
Peru	11
Zambia	17
Uganda	27

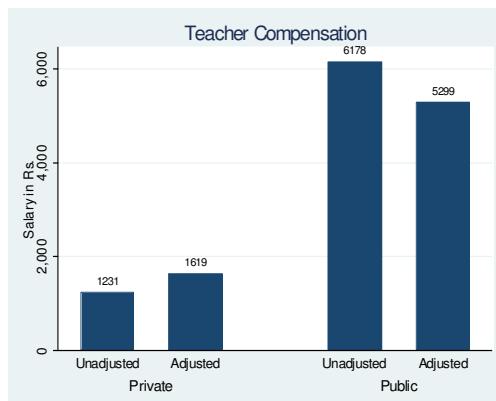
Uganda: What Enumerators Found



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- About 20% of the time the teacher is not there (in Uganda this is 27%)
- When the teacher is there, is he teaching
- Teaching only takes place 18% of the time

Public School Teachers are paid a (lot) more

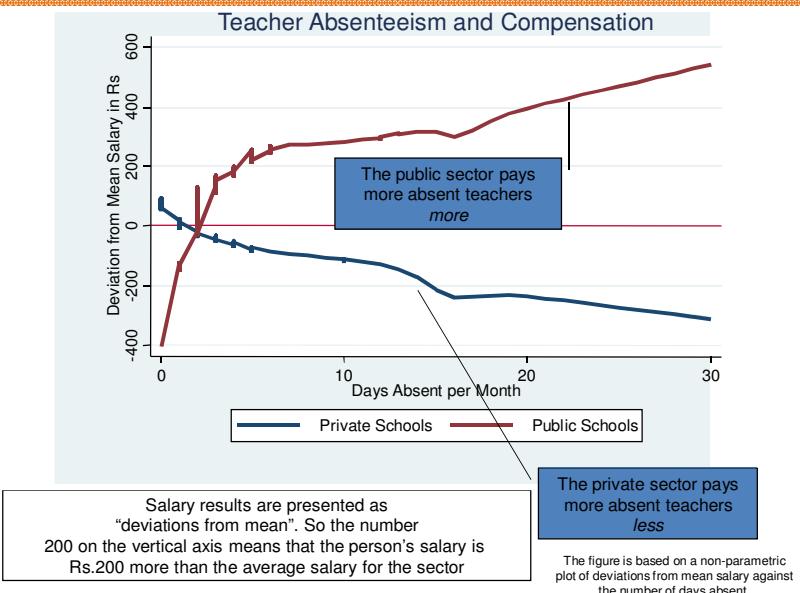


- Definitions
- Unadjusted Wage is the average wage of teachers in the public and private sector
- The adjusted wage is what a 25 year old female with a bachelors degree and a 2-year teacher training course residing locally would earn in the public and private sector

Breakdown in Incentives

- Teacher is paid whether he shows up for work or not
- No one is monitoring the teacher

No incentives to perform



- Poor health levels affect competitiveness
- Huge financing of health care, but does it reach the intended recipients?

Leakage of resources in health

Country (year)	% of cash/in-kind resources leaked	Resource Category
Kenya (2004)	38	Non-salary budget
Tanzania (1991)	41	Non-salary budget
Uganda (2000)	70	Drugs and supplies
Ghana (2000)	80	Non-salary budget
Chad (2004)	99	Non-salary budget

Source: Gauthier (2006)

- In Chad, 99% of the non salary budget fails to arrive at the intended destination
- At the end of the day it is poor people who are the victims of these well-intentioned public policies

Government failures

Infrastructure

Transport in Africa

Water in India

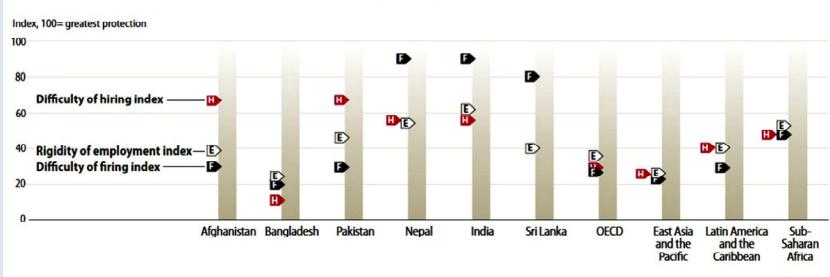
Education

Health

Labor Regulations

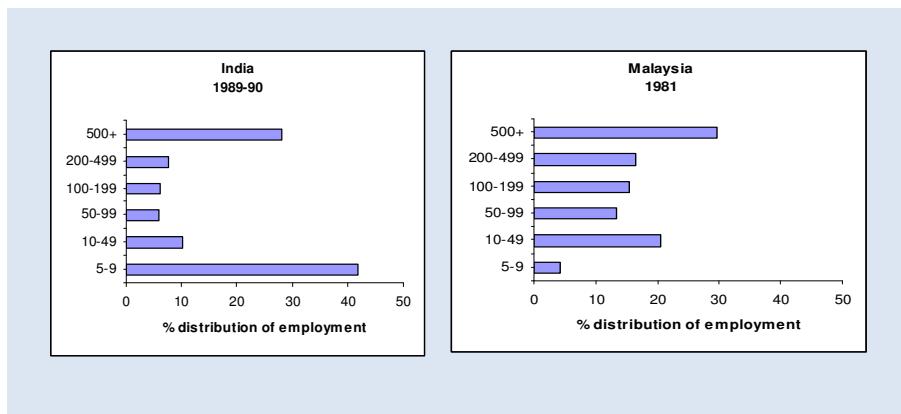
- Sometimes the very regulations that are designed to protect workers' rights end up impeding workers

Employment regulations in South Asia are among most restrictive in the world



- Average severance pay in Sri Lanka is 150 weeks
- Result is a reluctance to hire workers, and up to 80% of the labour force is therefore employed in the informal sector
- Large number of firms have less than 10 workers, as they are exempt from the labour regulations

“Missing Middle”



- In India, 40% of the firms have 5-9 workers, and very few middle-sized firms. These restrictions inhibit the growth of firms to take advantage of economies of scale etc

Complex labor legislation and regulations

Altogether about 45 central laws and 170 State statutes directly deal with labor market issues. Labor is a concurrent subject

- **Industrial Relations**
 - Trade Unions Act, 1926
 - Industrial Disputes Act (IDA) 1947
- **Working Conditions**
 - The Factories Act, 1948
 - The Industrial Employment (standing orders), 1946
 - The Contract Labour Act, 1961
- **Wages**
 - The Payment of Wages Act, 1937
 - The Minimum Wages Act, 1948
- **Social Security and Insurance**
 - Workmen Compensation Act, 1923
 - Employee State Insurance Act, 1948
 - Employees Provident Funds Act, 1952
- **Plus a number of state laws such as the Shops and Establishment Act**

- Well-intended regulations tend to backfire

Some 533,000 cases pending – 28,000 for over 10 years

Major States	No. of Cases Pending	No. of cases pending for More than 10 years
Assam	189	138
Bihar	5,200	566
Delhi	28,837	2,342
Gujarat	133,916	8,616
Kerala	3,450	63
Karnataka	17,457	2,924
Maharashtra	142,345	11,508
Madhya Pradesh	89,341	0
Punjab	14,784	110
Rajasthan	20,066	775
Tamil Nadu	21,713	150
Uttar Pradesh	22,539	10,303
West Bengal	2,225	283
Total (All States & UT)	533,038	28,864

Government failures

Infrastructure

Transport in Africa

Water in India

Education

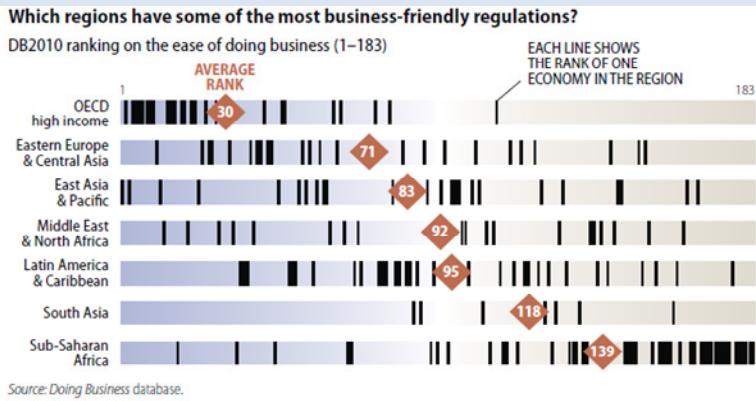
Health

Labor Regulations

Business Regulations

- Africa has the worst business indicators in the world, and lags behind all regions in the world in terms of business regulation
- This affects the cost of manufacturing

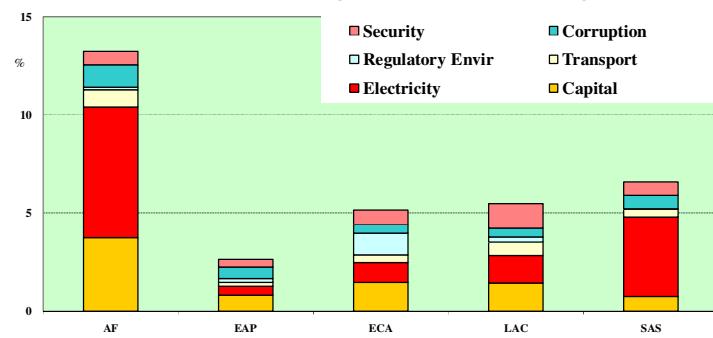
Africa has worst *Doing Business* indicators



- The key reason for this is that there are influential people who benefit from these regulations

Investment climate largely explains poor private sector growth

The indirect cost of manufacturing, as a % of sales, is high.



Note: Regulatory Environment includes time spent by manager and losses due to labor regulations

Source: The Africa Competitiveness Report 2009, World Bank

What can be done?

Incentives for service providers

There are 3 Categories of Solutions: First

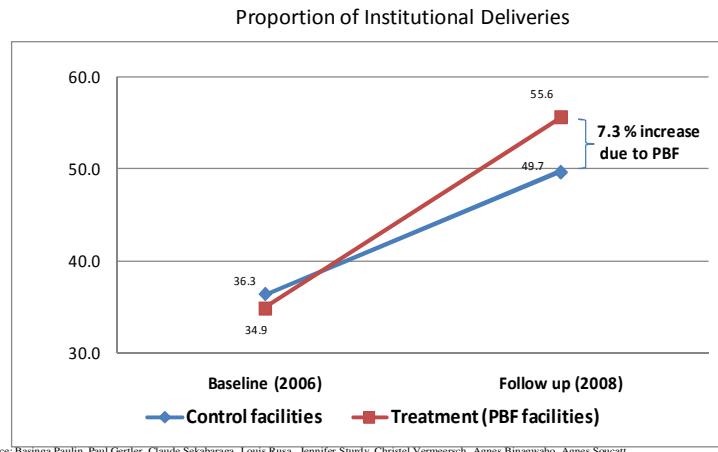
- A problem of incentives – as per the teachers (above) – could be addressed as has been tried in Rwanda:

Rwanda 2005-2008

Indicators	DHS-2005	DHS-2008
Contraception (modern)	10%	27%
Delivery in Health Centers	39%	52%
Infant Mortality rate	86 per 1000	62 per 1000
Under-Five Mortality rate	152 per 1000	103 per 1000
Anemia Prevalence : Children	56%	48%
Vaccination : All	75%	80.4%
Vaccination : Measles	86%	90%
Use of Insecticide treated nets among children less than 5	4%	67%
Fertility	6.1 children	5.5 children

- Incentive-based remuneration (Results Based Financing) has had spectacular results:

Figure 4 Performance Based Financing leads to more assisted birth deliveries

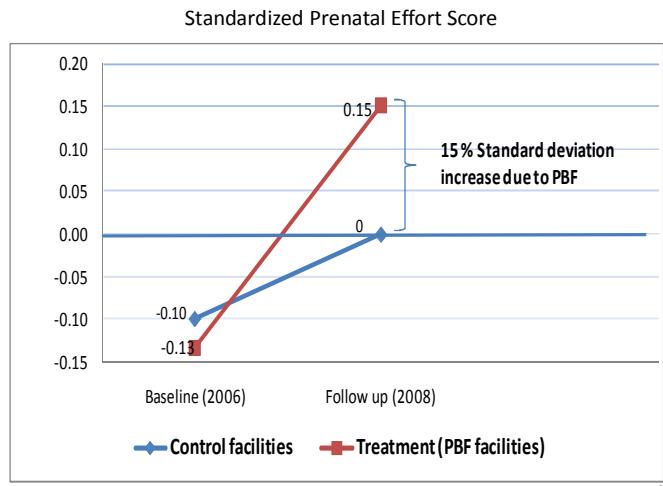


Source: Basinga Paulin, Paul Gerler, Claude Sekabaraga, Louis Rusa, Jennifer Sturdy, Christel Vermeersch, Agnes Binagwaho, Agnes Soucat
Impact Evaluation of Performance Based Financing in Rwanda. World Bank, 2009

40

- Performance Based Financing initiatives were introduced randomly allowing the control group to be studied

Figure 5: Performance Based Financing Improves quality (2006-2008)



Source: Basinga Paulin, Paul Gerler, Claude Sekabaraga, Louis Rusa, Jennifer Sturdy, Christel Vermeersch, Agnes Binagwaho, Agnes Soucat
Impact Evaluation of Performance Based Financing in Rwanda. World Bank, 2009

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- PBF group performed better on all cases

What can be done?

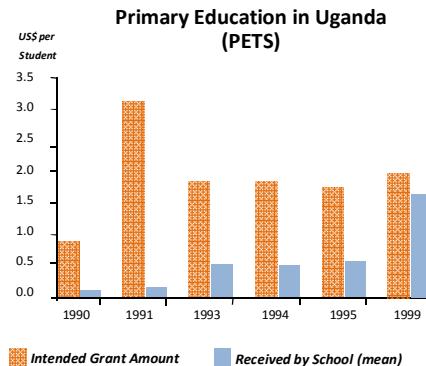
Incentives for service providers
Information

There are 3 Categories of Solutions: Second

- Example from Uganda: Government publicised the fact that only 13% of educational funding reached the end-user
- The mere fact of publicising the information had the effect of putting pressure on the individuals in the system to perform better

Grants for Primary Education in Uganda

- In 1995, survey of 250 primary schools in 19 of 39 districts;
- Survey repeated in 1998 and 2000.



- Once monthly budget figures were published, the school authorities were put under pressure to account for funds
- In 5 years, the effective utilisation of funding went from 13% to 90%
- Illustrates the power of the public if they know the facts
- But it is difficult for poor people who are striving to survive to absorb and process too much information

What can be done?

Incentives for service providers
Information
“Client power”

There are 3 Categories of Solutions: Third

- Empowering the client

Figure 1: ADP culvert with broken top slab



- Example of the Public Works Department of Bangladesh (one of the most corrupt departments in one of the most corrupt countries in the world)
- Gave the villagers the exact same amount of money, and the villagers rebuilt the culvert

Figure 2: a good quality culvert prepared under the SLGDP scheme

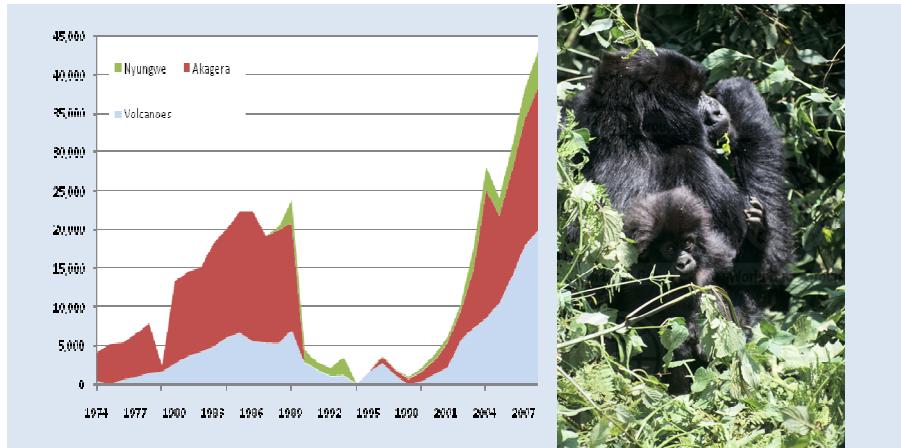


- The end users have an incentive for having the thing done right

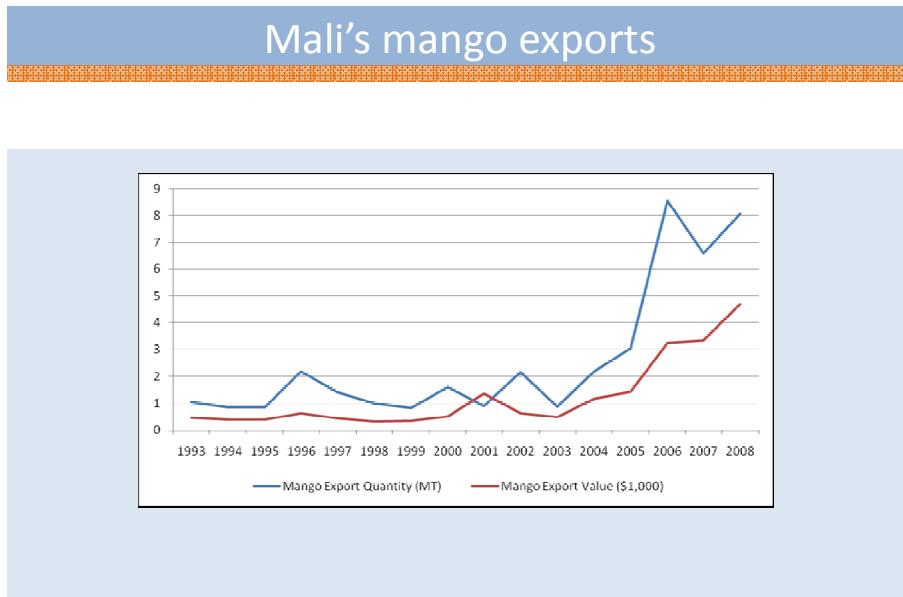
Yes, Africa Can!

- Problem of government failure, though pervasive in Africa, is being addressed
- Some examples:
 - Gorilla tourism in Rwanda (high-priced niche market strategy) is managed by the villagers

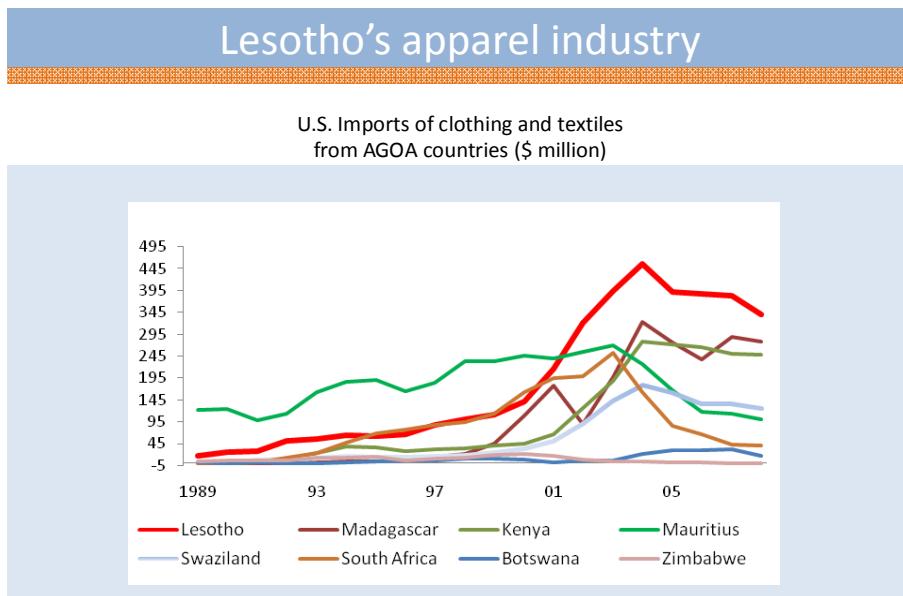
Gorilla tourism in Rwanda



- Mali provides 70% of the mangoes sold in Europe
 - Government provided the refrigeration and transport infrastructure, and the farmers did the rest



- Lesotho benefitted from the AGOA initiative



It can be done; we can address government failure, but it requires balance

“It is not sufficient to contrast the imperfect adjustments of unfettered private enterprise with the best adjustment that economists in their studies can imagine. For we cannot expect that any public authority will attain, or will even whole heartedly seek, that ideal. Such authorities are liable alike to ignorance, to sectional pressure, and to personal corruption by private interest.”

--A.C. Pigou, 1920

Botswana Excellence – A Strategy for Economic Diversification and Sustainable Growth

Grace Muzila, Director General, National Strategy Office

Grace Muzila started her career as an Assistant Economist in the Ministry of Finance and Development Planning in 1987, immediately after completing her BA in Economics at University of Botswana. In 1990, Mrs Muzila attained her Masters Degree in Development Economics from



Williams College, Massachusetts, USA. Upon her return she continued working in the Ministry of Finance and Development Planning until her re-deployment to the Office of the President as Deputy Permanent Secretary (Development) where she continued handling, amongst other economic issues, Programme Review and Policy Analysis. She joined the Government Implementation Coordination Office (GICO) as Deputy Director General (Policies and Programmes) upon its establishment in May 2007. In November 2009, she was promoted to the post of Director General, GICO. In May 2010, the mandate of NSO was expanded to include Strategy Review and Development and the Office was thus re-named the National Strategy Office.

Abstract:

The cornerstone of the Botswana Excellence Strategy is the development of a vibrant and diversified economy that can compete globally. The strategy acknowledges that a Government driven economy that relies on diamond revenue is unsustainable. In the Strategy, Government openly acknowledges the many difficulties inhibiting private sector development and Government needs to create room for the private sector to play a much greater role in the economy. The Botswana Excellence Strategy Action Plan contains action items that are intended to achieve the objectives of the Excellence Strategy. These action items are aimed at addressing the challenges of setting up and conducting business in Botswana, so as to enhance the

attractiveness of the country to be a business destination of choice. These efforts are intended to foster sustainable growth, economic diversification and private sector development. Primarily the BEAC action items are aimed at deepening diversification through private sector leadership, these are;

- The creation of special economic zones
- Shedding non-core Government functions
- Utilisation of PPP finance in infrastructure projects
- Gradual reduction in Government expenditure to reduce crowding out of private sector investment
- Maintaining an investment friendly and growth orientated tax regime
- Improving access to production resources, markets (regional and international) and business licensing; and improving the quality of human resources
- Offering incentives to pioneering and innovative business activity in the various hubs
- Speeding up implementation of the Privatization Master Plan

In the Strategy there is a commitment to broaden the scope for entrepreneurship through, amongst others,

- Extensive outsourcing
- Providing suitable business support for SMMEs
- Encouraging private participation in suitable new Government projects

Six specialized structures - termed hubs - have been established in agriculture, diamonds, education, health, innovation and transport to drive diversification and growth. These areas have been selected on the basis of several considerations including;

- Increasing efficient utilisation of existing areas of strength, resources and capacity
- Exploiting regional opportunities and emphasising the development of a number of niche opportunities

Future planning will be based on providing the enabling framework, while leaving the private sector to undertake most projects. This strategy provides greater scope for the private sector to take the lead in development. Government seeks to be an enabler for private sector diversification and to also act as a regulator. This will hopefully create an avenue for increased private sector growth and participation in the economy.

It is crucial to emphasise that as Government gradually reduces its dominance in the economy, it is intended that the void that will be created will be filled by the private sector. It is in this sense that the private sector should lead the thrust towards economic diversification.



Botswana Excellence - A Strategy for Economic Diversification and Sustainable Growth

Grace Muzila

Director General

National Strategy Office (Office of the President)

Gaborone, Botswana

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Introduction & Presentation Outline

1. Brief background to the development of the Excellence Strategy (BEAC and its original ToRs).
2. Overview of principal challenges undermining Botswana's past diversification efforts
3. Observations (lessons) from other countries
4. Botswana Excellence Strategy: Core Dimensions & Principles
5. Management of the Strategy through Monitoring and Evaluation

Business & Economic Advisory Council Terms of Reference

Recognising the need for accelerated efforts aimed at diversifying Botswana's economy, the BEAC was established in August 2005 to among other things:

- Identify constraints impeding economic diversification and sustainable growth, FDI flows and enterprise development;
- Advise Government on policies to support an enabling framework and how overcome these constraints;
- Prepare an overarching Strategy for Economic Diversification and Sustainable Growth; and
- Produce a supporting Action Plan

Economic Diversification Challenges

Botswana faces both short-term and long-term economic challenges including but not limited to;

- Overdependence on diamond revenue
- Weak private sector participation despite high economic growth rates over the years

- Narrow economic base dominated by mining & government
- Limited efforts in the implementation of the Privatisation Policy
- Relatively high levels of poverty
- A mindset not conducive for strong private sector development

Lessons Learnt From Other Countries

1. BEAC benchmarked with Malaysia, Dubai, Costa Rica, Singapore and Mauritius.
2. Their experience confirms that meaningful economic diversification can be achieved within the estimated window of some 10-15 years that is open to Botswana before revenue flows from existing diamond resources may start to diminish.
3. The central conclusion in each case was that the respective governments recognised that economic diversification strategies would only succeed once the right kind of enabling framework was put in place.

Section 4: Core Dimensions of the Botswana Excellence Strategy

- Creating an Enabling Framework
- Mindset Change, Openness and Empowerment
- Policy and Institutional Matters
- Instruments in Support of Diversification Initiatives; and
- Hubs and Projects to drive Diversification

Creating an Enabling Framework

1. By ensuring continued political stability, shaping a strong education system and extensive skills development;
2. Continued sound economic management, augmented by creative new approaches;
3. Making decisive efforts to deal with impediments to economic performance such as;
 - Addressing bureaucratic inefficiencies;
 - Rolling back a culture of entitlement;
 - Improving work ethic; and
 - Reacting quickly and strongly to corruption.

Openness and empowerment

1. Botswana's economy is too small to thrive on its own, therefore; long term prosperity requires trade and openness;
2. Strategy emphasizes effective competition; regionally and globally.
3. Underscores entrepreneurship and business development throughout the population;
4. A new approach of empowerment; Citizen Empowerment through Excellence (CEE).
5. Enterprises must compete globally, depend less on Government revenue.

Mindset Change

1. Mindset shift of Batswana: towards being competitive, dynamic and successful and;
2. How they view themselves relative to non-citizen stakeholders;
3. More emphasis on self-reliance and wealth creation; and,
4. View non-Batswana as an opportunity to learn new skills and acquire new technology rather than as taking away opportunities.

Policy and Institutional Issues

1. Legal, fiscal, educational and governmental reforms are required;

2. Improving various aspects of economic and financial management to attract investment;
3. Making the tax regime more growth oriented and investment friendly; and
4. Addressing inefficient Government processes to attract FDI, e.g. Work and Residence permits and land allocation.

Hubs & Projects to Drive Diversification

1. Projects have been chosen in sectors where Botswana has existing competence and where we can develop a competitive advantage;
2. Six hubs in the areas of agriculture, diamond, education, health, innovation, and transport to accelerate the diversification drive
3. There are other initiatives for broadening the tourism sector such as creation of free trade zones; shedding non-core government functions; expedite implementation of the Privatization Master Plan and independent power generation.

Management of the Strategy

Establishment of the National Strategy Office

- to monitor the strategy with a mandate going beyond Government to include Civil Society and the Private Sector.
- review and evaluate the strategy with respect to current world developments; and
- strengthen capacity in Botswana on Results-Based Monitoring and Evaluation.

Strategy emphasises collaboration with partners to ensure optimal implementation hence

- The private sector to lead implementation of this Strategy;
- Provide financing for diversification projects through PPP and in many instances finance independently;
- Provide Government with guidance and information

'The Road to a Capable State'

Towards Vision 2016

Lunch was sponsored by Shell Oil Botswana

SESSION 3: EXPLORING OPPORTUNITIES FOR THE PRIVATE SECTOR - BREAKAWAY WORKSHOP SESSIONS

GROUP 1: MINING & ENERGY

Chair: Montwedi Mphathi, BCL

Rapporteur: Thapelo Tsheole

Panel:

- Sebetlela Sebetlela, Tati Nickel
- Eddie Scholtz, CIC Energy
- Jacob Thamage, Diamond Hub
- Charles Siwawa, Chamber of Mines

Opportunities for the Mining Sector to Drive Diversification

Sebetlela Sebetlela, Tati Nickel

The topic to be addressed by the Mining Sector panel was what opportunities exist within this sector to contribute in the drive towards economic diversification in Botswana. My views are as follows:

1. The mining industry, specifically diamonds, has been the engine of growth of our economy so far. What is however becoming apparent is that there is much interest in the exploration for other minerals besides diamonds and the prospects for success seem to be good as evidenced by reported activities in coal, gas, uranium, copper/zinc exploration and discoveries. It is my view that the question should be how best to harness diversification within the mining sector in order to drive overall economic diversification rather than simply looking to develop other sectors at the expense of mining. Downstream beneficiation of existing and future mining products needs to be given priority

E.g. Botswana currently exports copper/nickel matte and concentrates (from BCL and Tati Nickel soon to be joined by Mowana Mine and perhaps not too long by Boseto Copper)? With the planned improvements in power supply

(building of new power stations etc) Botswana could invest in copper/nickel refineries that would convert the matte/concentrate into pure metals. This in turn would stimulate the development of local manufacturing enterprises based on these metals e.g. copper wire/plate as well as copper consumer products of all types. The justification for power supply infrastructure development should also deliberately target to stimulate business development beyond just providing for domestic power consumption.

A key input to mining sector diversification is the availability of appropriate skills and Botswana should aim to over produce manpower in the area of engineering and associated artisan skills.

2. The mining industry in Botswana, through the Chamber of Mines organisation has over the last few years initiated a collaborative project to assess how the industry can act in concert to promote procurement strategies that favour Botswana business and stimulate establishment of enterprises in Botswana that produce goods and services required by the mines. There needs to be collaboration with CEDA on this project since the mines are already more than happy to share their ideas and progress made so far. Out of such collaboration with CEDA should emerge a formula for empowering Botswana business and thus for stimulating diversification.

CIC Energy, with Particular Reference to the Botswana Coal Mining Industry

Eddie Scholtz, CIC

Eddie Scholtz has been associated with the Southern African coal industry for 40 years, including the position of

Managing Director of BHP Billiton's coal mining operations when they produced 80mtpa.

Introduction

Botswana is often referred to as the jewel of Africa and it deserves this title when one considers the fact that Botswana is a stable democracy with an income per capita of around \$ 6000 per annum.

With a very low corruption rate it is truly a country where the government officials are approachable and fairly readily available. Botswana has worked hard at maintaining a favourable credit rating.

My talk is around coal and the possibilities that coal has of being a major source of investments, a job creator, a foreign income earner, a tax generator and most of all has the potential to reduce Botswana's dependence on diamonds.

Coal Business

Botswana is blessed with an abundance of coal that was already in the 1990's estimated to be in the order of 210 billion tonnes. These coal reserves could be developed on a world class scale, provided that the Government and potential private developers move fast in order to capture the window of opportunity that exists for international coal fired electricity generation. At the outset let me warn you that this window will not remain open forever as the world seeks to diversify away from coal to nuclear and renewable energy in the long term, to meet the world's ever increasing demand for power.

Even though there may be isolated pockets of metallurgical coal in Botswana, for all intents and purposes, the coal deposits of Botswana are at best thermal coal of a generally low quality that needs to be beneficiated before it can be consumed.

To be able to bring coal to book, there are 3 imperative ingredients, namely a market, an outlet and a product of acceptable costs and quality and it is under these 3 topics that I will share my views with you.

Markets (demand)

Even though coal is seen by many as the dirty fuel and the highest carbon dioxide emitter, the fact of the matter is that renewable energy, even though we should be supporting its growth in the long term, is just too expensive, particularly for the developing world and coal is safe in that it can be stockpiled, unlike gas, solar and wind power. Nuclear disasters around the world and the safety margins now built into the construction of Nuclear Power stations have made people cautious of growing nuclear power generation too fast and in the past 8 years, coal fired generation has seen the highest absolute growth and seaborne traded thermal coal will continue to grow from 700mtpa to 950mtpa by 2020. Whilst there is virtually no growth in coal demand in Europe, the insatiable demand from China and India will ensure that coal will continue to

grow in the next 10 to 15 years, where after it is expected that Nuclear and renewable sources will become the electricity generation fuel of choice. The latest statistics emanating from India is that India will grow their coal requirements from the current 500mtpa mined in India with 60mtpa imports to 1 billion tonnes required by 2016. Imports are expected to grow from the current 60mtpa to somewhere between 150 and 200mtpa in the next 6 to 8 years. China will continue to be a growing net importer of coal rising from the current 80mtpa to 100mtpa in the next 5 years. Japan, Korea and Taiwan are also expanding their thermal coal requirements, albeit not at the same rate as India and Japan.

Supply

So where will this seaborne traded coal come from? The Chinese and Indians are buying up every tonne of coal on the market and they are actively shopping around to secure long term deposits and Indonesia and Australia are reaping the benefits. Russia and Columbia are rapidly gearing up to supply Eastern Europe and the Middle East and Mozambique is bursting with activity with many coal producers securing positions in the seaborne thermal and metallurgical markets. With South Africa hampered by the limitations on the Richards Bay Coal line and the poor performance of the Matola coal terminal in Mozambique, a comment was made by one of the speakers at last month's Coal Conference in New Delhi that South Africa is rapidly missing the bus. So too will Botswana miss the bus if we cannot develop the coalfields and secure an outlet, or evacuation route as I often refer to it, soon.

Even though Botswana is estimated to have 210bn tonnes of in-situ coal reserves, and there are dozens of exploration licences awarded, there are only four companies doing exploration of significance and many companies are only prepared to drill a few dozen holes, prove up enough coal to increase the value of the resource and then look to on-sell the resource. CIC Energy, on the other hand, has spent in excess of \$150m over a 5 year period, drilling in excess of 2100 holes over its Mmamabula resource in order to prove up the resource to a measured status (highest status before mining) We believe that this is more exploration than the rest of the coal mining industry put together in Botswana. There are many people who drill a few holes and then go public, claiming a billion tonnes of resource and one actually has to look at the fine print to see that in most cases the resource is still in the inferred or indicated category, without washability tests having been conducted, which means it is probably still 5 years away from commercially extractability. It is estimated that there is only about 5 billion tonnes proven up to measured status in Botswana. (2% of the total potential)

Evacuation Route

Whilst there are billions of tonnes of low grade coal available for local power generation in Botswana, the local power generation market is fairly limited with Botswana's short to medium term needs being satisfied by Morupule B

(600MW) expansion and hopefully CIC's 300MW Mookane Domestic Power Project. Whilst Eskom typically only pays the equivalent of \$20 to \$30/tonne for coal, seaborne traded thermal coal currently fetches \$80/tonne with short term projections going to \$100/tonne.

Whilst Botswana has so much going for it, it is hampered by the fact that it is landlocked and some 1200 km from the East coast and 1500 km from the west coast and also the fact that its coal resources are poorly developed. One doesn't have to be a specialist to be able to work out

That in order to build a 1500km railway line between Mmamabula and the Namibian coast, is a mammoth investment estimated to be in the order of \$4bn, and in order to make the economics work, huge volumes will be needed. There is lots of talk about copper, nickel, grain and soda ash and even passengers available to justify a Trans Kalahari railway (TKR) line but there is absolutely no doubt that the anchor tonnage to justify such a line can only be coal. A CIC study over 2 years, costing \$ 2m, has determined that the TKR would require at least 35mtpa to break-even and 50mtpa to make the rail costs competitive with the rest of the world's coal producing countries. To

prove my point of coal as an anchor tonnage, there is strong talk of a huge copper mine producing 3 million tonnes of ore annually. Well such a large copper operation will only produce 350000 tonnes per annum of copper concentrate which is equivalent to two days of coal production at 50mtpa. So whilst the TKR can cater for other commodities, the anchor tonnage can only be coal. In the short term, Botswana may not even have developed the coalfields sufficiently to get to 50mtpa and may have to rely on export tonnage supplements from across the border to get to 50mtpa.

The TKR could bring up to \$ 7bn of foreign capital investment for the rail and associated mines, employing as many as 10000 people during construction. At 50mtpa of export coal, Botswana could generate revenue as much as \$ 5bn per annum and secure at least 8000 permanent jobs.

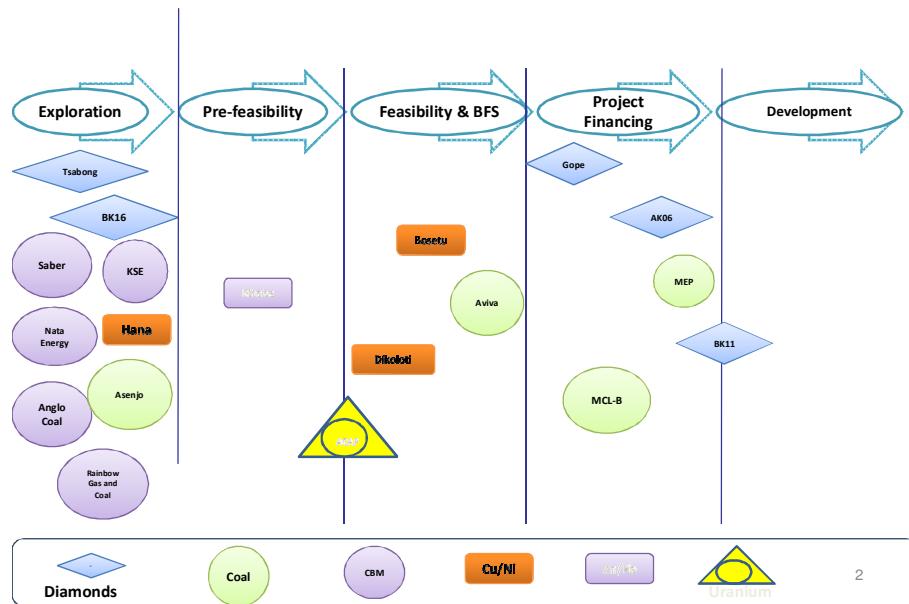
Most importantly, it will take up to 5 years to get the TKR designed and built, but if Botswana does not get it's act together to support the building of such a line very soon, then Botswana we will miss the coal export bus and sadly Botswana may sit with 210bn tonnes of coal resource stranded forever.

Opportunities for investments in the minerals industries

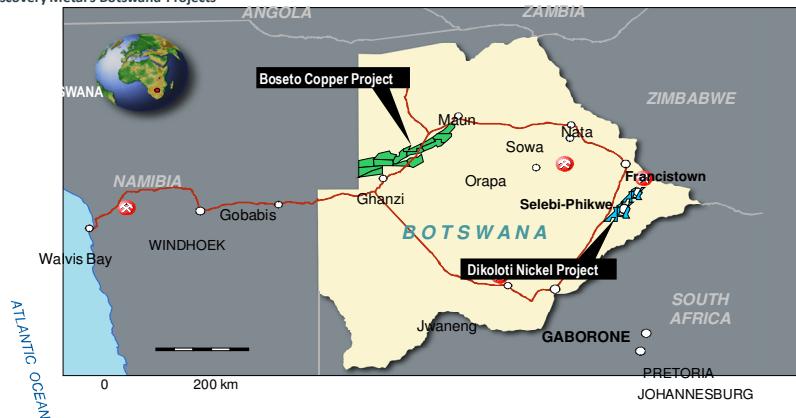
Jacob Thamage, Diamond Hub

The mining clusters concept

EXPLORATION PROJECTS PIPE LINE



Discovery Metal's Botswana Projects



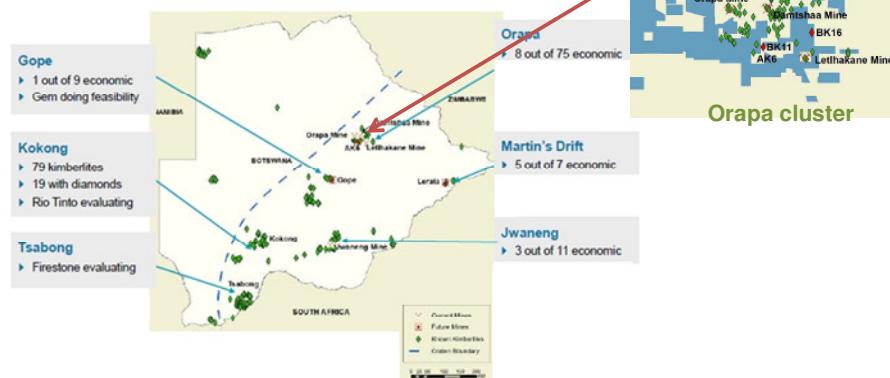
January2010

3

Coalfields of Botswana



Botswana Kimberlite Fields



5

Developments along the diamond pipeline



6

Mining and Energy – An Overview

Charles Siwawa, Chamber of Mines

- The country remains largely unexplored. There is an unprecedented level of prospecting activities taking place country wide
- However the big diamond mines such as Jwaneng and Orapa are not impossible to find, but rather improbable
- The current mining industry scenario is made up of large mining operations such as Orapa and Letlhakane Mines,

medium operations such as Mopani Gold Mine. However there is still scope for small scale mining operations which perhaps could employ 300 people. If there are numerous of these, say 10, then the employment could increase to 3000 people.

- It is these small cluster mines that will occupy the future generation in the Botswana mining space
- The capital expenditure on mining ventures is normally high, but there is a need for some framework that can enable citizen participation

- Consortia banking could capitalize (fund) some of these ventures and spread the risk among the financiers
- Mining operations are normally not close to developed areas and the mining companies more than likely would focus on mining operations leaving services such as retail, commercial, transport of goods/people and logistics to the private sector. There is a large scope for citizen participation in these
- There is a significant shortage of electric power within the SADC region. The region is envisaged to produce

additional 25GW (25 000 MW) of power generation in the next five years, but even that will not be adequate to close the gap between the power demand and supply.

- Independent Power Producers (IPPS) can explore this opportunity and invest in small scale power production (wind, solar, coal, methane powered stations) that are feasible and economically viable in the country
- The power produced can be fed back into the Botswana Power Corporation grid that is also linked regionally

GROUP 2: MANUFACTURING

Chair: Pele Moleta, BotsPost

Rapporteur: Bobby Tlhabiwe

Panel:

- Hloni Matsela, KBL
- Buzwani Manyapedza. Lobatse Clay Works
- Ray Morgan, Gabs Bedding

The Challenges and Opportunities of Manufacturing Businesses in Botswana

Hloni Matsela, KBL

Preface

Botswana has achieved much in her efforts to create a business environment conducive for both local and foreign businesses operating in Botswana. Notwithstanding, there remains much scope to address various challenges that tend to impede more aggressive business development, especially in the manufacturing industry. This discussion articulates some of those challenges in so far as they hamper Botswana's competitiveness in the manufacturing sector.

Population

It is often expressed that Botswana has a relatively small population and therefore offers manufacturing businesses a minuscule market and consumer base by comparison, to grow meaningful scale. Moreover, the small population also means that the country lacks adequate skills, knowledge and experience, especially those technical skills that are often a prerequisite for various manufacturing enterprises. Technical expertise and innovation are amongst the top imperatives for the effective development of a

manufacturing industry. In turn, companies often have to hire expatriates at higher rates of pay, relocation costs and other associated costs.

To counter this problem and speed up economic development, some countries have adopted the so called 'melting pot concept' that was used to build and develop much bigger economies such as the United States of America, Dubai, Mauritius and others. With this concept, the country grants large numbers of foreigners who can add value to the country extended residency status. Were this model to be adopted, easing foreigner relocation to Botswana and removing excessive restrictions would attract specialist skills to the country, pass those skills on to local employees, lower the cost of labour, increase consumption capacity and, enhance competition & make the country more competitive.

Training and Development

In further developing skills and manufacturing knowledge, the government of Botswana has effectively invested in Universities and Technical Colleges. These have supported Government's efforts over many years to substitute training of people abroad. A challenge with the local training and development initiatives is that because there is no big scale manufacturing industry, the graduates leave institutions without the necessary experience that is often developed through internships. There remains an opportunity to assist the local institutions with internships

so as to enhance the quality of graduates. Other countries require graduates to undergo development programmes of say two years before they can actually graduate. There is an opportunity here to upgrade the existing Government sponsored graduate internship programme so that it is structured and possibly accredited by BOTA. This would speed up competency acquisition and produce skilled graduates, especially engineers and artisans that are ready to be absorbed in industry and make meaningful contributions from early on, while at the same time reducing the cost of manufacturing.

Infrastructure

In the South Africa, Botswana, Lesotho and Swaziland region, infrastructure remains a big challenge. In particular, if one were to compare road linkages between South Africa and Botswana on the one hand, vs. South Africa & Lesotho and South Africa & Swaziland on the other, one finds that the South Africa and Botswana link is the worst. This creates immense challenges for Botswana in so far as being a landlocked country which receives the majority of its raw materials and inputs from South Africa. Because of the poor road infrastructure, the few companies that export aspects of their produce into South Africa always have to contend with in- transit breakages costing them huge sums of money. On the flip side, the companies also loose lots of money from destroyed raw materials coming into Botswana. The Botswana Government needs to meaningfully engage their South African counterparts to improve the road network, to acceptable levels, commensurate with the high traffic between the two trade partners.

Logistics and Services Hub

In working to address the manufacturing costs challenge associated with the foregoing, Botswana has opportunity to utilize its safe, secure and politically stable reputation to create a sanctuary for logistics and businesses services. In this context, Botswana could offer additional real incentives for international companies to host their head offices in Botswana. That way, as an example, Botswana could play the bulk breaking role for the SADC countries and directly reduce costs for local companies. Other services would include various back office roles as Information Technology, Payroll Administration, and Call Centre and so on. Mauritius is doing this quite effectively in spite of its obvious disadvantage of being further from its trading partners on the African continent.

Work permits

The system of granting work permits for foreigners is quite cumbersome, laborious and sometimes inconsistently applied. The granting of work permits for the banking sector for instance appears to be heavily influenced by the Bank of Botswana as opposed to the Ministry of Labour & home affairs.

The strict work permit process in general, appears to be designed to discourage inward flow of skills as opposed to

encouraging it. This often impacts manufacturing businesses as they can not expedite required skills as and when they need them. The consequence thereof is that businesses lose a lot of money and time due to unnecessary delays associated with acquiring work permits.

The condition that even a one day consultancy work by a foreigner requires the individual to hold a work permit is cumbersome, unproductive, an impediment to the transfer of skills, administratively costly and, of questionable necessity. Moreover, the lengthy time and other bureaucratic processes involved in securing work permits are taxing to manufacturing businesses. It is worth considering a quota system whereby a number of permits are allocated to each company based on size, turnover, and total number of employees and so on.

Excessive regulation

In as much as government needs to regulate business and pass appropriate legislation, excessive regulation in some quarters amounts to destabilizing and throttling manufacturing entities and stifles initiative.

In order to encourage local manufacturing businesses, societal and business interests need to be delicately balanced.

Consultation

Manufacturing businesses are extremely sensitive to external shocks such as government and the economic environment due to their relatively long planning horizons. There is a need therefore, to significantly upscale consultation by government and nurture the ease of doing business in the country. Sporadic decision making by government, however well intended, can derail business planning and operational effectiveness of manufacturing enterprises and discourage even those contemplating to set up in Botswana. Government needs to step up its ability to inspire confidence in manufacturing businesses and give them comfort that government will not all of a sudden change policy direction and indefinitely harm business operations.

Policy shifts or government interventions that have implications on businesses need to be adequately discussed with the concerned industry or business before implementation.

Affected businesses should also be allowed reasonable time to reorient operations and adapt to the new environment in order to avert unnecessary economic and financial losses. Such a process which is mutually inclusive will foster trust, business confidence and alignment between government and the private sector.

Government efficiency

The government's turn around to issues that affect manufacturing business must be very prompt and receive special attention. Industry and, manufacturing businesses in particular, are not able to endure long waiting periods

while government machinery takes its time to resolve issues.

For instance, some businesses have often raised concerns over government taking too long to honour payments for goods delivered, leaving them with cash flow problems.

The cost of compliance for corporations in Botswana in comparison to other countries is quite high. For an example, the lead time to completion of tax assessments is often too long. Revenue authorities need to appreciate that large corporates by their nature adhere to stringent internal governance rules as a result inter alia, of being listed on the Botswana Stock Exchange and, quite often by virtue of their association to multinational companies, others exchanges as well. Such companies therefore deserve a bit more trust and confidence at very little risk, if any. This therefore presents an opportunity for revenue authorities to reduce their revenue collection supervisory role and by so doing the cost of compliance.

Companies tax

While Botswana's corporate tax of 25% for all businesses and, 15% for manufacturing entities is one of the lowest in the region, there however still remains scope to reduce it further. A particular challenge to manufacturing businesses in Botswana is the stringent classification of businesses in order for them to benefit from the lower manufacturing tax rate, compared to other SACU member states

It is also understood that the foregoing two tier tax system, which advantages manufacturing is in the process of being reviewed. It is our opinion that this may be a retrogressive step, given the relatively high investments requirements for manufacturing. Moreover, if such a review were to be pursued, it should include all interested parties so as not to discourage inward manufacturing investment and encourage disinvestment. It needs to be emphasized that notwithstanding Botswana's regional competitiveness, when measured against some best models of development like Dubai, Singapore, Mauritius and others, in relative terms, Botswana's corporate tax is high.

In addition, there is a need to consider introducing "Investment incentives" on investment in the manufacturing sector to augment current efforts to attract investment into the country and promote economic diversification and employment creation, both of which remain top on government agenda. In this context, some of the countries in the region are significantly narrowing the gap and in some cases overtaking Botswana with respect to competitiveness with respect to tax, which goes a long way towards attracting investments. For example, Lesotho which also has a similar two tiered tax regime has not only categorized the textile industry as manufacturing for corporate tax purposes, but has gone further and zero rated corporate tax for all exports outside the SACU region.

Corporate Incentives and Trade Barriers

Countries often utilize various methods of incentives and barriers in order to either stimulate and / or protect local businesses. While there are a number of examples of where Botswana has used these mechanisms in favour of local industry, it can be demonstrated with relative ease that other countries tend to use these levers much more deliberately and with greater aggression.

As a result, the opportunity to develop and grow associated industries such as processing and value add of raw materials and by-products is also lost. In the brewing industry for instance, yeast and spent grains are exported and / or used in the food, pharmaceutical and animal feed industries respectively without the value adding processes being carried out in Botswana. By the same token, nearly all raw materials and ingredients are imported in their finished form

Technology

Manufacturing industries are continuously adopting latest production methods, which require knowledge based materials and components rather than mere empirical techniques. This is a challenge to a growing economy like Botswana which does not have a lot of technological advancements. While commendable, it needs to be taken into consideration that some of Government's initiatives such as setting up the Botswana Innovation Hub will take time to take traction. South Africa as a regional powerhouse which possesses arguably the best technology in the region and Africa and having a very diverse and broad manufacturing base completely dwarfs any effort by Botswana. This makes South Africa a preferred choice of investment as opposed to Botswana. There is need to consider pragmatic and meaningful bilateral relations in this respect in order to establish a solid partnership for transfer of technology and associated skills.

Brand Botswana Proposition

There is opportunity to leverage Brand Botswana positioning of Botswana being a safe, secure and politically stable country to create a haven for manufacturing businesses. Botswana is a stable business environment and a safe place to live and do business. The country's reputation for quality of life is extremely high while the country is less than an hour from other first world amenities in South Africa. This gives Botswana the advantage of being able to recruit and retain the best talent.

Conclusion

There still remain a lot of challenges in Botswana for manufacturing businesses to have a more conducive operating landscape. Most of the challenges are administrative and can be immediately dealt with to deliver Botswana's competitive advantage.

"Botswana is slowly losing its shine as the best place in Africa to do business as it lost ground for the second time in

a row, owing to the deterioration in macroeconomic environment that was battered by economic downturn as a result of undiversified economy" (Global Competitiveness Report: World Economic Forum).

In the context, Botswana needs to consider easing down on restrictions for foreigner relocation to Botswana so that they can bring skills for now and transfer same for the

future. The people would also increase domestic consumption and aid the country to identify and seize new opportunities. Botswana has little to lose, if any, by adopting that approach.

Our government also needs to step back somewhat and largely endeavour to create an environment where initiative, innovation and business creativity can prosper.

Exploring Opportunities for the Private Sector - Manufacturing

Buzwani Manyapedza, Lobatse Clay Works

Introduction

Possible opportunities are broken down into three sub headings with the main topic as "Business Framework - A perspective of Private sector vs. Government in Effective Partnership for Opportunity Creation."

The role of Government in Partnership: Ensuring the Opportunities are Availed

First the government has introduced several initiatives to try to support and create opportunities for the manufacturing sector in Botswana. This stems from the Local preference procurement policy to the Current Economic Diversification Drive. These are opportunities with concerted efforts created by government to support the local manufacturing industries. However these initiatives have been greatly challenged due to their lack of close monitoring and control of their implementation. As a result of this we have experienced the export of business opportunities that at policy level have been geared at creating and supporting the local business community. It is needless to say, these good government initiative needs to be structured in such a way that only quality goods are purchased by Government. Government should not only buy local but quality as well. Most of the good initiatives by the Government have not failed because they are impracticable but because in most cases they lacked appropriate monitoring mechanism.

Government can further be commended to have finally made a decision to put the competition law into practice and hopefully into action. This initiative is a big opportunity to level the ground of competition in particular in the context of the current economic situation. This will avert the alleged dumping that is said to be taking place. Coupled with this government must not feel guilty to elect certain manufacturing sectors that are critical to the economy and lay a law against import of any goods related to the products produced. In this way doing manufacturing business in Botswana will be lucrative and remain an ever growing opportunity.

Bed partnership with Government by Private Sector for Symbiotic Relationship in Opportunity Creation

There exist an opportunity of healthy business if private sector can see a need to purposefully partner with government in aligning its policies for effective business frame work. This opportunity can be done where private sector plays a consultancy role to the government continually offering advice for a private sector competitive environment. This is so because they are the experts in this area. When government creates an environment of business frame work alone it runs the risk of that created environment to speak to no one. Further to this, manufacturing sector needs to actively realize that opportunities without government are not possible and vice versa.

There is need even for larger private section of the economy to actively consider supporting the smaller enterprise.

Quality times Delivery equals customer needs (QxD=C), D/C= Q, C/Q= D.

This self made formula explains that for quality product to be delivered there should be a customer to buy. In the same way any Delivery must be done to the extent of the customer needs if quality is to be ascertained. In a somersault version a customer needs quality products for a delivery to be considered.

What am I saying?

Manufacturers' have suffered for a long time in the presumed failure to produce quality products. Quality has always been thrown in as a reason for not buying from the current manufacturers but there have not been deliberate efforts in action to ensure that indeed the Botswana products are of poor quality. The number of Botswana Bureau of Standards (BOBS) registered manufacturing sector is worrying if we talk of opportunities of the private sector. What makes it even worse is that government, the creator of BOBS has not made effective strides to deliberately take actions that will force each and every manufacturer to register with BOBS for quality assurance. If such actions are done quality claims thrown to us will vanish because we will have a one stop place to inquire why we have quality issues, BOBS. Currently BOBS cannot vouch for that because most manufactures are not registered and they should not since it does not make a

difference. The treatment you get from the main buyer when you sell is the same. Why incur extra administrative costs when you can have that to your profit. It's high time to have goal congruence in the government and private sector in terms of quality ascertainment. Government must use its own branches already in place to encourage quality in manufacturing sector, otherwise we run the risk of being painted with one brush as it is currently happening.

We must be reminded that if we need quality products we have to demand it and be prepared to pay. This is because the circumstances we operate in are not exactly the same as our foreign country competitors.

The business opportunities in Botswana are massive only misdirected in terms of the current business framework that has some evident lapse of control and monitoring.

Recommendations

1. There is need for Strong action oriented linkage of Government and private sector for opportunities to be effectively availed and exploited
2. Government must always recognize that it has an upper hand in terms of creating a business frame work that is functional for the local manufacturing business to thrive.
3. There is an ailing need to create a sectoral Body that deals with industry specifics and made up of industry experts.
 - Created by government
 - Sectors involved
 - Government can use it to qualify and monitor statements always thrown to manufacturing sector on various issues including and not limited to
 - Delivery
 - Quality
 - Capacity

Local Manufacturer's Perspectives

Ray Morgan, Gabs Bedding

Introduction

Gabs Bedding is a local manufacturer based in Gaborone. We manufacture:

- Base Sets
- Mattresses
- Lounge Suites
- Kitchen Sponges.

We started manufacturing 9 years ago in a 600m² building, employing 8 people. We currently employ 80 people in the

factory, and a further 50 people in Sales, Administration and Distribution. Our existing factory shell is 4000m².

We are building a factory shell (7000m²) to allow for envisaged expansion. We should move into this new structure in January 2011.

We service the domestic market, and provide a Sales and Distribution infrastructure servicing the whole country.

We export our locally manufactured product to Zambia, Zimbabwe, and have recently started with small orders to Namibia and South Africa.

We export to Zambia under the SADC Trade Agreement, and into Zimbabwe under a Bilateral Trade Agreement. This allows us to export goods to these countries Duty Free.

We do not do a lot of business with Government directly, but look to change that in the near future.

We have had good support from BEDIA in terms of assistance in obtaining a Work Permit for our Factory Manager, and in obtaining land to build a factory.

Opportunities for Growth

Obvious opportunities are in the Export markets, particularly regionally in Southern Africa. We are pretty limited in markets that we can cost effectively do business due to the bulkiness of the product that we manufacture, and therefore the cost of transporting it to market. There are also a number of manufacturers of similar product in a number of countries in the region.

We see the biggest opportunity for growth as being the foreign owned furniture shops that operate in Botswana.

Certain of the furniture groups give us fantastic support, namely Furn Mart (locally owned), while others give us limited to marginal support, i.e.:

- Ellerines
- Lewis

Others give us no support at all:

- Carnival
- OK Furniture
- Supreme

One of the foreign groups go as far as stating on their product catalogue that they are "Proudly Botswana", while not one of the products that they sell is made in Botswana.

Our product has been proven in the market as far as Quality and Price is concerned. The proof of this is the success that we have experienced where we have been able to sell the product, namely Furn Mart, Ellerines, and independently owned Furniture stores.

Our Service levels are far superior to that offered by South African manufacturers by virtue of the fact that we are locally based.

We feel that if foreign companies are to be granted Licences and Permits to operate in, and benefit from,

Botswana, then they should be willing, if not compelled, to support Local Manufacturers of suitable product, should they exist, provided that the Local Manufacturers can provide:

- Reliable Source of Supply
- Quality Product
- Product at a competitive price
- Back up Service.

I feel that we have put in infrastructure to provide all of the above, but still certain of the foreign groups refuse to deal with us.

There have been times during the past year that we have had to go on "short time", resulting in reduced income for our employees, while there were truckloads of products being imported from South African manufacturers by these South African owned furniture groups.

GROUP 3: AGRICULTURE/AGRIBUSINESS

Chair: Boiki Tema, FNBB

Rapporteur: Lesang Magang

Panel:

- Neil Fitt, Agriculture Hub
- Iqbal Ibrahim, Horticultural Farmer
- Martin Mannathoko, Nitram Technologies

Diversification Roles of the Private Sector and Government

Neil Fitt, Agriculture Hub

What should the Private Sector and Government's (both Central and district) roles be?

Government should create an enabling environment, which will allow the private sector to identify and implement opportunities and developing businesses that they can make money from – that is what the private sector does.

Government should supply basic infrastructure, which will support the private sector investment.

Nice words, but what does it really mean: How far should government be involved in production?

Should government be supporting inputs or outputs (ISPAAD)?

Should the government be supporting agriculture through price enhancement – border controls / restrictions / levies?

PPP's – where do they start and where do they finish? Is a simple agreement / contract to supply goods a PPP? Is a lease or management agreement PPP? All the way through to full privatisation of a sector?

NAMPAADD, looking at private sector to manage PTF's and FSC's for their own account (profit) but providing the stipulated services to support and develop sectors / areas. Government could pay for direct services (ploughing /

planting under ISPAAD, for example, through to training and open days.

Under the ZIACDP, we are investigating opportunities for PPP's, with BOOM's for water and electricity.

Below I have listed a few of the Agricultural points as I had understood them:

1. MoA must be more balanced as far as livestock and cropping are concerned
2. Commercialisation must be pursued
3. Optimisation of irrigation is needed
4. Cost of capital installation for power needs to be addressed
5. Training of all agricultural workers from farm staff to farm managers is needed, through formal and vocational training
6. BMC – monopoly should be dropped to open up importation and exportation of live cattle and meat & meat products
7. WTO trade agreements could be a problem when they are lifted world wide
8. Arable farming coordination with fodder production
9. Small scale abattoirs for towns and villages – the Ostrich abattoir should not be a white elephant

10. Land tenure system is restrictive to development
11. The Agric. Hub to coordinate all agricultural information and investor relations (I would like the information one moved to MoA – I did have my hand up for this!!)
12. VAT on all inputs and outputs should be taken away
13. Full value chain mapping should be done for all sectors (this is underway), but am happy to keep it as it will give me ammunition if I need some funding from Gov.
14. Seed production should be privatised and enhanced to serve all sectors fully
15. Food processing is and are that need private investor initiative
16. Technology and research should cover all aspects and by more applied, directly related to production in Botswana
17. Farming areas to be set up with all support, inputs and output markets organised – these are to some extent on the table “clusters” under ISPAAD and Glen Valley / Dikabeya for horticultural... but again am very happy for this to be included

Agricultural Sector Review

Iqbal Ibrahim, Horticultural Farmer

I would like to give you my input on the issues I feel strongly about on the Agricultural Policy as it stands and the way forward with the new proposed policy. Unfortunately I am not privy to the policy currently under discussion within the halls of Government except for the old but already published “NAAMPAAD” document produced by TAHAL CONSULTING. I did have certain reservations on this document but as usual these documents are sometimes agreed upon internally and then released to the public at times without public comment and input. Usually these consultancies are a prelude to providing further work for the consultants!

Please note that I am a very new horticultural farmer (two seasons) still getting dirt under my finger nails, but I will attempt to give you a bird's eye view and more specifically the issues that need to be tackled if we are to get Agriculture back to its important place in our society. Agriculture can become a major driver in poverty alleviation and job creation – the only trick is to get the right policies, incentives and commitment into place. Unfortunately we have developed a mind-set that farming is for ‘poor’ uneducated people and one of the challenges is to turn this around.

I will attempt to respond to the issues as listed in the order of the programme of the BIDPA workshop held in Francistown. It is somewhat difficult to raise all the issues because I may not have the time and you may not have the inclination to read all of my inputs, so I will use my own personal experiences to illustrate problem areas where possible, therefore my views may be considered biased in certain quarters because of its narrow focus.

1. Environment, Land, Water Resources Management, Land Tenure and Land Administration

These are all inter-related when we deal with the issue of cattle ranching, small stock and game ranchers.

With the current thinking of many people in Botswana, talk of Agriculture and the minds always tend to focus on cattle

farming/ranching. Let me deal with cattle farmers first because they constitute the ‘powerful’ forces because they consist of Ministers, Politicians, senior Government officers and many of the rich and famous, therefore they carry the big stick. I can divide the cattle producers into three main categories;

- The commercial farmer; those that see cattle farming as a business they use the traditional methods or they the feedlot method, or a combination of both. Usually up to date with the best farming practices methods. They either have feedlots or they have well-organized ranches with proper fencing, watering points and other facilities and uses them efficiently.
- The weekend farmer; usually living and working in the urban visiting the farm whenever he can, more of a speculator. This provides a weekend getaway and also adds to his formal employment income. Tries to keep expenses to the basic minimum therefore uses the cheapest options. They usually have ‘cattle posts’ many farms not well fenced and lacking in other facilities. Efficiency is not a priority.
- The subsistence farmer; this constitutes the majority of the rural population that keep livestock as the backbone of their meagre existence, almost all using communal lands for grazing. They live from hand to mouth selling their livestock only when it is absolutely necessary or when they need money to cater for their daily needs. They use the most traditional of methods for animal husbandry and could opt for more efficient or better methods but cannot afford the costs. I cannot comment too much on this sector because I do not know much about it, but there is a growing trend that we are witnessing and it has consequences for the future. There appears to be a mad scramble to get as much land for a ‘moraka’, cattle post or farm. Some of them merely for speculative purposes i.e. to ‘own’ land that they hope could be sold later realizing huge profits.

There is also a tendency to crowd out the smaller farmers relegating them to the most distant and harshest areas. The tendency of land grab can have negative social consequences in the future.

There are other issues but they MUST be dealt with in a separate review of land issues through the Min. of Lands. To illustrate the complexity of some of the issues let me flag this one.

Recommendation

Using the Tuli Block farms as an example; on one side of the road you have farming land held under 'free hold' title (or some other commercial title) yet on the other side of the road you have farms owned under the land board tenure system. The ones owned under the first system are valuable and can sell for millions on the market but those held under the latter tenure system (Land Board allocated) will not attract even a fraction of the price. So go and think about that one, it is tricky and it requires a bit of thought to resolve.

Environmental and water management issues are very important but I believe they are being dealt with elsewhere so I will not deal with them here.

2. Infrastructure

This is a very urgent issue that must be dealt with by the Government if it is serious about developing the agricultural sector into a viable business proposition.

Most farmers are faced with difficult choices when venturing into farming because of the lack of adequate and affordable infrastructure.

I will use my own experience to illustrate the problem faced by farmers. I decided to go into vegetable farming growing tomatoes, green peppers, cucumbers and spinach under shade net and other products such as butternut and pumpkins in open field. However under shade net I used the hydroponics method; I used plastic bags using an inert growing medium such as river sand and planted my seedlings there. This requires fertigation (fertilizers) to be mixed into the holding tanks and fed via drippers directly to the plant roots using a computerized programme to deliver water eight times a day to each plant. Somewhat different from the usual methods you will agree.

Anyway I had to sink a water point into the river and that cost me over P42, 000 but I had to provide three-phase electricity to run the pump. I was fortunate that a BPC line ran across the plot. Even then it cost me P45, 000 for the transformer and the associated works. From there I had to extend the internal line to the pump station and housing using another P20, 000. Fortunately for me the line that ran across my plot was initially paid for by a farmer further away from me who paid I believe in the region of P500, 000 for the service.

This shows that the initial costs of establishment are very high because they are borne by the farmer. Fortunately my

farm is serviced by a 2 km stretch of dirt road that is regularly maintained by my next-door neighbour who has the equipment to do so.

Next I had to fence my farm (luckily on 20 hectares in extent) with animal proof fencing this cost me over P63, 000, then again I was lucky because my neighbour on the northern side already had a decent fence so that saved me the costs.

If we were to translate this on a national basis the problem is much larger particularly outside the urban and peri-urban areas. These high costs tend to derail many farmers from venturing into commercial production methods.

The solution to this I believe is that the Government must assist farmers by giving them a subsidy/contribution towards capital development costs.

Recommendation

In addition to this I would like the Ministry of Agriculture (MOA) to visit a farming area just across the border on the main road between Vryburg and Kimberley, now there is something we can emulate. In an area called Hartswater along the main road there is a 10-15 km stretch with (I estimate about 100) farms cut out on both sides about 20-50 hectares in size. These farms are serviced with electricity, there is adequate water (supplied by channels to each farm), and there is additional support infrastructure like freezer and chiller holding facilities, inputs supply centres, transportation accessible (both Road and rail) and a marketing structure. It is an eye opener to see what can be achieved with support inputs such as that. I presume that that was the original intent of the Pandamatenga farms but on a much larger scale and aimed at maize, corn and sunflower production. You would not be able to entice the small to medium growers to that area because of the economies of scale.

3. Production, Productivity and Marketing

Production is one of the many issues that needs to be tackled because from my perspective often we find the market flooded with produce thereby sending the prices tumbling and there are times when there is a shortage in the market so the prices tend to rocket.

A prime example is cabbage, choumoullier, spinach and rape. During the cooler weather after the rains many farmers (From large scale to one man river bank operations) turn to these crops, therefore you have a glut in the market as a result farmers actually can lose when prices tumble.

Recommendation

Proper storage, transportation and handling facilities can assist to distribute these products countrywide to other areas that do not have these crops. This will especially assist the smaller farmer to get value for his crops because he does not have the volumes/capacity to transport to

other markets, nor can he get the larger supermarkets to collect from his farm as they do with larger producers.

4. Productivity

This is a national problem even more compounded at farming level because Batswana tend to view this activity as below their dignity. There is an option to employ Zimbabweans as labourers but this is made more difficult by the high charges that the Departments of Immigration and Labour charge for getting them official work permits. This kills the small farmer because of the poor work ethic and the high turn over of Batswana staff.

Recommendation

There should be a different criteria and lower permit fees for foreign farm workers.

5. Marketing

Marketing is a major problem because of the absence of a proper centralized market structure with **professional staff** (for commercial farmers to have trust in), the one just opened in Gaborone is a good start but it needs the critical mass of farmers to send produce to the market otherwise it will be still born. It is a case of what come first the chicken or the egg therefore a comprehensive policy must be introduced and **IMPLEMENTED** in its entirety not in a patchwork of policies implemented in a haphazard manner.

6. Processing and value addition

Processing and value addition are the next steps after there is sufficient produce for the domestic market. Processing cannot rely on a surplus supply of seasonal crops, there has to be a sustainable supply to make processing economically viable. However there are certain products that can be processed e.g. aquaculture products; e.g. if someone decides to start fish farming there are opportunities for the produce to be exported in both raw form and processed (canned). Currently there are possibilities such as peanut butter and cooking oil from sunflower seeds but the supply is erratic and cannot sustain a production line on a commercially viable basis.

Recommendation

RIIC plays an important role in the food processing industry albeit at a cottage level or small industry level. There is need for a step up to a more medium to large scale commercially oriented processing.

The BAMB also needs to shift gears to become a more 'professionally' managed outfit; currently their services at least in Francistown are very poor (more specifics later).

7. Technology and technology adoption

This is essential for all farmers; they have to adopt the best practices, solutions and technology available to ensure future growth and prosperity. There are red flags that I would like to raise right now because the adoption of new

technologies brings with them undesired and maybe unwanted results.

I mentioned earlier that the NAAMPAAD document produced for the MOA by a consultant does give some proposals for the future, but I am suspicious of some of the possible implications. The obvious one to my reading is that the report almost ensures that we use the same consultants to implement their own proposals; this creates a vicious circle...

Another aspect of new technology transfer is that there are promises of increased production, better quality produce and disease resistant plants etc. but what most of them 'forget' to tell you is that you have to 'use' their fertilizers and chemicals to get those results! Check with the Indian Government and you will see what I mean, the suppliers promised fantastic results/ yields in cotton to the poorer farmers not telling them that they had to use the special fertilizer that can only be bought from the seed supplier. Result, hundreds of poor farmers committed suicide because they had poor crops, added debt and no prospects of repaying their loans.

Recommendation

Do not rely on one company to give you advice on technology transfer, get as many options as you can then let the farmers decide on which one they opt for. In addition I believe that every year we have (at least used to) a fairly large delegation to UN food and Agricultural Organization (FAO) or some similar type of meeting. Instead of sending so many delegates there it would make greater sense to use the same amount of money (even less when you consider business class travel and the per diem) to take a whole bus- load of farmers just across the border to any of the major cattle producers or horticultural farmers for practical hands-on experience. I can assure you that we will gain more from this experience than going to visit Geneva.

8. Government support (advisory, technical, financial, incentives) and the future evolution.

I may be considered an upstart in expressing my views, but I seem to have a problem with what is happening today in agriculture.

Today agriculture is said to contribute to anything between 2 to 6% to GDP, it seems no one can say for sure, yet the budget and resources allocated to this sector is fairly large. There is much inefficiency within the system and I want to share my thoughts with you.

The MOA must surely boast of some of the best qualified people in its ranks, you cannot throw a stone without hitting someone who has a doctorate, professorship or some very high qualification. Excellent, but my concern is that these people are all ploughing desks instead of the fields. They are very qualified academically but are very short in practical experience. I am sure that none of them have ever planted anything, raised livestock or did any farming on a commercial basis (trying to make a living from

farming without any other income), yet they have vast powers to dictate what is 'good' for us as practitioners. I do not berate their qualifications but I am convinced that they do not have the feel of the earth between their fingers therefore they do not understand our problems.

We have all sorts of extension services and people are supposed to visit the various sectors to give advise, training and assistance to us in the field. But the visits are just cursory and limited to 'trip' allowances to supplement their salary. One day at my farm I met people from Agriculture, the lady had high heels and was worried about dirtying her shoes in the soft soil, the man had on a jacket and tie and they were just walking around. Fortunately my CEDA appointed advisor was with me and we put them to a test by showing them some of the Tomato leaves that were blighted with some disease. Just as a test we asked them to identify the disease and make suggestions for its cure. That stumped them, but to their credit they took samples and promised to come back to us. That was five months ago we haven't heard from them.

I am trying to get some open field planting done and I went to MOA Francistown to seek assistance to hire from Government a tractor and a plough to get my fields ready. They could not help me because they did not have the equipment, I was shuttled between four different officers but no one could assist. I even asked them to find a farmer from their known list of farmers who could at a price do this for me. That was two months ago despite my leaving my contact details there is silence!

BAMB is supposed to help 'farmers' but if you grow vegetables don't even bother to go there. I tried to buy tomato seeds for planting, they pointed to a small stand that you find in any supermarket with the same seeds I can buy from GAME, SPAR or PICK and PAY for planting in your backyard. Forget about trying to get fertilizer they only keep a limited range. I tried to get a list of their products but the 'computer' cannot print it neither can it print the price list!

Before I raise my blood pressure let me ease off by simply making the following recommendation. (As a side matter just visit the parking lot of MOA headquarters after hours to see how many vehicles there are parked there, I wonder how gainfully they are occupied in a city)

Recommendation

The entire extension services of the MOA are in need of a severe overhaul and need to be put on results based evaluation.

The top brass and all those 'doctors' of the Ministry need to visit the ground to see for themselves what obtains from their policies. Then only will they appreciate the lot of the farmer only if they talk and listen to the farmer directly

The Government should consider targeted subsidies for commercial farmers for the following reasons; I will use my own experience;

I buy a hybrid variety of tomato seed at **P1.00 per seed**, this year I bought 20,000 seeds in addition to other crop seeds. Because of the type of farming (which is technologically advanced) that I do (including the other two producers mentioned earlier) we grow under shade net or tunnels, in growing bags, this means that we have to provide fertilizers directly to the plant via holding tanks. The product is of better quality and the yield is higher because the plants are of indeterminate variety (they can produce up to 6/7 months vs. 3 months for the off the shelf variety).

The cost of these fertilizers is exorbitant, three months ago a 25 kg bag cost P360

Today it is P560. My fertigation costs last season were averaged at P380 per day this year it will be in the region of P550 with no guarantee of extra price increases.

9. Impacts of HIV and AIDS

The impact of HIV AIDS is well known nationally, but in the agricultural sector particularly in the subsistence sector is something to consider seriously. Women who to all intents and purposes are heading the household normally drive this sector; therefore any destabilization of the sector puts entire families at risk. It is also a well known fact that supplementing your diet with fresh vegetables bolsters the body's immune system therefore we should be looking closely at this sector to buttress the efforts through the medical options.

I always use Zimbabwe as an example to emulate, where you will find that at the back of every household there will be small garden supplying the family fresh vegetables for the family and also to sell in the markets. I believe that a group calling itself Permaculture? Is trying to promote this concept in the Kgalagadi.

I was very disappointed one day when at a meeting I proposed this concept and at tea break an immigration official confirmed my idea, but spoilt it by proudly saying 'in Gaborone my department drives around the residential areas and when we see a vegetable garden at the back of a yard we know there are Zimbabweans living there and we raid the place for illegal immigrants!' Need I say more?

Recommendation

We must promote more families to grow vegetables in their back yard.

10. Gender and Youth

As mentioned earlier women are the backbone of agriculture in the rural areas so we should be targeting them for special assistance packages like the one mentioned above.

The youth scheme by CEDA can only bear fruit if our young people are given practical training using shadowing and mentoring as a major prop. Too often the youth going for the CEDA young farmers fund dream of buying a tractor and implements first – this is false economy because they will use the tractor to plough once and then later just to

cart firewood etc. There should be proper guidance to these young guys and there is nothing better than taking them to a proper 'Boer' farmer across the border to learn practically from him. Forget the advisors and extension officers from MOA, they talk theory only.

11. Finance and credit

This is a very thorny issue, access to finance and credit is the major stumbling block to many farmers. There is no real agricultural loan tailor made for farmers in Botswana. Remember that farming is a seasonal undertaking with months of good production and months of poor or no production. The banks do not cater for this because you have to repay a fixed instalment throughout the year. There is also no medium to long-term loan unless you are one of the 'big' boys.

Allow me to use my experience once again – please don't take this as my way of getting even with anybody but this is the way things are for any farmer. It took me **seven months** to get my CEDA approval and another six weeks before disbursement – enough said.

I went to my bank (Standard – name and shame) that held a bond over a property of mine for over P400, 000 for a loan I had repaid three years earlier. I wanted P45,000 to start drilling in the river for water whilst waiting for my CEDA approval. This is what happened - **HONESTLY**

The manager told me she only dealt with loans of P100, 000 and over, I said okay give me that amount and I will pay back P50, 000 as the first instalment. I was told that I cannot do that and I should see her colleague, this one said that she could not give me a personal loan because it was being guaranteed by a 'company' - honest. She sent me to the next one who said I should take the loan on the company – but they need 'audited' financial statements. This would have cost me about P20,000 to prepare. While I was mulling that over she said sorry we cannot do it because we do not give agricultural loans! She sent me to 'No Mathata' they said okay but the interest is 27% - thanks but no thanks. In a nutshell that is the state of our lending institutions – we have Batswana managers who have no authority, I consider them messengers not managers because everything has to be referred to 'Head Office'.

Surely my sob story can be replicated many times over and I am sure that it makes a strong case for alternative financing for farmers.

Recommendation

We need an agricultural bank strictly focusing on the specific needs and uniqueness of the type of loan that farmers need.

Let me add to this for an insurance scheme for farmers. Last year I lost my entire crop of tomatoes (6900 trees) and Green peppers (5400 plants) to frost. Total loss of income = +- P250, 000; not to mention the lead time to grow a new crop that takes about 10 weeks. In terms of insurance this is an 'act of God' so tough luck, I lose.

The government should introduce an insurance scheme whereby farmers are able to purchase insurance cover specifically tailored to the needs of the horticultural sector because regular insurance companies do not have a scheme for farmer's crops. Without such a scheme the future of this sector is compromised because of the vagaries of the Botswana weather patterns.

12. Trade agreements

Be very scared be very afraid be very worried. We are giving away what we don't have yet – come on. How can we agree to terms for our produce when we still do not have anything to bargain with? Cautious is the approach – I am reminded of a comment by someone who said 'Food hitherto a basic human right is now being converted into a tradable commodity'. These agreements force you to open your borders to all and sundry, never mind that you grow nothing, even if you do you will never achieve the economies of scale to be able to compete with others with the present policies. You must also remember that the EU subsidizes its farmers to a tune that far exceeds the total aid they give to the third world.

Recommendation

Fight for special concessions and a phasing in period of a few years before we accede to anything. In the mean time boost your agricultural sector with innovative assistance packages – but they must be monitored so that they go to the right people not only to the arms length/ cell phone farmers.

13. Other Issues

VAT

This should bring howls of protest from MFDP and BURS because their first response will be negative. However I wish to explain how VAT negatively affects horticultural farmers, true it provides revenue to the Government but that revenue is from the profits of the grower who loses more than what he can claim back from VAT deductions.

Let me use this simple line calculation to stress my point and it is very simplistic and basic but it is a problem.

- Growing period up to full plant life (including sales) – say six months
- Assume my one tomato plant
- Income over 6 months, say 10 kg fruits = P45.00 including VAT collected P4.50 the farmer gets a net of P40.50 (the prices can vary between P3.95 and P5.00 depending on the demand).

My costs	Claimable VAT
My one tomato seed	P1.00
Water, fuel, wages are 40% of selling price	18.00

Fertilizers are 40% of selling price	18.00	1.80
Insurance overdraft etc. About 3% of selling price	1.35	almost nil
TOTAL	P38.35	P1.90

So I collect **P4.50** for the Government but I can only claim back only **P1.90**. But Spar, Pick and Pay etc. will not buy from me unless they can claim back VAT so my price includes VAT – in the end the additional P2.60 the Government gets is from my profits!

Recommendation

The Government should reconsider VAT for farmers. Engage them to hear alternative views and suggestions.

Government new policies and rules

Under the new regulations and under the cloak of complying with 'phyto-sanitary' requirements farmers are put on the back foot.

If I want to import certified seeds, fertilizers, herbicides or pesticides from South Africa I have to obtain in some cases a permit from Gaborone (I live in Francistown). I have to obtain a Phyto certificate from Pretoria before I can bring the goods to Botswana (I buy from Polokwane – 5 hours from Francistown and then Polokwane is another 2 ½ hours away from Pretoria)!

If I buy pesticides/herbicides I must have a permit from Gaborone that clears the products for use in Botswana (in other words registration of branded products). The result is that there is one reliable supplier in Francistown (that has got the products registered) so they import and sell at monopolistic prices. Why the heck can't we have reciprocal arrangements that say that pesticides that comply with certain SABS standards can be imported without this hassle? We sell our foot and mouth vaccine to RSA under certification so why can't we do the same for their imports. They have been in the game longer than us, unless we want to provide jobs for some of our 'doctorates' in MOA and given a semblance of being gainfully employed. Farmers are paying top prices for products because of this, it is estimated that the monopolies in Botswana add about 50% to our costs of seed, fertilizers, pesticides etc. because of this directive.

No one denies that we should protect our environment and make sure that we are not dumped with hazardous chemicals, but there are more innovative ways of dealing with this, especially reciprocal rights/agreements/standards, unless this arrangement favours someone who has an interest in the importing companies.

Recommendation

MOA must think creatively on how to minimize the hassle factor and the added costs to farmers that this directive has brought upon us. Again talk to us.

Opportunities for the Private Sector in Agriculture

Dr Martin Mannathoko Nitram Technologies

Introduction

Botswana is a landlocked country in the subtropical zone. The soils are 70% sandy mostly in the west and 30% loamy mostly in the east. The soils are poor in essential nutrients like proteins and minerals such as phosphates. The rainfall is erratic and poorly distributed. The rainy season is from October to March. Temperatures can be below zero in winter and extremely high in summer up to 40 degrees. Frost is common in winter. Extreme heat causes evapotranspiration and wilting of crops and range. Surface water is seasonal, limited to pans and rivers which dry quickly after the rains. The only perennial surface water sources are the Okovango Delta and Zambezi River System. Botswana is therefore a semi-arid country naturally suitable for extensive livestock farming such as beef and goat production however developments in such as hydroponics and solar energy together with developments in the dam and waste water sectors have opened opportunities for intensive production and service provision in the sector.

The agreement on the use of Zambezi Water System for agriculture, construction of dams with provision of water for agriculture at Dikgatlhong, Thune and Lotsane and the development of sewage systems in medium size and large villages in addition to towns provides opportunities for peri-urban farming activities such as poultry, horticulture, dairy, ostrich and fodder production. Low cost feeds will make dairy, poultry and feedlotting viable and profitable. New opportunities for profitable participation by the private sector in the following areas of the agricultural sector have created:

Irrigation

Horticulture

Production of subtropical fruits such as mango, peaches, avocado, melon, guava, oranges, berries etc green mealies, and vegetables such as tomato, cabbage, spinach, rape and other vegetables using Zambezi waters, waste water in peri-urban areas and at Lotsane, Dikgatlhong, Dikabea and Thune dams.

Feed and Fodder

Feed and fodder production maize, lucerne, lablab, soya etc at the same irrigation sites.

Irrigation from the new sources of water will make production cheaper and more competitive. The volumes will be large and supply will be reliable and consistent. The feeds and fodder will supply downstream industries such as poultry, pigs and livestock with affordable feed inputs

Poultry

The market for poultry products is increasing in the country because of increased consumption of convenience foods and urbanisation. The deficit will increase with population increase. The South African market is increasing too. RSA imports poultry products from South America. That is a ready market for future Botswana poultry producers.

Livestock and Game

Botswana environment is a natural place for extensive livestock and game production. Because of the semiarid environment, the country is generally free from diseases that prohibit trade in agricultural products between countries except for Foot and Mouth Disease which is limited to the Chobe and Ngamiland. The disease does not prevent export of livestock and game including their products from disease free zones. The Ngamiland can be made disease free through fencing and compartmentalisation. Government is at the moment amending The BMC act to liberalise exports of livestock and livestock products. This will provide opportunities for abattoirs and manufacturing in the livestock industry. Allowing imports of beef from countries that are approved by the EU will enable the private sector to import beef,

manufacture and export to the EU and other countries. The Livestock Improvement Act passed by parliament recently will enable livestock farmers to register their pedigree animals and go into stud breeding. This will enable our farmers to sell pedigree stock together with semen and embryos to the local and international markets. Farmers will develop new breeds which will make our livestock industry profitable.

Services to the Sector

The sector needs support of the private sector services to develop. Seeds will be needed to support the arable sector; transport will be needed to deliver inputs and finished products. Machinery has to be supplied and maintained. Accounting, financial and legal services are essential to grow the sector. Veterinarians, plant pathologists and suppliers of vaccines, feeds, chemicals and drugs will be needed to keep plants and animals healthy and marketable.

Role of Government

All these opportunities can be available *only if* government's role is limited to policy making and implementation, provision of infrastructure and essential services like trade negotiations, prevention and control of trans-boundary diseases and pests, research and extension. Government should not be involved in production. There should be a clear distinction between agricultural production and social welfare. All agricultural activities are commercial whether big or small. Agriculture can only develop and be competitive if treated as such.

GROUP 4: SERVICES

Chair: Solly Reikeletseng, Itekanele Health

Rapporteur: Mabu Nteta

Panel:

- Allan Boshwaen, IFSC
- Raja Ram, Grantthornton
- Majakathata Pheko, Oseg Group

Opportunities in the Services Sector

Allan Boshwaen, IFSC

Progress with Revising Legislation

- Previous NBC resolutions 9 & 10 on IFSC reforms,

- Clifford Chance Completion of consultancy to revise IFSC underpinning legislation,
- Primary objectives
- Upgrading of legislation for competitiveness,
- Introduction of new business structures,
- Domestic economic linkages with the IFSC regime,
- Service standards and turnaround times,

Competitiveness

- Need to expedite enactment of new laws in the face of reforms in competing jurisdictions
- South African reforms to set up an IFSC,
- Need to strategically extend the country's DTA network,
- Work & resident permits/effective business facilitation,
- Regulatory fees/Cost competitiveness,
- Compliance with relevant international bodies (OECD),
- Telecommunications infrastructure,
- Skills development,

The Merger with BEDIA as an Opportunity to Remove Obstacles to Effective Investment Promotion and Export Development

- IFSC has expressed full support of the merger,
- Main reason being the opportunity presented to eliminate obstacles hindering effective Investment Promotion,
- The improvements have to be demonstrated at the time of full integration of the two entities.

Immediate Opportunities in the Services Sector

- Geographical disadvantages limit attractiveness of landlocked developing countries for FDI.
- Infrastructure deficiencies,
- Inefficient logistics,
- Solution for such countries is to develop competitive advantages in areas that are not sensitive to transportation costs.
- Hence the need to build capacity for trade in services/services exports.

Investment Funds

- Can be very effective structures to attract investments into Botswana,
- So much money from international powerhouses looking for investment opportunities in Africa,

- China has been outstanding on channelling money into infrastructure and capacity building in Africa,
- Botswana has some outstanding features to become a regional base for managing investments into the region,
- IFSC records the highest rates of return from its investments in Africa.
- IFSC proposed model will be the best in the region,
- Ring fencing conditions a significant obstacle,

Head Quarter Companies and Shared Services Centres

- BPO/Call Centres identified in NDP 10 as a vehicle for creation of sustainable job opportunities for out of school youth,
- Need to timely harvest the benefits of the undersea cables in which Botswana is a partner.

Aviation Leasing

- The central location of Botswana coupled with lower operational costs and other positive attributes for doing business positions the country as a potential regional hub for airline operations.
- Significant efforts being put up to change relevant policies and negotiate Bilateral Air Services Agreements.

Management Companies

- Legal recognition of Management Companies is the best way of luring the private sector to actively sell Botswana's business offering.
- Clarity of relevant legislation is crucial for building a strong base of Management Companies in Botswana.
- Recognition of management companies enables improvement of service standards and turnaround times by licensing and registration entities.
- Mauritian based brass plates of SA origin increasingly looking at alternative bases due to SARS rules on substance. Mass Mart the parent company for Game Stores Dischem, Clicks, etc is looking to exit Mauritius for the above reason, and Botswana becomes an obvious alternative.

Overview of the Service Industry Sector

Raja Ram, Grant Thornton

Today, in the limited time that is available to us, we will try to generate some interesting discussions on this topic- Service Industry Sector. For that, we will attempt to define

what a Service Industry is, then go on to see what and where the opportunities lie and then discuss what policy changes are needed to fully take advantage of the situation.

Any major economy can be divided into two- The Goods producing economy and Services producing economy. The other breakaway groups - Mining, Manufacturing & Agriculture - can be included in the Goods Producing Sector while any Industry earning revenue through Intangible products and services is a Service Sector.

Let us be little more specific- Transportation, Wholesale & retail trade, Finance, insurance, real estate etc... are some of the Service Industries that people talk about. The new generation Service Industries are Information Technology, IT Enabled Services like Business Process Outsourcing or Knowledge Process Outsourcing, Health care, Telecom etc... Instead of conducting an open Heart Surgery in the UK which costs P 500 000 plus, the medical aid societies there identify a hospital with all facilities in Thailand or India and get it done for P 50 000 or less. This way, including a business class ticket to the patient & an accompanying person, the whole cost is reduced to say P 100 000 where as the patient gets the best medical attention. I know that medical tourism is a big industry in these countries and they earn billions of dollars through this source.

As the famous futurist, Alvin Toffler said, the world started with an Agricultural revolution, and then progressed into the industrial revolution. Today if you see the Gross Domestic Product of any developed economy, Service Industry occupies a major percentage whereby even the corollary is true- to be a developed economy; Service Industry should occupy a prominent place as it surely is a sign of the maturity of the economy and the country.

As I see it, there are three pillars for developing a good service Industry:

- Educated Labour
- Cost of Labour
- And -Connectivity with the world

Let us analyze each one of them. By doing that, we will know what policy initiatives are required to develop them and fully capitalize on its use.

The first Pillar is Educated Labour. For achieving this, we must have quality education in relevant fields like IT and IT Enabled services, Finance and accounting etc... It is heartening to see that the Botswana Government has the maximum portion of the Budget allocated to education. In recent rankings, South Korea ranks second for the quality of education it provides. It is hard to imagine now but in the 1960's, South Korea's national wealth was on par with Afghanistan. Today it is one of the richest nations mainly because of its focus towards education. South Korea is legendary for the quality of its schooling and the fervour of its students. A very large percentage of South Korean students acquire a college degree. Another case in point is the former Soviet Blocks states that have historically put Science and Maths on priority. Even though some of these countries are struggling in economic parlance, their students are doing very well to become Engineers and Doctors. What is required is an end to end development of our education system. It is important that our primary education is improved, students get into schooling early and they get an intensive education at the early stages. For e.g. there is no structured ICT education in the primary education. Communication, creativity and Language skills also need to be focused on if we are to produce graduates

to develop in the service sector. Our Innovation Hub and our English speaking background give us an edge on this.

The second pillar is Cost of Labour. Developed countries because of high cost of labour are desperate to cut costs and outsourcing is no longer considered a luxury but a necessity and many Asian and South American countries are capitalizing on this by offering attractive incentives to set up units processing centres there. Our neighbour in the South- Kwazulu Natal is training 50 000 students for BPO. While we are not talking of sweat shops, let us be clear that our labour cost must have a comparative advantage over our competitors. My niece in USA is practicing as a Chartered Accountant. Obviously she has to file a no. of tax returns every year. It works out to be so much more attractive- cheaper and easier - for her to subcontract her tax return filing to us than employ someone locally as we do it much more efficiently at a fraction of her cost. For us, the relative costs in Botswana and USA is a fantastic advantage. An additional advantage is that her return date is 20 April where as our tax return date is mainly 30 Sept. Like this, we must identify the relative advantages and fully capitalize on them.

The third pillar is "Connectivity with the World". Here the Policy makers can do a lot. We need good Branding and Marketing of Botswana and our Investment Climate must be attractive. Wipro has started a 20 000 strong BPO in Philippines as they were promised Tax Incentives there depending on employment created and they found it to be Quite attractive. Having said that, we are reasonably good at this – our IFSC and BEDIA are doing a great job- but it calls for continued concerted effort. As Keith said this morning, Our Broadband connectivity has problems of costs, reliability and availability. The first step, South Korea did to improve BPO in the country is to improve connectivity and today they are flooded with Back Office work. I understand that by middle to end of next year, the cable coming from West Africa will reach Botswana through Namibia. Hopefully with this, our connectivity problems will be solved once and for all.

In short, Countries like Philippines, India, Malaysia, Indonesia etc... have solved the problem of unemployment with appropriate Service Industry. In some of my informal discussions, I have been told by some several captains of Industries that given proper incentives, they are willing to come and set up units here. What is important is we have to find our niche advantages and markets. One advantage could be that we are a very young nation with two third of our population below 25 years. A second advantage could be that we are in the same time zone as Europe. Another important point is that we are not a very populous country and so anything done could be seen and will have an immediate impact. As HE remarked this morning, we need monitorable outcome. I am sure that our policy makers will analyse such advantages and create an enabling environment for more service industries to come and contribute to our economic development. The time to Plan and Act is NOW.

Opportunities and Hindrances Specific to the Business Process Sector

Majakathata Pheko, Oseg Group

Business process outsourcing involves companies outsourcing their non core services or core non critical services to an offshore or near shore destination. An offshore destination will be a far away country like the US outsourcing to India and a near shore will be outsourcing to a near country e.g. US to Mexico. The outsourcing market is worth billions of dollars. The industry have change the landscape of economies such as INDIA and the Philippines

The BPO sector has the opportunity to create jobs 25,000 people in Botswana in the next 5 years.

Opportunities for Botswana to have Global share of the market are as follows unless we immediately address the following;

- Slush rates of lease lines/ bandwidth by 70% so that we offer a competitive environment for investors in the sector. Our country is not competitive and our rates are higher than Kenya and Mauritius
- Local market stimulation. Services like customer service, enquiries handling, and debt collections for council,

student loans, taxes and police fines can be outsourced immediately. The domestic BPO market has the potential of creating about 5000 jobs, growing the local market will enable the country to grow industry supporting the sector such as ICT enabled services like software development , communications and hardware , training and infrastructure development

- More government commitment as BPO in countries such as Mauritius and Kenya report to the office of the Vice President. These countries took a position that they need the political commitment to grow the industry
- Skills development for youth who will be roped into the sector
- Marketing and capacity building for intermediaries such as BEDIA and the IFSC to give them more fire power to position the country as a BPO destination
- Incentives for investors. countries such as RSA are aggressively attracting investors in this space by offsetting training and capex costs for those companies that are bringing overseas work to the country
- Relook at the regulatory framework and change fastback laws such as e-commerce laws and data protection laws.

SESSION 4: REPORT BACK TO PLENARY AND DISCUSSION

Chair: Oduetse A Motshidisi, Bank of Botswana

Mining

- Opportunities are available surrounding services to mining companies such as accounting etc.
- Possible discoveries
- Research in mining falls short
- Developments around the diamond pipeline; cutting and retail opportunities are available
- The main challenge is that exploration remains very expensive in Botswana.

Resolution

- Government needs to look at economic corridors not just in mining to see maximum benefits in investments.
- Bureaucratic procedures by both governments and mining companies must be reduced e.g. suitable timetables

Manufacturing

- The manufacturing sector has been given incentives in Botswana; however, some countries in the region have stepped up their efforts in promoting manufacturing such as Lesotho (Lesotho offers 10% tax while Botswana is still at 15%).
- Botswana needs to be competitive in attracting FDI into manufacturing. Tax regime needs to be reviewed.
- Rent rates are comparatively expensive, they also need reviewing
- Lack or poor infrastructure increases the cost of doing business particularly transport infrastructure.
- Government needs to focus on improving infrastructure and working with the region to assure easy access to markets.
- There is a high skills deficit and as such Botswana needs to adopt a melting pot concept; head hunting and providing incentives to foreign skilled manpower.
- Immigration work permit turn around needs some improvement
- There is need for sector specific training

- Access and training of technology is necessary
- Government and the Private Sector should ensure exploitation of opportunities, to create a competitive market with quality goods.
- The Economic Diversification Drive (EDD) should purchase and encourage top quality goods, encouraging local competition and subsequently international. An export oriented economy should be a key priority of EDD as the Botswana market is too small for manufacturing growth.
- A quality maintenance body should be established and be self regulatory.
- Competition law should be enacted immediately
- The Private sector should be aware of trade agreements and protocols and take advantage of them. Government should implement the SACU agreements to develop the manufacturing sector.
- Border posts should become One Stop Shops (OSS) and should be open 24 hours to facilitate cross border transactions
- International retailers/ Multinational corporations should support local manufacturers
- Packaging should be considered as manufacturing so that they can benefit from incentives offered to the manufacturing sector; they are a very important part of manufacturing.
- Corruption is a deterrent to business and should be stopped at all costs

Recommendations

- Ideas seem to be there to improve and diversify the economy but there are no known indicators of what a diversified economy looks like; there is a need for a measurement framework to which we can all subscribe and contribute to for the dials to move in the right direction.
- Document real case studies and lessons to be learnt as to what contributes to investors relocating due to the service industry not working.
- Private Sector (PS) to commit to removing / addressing some of the pertinent issues that creates suspicion and lack of trust of the PS.
- There is need for clarity as to the role of government; does government want to operate at policy level or operational level? It is recommended that government operates at policy level to allow the private sector to exploit opportunities in the real context
- Gov and PS should prioritize customer service training

- PS should be in control of tourism and transport regulations around price
- Review the BNPC business model to address service culture
- Joint national strategy for service culture improvement
- Need for an indigenous bank to close the gap on access to finance.
- Improve the ICT environment, enhance bandwidth
- Govt and large corps should outsource non-core business activities
- Data protection policies and laws should be enacted to assure issues of security

Services

Recommendations

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Agribusiness

Recommendations/ Resolutions

Agriculture in Botswana needs to be commercialized and in order to successfully do so the following needs to be a priority.

- The cost of doing Agribusiness in Botswana is high; there is lack of technology, access to finance, access to land, expensive electricity and lack of skilled manpower.
- We recommend there be Electricity subsidies
- RIIC needs to step up their efforts in access to technology and training.
- Review the Immigration system to ease recruiting of skilled foreign manpower
- Land tenureship needs to be reviewed and improved to benefit the commercial agricultural sector
- Given the semi arid nature of Botswana's climate, growth in the Arable farming sector needs focus on irrigation.

- For a profitable and successful Dairy and meat farm, feed needs to be accessible, and there is in another aspect that irrigation technology needs improvement.
- The policy environment should be reviewed to ensure competitiveness within the agric sector. Monopolies such as that of the BMC exporting to the EU need to be removed; bearing in mind that subsidies and favourable market access to markets such as those of the EU are to be removed on a call by WTO, our market needs to be ready to compete worldwide.
- Privatization of abattoirs is vital so that they are at par with international standards (with cold room technology); these include Ostrich and other game abattoirs.
- The Agriculture hub should be a agric OSS and should carry out some feasibility studies which are accessible to the public

Dinner was sponsored by DEBSWANA

SESSION 5: THE POLICY ENVIRONMENT

Chair: Uttum Corea, National Strategy Office

Macroeconomic Policies

Dr Kealeboga Masalila, Director of Research, Bank of Botswana

Kealeboga Masalila is Director of the Research Department of the Bank of Botswana. He has also previously worked in the Banking Supervision Department of the Bank and under the Special Appointee programme at the International Monetary Fund, as well as the Ministry of Trade and Industry. He graduated with a Bachelor of Commerce degree from the University of Botswana and subsequently studied in the UK and obtained an MPhil in Monetary Economics from Glasgow University and a PhD in Economics from the University of Manchester.



Abstract:

Macroeconomic policies play an important role in determining the business environment, particularly in influencing the financial returns and risks faced by entrepreneurs and the relative certainty ascribed to the future economic environment; thus, looking ahead, strengthening expectations regarding the safety and value of investment and savings. Macroeconomic policies encompass fiscal policy, monetary policy and exchange rate policy, while there is also a role for policies on trade and the financial sector. For Botswana, the significant elements of fiscal policy include the focus on medium-term budget balance and fiscal rules aimed at reinvesting the returns from mining, attaining medium-term budget sustainability and minimising volatility of the government expenditure programme in terms of its impact on business and economic activity in general. Moreover, there has been a

bias towards a low tax regime and an attempt, over the years, to simplify the tax system such that costs to businesses are minimised.

The exchange rate policy objective is to support international competitiveness of domestic producers through maintenance of a stable exchange rate, as adjusted for inflation. The absence of exchange controls facilitates both inward investment and outward investment by locals, which enables improved portfolio diversification and risk management, while it also eases the ability of businesses and households to undertake international transactions. In this regard, there is an enabling environment for trade, which is also supported by multilateral and bilateral trade agreements and promotional activities of dedicated institutions. In focusing on a defined price stability objective, monetary policy, while contributing to international competitiveness, also fosters economic growth and development by promoting savings mobilisation and productive investment. In addition, the country's financial sector policies address the development of channels for both savings and raising investment funds, within a regulatory environment that promotes safety of financial resources and soundness of institutions. Overall, these policies are implemented in the context of a forward-looking National Development Planning process that ensures coherence of the macroeconomic policy framework and its alignment to both the private sector and social development.

However, although there has been progress, the economic diversification objective continues to be elusive, despite relative success in achieving overall macroeconomic balance and stability. Therefore, a continuing review of macroeconomic policies is imperative to align them to both evolving economic and structural conditions, alongside assessment of feasibility of responding to local business aspirations. Nevertheless, such review should also be complemented with an analysis of microeconomic impediments to business and entrepreneurial development. At the same time, the fiscal consolidation, in the aftermath of the recent financial and economic crisis, might imply scaling down and careful prioritisation of direct government support to the private sector.

Macroeconomic Policies

OUTLINE

- Macroeconomic policies, attributes and role in economic performance
- Botswana's Macroeconomic policies: objectives and performance
- Challenges and prospects for policy evolution
- Conclusion

MACROECONOMIC POLICIES AND ROLE IN ECONOMIC PERFORMANCE

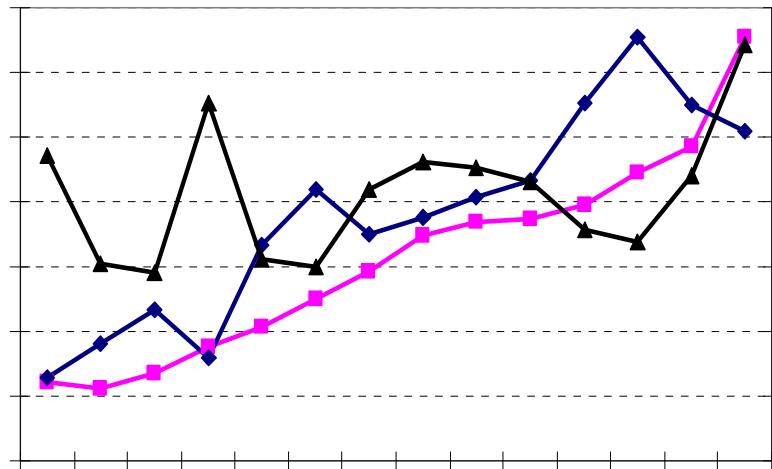
Identification of macroeconomic policies:

- Fiscal policy
- Monetary policy
- Exchange rate policy
 - Could be extended to cover:
- Financial sector policies
- Trade policy
- Direct effect on economic activity, productivity and competitiveness
- Effect on relative stability and predictability of environment for the conduct of economic activity
- Should be subject to influence by broad spectrum of stakeholders
- Assumed consensus that reflects national aspirations, policy preferences and desired growth path
- Entail trade-offs
 - Economic benefits and costs
 - Contrasting sectoral impact
 - Time inconsistency
- Linkages of macroeconomic policies
- Preference for medium- long-term perspective
 - Takes time for policy to impact on economic developments
 - Avoid frequent policy changes
 - Maintain coherence with other policies
- Need for consistency, coordination and transparency
- Therefore:
 - Consultation mechanisms and dissemination important
 - National Development Plans, Budget Presentations, Monetary Policy Statements, Economic Briefings, Press Releases, inter-agency committees, etc.
- Data quality: historical and outlook/forecasts

BOTSWANA: MACROECONOMIC POLICY OBJECTIVES AND PERFORMANCE

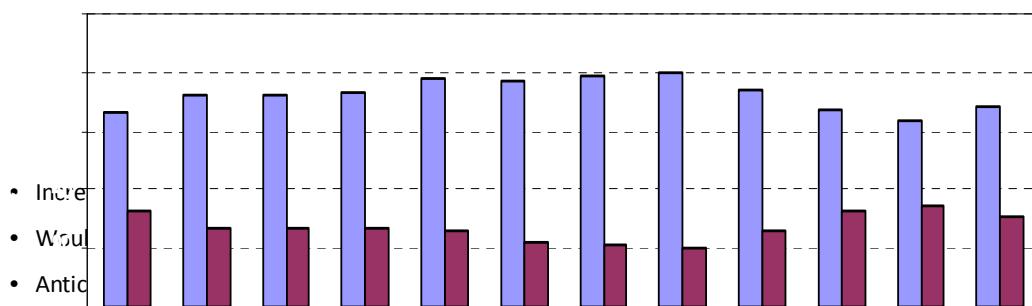
- Fiscal policy:
- Budget and debt sustainability
- Medium-term budget balance
- Productive infrastructure development and maintenance
- Externally generated revenue windfall should not lead to unsustainable spending
- Cost recovery
- Revenue growth and diversification
- Moderate tax regime
- Fiscal rules:
 - Reservation principle: Mineral expenditure to finance investment/development expenditure
 - Sustainable Budget Index = Non-investment expenditure/Non-recurring revenue
 - Greater than one: recurring consumption expenditure financed from non-recurring revenue or borrowing

- Government expenditure limited to 40 percent of GDP
- Balance of government expenditure shifted in favour of additional development expenditure (30 percent by end of NDP 9)

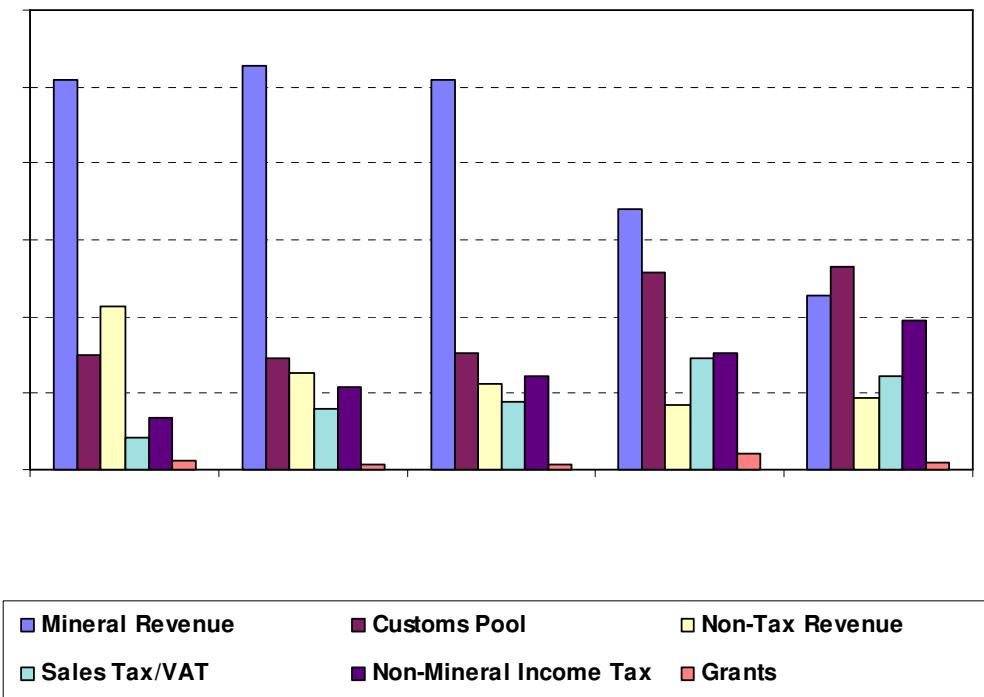


■ Recurrent less Edu & Health ■ Mineral Revenue ▲ SBI

- Reservation principle largely observed
- But subject to substantial mineral revenue supporting infrastructure development



■ Recurrent expenditure ■ Development expenditure



- Multi-period comparison shows dominance of mineral revenue
- Growing importance of VAT
- Recent decrease in mineral revenue resulting in overall decline
- With plateauing and eventual decline in mineral revenue – other sources needed
- Financial sector policies:
 - Support development of efficient and effectively regulated money and capital markets
 - More supportive, diverse, relevant and efficient intermediation (institutions and instruments)
 - More effective transmission of macroeconomic policies
- Industrial development policy
 - Outward-looking in recognition of bigger market and potential for improving competitiveness
 - Privatisation
 - Competition policy
- Financial assistance
 - CEDA and LEA : low cost finance and mentoring
- Institutional support
 - Trade agreements to facilitate market access
 - BEDIA: assist inward investment; export development

CHALLENGES AND PROSPECTS FOR POLICY EVOLUTION

Fiscal developments

- Effect of fiscal consolidation on private sector performance
 - Lower rate of increase in government expenditure

- Possible higher tax rates, acceleration of cost recovery
- Potential for accelerated privatisation, outsourcing, etc. for the benefit of the private sector
- Exchange rate policy
 - Tension on Pula exchange rate between exporters and importers
 - Focus should remain on stability of the real exchange rate (supports both export oriented and import substitution strategies)
- Monetary policy
 - Transition to lower interest rates desirable and possible
 - Control of underlying inflation (given import content no reason for inflation to be much higher than that prevailing in the trading partner countries)
 - Significant impact of transitory factors (substantial adjustment of administered prices and consumption taxes)
 - Control on expectations uncertain
 - Consider modest regular adjustment of administered prices (aligned to inflation objective) to moderate impact on inflation and volatility
- Monetary operations/government debt mix
 - Substitution from BoBCs to government securities
 - Promote household saving
 - Reduce burden of liquidity absorption
 - Contribute to funding of government expenditure
 - Wider distribution of income/benefits

CONCLUSION

- Generally macroeconomic balance over time: macroeconomic policies not significant impediments to business activity
- Microeconomic factors appear to be more significant impediments
- Business activity likely to be adversely affected by scaling down of government expenditure; but opportunities to take over government services
- Inflation control hampered by adjustments in administered prices and consumption taxes: the timing and magnitude of changes could be improved
- Exchange rate policy remains appropriate
- Potential for more beneficial use of excess liquidity
- Sustain forums for policy discussion, dissemination and feedback
- Participation in data collection

The New Industrial Development Policy

Dr Carl Aaron, Consultant to United Nations Industrial Development Organization (UNIDO)

Carl Aaron is Director of Economic Development and Sustainability Initiatives at the East West Management Institute headquartered in New York. He is a specialist in foreign investment, business environment reform, investment promotion, industrial policy and competitiveness, as well as performance monitoring and benchmarking. He is intimately familiar with the investment climate reform, industrial policy and competitiveness experience of numerous developed and developing countries, as well as the support strategies of the World Bank, UNIDO, USAID, and other development partners.



Carl Aaron was formerly an IFC Investment Policy Officer, and Trade and Investment Specialist for Nathan Associates. He brings technical and implementation expertise from over 30 countries in the areas of FDI, business environment reform and industrial policy. In a previous existence he was an investment banker, writer and interpreter in London and Tokyo. He has a PhD from Oxford University in International Political Economy, and has conducted extensive research on the challenges facing sub national regions and small countries in attracting and benefitting from foreign investment.

Abstract:

The purpose of this session is to present and review a revised Industrial Development Policy (IDP) for Botswana in the context of the country's preeminent public-private dialogue (PPD) forum. Botswana's last IDP was produced in 1998, and had a strong export development focus. However, it has not been entirely successful based on export diversification, amongst other indicators, nor on effective implementation, performance monitoring and coordination.

Botswana's economic and industrial performance since independence has been spectacular, with growth rates akin to those of China. There has been much praise of Botswana's macroeconomic management, particularly for a

resource rich economy, as well its growth performance. But, clearly there remains an enormous challenge moving forward to diversify the economy and achieve socio-economic prosperity less dependent on diamonds.

The overall objective of industrial development policy in Botswana is to help realise sustainable and equitable increases in prosperity, as well as employment opportunities, for the people of Botswana, through more efficient and upgraded industrial sectors in which more Batswana can participate. The urgent challenge is how to go about creating good industrial policy. The draft IDP2011 focuses on the following.

1) Information and performance monitoring. Four key measures of industrial diversification and upgrading that Botswana should focus on are: GDP diversification, export growth and diversification, employment and productivity. Currently data, information and analysis are weak in these areas.

2) Good industrial governance is about how to successfully implement and coordinate industrial policy across multiple government agencies and the private sector, and necessitates transparency and accountability.

3) Efficiency policies improve the foundations for industrial performance, such as a better business environment and infrastructure – relatively costless reforms with a big impact.

4) Upgrading policies work to diversify and upgrade industrial activity (including service sectors) building on existing comparative advantage, but also "side-stepping" into new industrial niches, and taking strategic bets. These policies often require significant public investment; be it in vocational education, technology or infrastructure, but also benefit the private sector broadly, and are an investment in the country's future.

5) Inclusion policies help ensure that SMMEs and traditionally excluded groups benefit from industrial growth and diversification, whilst making most effective use of government resources and prioritizing export competitiveness. The best inclusion policies involve doing efficiency and upgrading policies properly.

6) Financing of industry – how public money is used to support business – is of great importance. The spectrum ranges from costless business environment improvements through financing of public infrastructure and financial incentives, to subsidized credit and support for individual firms.

This session will present the main points of this strategic document and seek realistic and constructive input from participants, while offering insights from the experience of other countries.

Discussing A New Industrial Development Policy for Botswana



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

E A S T • W E S T
M A N A G E M E N T
I N S T I T U T E



Dr. Carl Aaron (EWMI)
BOCCIM National Business Conference (NBC)

Francistown, Botswana

28 September 2010

Agenda

- Where are we now – policies, institutions, performance?
- Why is Industrial Policy Important?
- IDP 2011 STRUCTURE
- Draft IDP Section Highlights
- Conclusions / Recommendations
- Some Next Steps

Getting Industrial Policy Done in Botswana

- Industrial Policy is back in fashion
- Challenge: Request to help with IDP 2011; SMART Industrial Policy
- Importance: Building sustainable diversification for a foreseeable post-diamond economy; old IDP had shortcomings and is outdated.
- Who: Public-private, whole-of-government, whole-of-society; everybody here! (Who is us?)
- Measuring it: (How we did. What we are targeting.)
- How not what – this is policy!

Three Key Messages – Prioritizing of Industrial Policy

- Get Industrial Governance Right – i.e. the *process* of Industrial Policy
- Get the Fundamentals Right – business environment for what we do today and tomorrow
- Implement and Monitor Smart Industrial Upgrading Strategy (including strategic bets)

Without getting the first two right, the third has much less chance of success – hence focus on Industrial Governance.

1. WHERE ARE WE NOW – POLICIES, INSTITUTIONS, PERFORMANCE?

The State of Botswana

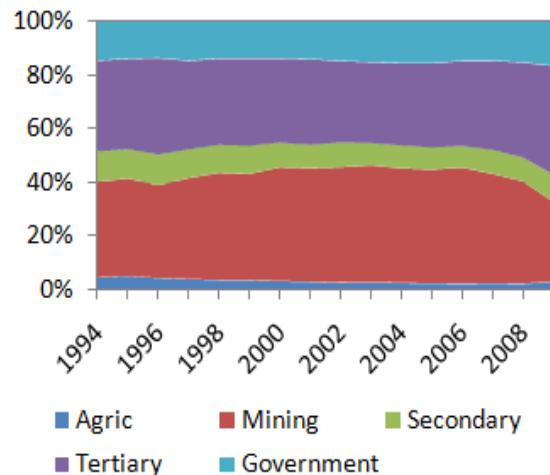
- Everyone says Botswana's done terribly well: Upper Middle Income, China & Botswana, Excellent Macro-Mgt, DB, WEF
- Global Competitive Index – 66th but components are revealing
- UNIDO's CLP – 84th, relatively lower, and guided by export performance
- *Doing Business* – 45th but components revealing
- BTW – September is Benchmarking Season

Several Key Institutional Developments since IDP 1998

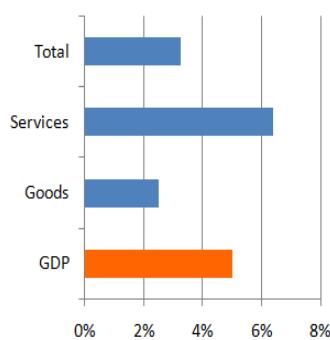
- National Strategy Office (vertical coordination role)
- Harmonized Vision for Inter-ministerial and Public-Private interaction in ISB and NES
- Empowerment of institutions such as BEDIA and LEA
- Greater role for PPD – NBCs, HLCCs (?)
- Throwing institutions at problems; proliferation
- Admitting that implementation / monitoring were weaknesses of IDP 1998 other policies; now improving?
- Need a new strategy but cannot stay on the shelf; Hubs and more
- Diamond prospects declining; diversification imperative
- Metrics for economic diversification and upgrading

Composition of GDP

- Agriculture's long term decline
- Continuing large government share
- Manufacturing share small
- Services (tertiary) increasing
- Glimpse of the future?



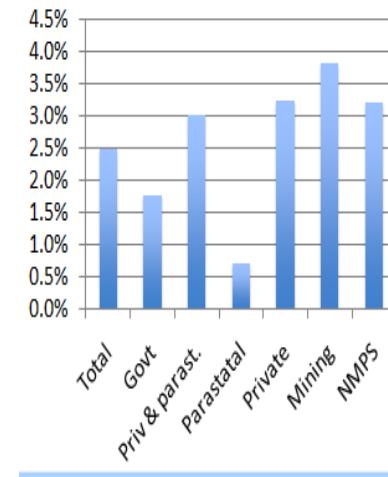
Export Growth Rates (real) 1998-2010



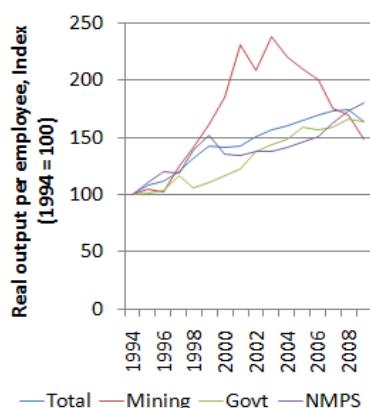
- Exports have underperformed GDP growth
- Goods (minerals and manufactures) exports weak
- Services exports have been much more dynamic than goods.

Formal Sector Employment Growth (Avg. 1994-2009)

- Employment growth roughly matched labour force growth
- Poor data about sources of job creation
- Statistics vary in quality
- Un(der)employed graduates
- Demand/supply mismatch



Productivity Growth



- Productivity data poor
 - No data on overall productivity growth (TFP)
 - Problem with capital stock data
- Only labour productivity can be calculated
 - Cannot be disaggregated into determinants (high capital stock or improved TFP)
- Appears to show steady improvement
 - May reflect data inconsistencies

2. WHY IS INDUSTRIAL POLICY IMPORTANT?

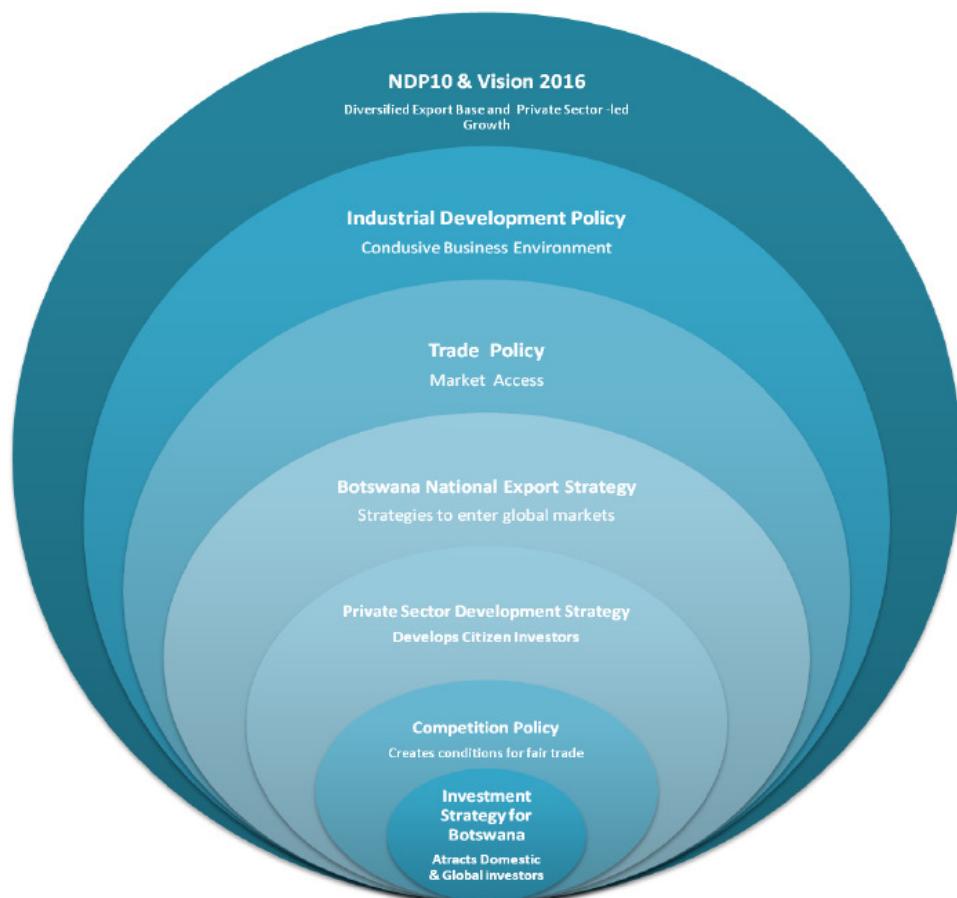
What is Industrial Policy?

- A set of industrial management, upgrading and inclusion policies, embracing prudence and calculated risk, that addresses agreed-upon national socio-economic objectives; and a transparent and accountable industrial governance system ensuring collaboration across government on industrial matters, effective information

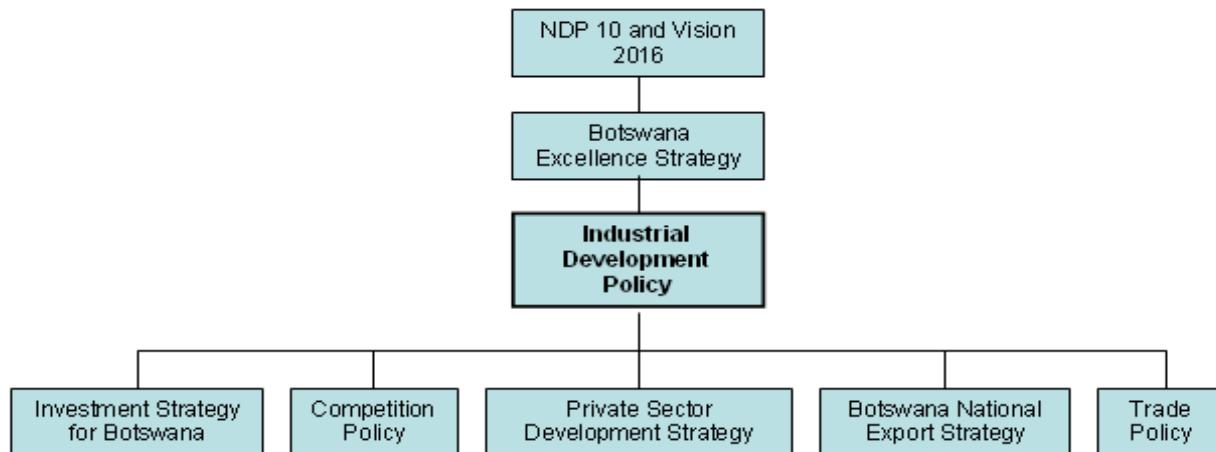
gathering and analysis, as well as performance monitoring and benchmarking.

- The aim of industrial development policy in Botswana is to help realize sustainable and equitable increases in prosperity, as well as employment opportunities, for the people of Botswana, through more efficient and upgraded industrial sectors in which more Batswana can participate. Industrial development is not simply about economic growth – growth can be jobless and unsustainable – rather it is the quality of growth.

Is Industrial Policy Important for Us?



An Alternative View of Industrial Policy



Who is "Us"? Botswana's Industrial Governance Stakeholders

Government

Ministry of Trade and Industry
 NSO
 Ministry of Finance and Development Planning
 Ministry of Communications Science & Technology
 Ministry of Agriculture
 Ministry of Environment, Wildlife and Tourism
 Ministry of Labour and Home Affairs
 Ministry of Education and Skills Development
 Ministry of Works and Transport
 Ministry of Lands and Housing

Parastatal

BEDIA
 BNPC
 BDC
 LEA
 CEDA
 BOBS
 PEEPA

Private Sector

BOCCIM
 BEMA
 Commercial Banks

Academia

University of Botswana
 Other institutions of higher education or vocational training

Other Civil Society

BIDPA
 NGOs
 Labour Unions

Regional / International Institutions

SADC
 SACU

3. IDP 2011 STRUCTURE

Proposed Structure of IDP2011

- Context – where we are; Framework
- Industrial Governance – Getting Industrial Policy Done
 - Industrial Policy Cycle
 - Institutions: Champion, High-Level Committee, Secretariat, PPD
 - Information: Transparency, Accountability, Performance Monitoring, Benchmarking
- Efficiency Strategies (cost-based, often costless)

- Upgrading Strategies
- Inclusion Policies
- Financing for Industrial Development

4. DRAFT IDP SECTION HIGHLIGHTS

4a. Industrial governance

What is Industrial Governance?

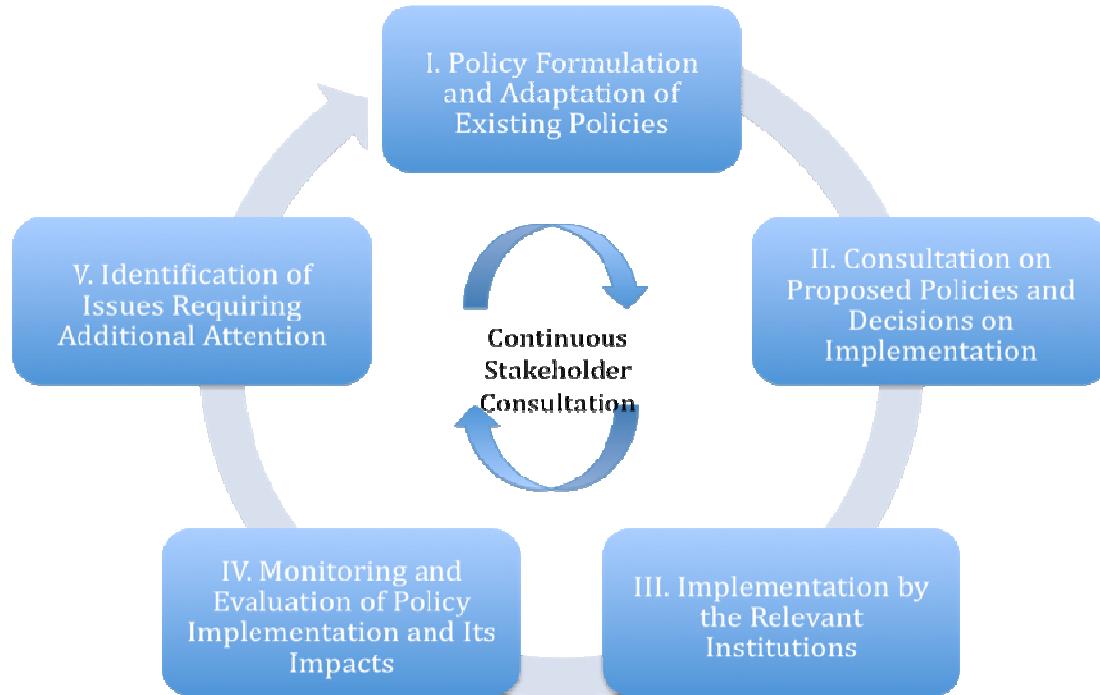
Industrial governance is about **how** industrial policy translates into measurable progress (towards socio-economic objectives).

- Industrial Policy Cycle
- Horizontal coordination

- Vertical Coordination
- Information (have IDP actions been implemented?)
- Information (impact of IDP and feedback into IDP)

Principles: Transparency, Accountability, Performance Monitoring, Benchmarking

Industrial Policy Cycle



Institutions

- The Champion – (“headbanging” – e.g. LKY, Rwanda, Guyana, Kentucky etc.)
- The High-Level Inter-ministerial (/ Public-Private) Committee. Existing or new
- The Secretariat: Necessary capacity; New mindset; “Can do” attitude; Status and mandate slightly above, because it is wrong to circumvent; outreach, metrics and upward reporting function; etc.

Information – Two Types

- Information about industry and the economy: performance monitoring, benchmarking, forward-looking target indicators for competitiveness or innovation economy
- Information about promises kept and missed to support accountability, vertical management, industrial policy planning

Metrics and Information

- Metrics about diversification – ex-post
- Leading metrics for an innovation economy**
- Encourage institutions to publicize metrics (e.g. Universities, Supermarkets)
- For reporting and getting things done
- How can you make policy without a knowledge of your needs?
- Benchmarks
- Industrial Observatory Function (in MTI/DIA?)

What Indicators Should Botswana Collect and Benchmark?

- An early action
- BEDIA has made a start over three years
- Choose an advantageous set of indicators

Efficiency	Upgrading	Inclusion
Ease of Starting a Business (WB)	Increase in qualified business manager / accountant graduates	Proportion of small Batswana-owned companies exporting > 40% of production.
Cost of mobile phone call per minute to neighbouring country	Productivity measures	
Increase in internet users		New businesses registered by women.
Index of safety and security		

4B. Efficiency Strategies

Efficiency Strategies - Principles

- Prioritize industrial efficiency / regulatory improvements with their relatively “costless” nature
- Use International Benchmarking Surveys to improve investment climate (e.g. DB, WEF, CIP), and beware complacency
- Regulatory reform mindset change (hence tricky question of IDP Secretariat)
- Infrastructure priorities: ICT, Land (esp. Zones), border transit, private sector in small scale infrastructure, etc.

Efficiency Strategies – Action Areas

- Industrial Efficiency Task Force will take charge of a whole-of-government investment climate agenda, with transparency, accountability, performance monitoring and benchmarking
- Reinvigorate the privatization process
- MTI to lead by example in industry regulation reform, along with labour and construction as priorities
- Active use of benchmarking and performance monitoring to set targets, measure progress, compare internationally
- MTI/DIA to reemphasize facilitation role vis-à-vis business

4C. Upgrading Strategies

Upgrading Strategies – Targets

- Smart industrial policy - Targets:
 - Building upon existing niches
 - Other commodity natural resource niches
 - Upgrading within the manufacturing sector
 - Upgrading in service sectors

Upgrading Strategies – Principles & Tools

- Exports remain entirely relevant per IDP1998
- Export market diversification – customs union and beyond
- Manufacturing AND Services (e.g. Tourism, Corporate Safety, Internet)

- Labour skills and productivity – analyse and deal with the challenge
- Investment promotion and servicing – knowing the product
- Spatial Industrial Policy – zones and sub national locations
- Prioritizing costless and then costly policies
- PPD and IDPC to discover unexpected opportunities
- Strategic bets – winners and losers, and ensuring primacy of export competitiveness in a small landlocked country.

Upgrading Strategies – Suggested Action Areas

- Manufacturing Task Force to explore manufacturing, mining, and energy opportunities, and value proposition
- Develop labour productivity and skills strategy
- Special economic zones strategy
- Develop service sector action plan (Service Sector Task Force)
- Full investment promotion function properly understood and rolled out

4D. Inclusion Policies

Inclusion Policies – Principles

- Ensure efficiency and upgrading agendas rigorously addressed
- Information – make sure we are well informed re disadvantaged groups, including active SMME dialogue mechanism
- Rigorous evaluation for anti-export bias
- Service sector potential to address inclusion
- Realistic use of public project procurement

Inclusion Policies – Economic Diversification / Import Substitution

- Information and analysis of impact on local firms – e.g. ICA says smaller firms less able to export
- Imports anyway declining as share of GDP
- Drain on government finances – away from more productive uses

- Poor record of success, *especially* in small land-locked countries dependent on external markets
- Beware undermining advantage of larger regional market – Botswana will lose in NTB/TB rivalry

Inclusion Policies – Action Areas

- Impact assessment of SMME policies to date
- Integrated effort to assess state of education, employment productivity, so we know real needs – i.e. information
- LEA's entrepreneurship activities – upgraded performance and impact monitoring
- BOCCIM et al to collect more information on export-level suppliers, and advertise them to investors
- Regular informality surveys, evidence, analysis
- Due diligence study of EDD/Import Substitution policy experience of other countries

4E. Financing for Industry

Financing for Industry - Overview

Desirable to create a separate category for Industrial Financing

A spectrum of ways of investing public money to encourage industry

- Relatively “costless” options – business environment reform, privatization. Efficiency-focussed
- Financing that benefits wide swathe of firms e.g. infrastructure investment – ICT, energy
- Financing that benefits individual firms but is available to all firms equally on merit. Developmental loans, some fiscal incentives and drawback schemes
- Incentives designed for individual investments and firms.

Financing for Industry - Principles

- Provision of substantively new goods and services rather than existing ones
- Generate significant spillover and demonstration effects
- Conditional on achievement of measurable benchmarks, but transparently accessed
- Explicit exit or sunset conditions
- Supported by strong performance monitoring and impact assessment

- Address specific constraints and opportunities within WTO rules

Financing for Industry – Action Areas

- Investigate weak lending performance, and counter-strategies
- Conduct tracer studies of subsidized / VC investments
- Analyse effectiveness of different forms of industrial financing as input to policy cycle and Annual Industrial Policy Plans
- Etc

5. CONCLUSIONS / RECOMMENDATIONS

- Industrial Policy needs to be raised to a Whole of Government level, or prospects for implementation are slim; dynamic PPD is essential; acknowledge as a national priority.
- Horizontal coordination and collaboration will not happen without strong vertical coordination: Champion, High-Level Committee, Secretariat
- Information is critical: (1) transparency and accountability, and (2) monitoring and benchmarking
- Efficiency - get the often costless basics right – business environment, and actively use international and own performance targets to this end.
- Upgrading: Smart Industrial Policy is a process of discovery, trial and error.
- Export orientation in Manufacturing and Services; beneficiaries of “economic diversification” policies must become export competitive.

6. SOME NEXT STEPS

New IDP Kick-Start Ideas

- Identify the appropriate IDP Secretariat (contentious?)
- Design a performance / competitiveness / innovation indicator set to compile and track.
- Industrial Observatory: Specify an industrial/trade (intimately linked in a small, exporting country) observatory program
- Finalize and approve IDP 2011
- Pick a “costless” (DB-based?) reform item and make it happen through such a non-silo structure (then move onto trickier ones).

The World Bank's "Doing Business" Rankings, And How Reformers Improve Their Position

David Bridgman, Regional Manager, Investment Climate Advisory Services in Africa, World Bank Group

David Bridgman is Manager for Africa of the Investment Climate Advisory Services of the World Bank Group, and a member of the IFC Africa Management and global World Bank Group Investment Climate management teams. The investment climate team advises and supports African countries who request assistance to improve their investment environment. The team currently has programmes in over 30 of Sub-Saharan Africa's 48 countries.



A South African national, David holds a PhD in International Development from Cornell University. Prior to joining the World Bank Group, he established an economic development agency in South Africa and was actively involved in development during and after South Africa's political transformation. His previous positions in the World Bank Group include managing the Multilateral Investment Guarantee Agency (MIGA)'s Sub-Saharan Africa programme, and establishing MIGA's global investment promotion institutional support programme.

Abstract:

The annual "Doing Business" survey prepared and published by the World Bank is a widely anticipated assessment of business conditions in countries across the world. The survey assesses countries on a wide range of factors related to the ease (or difficulty) of doing business. Several countries have used the results as a menu for reform, specifically targeting an improvement in their Doing Business rankings. The presentation will review Botswana's performance in the Doing Business survey, among others, highlighting strengths and weaknesses, and indicate how the survey results can be used as a basis for improving the business climate.

The slide has a dark blue background with a globe graphic. At the top, there are logos for IFC (International Finance Corporation), MIGA (Multilateral Investment Guarantee Agency), and THE WORLD BANK. The title "Doing Business rankings, and how reformers improve their position" is centered in white text. Below the title, the speaker's name "David Bridgman" and location "Francistown, Botswana" are listed, along with the date "September 28 2010".

Overview

- HBS to be number 1 in your field

- How does Botswana perform in the Benchmarking rankings – and in *Doing Business* rankings?
- *Doing Business* is no magic wand
- How could Botswana improve its ease of *Doing Business*
- Reforming – lessons from others

Botswana in the Global Competitiveness Report - World Economic Forum (139 countries)

Country/Economy	GCI			Change 2009- 2010
	Rank	Score	2009 Rank	
Switzerland	1	5.63	1	0
Sweden	2	5.56	4	2
Singapore	3	5.48	3	0
United States	4	5.43	2	-2
Germany	5	5.39	7	2
Japan	6	5.37	8	2
Finland	7	5.37	6	-1
Netherlands	8	5.33	10	2
Denmark	9	5.32	5	-4
Canada	10	5.30	9	-1
South Africa	54	4.32	45	-9
Mauritius	55	4.32	57	2
Namibia	74	4.09	74	0
Botswana	76	4.05	66	-10
Rwanda	80	4.00	n/a	n/a
Gambia, The	90	3.90	81	-9
Benin	103	3.69	103	0
Senegal	104	3.67	92	-12
Kenya	106	3.65	98	-8
Cameroon	111	3.58	111	0

Botswana in the Global Competitiveness Report - World Economic Forum

- Botswana's rank was stable among countries included in last year's survey. It remains one of the four most competitive economies in the region but fell in the context of this year's wider Survey.
- Among the country's strengths are its reliable and legitimate institutions (32nd), ranked 15th for the efficiency of government spending, 21st for public trust of politicians, and 30th for judicial independence.
- Botswana is characterized by extremely low levels of corruption (ranked 32nd overall, on a par with countries such as France and Japan).
- There has been deterioration in its macroeconomic environment, dropping from 41st to 74th over the past year.
- Botswana's primary weaknesses continue to be related to the country's human resources base. Continuing to improve the health and education levels of the workforce remain the key priorities for improving Botswana's competitiveness.

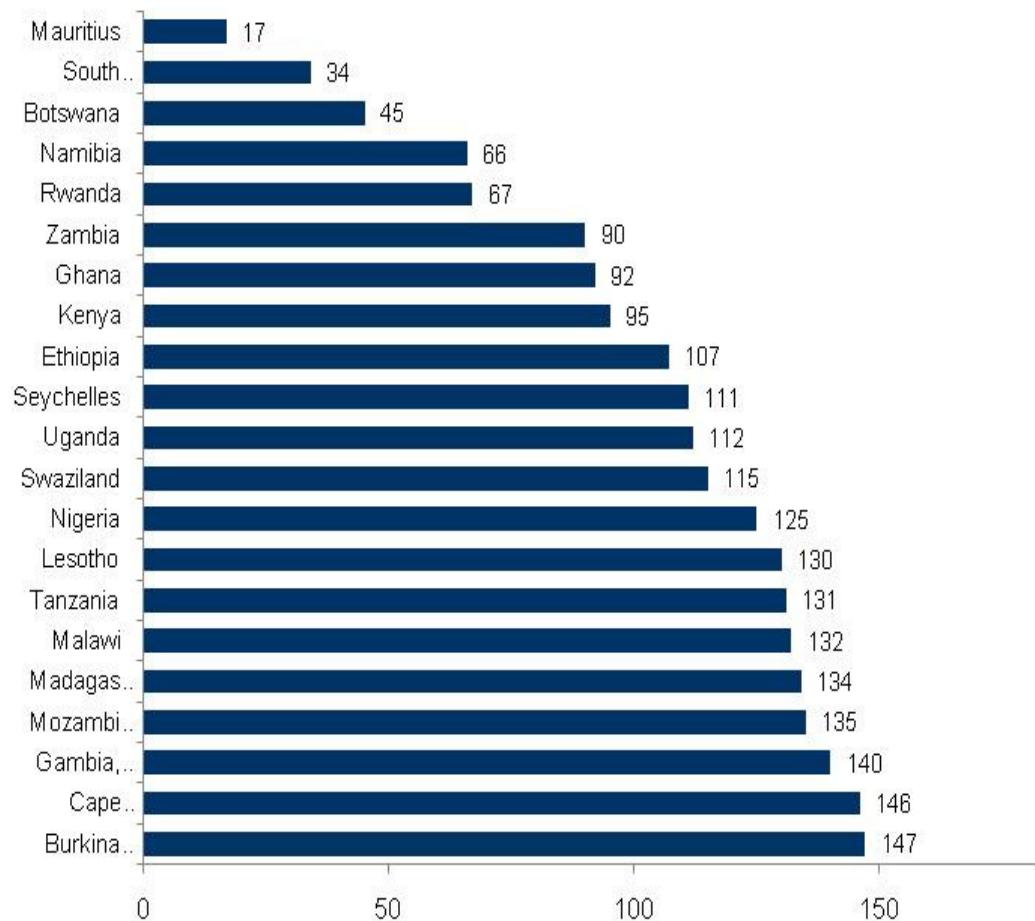
Corruptions Perceptions Index - Transparency International (180 countries)

Rank	Country/Territory	CPI 2009 Score	Surveys Used
1	New Zealand	9.4	6
2	Denmark	9.3	6
3	Singapore	9.2	9
3	Sweden	9.2	6
5	Switzerland	9	6
6	Finland	8.9	6
6	Netherlands	8.9	6
8	Australia	8.7	8
8	Canada	8.7	6
8	Iceland	8.7	4
37	Botswana	5.6	6
46	Cape Verde	5.1	3
54	Seychelles	4.8	3
55	South Africa	4.7	8
56	Namibia	4.5	6
69	Ghana	3.9	7
79	Burkina Faso	3.6	7
79	Swaziland	3.6	3
89	Lesotho	3.3	6
89	Malawi	3.3	7

Index of Economic Freedom - Heritage Foundation (180 countries)

World Rank Score & Change from Previous	
1	Hong Kong 89.7 -0.3
2	Singapore 86.1 -1.0
3	Australia 82.6 0.0
4	New Zealand 82.1 +0.1
5	Ireland 81.3 -0.9
6	Switzerland 81.1 +1.7
7	Canada 80.4 -0.1
8	United States 78.0 -2.7
9	Denmark 77.9 -1.7
10	Chile 77.2 -1.1
12	Mauritius 76.3 +2.0
28	Botswana 70.3 +0.6
69	Madagascar 63.2 +1.0
72	South Africa 62.8 -1.0
76	Uganda 62.2 -1.3
77	Namibia 62.2 -0.2
78	Cape Verde 61.8 +0.5
87	Ghana 60.2 +2.1
93	Rwanda 59.1 +4.9
97	Tanzania 58.3 0.0

Ease of Doing Business Rankings: Mauritius leads the way followed by South Africa and Botswana



How does *Doing Business* work?

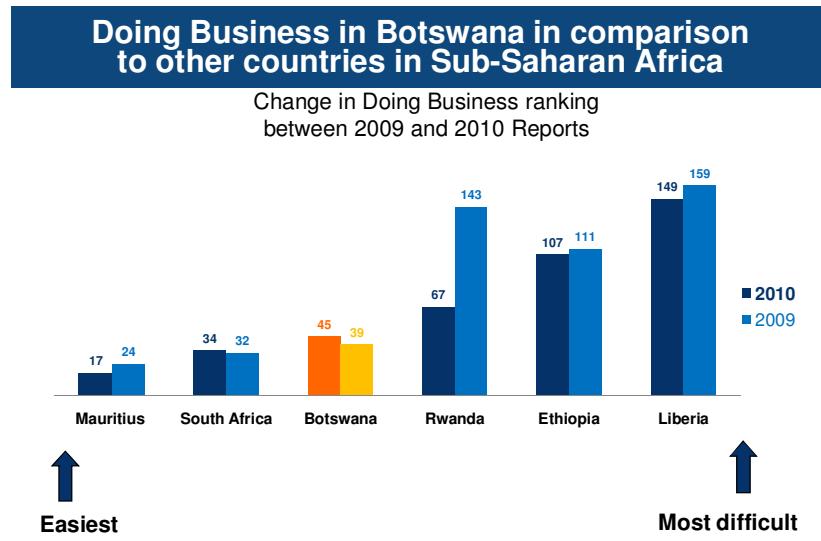
- Goal: to provide an objective and comparative basis for understanding and improving the regulatory environment for business.
- Doing Business report covers 10 indicator sets in 183 economies, for the last 5 years.
- Doing Business measures only Government action to affect ease of doing business – an indication of government priority for enhancing competitiveness, or lack thereof.
- Easy to define, and relatively fast and easy to impact.

What does *Doing Business* measure?

Doing Business indicators:

- Focus on regulations relevant to the life cycle of a small to medium-sized domestic business.
- Are built on standardized case scenarios.
- Are measured for the most populous city in each country.
- Are focused on the formal sector.
- **DO NOT** measure all aspects of the investment climate such as macroeconomic stability, corruption, level of labour skills, proximity to markets, regulation specific to foreign investment or financial markets.

How does Botswana perform in the *Doing Business* ranking?



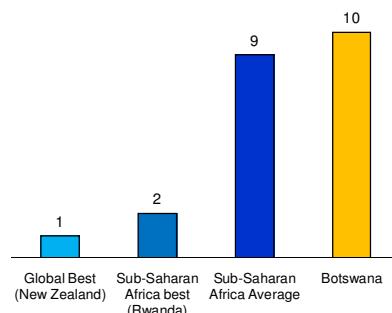
Botswana was one of the Top Ten Reformers in *Doing Business* 2010

Top reformers in 2008/09 by indicator set

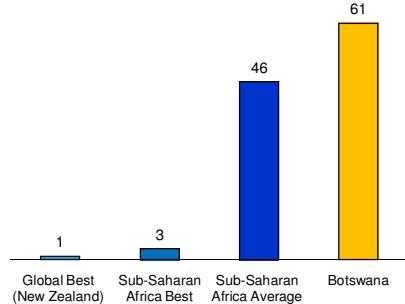
Starting a business	Samoa
Dealing with construction permits	United Kingdom
Employing workers	Rwanda
Registering property	Mauritius
Getting credit	Rwanda
Protecting investors	Rwanda
Paying taxes	Timor-Leste
Trading across borders	Georgia
Enforcing contracts	Botswana
Closing a business	Malawi

Starting a business in Botswana requires many procedures and is lengthy

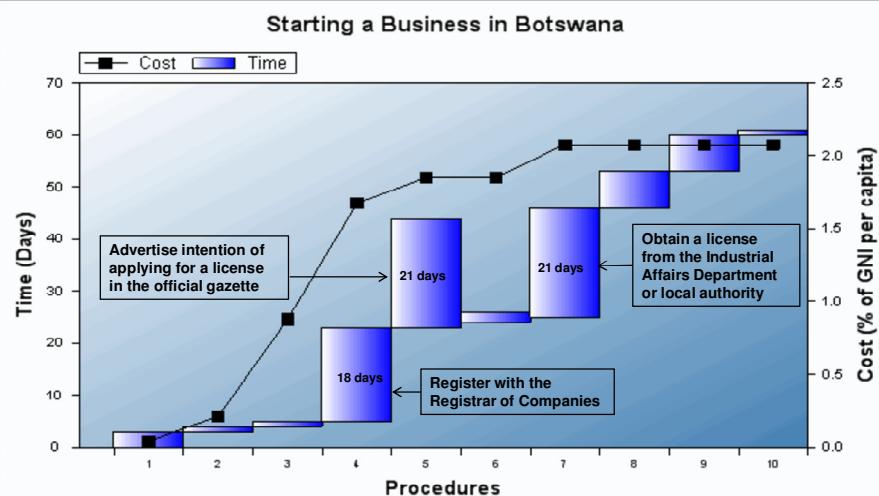
Procedures to start a business (days)



Time to start a business (days)



Starting a business in Botswana



Recommendations to improve starting a business

Reduce the time needed at the Registrar of Companies

The time needed to register at the Registrar of Companies (18 days) remains long by international standards. While the registry should aim at improving the registration efficiency and speeding up the process for all

entrepreneurs, in the short term it might be worth to offer expedited procedure for entrepreneurs who are in a hurry, where at an additional fee, business could be registered faster.

Eliminate the requirement to obtain a business license for business not operating in sectors related to public health of safety

Currently, every newly established company in Gaborone must obtain either an industrial license from the Industrial Affairs Department or a trading license from the local authority. In addition, as part of the licensing process, the business undergoes an inspection. In addition, the applicant must advertise the intention of applying for a license in the official gazette. In total, the requirement to obtain a license adds 3 procedures to the process of registering a company in Gaborone.

Generally, the purpose of licenses should be to protect public health, safety and environment. By requiring business licenses indiscriminately for all businesses the government is not meeting this objective. While businesses dealing with public safety or posing environmental concerns like hospitals, restaurants or taxi cab companies must go through this screening, requiring business licenses from all firms imposes a burden on entrepreneurs with no overriding public benefit. An alternative is to exempt small companies not operating in the sectors related to public health or safety from obtaining the business license.

Consolidate all government approvals and payment of fees at one access point

Currently entrepreneurs must interact with five different government agencies when registering their businesses: Registrar of Companies at the Ministry of Commerce and Industry, Industrial Affairs Commission Department of the Ministry of Commerce and Industry (or local authority), Botswana United Revenue Services, Director of Customs and Excise, and Labour Commissioner. Creating a one-stop shop for documents filing and payment of fees for new company registration would speed up and streamline the process and make it easier for entrepreneurs to meet each agency's requirements.

To form a one-stop shop, two approaches might be considered: (i) "one roof" approach—as a start, representatives from all of the agencies involved would be placed at a single site where they would receive and process all applications and fees; (ii) "single window" approach—registrar staff can be delegated authority to accept and process documents and fees on behalf of other agencies involved. In addition, all fees need to be consolidated in a single fee, which will be then split among the agencies involved behind the counter. The applications should consist of one consolidated form that fulfils the

requirements of all agencies involved. The single window would serve as a contact point with all the agencies. This would allow an entrepreneur to complete company formation in one trip and would significantly reduce the hassle and time involved. An alternative is to identify one key agency—such as the Registrar of Companies—which can accept and process the application on behalf of other agencies. Other agencies could then be given access to the registration database for the type of information they need.

The key to successful reforms is giving officials at the one-stop shop decision-making power for their respective agencies. Without it, delays will continue as the documents travel to agency headquarters and back. In addition, parallel processes at the other agencies must be shut down. Countries that fail to do this see their one-stop shop become "one more stop" in the company registration process.

Computerize company registration

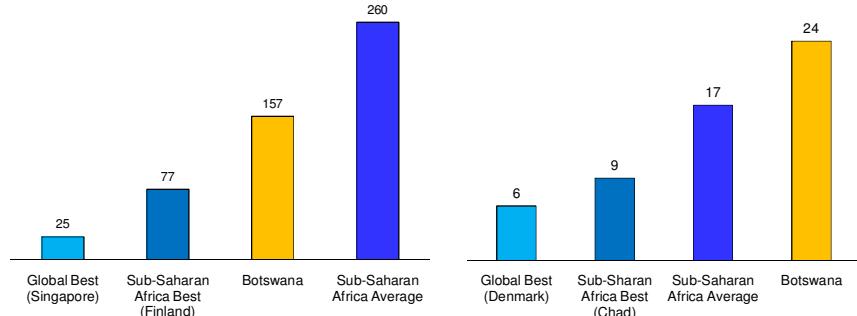
Making registration electronic is the ultimate way to speed up and streamline business start-up. Seven of the economies with the fastest business start-up offer on-line electronic registration—Australia, Canada, Denmark, Estonia, New Zealand, Portugal and Singapore. More than 20 economies have introduced electronic registration over the past 6 years. Although making on-line registration is a challenging task, Botswana can take gradual steps toward it, for example by introducing on-line name search and reservation first. Setting up a single portal that would allow entrepreneurs to complete the registration process without visiting a government office should be the final goal. However, in order to achieve this, Malawi needs to harmonize its legislation on electronic document and electronic signatures with international best practices, to allow entrepreneurs to submit documents and register companies on-line.

In Sub-Saharan Africa, Mauritius provides an example of a successful reform in this area. Since October 2006, all new businesses, including companies and individuals in Mauritius are registered through a "Companies & Business Registration Integrated System." The applications for incorporation and registration are done online. The Commercial Registry grants access to information on new company registrations to tax, social security and local authorities through a Central Business Registration Database. At the time of registration, the Company Registry electronically informs the tax and local authorities of newly registered companies. Tax registration then takes place automatically. Once informed by the registry, local authorities will contact the companies and inform them of fees to be paid or any additional requirements based on the activity of the company.

Building a warehouse is a lengthy and cumbersome process

It takes over 5 months...

... and 24 procedures
to build a warehouse



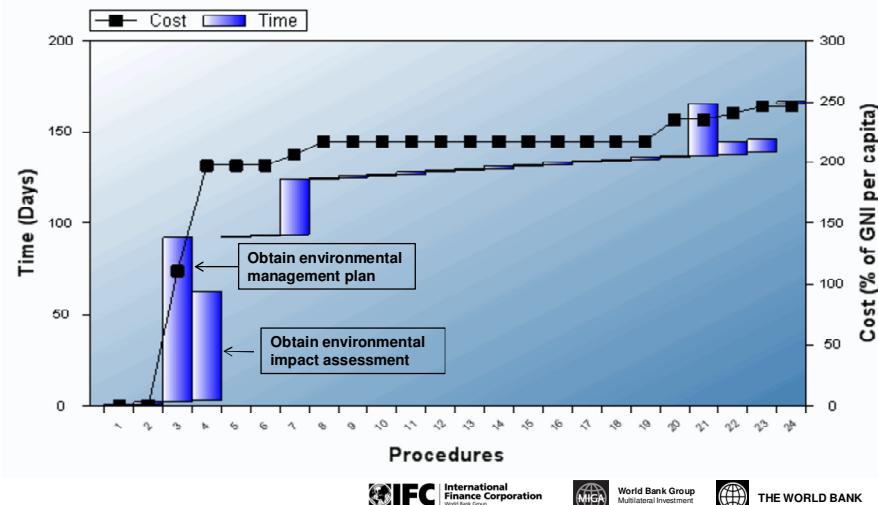
IIFC International Finance Corporation

MIGA World Bank Group
Multilateral Investment
Guarantee Agency

THE WORLD BANK

Procedures related to environmental impact assessment take over half of the total time to deal with construction permits

Building a Warehouse in Botswana



Investigate the possibility of passing the responsibility for quality control to private construction professionals

Currently, new buildings are inspected seven times before; during and after construction by the staff of the Gaborone City Council (*In addition, there are 3 random inspections by the Department of Labour*). Another option is to shift the responsibility for quality control to private experts, who would be certified by the Architects Association of Botswana/Botswana Institution of Engineers. This could free up some resources that could instead be dedicated to timely processing of building permits. Finland, Georgia, Singapore, Thailand and other countries have recently made the building architect or engineer responsible for quality. These qualified experts are private practitioners, certified and bound by the government to conduct safety inspections. Inspections are still conducted, but they are considered internal procedures since they are conducted by the same company that is constructing the warehouse. If a cadre of such professionals were created, their profession would need to be regulated in terms of skills and performance. This type of reform reduces the administrative burden for both the authorities and the builder. At the same time, building quality is ensured as the

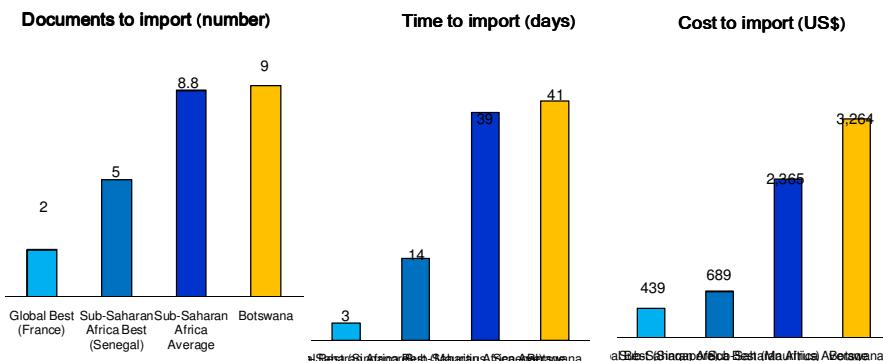
qualified expert has to certify that the building is compliant with all safety standards necessary for use.

Computerize the application process

Currently all building applications, permits, and the filing of drawings are done manually. In the future, it would be advantageous to computerize the system so that building information can be stored in a manner that is easily accessible and development requests can be cross-checked for ownership, compliance, permits and inspections.

Several countries have already such computerized systems in place. Developers in Austria, Denmark, Iceland, Malaysia, Norway, Portugal and the United States can complete their building permit applications online. In Singapore, the new data management system provides an easy access to the information needed for obtaining a building permit and allows for efficient permit processing. Today builders regularly receive updates on the status of their application by either e-mail or text messaging. As a result, the time for dealing with construction permits has been reduced by two-thirds. This reform saves time for builders and government officials alike.

Trading across borders is lengthy and costly



Traders in Botswana are required to assemble numerous documents and face high costs as well as delays compared to good global and regional practices and regional averages.

It is true that Botswana like many other landlocked economies faces high inland transport costs to reach ports and delays at border posts, which results in a higher average time and cost to export and import than traders encounter elsewhere. But geography is not destiny. Border cooperation agreements can enable cargo to move freely—

without being stopped for customs—until it reaches its destination. Thanks to EU regulations, a trader in Vienna needs only 2 days to arrange for and complete the transport of cargo to the port of Hamburg despite the distance of 900km. This is more than the distance of 771km between Gaborone and the port of Durban, however, the trader in Gaborone will need 10 days to complete the inland transport.

Recommendations to facilitate trading across borders

Improve electronic submission of documents

In Botswana, although all documents are submitted online from the office, once the submission is complete, at the office, a hard copy must be printed and the paperwork must be carried with the cargo (it is stamped at border posts). Traders feel that until all documents can be transmitted electronically there will always be delays at customs and container terminals.

Streamline the document requirements for importing and exporting

One of the obstacles faced by Batswana traders is the number and complexity of documents needed to trade. Currently traders must fill out and submit 9 documents to import and 6 to export. Document preparation takes up 15 days for imports and 13 days for export, which amounts to over 1/3rd of the total time to import and nearly half of the time to export in Botswana. Botswana requires many more trade documents than most of its neighbours. In Senegal, for example, instead of 9 just 5 documents—a bill of lading, documentation packet, commercial invoice, customs declaration, and packing list—are required for imports. The Government of Botswana should explore ways to streamline these documentary requirements. Documents should be kept to the minimum necessary in the interest of saving time and money on document preparation. A mapping exercise of import and export processes will be helpful to determine the need of certain documents or how best to integrate the required information.

Also

- Speed up implementation of the one border stop agreement with South Africa and Namibia
- Improve inland transportation on major routes, such as Gaborone-Durban

Doing Business is no magic wand

What do *Doing Business* reforms seek to achieve?

- Output: changes in the legal and regulatory environment, through efficient regulations, accessible to all, and simple in their implementation.
- Outcome: governance through formal, transparent and coherent rules that are not onerous
- Impact: increase in investment and growth
- Huge signalling power of government commitment to competitiveness

The investment climate is more than just the business environment...

- Policies

- Laws
- Regulations
- Institutions

And...

- Financial sector
- Infrastructure
- Factor endowments
- Market characteristics
- Political stability and security

Botswana can be the best reforming country in Africa

Lessons from other African countries

- In DB 2010, **Rwanda** jumped 76 places in the rankings (more than any country has ever jumped in one year before) to number 67, making it simply the top reformer in the world.
- **Mauritius**, ranked 17 of the 183 economies, was the top Sub-Saharan economy for the second year in a row in terms of the overall regulatory ease of doing business. It adopted a new insolvency law, established a specialized commercial division within the court, eased property transfers, and expedited trade processes
- Rwanda and Mauritius show that there is no obstacle to African countries being counted among the best in the world.
- Other rapid reformers – Burkina Faso, Liberia, Kenya have reinforced lessons on how rapid reform can be achieved

Rwanda was the world's top reformer in *Doing Business 2010*

- Rwanda landed at the top spot among the world's reformers following changes to seven of the 10 business regulation areas measured by the Doing Business Report.
- Rwanda became the first African country to top the list as the world's biggest business reformer.
- It now takes a Rwandan entrepreneur just two procedures and three days to start a business. Imports and exports are more efficient, and transferring property takes less time thanks to a reorganized registry and statutory time limits. Investors have more protection, insolvency reorganization has been streamlined, and a wider range of assets can be used as collateral to access credit.

Rwanda in the *Doing Business* ranking

Improvement in rankings

Topic	Regional Average	Ranking DB09	Ranking DB10
Ease of Doing Business	139	143	67
Starting a business	126	64	11
Dealing with construction permits	117	88	89
Employing workers	119	113	30
Registering property	123	59	38
Getting credit	120	147	61
Protecting investors	113	171	27
Paying taxes	112	58	60
Trading across borders	137	171	170
Enforcing contracts	117	48	40
Closing a business	127	183	183



Achieving success in Investment Climate reform

Lessons from successful countries

- Political decision to prioritize investment climate reform, and commitment to follow through – early identification of targets
- Establishment of an interdepartmental working group in government, reporting progress periodically to the head of state/cabinet
- Links to private sector – to learn priorities and discuss progress
- Reforms create space for new entrants that may in time threaten vested interests – so reforms will be difficult until there is political impetus from the top

Process for measurable progress in DB reform holds also for all Investment climate reforms

Botswana's performance varies by topic

Topic	Botswana	Top ranked (Sub-Saharan Africa and Global)
Overall rank	45	Mauritius; Singapore
Starting a business	83	Mauritius; New Zealand
Dealing with construction permits	123	Swaziland; Hong Kong (China)
Employing workers	71	Uganda; Singapore
Registering property	44	Ghana; Saudi Arabia
Getting credit	43	South Africa; Malaysia
Protecting investors	41	South Africa; New Zealand
Paying taxes	18	Mauritius; Maldives
Trading across borders	150	Mauritius; Singapore
Enforcing contracts	79	Tanzania; Luxembourg
Closing a business	27	Botswana; Japan



Botswana's performance on the DB indicators is uneven. While it ranks highly on some indicators, such as Paying taxes (18) and Closing a business (27), being the best regional practice in this area, it lags behind on several others, most specifically Trading across borders (150), Dealing with construction permits (123), Starting a business (83). There is much room for improvement in these areas.

SESSION 6: EDUCATION AND SKILLS

Chair: Daisy Molefhi, ABM University Colleges

The View from the Private Sector: Skills Shortages, Shortcomings, and Improvements

Ms Sethunya Mosweu, Institute for Human Resource Management (IHRM)

Sethunya Lucia Mosweu is the Deputy President of the Institute of Human Resource Management. She holds a Bachelor of Science degree in Marketing with a minor in Human Resources from Johnson and Wales University, Providence Rhode Island; and a Master of Industrial Organizational Psychology from the University Of New Haven CT; with a primary focus on organizational development and change. She is conversant in international best practice and has accreditation as a trainer on a variety of HR focused processes. Her current role is to manage and direct human resources development as the head of Learning and Development at Stanbic Bank Botswana.



Abstract:

The gap between the requirements of employers in Botswana and the knowledge and skills of potential employees continues to grow. This is evidenced by the high graduate unemployment rate in the country, even though employers have unsatisfied requirements for employees with particular skills. This mismatch is also apparent in situations where industry seeks graduates from the newly established Department of Graduate Internships, but often

registered graduates are not available in the fields required by the employers. The Botswana Government continues to invest heavily in training, and the private sector also does its part in terms of investment in training and development. So, if financial considerations are not a major stumbling block, where does the system go wrong? Two areas warrant examination in this regard: The first issue to look at is the relationship of industry or employers with the training institutions. It would appear that industry does not participate sufficiently in planning the development of potential employees, nor does it adequately influence curriculum development to address its human capital needs, resulting in the production of graduates that are not relevant to the work place. The second issue to consider is rapidly changing employer needs, which is in turn influenced by continuing technological change. Where the environment is as volatile as it is today, the training system is challenged with planning the training of people whose future job demands cannot easily be anticipated.

Improvements can be expected in the interventions that are being made to address these issues. The first is the Government's initiative of setting up Standard Setting Task Forces (SSTFs). These task forces are sector specific and are meant to bring together industry and training providers by giving industry a platform to contribute to the development of courses in their sectors. Improvements can also be anticipated where industry/training providers seem to be focusing their training and development initiatives on generic skills, developing "Knowledge Organisations". The focus is on equipping employees with survival and learning skills as opposed to technical skills. Here industry is aiming at developing people who can adapt to change as and when it occurs, utilising their learning skill to train themselves. Even with these interventions, challenges of the skills mismatch, as well as challenges associated with potential interventions, are still evident and will be discussed in this presentation.

“THE VIEW FROM THE PRIVATE SECTOR: SKILLS SHORTAGES, SHORTCOMINGS, AND IMPROVEMENTS”

INSTITUTE OF HUMAN RESOURCE MANAGEMENT



The World Perspective

“The surge of global competition into our labour markets, sweeping technological change, and impending shifts in the demographic mix of our labour force call for a national campaign to improve the skills and professionalism of the American workforce. We must create new learning partnerships throughout our communities and workplaces to sustain the jobs that provide for our middle class, pay the social costs of health, education and retirement, and preserve capabilities necessary for our nation’s security”.

Task Force on Workforce Development, Albert Shanker Institute/New Economy Information Service, Learning Partnerships: Strengthening American Jobs in the Global Economy, 2004:2

- Skill ‘shortages’ hordes the perception that other countries appear to have workforces with a higher stock of skills (qualifications) than your own - the ‘shortage’ is comparative

Definition of Skill; Why it is in short supply

- Critical skills refer to specific skills within an occupation, there are two groups of critical skills:
 - Generic skills, i.e. problem solving, learning to learn, language, literacy or numeracy skills; working in teams
 - Particular occupational skills required for performance within that occupation
- There is an argument that best skill fit is out there; best fit is one with inherent traits that acquiesce with the environment for which it is being acquired for

Skill shortage Factors

- Mismatch of supply/demand - lack of focus with education strategy - want versus need
 - Lack of exposure, diversification, mindset versatility and appetite for competition
 - Under developed entrepreneurial, technical & managerial skills
 - Not really about some form of advanced qualification in a ‘high skills’ environment
 - Graduate internship program a white elephant?
- Unemployment rate is sitting at 17.5% 2006
- HIV impact unemployment rate 26.2% 2008
- Scarce skill rate 5.27% against expatriates
- We graduate at least 20 - 50K student annually

Causes for Concern

- Irrespective of size, industry or location, most firms identify Skills deficits as one of their three most binding constraints
- Skills ‘shortages’ is pronounced by employers who cannot fill vacancies or who have concerns about their existing workforce skills
- Private sector better placed to develop specialised skill to requisite levels of performance
- Foreign investors present opportunities for a high level diversification of skill

The Botswana Environment

- Understand current and future needs
- Provide an enabling environment for foreign investment to thrive through a legislative context to stimulate sustainable investment in human capital
 - BOTA levy a good example but highly under utilised

- HIV and Pandemic disease management and de-stigmatisation
- De-stigmatisation of career areas
- Explore push & pull factors which influence employee attraction, engagement & retention
- Economic diversification – entrepreneurial expansion of our income sources away from common sources such as mining & beef
- Capitalisation of intangible sources of economy that play within the global arena such as service, money market trade, tourism
- participation in the various programs available to Batswana i.e. CEDA, LEA etc

Most Affected Areas Worldwide

- Manufacturing versus Retail
 - Management;
 - Engineering,
 - Science and technology,
 - Production Operations;
 - Skilled manual trades;
 - Finance

Gaps May be a Good Sign

- Research by Mason, Zwick suggests that skill gaps are associated with organisations that are seeking to:
 - improve their productivity
 - expand their product range
 - upgrade product or service quality
 - introduce new equipment (e.g. ICT)
 - develop new markets
- An economy with few skill gaps may be an economy with a lot of path dependent firms who are not responding to competitive pressures very well.
- As long as the gaps are transitory, they are probably a good sign

Adapted from Ewart Keep Deputy Director, ESRC Centre on Skills, Knowledge & Organisational Performance, University of Warwick,

Skill Management

- Shorten time to competency
 - On board staff
- Understand generational differences
 - Traditionalists, baby boomers, generations X & Y
- Develop to release and release to re-hire
- Understand the ageism factor and how it contributes to skills management

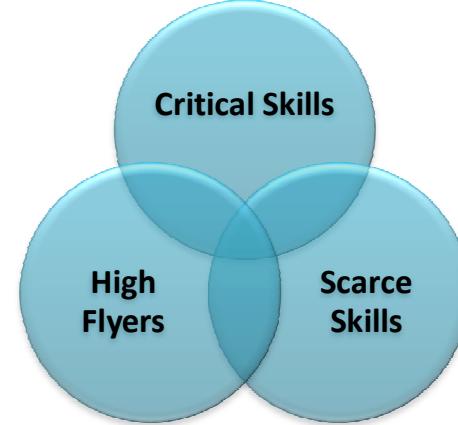
A Stunning Senior Moment

A self important college freshman walking along the beach took it upon himself to explain to a senior citizen resting on

the steps why it was impossible for the older generation to understand his generation. "You grew up in a different world, actually an almost primitive one" the student said loud enough for others to hear. Young people today grew up with Television, jet planes, space travel, man walking on the moon... We have nuclear energy, ships, cell phones, computers with light speed and more. After a brief silence the senior citizen responded as follows:

"You're right son. We didn't have those things when we were young, so we invented them. Now you arrogant little Sh*t what are you doing for the next generation? The applause was deafening..!!

Defining Talent



Talent/Skill Management - Botswana

- The pull of high wages that are not commensurate with productivity usually over look the worth of the actual talent; is it real or imagined leading to a short change of the real thing
- We are in the relationship age; have we conquered the IT age. It seems we are still stuck in the industrial age
- The low propensity for entrepreneurial capacity is accentuated by the limited market Botswana has
- Thick layers of bureaucracy and a multitude of regulations, little accountability and low work ethic
- Delay by Government in hiving off certain activities or outright sale of state enterprises better suited for the private sector
- Government could outsource support functions i.e. cleaning services, security, etc. Most are best provided by private sector

Talent Engagement Challenge

- Understand the differing expectations of today's talent
- Define and support return on talent
- Customise employee engagement
- Create connections
- Wisdom transfer
- End to end talent pipeline

A task for every manager:

Develop your employer brand!!

The Leadership Imperative

- Value has a value only if its value is valued (**Bryan Dyson CEO Coca Cola**)
- Leadership is a leading factor in retention - mentorship and coaching
- The role of competency management
- Talent investment sustainability
- Employee engagement and value proposition
- Succession the wine glass route – parallel progression

Leading skilled labour

“Leadership is the Art of accomplishing more, than the Science of Management says is possible!” - Colin Powell

“Leadership is doing What’s Right, at the Right Time, for the Right Reason!” - U.S. Army Green Berets

Insight on Leadership

A group of workers and their leaders are set a task of clearing a road through a dense jungle on a remote island to get to the coast where an estuary provides a perfect site for a port.

The leaders organise the labour into efficient units and monitor the distribution and use of capital assets – progress is excellent. The leaders continue to monitor and evaluate progress, making adjustments along the way to ensure the progress is maintained and efficiency increased wherever possible.

Then, one day amidst all the hustle and bustle and activity, one person climbs up a nearby tree. The person surveys the scene from the top of the tree. And shouts down to the assembled group below...

“Wrong Way!”

(Story adapted from Stephen Covey (2004) “The Seven Habits of Highly Effective People” Simon & Schuster).

“Management is doing things right, leadership is doing the right things”

(Warren Bennis and Peter Drucker)

The Bad News...

Up-skilling is the easy bit if a government is willing to spend taxpayers’ money on a large enough scale; a much more highly qualified workforce is achievable

Deriving benefit from this is the hard part. Ensuring that higher levels of skill are really needed and get used to maximum productive effect is the new challenge.

Skills alone are not enough

- Skills produce results in combination with other factors.
- There are other weaknesses that must be tackled:
 - Poor record on implementation
 - Very poor record on investment in plant and equipment over the years
 - Low levels of innovation
 - Poor public infrastructure (e.g. Roads Transport, resources)
 - Low levels of ownership/accountability and responsibility
- The challenge covers the need to move to a new model of competitive advantage if we want to compete globally

IHRM Recommendations

- All major economic players across all sectors of the economy should focus on leadership development for sustainable practical wealth creating initiatives.
- Execute talent management as a core national and business imperative
- Foreign investors must create a platform that present opportunities for their professional employees to interact with peers at regional/global levels for exposure and benchmarking purposes
- Both at national and international levels, people management competencies must be developed such that managers and leaders deliver talent versatile policies and practices to foster attraction and retention.
- HR must be a strategic partner working with competent executives and line management to grow performance environments that induce high levels of employee engagement

IHRM Suggestions

- Botswana should engage a skill shortage study and use ASGISA to benchmark the process
- Local academic curriculum must be informed by the market; Tertiary education must engage the market that should in turn be allowed to evaluate the relevance and sustainability of training
- There is a prevalence of stigmatised skills sets; there is need to launch a de-stigmatisation at mindset level of certain skills being viewed as inferior
- The private sector must be invited to participate in the graduate internship program as a matter of priority
- Re-conceptualisation of certain functions i.e. Tourism as much for local Batswana as it is for foreigners. Tourism is NOT just game viewing

The View from Government: Investment in Skills and Education to Meet the Needs of the Economy

Dr Patrick Molutsi, Tertiary Education Council (TEC)

Patrick Molutsi was appointed Executive Secretary of the Tertiary Education Council in October 2003. In this position he has travelled and participated in global Higher Education Conferences around the World. He is currently supervising two major projects on development of a Tertiary Education Policy and a Human Resource Development Strategy (HRDS) for Botswana.



Before joining the Tertiary Education Council, he worked for the International Institute for Democracy and Electoral Assistance (IDEA) in Stockholm, Sweden from 1999 to 2003. He has also taught in the Department of Sociology at the University of Botswana, and was Dean of the Faculty of Social Sciences from 1996 to 1999. Patrick has a first degree in Sociology and History and a concurrent Diploma in Education, from the University of Botswana, a Post-Graduate Diploma in Population Studies (Ghana), M.Phil (Oxford), D.Phil (Oxford) - both in Sociology of Development and a Diploma in Public International Law (Holborn College, Wolverhampton).

He has done research and written on a wide range of topics including democracy, education, elections, rural development, human development, poverty and governance.

Abstract:

The Government of Botswana is one of the highest spenders on education and training in the whole world. Presently, the Government spends around 26% of its annual budget on the Ministry of Education. In turn, the Ministry spends close to 50% of its annual budget on supporting education and training activities at tertiary level. Government's long-term commitment to education and training was demonstrated in the past few years by the approval of the Tertiary Education Policy (TEP) and the National Human Resource Development Strategy (HRDS) in 2008 and 2009 respectively.

This presentation examines the various initiatives that government has put in place to

- address the skills shortage in the economy
- deal with the problem of mismatch between skills supply and demand
- address problems of low quality in the training of graduates
- Take measures to make programmes of training relevant and responsive to labour market signals.

In particular the presentation reports on the labour market observatory project, human resource planning, accreditation and audit processes in vocational and tertiary institutions as well as efforts to promote institutional research and a culture of innovation in tertiary institutions that is linked to industry's needs.

PRESENTATION ON INVESTMENT SKILLS DEVELOPMENT AND EDUCATION THE VIEW FROM GOVERNMENT

BY

PATRICK MOLUTSI

TERTIARY EDUCATION COUNCIL (TEC)

Objectives of the Presentation

- To share with participants key government policies and strategies on skills development and educational reforms
- To present areas where private sector inputs are required
- To point out opportunities for private sector investment in education and skills development

Key Policies and Strategies

- In the past two years govt has come up with two key policy/strategies to reform skills and education development in Botswana
- The tertiary education policy (TEP, 2008) and human resource development strategy (HRDS, 2009) are currently being implemented as major reforms in education and skills development

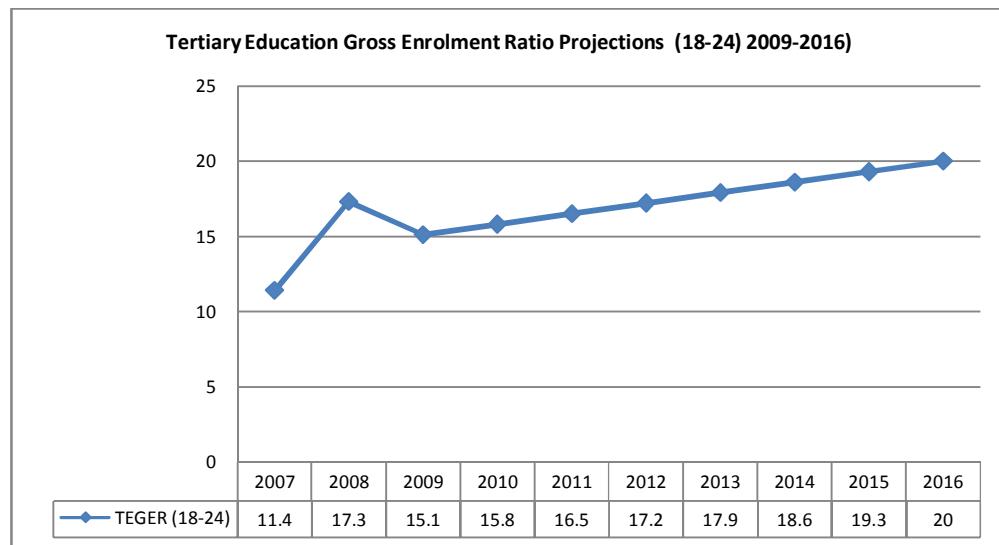
Core Goals of TEP and HRDS are:

- To accelerate human resource development
- To match skills training and education supply with labour market demands
- To address major inadequacies in quality and relevance in the skills and education
- To inculcate the culture of research and innovation in our training institutions

Summary of Goals

- TEP and HRDS aim to increase access to relevant and high quality training at affordable cost
- TEP and HRDS represent major reforms in skills development and education to respond to labour market trends and global competitiveness – hence LMO project

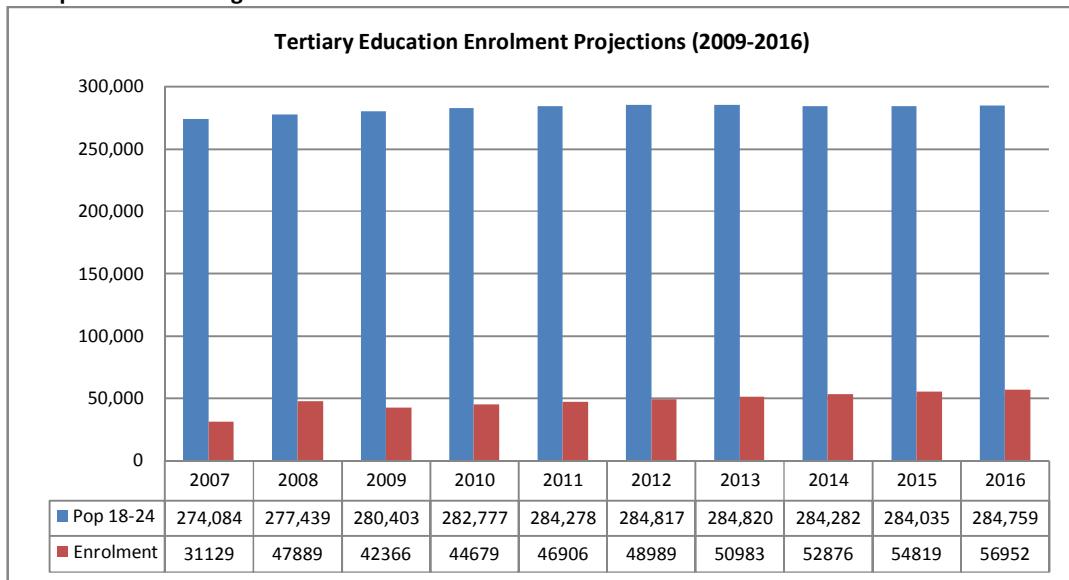
Participation Targets



School Graduates Planned to Grow

Year	CSO Applied Growth Rates	Projected Output Public Schools	Projected Output Private English Medium Schools	Projected Total Output
2009	6.1	32,503	464	32,967
2010	5.3	34,226	489	34,714
2011	9.7	37,546	536	38,082
2012	11.1	41,713	595	42,309
2013	5.5	44,007	628	44,636
2014	7.2	47,176	673	47,849
2015	3.0	48,591	694	49,285
2016	9.2	53,062	757	53,819

Projected Participation in Training of 18-24 Yrs



Government's Investment in Education and Skills Very High

Budget	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Recurrent	1,875	1,726	1,953	2,085	2,262	3,006	3,525	3,718
Development	163	260	159	300	423	951	1,593	1,889
TE Budget	2,038	1,986	2,112	2,385	2,685	3,957	5,118	5,607
MOE Total budget	4,113	4,320	4,676	5,052	5,580	6,311	8,854	9,720
TE % of MOE	49.5%	46%	45.2%	47.2%	48.1%	62.7%	57.8%	57.7%

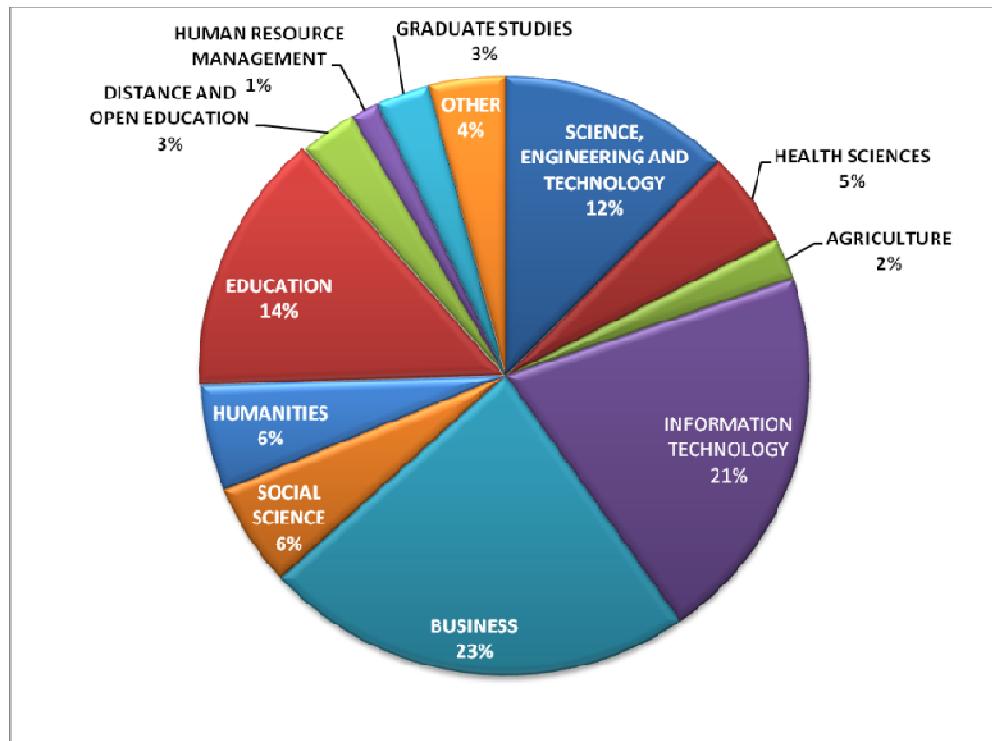
% of Education to GDP High by International Standards

Budget	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
TE Budget (All Institutions)	2,156	2,122	2,275	2,550	2,855	4,138	5,314	5,790
National Budget	26,245	22,271	24,992	27,125	31,709	29,840	37,920	57,567
TE Budget % of National Budget	8.2%	9.5%	9.1%	9.4%	9.0%	13.9%	14.0%	10.6%
Botswana GDP		47,157	52,409	65,695	75,993	91,656	83,199	99,700
TE % of GDP		5%	4%	4%	3.76%	4.52%	6.39%	5.81%

The Process of Reforms Includes

- Increased efficiency through the use of unit cost funding approaches
- Restructuring and merging too small institutions to increase economies of scale
- Ensuring that learners enrol in programmes that are required by the labour market

Learners and Institutions are Beginning to Respond



Progress to Date

- Accreditation/auditing of programmes has started with assistance of external specialists from other countries
- Merging and rationalisation of institutions and programmes to improve focus and relevance underway
- Illegal training institutions almost eliminated

HRDS implementation

- HRDS was approved by cabinet in January 2009
- HRD Transitional Council was established in July 2009
- Transitional HRDC is operational and its activities include:

HRDC Activities

- Complete merger of BOTA and TEC by June 2012
- Establish six sectoral committees by end of 2011
- Produce sectoral HRD plans beginning 2011 and
- The first human resource development plan by June 2012

Challenges Requiring Private Sector Involvement

- The private sector needs to come on board in:
 - Attachment of learners
 - Receiving interns and supporting their experiential learning
 - Sponsoring some learners and research activities
 - Contribute to curriculum reforms

Opportunities for Private Sector Investment

- PPP opportunities exist on construction of institutions
- Rental of existing facilities for training

- Outsourcing of educational services such as student loan scheme
- Build private institutions in areas of need such as Kgalagadi and Ghanzi

Recommendations

- Private sector and government should formalise their joint ownership and sponsorship of the internship programme
- Private sector should agree to review of the vocational training fund (levy) so that it could be used to fund training in other areas of critical skills shortage
- Private sector must actively get involved in issues of curriculum development and delivery
- Both govt and private sector should commit to funding research and development (R&D) by establishing a joint fund

Lunch was sponsored by Barclays Bank

SESSION 7: GOVERNMENT AND THE PRIVATE SECTOR - BREAKAWAY WORKSHOP SESSIONS

GROUP 1: REGULATIONS AFFECTING BUSINESS, AND PRIORITIES FOR DEREGULATION

Chair: Ephraim Letebele, BPOPF

Rapporteur: Steve Bogatsu

Regulations Affecting Business, and Priorities for Deregulation

Dr Keith Jefferis, Econsult

Keith Jefferis is a macroeconomist and financial sector specialist. He is Managing Director of Econsult Botswana (Pty) Ltd, and is a former Deputy Governor of the Bank of Botswana. His current activities include work on a range of macroeconomic, financial and other development issues in Botswana and elsewhere in sub-Saharan Africa. Recent projects have included reviewing currency and exchange rate policy options for Zimbabwe;



assessing the impact of global regulatory changes on banking supervision in Africa; the development of bond markets in East and Southern Africa; developing a privatisation strategy for Botswana's National Development Bank; improving the supply of financial services and banking sector efficiency in Angola; and assessing the macroeconomic impact of HIV/AIDS in Botswana and Uganda. He has recently consulted for the World Bank, the African Development Bank, USAID, SADC, UNDP and a number of banks and other private sector firms. His other ongoing responsibilities include the position of Economic Advisor to the USAID Southern African Trade Hub; Chair of the Investment Committee for BIFM, Botswana's largest asset manager, and working as Botswana's representative for FinMark Trust, contributing to FinMark's work on enhancing access to finance.

Abstract:

The regulatory framework is an important determinant of the success of the private sector and its ability to contribute to sustainable diversification. Botswana has generally done well in international assessments of the regulatory framework, and in principle the Government is committed to further deregulation to improve the business climate. In

practice, however, the implementation of some regulations is increasingly seen as a burden by the private sector, and there is little evidence of effective deregulation, even though deregulation can be a relatively low-cost way of boosting the private sector. Key regulatory constraints

relate to business licensing, immigration, land zoning and transport. The presentation will discuss some of the main regulatory constraints to business, and make some proposals for regulatory reform in support of economic diversification.



Regulation and Economic Performance

- Regulations - rules for business imposed by governments
- Regulations are needed - imposed for specific reasons, to achieve desired public policy objectives
 - E.g. environment, trade, health & safety, employment, land, transport, immigration, etc.
- But often have negative impacts:
 - unanticipated effects
 - excessive cumulative regulatory burden
 - regulation doesn't adapt as circumstances change
 - "rule by bureaucrats" – vested interests in keeping regulations

The Benefits of Regulatory Reform

- International experience shows a clear positive impact of regulatory reform
- E.g., World Bank "Regulation and Growth"
 - Moving from the worst quartile (lowest 25%) of business regulation to the best, improves growth by 2.3% a year on average

- Regulatory reform has a bigger positive impact than education
- "countries should put priority on reforming their business regulations when designing growth policies"

Commitments to Regulatory Reform in Botswana

- Botswana Excellence Strategy
 - "Implementing a programme of accelerated, comprehensive deregulation"
 - "More business friendly regulations, rules and public service ... to be aligned with world class standards"
- NDP10
 - Commitment to further deregulation
 - New regulations should be introduced only after thorough analysis of possible unwanted side-effects

International Assessments

- World Bank "Doing Business"
 - Botswana rated #45 out of 183 countries in 2010, down from #39 in 2009

- Particularly weak in Starting a Business, Dealing with Construction Permits, and Trading Across Borders
- WEF Global Competitiveness Index
 - #76 out of 139 countries in 2010
 - Down from 66 in 2009 and 56 in 2008
- Raises cost of labour
- Provides a major obstacle to inward investment - FDI
- Undermines competitiveness
- Presents adverse image to rest of the world
- Hinders diversification and limits employment creation and economic growth

Key Aspects of Regulatory Impact on Business

- Land zoning
- Immigration
- Sector-specific regulation – e.g. air transport
- Business Licensing

“International research finds a strong correlation between the ease of importing skills and skilled labour, on the one hand, and rapid economic growth, on the other hand”.

NDP10, para 5.100

Land Zoning

- Impacts on business/economy:
 - Inhibits business start ups
 - Restricts flexibility in land-use for economic efficiency
- Specific problems:
 - Rigid zoning categories & inflexibility in interpretation
 - No “tourism” zoning category
 - Change of use difficult
 - Lack of understanding of business by relevant officials
 - Multiple use not permitted, e.g. tourism & agriculture; business & residential

Specific problems

- Immigration criteria unclear - lack of transparency
- Lack of clarity over which “scarce skills” will be approved
- Approval process is slow, uncertain, subjective and prone to corruption
- Tendency to say “no – go and appeal”
- Perceptions of xenophobia amongst officials
- Basis for exemptions not transparent
- Regional ISBs!!!
- Policy inconsistent – ease of obtaining work permits and permanent residence varies over time, for no apparent reason
- Immigration criteria are not business-friendly

Land Zoning - Solutions

- Introduce flexibility, e.g.
 - Allow mixed activities in business areas, e.g. mixed commercial/light industrial
 - End agricultural segregation (grazing/crops/mixed use)
 - Make change of use a simple formality
 - Exempt SMEs
- Allow multiple use, e.g.
 - Combined agriculture & tourism, e.g. guest farm accommodation
 - Small-scale business – especially services - in residential areas; home business; urban farming
 - Allow tourism (e.g. small-scale accommodation) without requiring change of use

Immigration - Solutions

- Introduce objective immigration system
 - e.g. points system (like Australia), rewarding scarce skills, experience and other desirable criteria
 - Process should be administrative, not subjective
 - End role of Immigration Selection Boards
- Improve efficiency
 - Commit to maximum time for decisions
 - Allow initial web-based self-assessment, and applications via the internet
 - Reduce opportunities for corruption by making process objective and speedy
- Make immigration more business-friendly
 - Immigration system less restrictive for investors, entrepreneurs and skilled workers
 - Introduce “scarce skills” list and reward with high points
 - Allow more flexibility in entrepreneurial immigration
 - Relax localisation requirements
 - Allow major investors (high \$\$\$) to bring in skilled foreigners automatically
- Benchmark to international best practice

Immigration

Immigration Restrictions (Temporary and permanent residence)

- Impacts on business/economy:
 - Limits access to skills – crucial given shortage of certain skills nationally
 - Restricts participation in global labour market

- Review & modernise Immigration and Citizenship Act and Employment of Non-Citizens Act

Air Transport

Regulation of Air Transportation

- Highly regulated sector – for some good reasons
 - Safety regulation (airworthiness, operator competence)
 - Economic regulation (market entry, fares, capacity, competition)
- Economic regulation in Botswana
 - Air Botswana domestic monopoly on domestic flights
 - Restricted access to foreign carriers on international routes
- Result:
 - Protected, loss making, inefficient national carrier offering poor service, failing to meet the country's needs
- International experience shows very clearly that liberalisation of air transportation – market access and competition – leads to:
 - lower fares
 - improved services (increased seat capacity, more routes, and more airlines)
 - growth of tourism industry
 - any losses for inefficient state-owned airlines are more than offset by gains elsewhere in the economy

Liberalisation of Air Transportation

- Adopt an “Open Skies” policy – often talked about, but little or no action
- Remove Air Botswana domestic monopoly – and ensure capacity to implement liberalised regime
- Allow any foreign carrier to fly into Botswana on any route
- Allow 5th freedom
- And watch the tourism industry boom!

Business Licensing

- Licensing: regulatory approval required to carry out core business activity
- Business / economic impacts
 - Inhibits business start-up / continuation
 - Increases business costs
 - Adds to uncertainty
 - Restricts diversification, growth and employment creation
- Supposedly justified by “public interest” objectives

International Best Practice: “Good” Business Licensing

- Legitimate regulatory purposes
 - Public health and safety
 - Environmental protection
 - National security
 - Allocation of scarce resources
- Licensing should *not* be used for:
 - Revenue raising
 - Managing competition

Licensing in Botswana

- Mining
- Banking
- NBFIs
- Telecoms
- Industry (manufacturing)
- Trade
- Medical
- Liquor
- Tourism
- Education
- Transport
- Energy
- Gambling

Licensing in the media

- “Fines cripple Pep Stores, BOCCIM complains” (Mmegi, 28.5.10)
- “Traders allege police harassment” (Mmegi, 27.8.10)
- “Carwash trade crashes under new law” (Mmegi, 10.9.10)

What should “good” licensing look like?

- Licensing must be underpinned by legislation
- The law should:
 - Lay out the rationale for licensing
 - Specify activities that are regulated / require licenses
 - Specify the criteria for granting licenses
 - Specify the appeals process
- Licensing should:
 - be based on legitimate regulatory purposes
 - not attempt to regulate everything
- The licensing process should:
 - Be objective, not subjective
 - Impose time limits for decisions (or, silence is consent)
 - Substitute ex-post inspections for ex-ante approvals as far as possible
 - Have fees designed to cover administrative costs only

Policy on Licensing

- Botswana Excellence Strategy
 - Streamlining and Rationalising Business Licensing: Government accepts that business licensing regimes have to be dynamically adjusted over

- time, in order to optimise the attractiveness of the business location in Botswana. This will be initiated
- Whenever and wherever obstacles to business and investment are identified, and when better alternatives can be developed.
- NDP10

Trade Licensing

- Applicable under Trade Act & Regulations
- Reformed in 2008
- Key features:
 - 2008 reforms made licensing more onerous, not less – hence inconsistent with high-level policy commitments
 - Decentralisation (to local councils) has led to major problems
 - Claimed to simplify trade licensing procedures – but in practice made it more complicated
 - Major source of complaints amongst businesses
 - Major hindrance to entry of new businesses
 - Not in accordance with regulatory best practice
 - Bill to reform Trade Act has been drafted – but only addresses some concerns, and leaves major problems unresolved

Trade licensing – key problems

- Conceptual problems
- Licensing requirements/criteria
- Problems resulting from decentralisation to councils

Trade licensing – conceptual problems

- Since 2008, all businesses need licenses (unlike under old act) – with addition of “Misc.” category – although wording is very unclear
- No clear rationale for licensing given in law or public documents
- Not based on clearly-identified public interest reasons
- Licensing used to enforce other laws (e.g. building regulations)
- Trade licensing inconsistent with industrial licensing – the latter has an exemption for SMEs
- Licensing used to raise revenues – excessive fees
- Annual renewals – for what purpose?

Trade licensing – key problems

- Licensing requirements

- by a system that features indefinitely valid licences. Other dynamic adjustments will be made
- There is an urgent need ... to reduce the number of procedures [to start a business], and make them simpler
- New regulations should be introduced only after thorough analysis of possible unwanted side-effects
- Some licence requirements laid down in law, but not consistent with best practice, e.g. lease, approval of owner/manager
- Some requirements added, not in law (e.g., building plans, title deeds)
- Lease before licence – requires major expenditure even though licence may be rejected
- Catch 22 for foreign investors (licensing and work permits)
- Inability to process annual renewals leads to accusations of police harassment
 - Decentralised approval process
 - Inconsistent requirements across councils
 - Councils introduce requirements for licenses not laid out in the law
 - Narrow interpretation of licensing criteria
 - Council staff not trained, anti-business
 - Unjustified requirement to appear in person before licensing committee
 - Lack of capacity (e.g. environmental units)
 - Process is subjective, and perhaps politicised
 - Process provides opportunities for corruption

Trade licensing – the services conundrum

- A service provider such as an artisan (e.g. plumber, tiler, electrician) did not need a licence under the old T&L Act
- New Trade Act seemingly requires them to get a licence – under the new “Miscellaneous” category
- Increasingly, such artisans work from home – all they need is a van and a cellphone
- Can such an artisan get a licence?
- No, because getting a license requires premises zoned commercial, and business in a residential area is not permitted.
- Information technology (internet/cellphones) makes working from home realistic and attractive for many entrepreneurs – and is a global trend - but is illegal in Botswana

Trade Licensing – Comparison with Best Practice

Best practice	Botswana practice
Licensing based on law	Compliant
Rationale for licensing laid out in law	Not compliant
Law fully specifies licence requirements	Not compliant
Law specifies regulated activities	Compliant
Law specifies appeals process	Compliant
Licensing criteria are objective	Not compliant
Licensing should not be used to enforce other laws	Not compliant
Licensing should not be used to raise revenues	Not compliant
Licensed activities based on identified public interest criteria	Not compliant
Positive list: default = no licence	Not compliant
Licences valid nationally	Not compliant
Commit to max time period for decision	Not compliant
Minimise ex-ante approvals	Not compliant

Trade Licensing - Reforms

- Draft Trade Act amendment bill proposes some positive changes:
 - Indefinite licences – no annual renewals
 - Removes prior work permit requirement for non-citizens
- commendable that amendments being put forward so quickly, once problems became apparent
- But leaves all of the other problems in place
- So further reforms are needed
- Revert to “no licence needed” default - unless in specified activity
- Specification of licensed activity based on established public interest criteria (public health, environmental issues, scarce resources, national security)
- Provide complete exemptions for SMEs – as in industrial licensing – or simple hawkers-type licence
- Main licensing needs will be public health & safety (e.g. retail stores, filling stations, restaurants) and environmental (e.g. car wash, vehicle repair)
- If licensing is used to administer reservation policy in a specified activity, then only one criteria should apply to getting a licence - citizenship
- Allow businesses from home (by removing licensing requirement)

- Businesses that do not need licenses should simply be required to register – for statistical and recording purposes
- Licensing should be an objective, administrative, “tick-box” process – fulfil all the criteria, license is granted – across-the-counter
- Hence no role for licensing committees, will eliminate subjectivity, accusations of bias, opportunities for corruption
- Introduce maximum time limit for decision – failing which “silence is consent”

Broader regulatory reforms

Establish high-level Deregulation Commission. Key tasks:

- Conduct a Regulatory Impact Assessment – for existing regulations
- Identify regulations where negative impact on business outweigh public interest gains, and abolish
- Establish a screening process to assess impact of any proposed new regulations on business
- Permit new regulations only if clearly identified public interest advantages, based on:
 - Sound analysis (demonstrate need for action)
 - Informed decision-making (help decision-makers understand impact)

- Transparency (information providing basis for regulatory decisions is publicly available)
- Work as part of broader process to improve business environment and target steady improvement in international rankings, e.g. WBDB, WEF GCI.

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Possible resolutions

Avoid Pointless Rules



GROUP 2: MICROECONOMIC ISSUES, AND PRIORITIES FOR THE NEW COMPETITION AUTHORITY

Chair: Tiny Kgotlwane, BIFM

Rapporteur: Jay Silkin

Microeconomic Issues: Competition, Making Markets Efficient, and Priorities for the New Competition Authority

Mr James Hodge, Genesis Analytics

James Hodge is the managing partner of the CRE Practice at Genesis Analytics. He has a Masters Degree in economics from the University of Cape Town where he held a senior lecturer position in the School of Economics before joining Genesis in 2005. During his tenure at the University, he conducted extensive research in the competition and regulation fields and was convener of postgraduate economic studies. He continues to teach industrial organisation and regulation at WITS School of Economic and Business Sciences, and regulatory theory in courses at the LINK Centre at WITS. Since joining Genesis, James has provided expert economic advice and testimony in a large number of competition cases in a number of sectors for South African companies and the Competition Commission. James has engaged the Competition Commission in a large number of merger filings and has assisted the Commission itself in evaluating filings and anti-competitive allegations. James has a rich history of policy engagement in more general regulation and industrial policy. He has provided important input to the Department of Trade and Industry in respect of import parity pricing and the development of key Accelerated and Shared Growth Initiative of South Africa (ASGISA) industries such as business process outsourcing. He has also historically assisted DTI and various SADC countries in trade negotiations around regulated services, including facilitating a SACU position on telecommunications offers in free trade agreements. He has also supported the Africa Group in Geneva on similar issues for the WTO Doha Round negotiations.



James is widely published in an assortment of refereed journals and is the author of several chapters in books, many conference papers (both international and local) and of a variety of articles in other publications. He has been the guest editor for the Africa edition of the journal *Telecommunications Policy*, provides an external reviewer role for the same journal and is an external examiner at WITS.

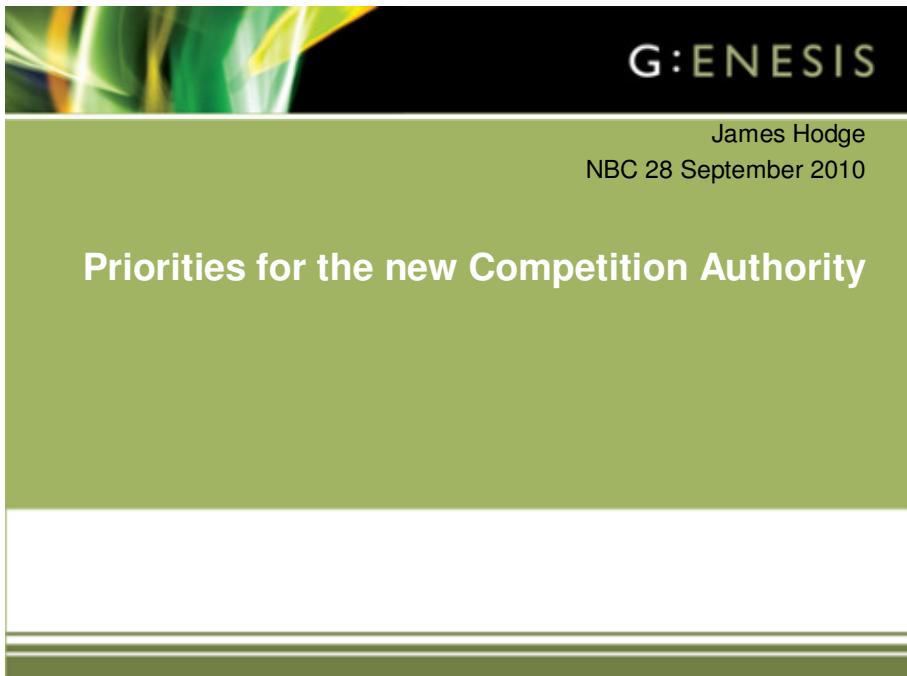
Abstract:

Competition policy stands to play an important role in improving social outcomes through stimulating business, improving consumer choice and innovation and encouraging lower prices and higher quality. However, applied incorrectly or inefficiently, it could serve to hamper innovation and growth in an economy. With a new Competition Act in the pipelines, the soon-to-be formed Competition Authority of Botswana will need to establish itself as an authority that will incentivise efficient and competitive markets, while building credibility and buy-in from business as well as government. This paper takes a critical look at how a nascent competition authority could go about establishing itself based on insights gained through Genesis Analytics' interaction and engagement with both the South African and Indian Competition Acts since their inception.

We touch on several themes based on the key areas that a new Competition Authority may prioritise. These include the following:

- Firstly, education and advocacy of new act which would serve multiple purposes, including fostering an environment of compliance, encouraging complaints and sensitising government departments to the impact of their policies and decisions on competition.
- Secondly, merger evaluation and its role in building credibility and capacity within the competition authority as well its core function in pre-emptively developing a competitive landscape.
- Thirdly, abuse such as cartel behaviour and abuse of dominance with a focus on ways in which the new authority could effectively prioritise its investigations and tackle abuses.

The primary purpose of the discussion is to suggest how a new, resource constrained authority can select priorities and focus its energies in order to effectively contribute to competition and efficiency within the market.



INTRODUCTION

Competition policy provides a framework to regulate businesses to ensure that competition in the marketplace is not artificially restricted or distorted in a way that is damaging to the society. This is based on the contention that absent distortion, competitive markets would be more responsive to consumer signals. This would ensure that resources within an economy are allocated efficiently and that innovation is rewarded. The benefit would be that social outcomes are improved by the encouragement of enterprise, the widening consumer choice, and the delivery of products with lower prices and higher quality.

However, in circumstances under which competition is absent or distorted, these benefits are reduced. For example, firms that are in a strongly dominant position may abuse their position. This could occur through behaviour that exploits customers (such as charging customers excessively high prices), or excludes competitors (such as pricing below costs in order to drive competitors out of the market and then raise prices when they have gone). Furthermore, in concentrated industries, collusion or co-ordination between market players may allow a group of companies to behave as a monopoly. Competition law serves to restrict and prohibit this type of behaviour and thereby increases the efficiency with which firms compete.

Botswana is currently in the process of developing and finalising the legislation and institutions to develop and implement its own competition policy in the future. The cornerstone of the legislation is the Competition Act of 2009. In parallel to the competition regimes internationally the Act seeks to regulate competition in the economy preemptively through merger control as well as on an ex-post

basis through the prohibition of specific behaviour that would be harmful to competition. This includes restrictive agreements of both a horizontal and vertical nature. Some of these singled out by the Ministry of Trade and Industry include “price-fixing, bid-rigging, market division and other corrupt business practices...and when suppliers or producers attempt to make their recommended prices to retailers binding.”¹ There are also provisions that prohibit abuses by a dominant firm and allow the competition authorities to conduct market investigations.²

In practice the administration, investigation and adjudication of competition matters will be vested in two institutions, the Competition Commission to which Commissioners have already been assigned, which will play an adjudicative role and the soon-to-be formed Competition Authority which will play an administrative and investigative role.

¹ Ministry of Trade and Industry ‘Establishment of Competition Commission advanced’ 15 April 2010

² The Act is composed of various parts, with the first chapters containing the establishment and functions of the Authority, meetings and proceedings of the Authority and financial matters of the Authority. The next chapters contain the following: restrictive arrangements and abuse of dominant position; exemptions to prohibitions against horizontal and vertical agreements; investigation of horizontal and vertical agreements; determination of cases, penalties and remedies; conditions for market enquiries; control of mergers. The final chapters include appeals and general provisions.

A new competition policy could have substantial benefits to the economy of Botswana, and the challenge for any new authority is to where to prioritise its efforts given natural limits to its resources. This paper outlines some themes related to the priorities that we believe the new authority could focus on. As the provisions of the act and structure of the authorities bear resemblance to those elsewhere including South Africa, this is based on insights gained through Genesis Analytics' interaction and engagement with both the South African and Indian Competition Acts since their inception.

The paper touches is divided into five main sections, each of which focuses on a theme that an emerging Competition Authority may prioritise.

Firstly, we look at education and advocacy which is an essential precursor to effective competition policy.

Secondly, we look at the importance of developing guidelines.

Thirdly, we look at jurisdictional issues.

Fourthly, we assess some of the issues raised by prohibited practices, such as cartel behaviour and abuse of dominance, with a focus on the ways in which a new authority could effectively tackle abuses and prioritise investigations.

Finally, we look at merger evaluation, and its role in developing a more competitive economy as well as more effective authorities.

INITIAL STEPS: THE IMPORTANCE OF EDUCATION AND ADVOCACY

A first challenge after the introduction of a new policy and legislation is ensuring that those that are affected by the change in laws are informed and familiarised with the scope of the new laws and the practical implications thereof. This is particularly important when the laws prohibit behaviour that would otherwise have been seen as a normal business practice, or when policy outcomes are enhanced by engagement with businesses or the public, as is the case with competition law. As such a key step to the successful implementation of the new competition policy is education and advocacy on the content, the purpose and the practical implications of the Act. This is particularly relevant for businesses that are subject to the provisions of the Act, the public, who can play a role in the provision of information on abuse and government and regulatory agencies who can impact in the outcomes of the Act and may be balancing public interest against competition objectives.

Businesses

The introduction of the new Competition Act could potentially have a significant impact on the way in which business decisions are made through its effect on decisions over pricing and access, as well as interactions with competitors and both upstream and downstream

industries. This is particularly true for companies that are dominant, or in concentrated industries. Furthermore, the introduction of legislation could potentially render behaviour illegal that would be construed in some contexts as normal absent legislation. Dealing with this change requires significant engagement with the business community over the bounds of acceptable behaviour in the context of the Act. As such, education and advocacy related to familiarising the business community with the Act is important for several reasons:

- *Encouraging compliance and stigmatizing anti-competitive behaviour:* At an individual level, businesses that comply with the law will avoid the various consequences of non-compliance. These include direct costs such as legal fees and fines. For a large investigation, legal fees can run into hundreds of thousands of dollars. While data on costs is generally not publicly available, cases in which authorities were forced to pay legal costs indicate large amounts. For example, in the last few years the UK Competition Commission was forced to pay legal fees of up to £350 000 for several cases.³ In addition, under the Act, fines can reach a maximum of 10% of turnover, which could seriously impact on firm profits. Apart from direct costs, investigations also entail several indirect costs including damage to a company's reputation, and large amounts of management time. However, full compliance is only possible if a business and its employees have an awareness of the boundaries of the Act and the ways in which it could affect them. It is therefore vitally important for businesses to ensure that employees are aware of the Competition Act and the implications of infringement of this Act. Campaigns to stigmatise anti-competitive behaviour are important to breaking down perceptions over acceptable and unacceptable business behaviour. This is especially important in economies where particular anti-competitive practices are prevalent. For example, in the South African economy, communication amongst competitors was facilitated to some extent by the various marketing boards that had been set up by government departments. Once these boards were deregulated, communication among competitors on quantity and price often remained the norm, despite

³ "U.K. Antitrust Regulator Pays Out Most in Legal Fees Since 2006" August 18, 2010,
<http://www.businessweek.com/news/2010-08-18/u-k-antitrust-regulator-pays-out-most-in-legal-fees-since-2006.html>

being at odds with the principles of the competition law enacted at a later stage.

- *Encouraging complaints:* One of the key ways in which a new authority can identify areas which require an investigation is if they are alerted to contraventions of the act. This could be the result of a complaint by a customer or affected party. However, the flow of complaints to the competition authorities is likely to improve only once there is wide awareness of the provisions of the act, and an understanding of what constitutes a contravention. This would enable companies and customers that are being affected by contraventions of the Act to identify them and to seek assistance and redress through the competition authorities. While this widespread familiarity may occur once prominent cases get media attention, pre-emptive education can stimulate complaints and information. Furthermore, detailed education on the boundaries of the act may increase the number of useful complaints relative to those without merit. In South Africa, many of the key precedent-setting cases were brought about as a result of a complaint by a competitor or customer. For example, the first major case on price discrimination in South Africa was first brought about by a small manufacturer of poles (Nationwide Poles) who laid a complaint against the petrochemical firm Sasol for price discrimination. Likewise several abuses were tested by an investigation of South African Airways practices as a result of a complaint by its competitor Nationwide. However, each year the authority receives hundreds of complaints of which 80-90% can usually be dismissed as not being competition law issues.

Businesses can educate their employees on the act directly through training sessions. These are often offered by law firms who specialise in competition law and can range from generalised handbooks, workshops and seminars to tailored programmes that apply competition law to the specifics of the business. Furthermore, education on the Act can be stimulated through business forums. These forums could debate actual cases, as they occur, or debates issues related to the Act, with input and contributions from the authorities if possible.

The public, government and regulatory agencies

Informing and educating the public about competition law also encourages complaints and therefore provides the authorities with direction as to where anti-competitive practices are taking place. In South Africa the investigation into the bread cartel was prompted by a complaint by a bread distributor who noticed that the main bakeries all appeared to be co-ordinating price increases and changes in discounts. In addition, building up an understanding of the aims and objectives of the Act and the mandate and

purpose of the authorities can assist in increasing the public profile of the authority, which in turn increases its political capital.

In addition to the general public, important targets for advocacy and education include the government and public regulatory agencies. This is particularly due to the impact that the policies of these institutions have on the work of the competition authorities and the requirement to balance public interest with competition concerns that form a central aspect to the Botswana Act. In particular, it is useful for the following reason:

Accounting for the impact that government policies have on competition:

Government policies often have a real impact on the structure of the market and the conduct of market participants. This is especially true in industries that are of strategic interest to the government such as the financial sector, energy and agriculture. As a result there may be instances in which the policies of the government department directly undermine competition. This is particularly true when a focus on government priorities such as security of supply, or improving a targeted industry leads to the government facilitating co-ordination across competitors through a horizontal arrangement or forum. If industry organisations that engage in contraventions of the act have in some way been approved by government departments, investigations into that behaviour by competition authorities can create substantial confusion as to which authority takes precedent. Examples from the South African context outlined below provide an illustration of this:

- For example, in order to ensure the secure supply of petroleum, the Department of Minerals and Energy in South Africa required the exchange of information between oil companies to determine accurately the state of the country's oil reserves and sought an exemption from the Competition Act for this objective.
- Glass recycling manufacturers started The Glass Recycling Company, a joint industry initiative which partnered with government departments who were keen to promote recycling. This however, led to a Competition Commission investigation based on allegations that the industry participants involved colluded through the joint venture.

This likelihood of these scenarios occurring can be reduced to some extent if there is sufficient education and co-ordination between the competition authorities and government departments. This would involve educating policymakers (particularly those involved in sector strategies and industrial policy) on the principles of competition law. In addition, discussion and consultation between these bodies should be encouraged. This could potentially have the following outcomes:

- Government departments are able to understand the areas in which consultation with the competition authorities may be appropriate before unilaterally implementing programmes with potentially anti-competitive outcomes.
- The competition authorities are provided guidance by on sectors in which there are dual influences at play and what the public interest concerns are so that investigations can be properly contextualised.

As such, education is probably a primary step in introducing the new Act since it serves multiple purposes. Furthermore it is important that education occurs across various interest groups including business, the public and government and regulatory agencies.

GUIDELINES

Providing clear guidelines to business is an important part of creating transparency and practical means of compliance. According to Timothy J. Muris, of the Federal Trade Commission in the US, “(t)he insights of economics have their greatest impact on antitrust law and policy when they are embodied in workable rules and analytical techniques for evaluating business conduct.”⁴ He further states that “the importance of administrability is evident in those who have played a central role in shaping antitrust doctrine and policy in my professional lifetime. Many of the strongest contributions have come from scholars who realized the importance of translating economic concepts into practical rules and analytical techniques that courts and enforcement agencies could apply successfully.”⁵

This has been provided for in the new Competition Act of 2009 which instructs the Authority to publish for two types of Guidelines and rules as follows.

79.(1) *The Authority shall publish –*

- (a) *guidelines on the economic and legal analysis to be used determining cases under this Act;*
- (b) *guidelines on the principles to be used in determining any penalty or remedy imposed in terms of section 25 and section 26; and*

⁴ Muris TJ, 2003 “Improving the Economic Foundations of Competition Policy” available

<http://www.ftc.gov/speeches/muris/improveconfoundatio.shtml> (last accessed 20 September 2010)

⁵ Muris TJ, 2003 “Improving the Economic Foundations of Competition Policy” available

<http://www.ftc.gov/speeches/muris/improveconfoundatio.shtml> (last accessed 20 September 2010)

- (c) *procedural rules specifying the procedures it shall follow in carrying out its functions under this Act.*

This is in line with international best practice. For example, the European Competition Commission issued its “Guidance on the Commission’s enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings” which sets out the enforcement priorities that will guide the Commission’s action in applying Article 82 to exclusionary conduct by dominant undertakings. Accordingly the document is intended to “provide greater clarity and predictability as regards the general framework of analysis which the Commission employs in determining whether it should pursue cases concerning various forms of exclusionary conduct and to help undertakings better assess whether certain behaviour is likely to result in intervention by the Commission under Article 82.”⁶ Similarly the United Kingdom’s Office of Fair Trade issues guidelines that “are detailed guides as to how the OFT and the sector regulators enforce the Act and deal with particular matters.”⁷

Guidelines published by other international Competition Authorities focus on the type of analysis the Authority will use in investigating various aspects of their respective Acts, increasing transparency. For example the OFT Guidelines include:

- *Agreements and concerted practices guideline* which sets out circumstances in which the OFT would consider agreements to be anti-competitive.
- *Abuse of a dominant position guideline*, which explains how the OFT will assess the conduct of dominant undertakings.
- *Market definition guidelines* which provide a conceptual framework within which evidence on market definition can be organised. It also discusses practical issues that may arise in market definition.
- *Assessment of market power guidelines*, which explain how the OFT will assess whether undertakings possess market power when investigating cases under Articles 81 and 82 and sections 2(1) and 18(1) of the Act (the Chapter I prohibition and Chapter II prohibition respectively).
- *OFT’s guidance as to the appropriate amount of a penalty*, which sets out the basis on which the OFT

⁶ *Guidance on the Commission’s enforcement priorities in applying Article 82 of the EC Treaty to abusive exclusionary conduct by dominant undertakings: C 45/7*

⁷ Office of Fair Trade website
<http://www.oft.gov.uk/about-the-oft/legal-powers/legal/competition-act-1998/publications#named1>
 last accessed 20 September 2010

calculates financial penalties for infringements of Article 81, Article 82, the Chapter I and/or Chapter II prohibition, and the requirements for the granting of lenient treatment by the OFT.

Guidelines are also put in place to help give clarity around issues in the Act that are not immediately apparent, especially where international precedent is unable to provide guidance. For example, The Competition Act of Botswana has numerous exemptions on public interest grounds. The Act states that the Authority may “*consider any factor which, the Authority considers bears upon the broader public interest in the proposed merger*”, which includes the following:

- (d) *The proposed merger would be likely to result in a benefit to the public which would outweigh any detriment attributable to a substantial lessening of competition or to the acquisition or strengthening of a dominant position in the market;*
- (e) *The merger may improve, or prevent a decline in the production or distribution of goods or the provision of services;*
- (f) *The merger may promote or technical or economic progress, having regard to Botswana’s development needs;*
- (g) *The proposed merger would be likely to affect a particular industrial sector or region;*
- (h) *The proposed merger would maintain or promote exports or employment;*
- (i) *The merger may advance citizen empowerment initiatives or enhance the competitiveness of citizen-owned small and medium sized enterprises; or*
- (j) *The merger may affect the ability of national industries to compete in international markets.”⁸*

As these public interest grounds are not mirrored in most jurisdictions except to some extent South Africa, the wealth of international precedent which can be drawn on is limited. Furthermore, even where some of these issues appear within the South African Act, with an exception of the employment provision, they have not been tested fully. As such, these would need to be clarified by the Authority, with some guidance provided into how it plans to deal with and assess public interest grounds to provide direction to firms hoping to merger. We suggest that these Guidelines should be made a priority for a new Commission.

DETERMINING JURISDICTION

⁸ The Competition Act 2009 59 (2) *Assessment of merger*
A.204

There are often instances in which there is clear overlap between the jurisdiction of the competition authorities and that of other authorities and in some instances the role of the regulator may be at conflict with that of the competition authority. This includes industries in which pricing is regulated and those in which entry is regulated through licensing. Education and co-ordination between these agencies and the competition authority upfront is important to laying the foundation for clear demarcation of boundaries. An absence of clarity over jurisdiction is likely to lead to a situation in which a firm is subject to conflicting laws and regulations from the two authorities, and furthermore, in the event of an investigation could potentially play authorities against each other, to the detriment of both. In South Africa, a substantial amount of time and energy has been expended in legal action related to jurisdiction.

- Within a year of the South African Competition Act coming into effect the jurisdiction of the commission with respect to the banking sector was tested in a case in which the Competition Commission was involved in a merger between two banks (Nedbank and Standard Bank). It was ultimately found by the Supreme Court that the Competition Commission did not have final jurisdiction over bank mergers which fell to the Minister of Finance.
- Subsequently, the authorities attempted to negotiate agreements with other regulators including communications (ICASA), energy (Nersa) and the liquor industry (NLA).
- However, in 2002, when the Competition Commission found that the telecommunications incumbent Telkom had contravened abuse of dominance provisions of the Act, Telkom took the matter on review to the High Court claiming that they did not have the jurisdiction to do so. This was decided in 2009 at the Supreme Court of Appeal.⁹

The Competition Act does state that Botswana’s regulators should be consulted by the Competition Commission.¹⁰ However, the regulators included in the schedule do not include government bodies who act as regulators, such as the Energy Affairs Division of the Ministry of Minerals, Energy and Water Affairs who monitor the Botswana Power Corporation (BPC).

As such, pre-emptive discussions and work on jurisdictional issues is likely to assist in (a) identifying which industries are subject to jurisdictional debate prior to embarking on a time-consuming investigation and (b) creating

⁹ *Competition Commission v Telkom* (623/2008) [2009] ZASCA 155 (27 November 2009)

¹⁰ Competition Act 2009 Schedule II.

memorandums of agreement to deal with jurisdictional issues.

PROHIBITED PRACTICES: HOW TO PRIORITISE

The benefits of competition in a market can under particular circumstances be distorted by unfair business practices by a firm or group of firms. This usually occurs in one of two ways:

- Co-ordination between firms which restrict competition – the most obvious example being a cartel between competitors (which may involve price-fixing or market sharing); and
- Abuse by firms in a dominant position. This involves exploitative behaviour (such as excessive pricing) and exclusionary behaviour (such as buying up a scarce resource or pricing below cost with the intent of driving competitors out of business).

Investigating and prosecuting prohibited practices is integral to sustaining a competition regime due to the deterring effect that successful prosecutions would have on companies that are considering or engaging in this behaviour. However, unlike merger control, in which there is a clear system of notification and investigation, the decision on whether to investigate prohibited practices is decided by the Competition authority. Given limitations in resources, a key issue is which complaints to focus on, and what to prioritise.

Collusion

Collusion is often thought of as one of the most egregious forms of anti-competitive behaviour. This is because it has particularly damaging effects on competition, with very little room for pro-competitive rationale. According to Hovenkamp, horizontal Agreements (like those of cartels) enable participants to “reduce the output of goods in some market, thus causing higher prices, inefficient substitutions, and the resultant losses in consumer welfare.”¹¹ The threat for market output reduction is greater for horizontal agreements than unilateral acts, mergers or vertical agreements for the following main reasons:¹²

- Firms profit from reduced output and higher prices;
- Agreements can be carried out secretly;
- The costs of carrying out such agreements can be much less the cost of creating a dominant position through a merger, or creating a dominant position unilaterally through the use of exclusionary practices;
- Horizontal agreements could eliminate potential avenues along which competition might occur – for example by reducing incentives to innovate.

¹¹ Hovenkamp *Antitrust Law* Volume XI paragraph 1902a

¹² Hovenkamp *Antitrust Law* Volume XI paragraph 1902a

As such, given the strong negative impacts, collusion should be a priority for a new Competition Authority. This would be in line with international practice. For example, the OFT states that “Cartels are a particularly damaging form of anti-competitive behaviour - taking action against them is one of the OFT’s priorities”.¹³ This is especially true in small concentrated economy, such as Botswana, since the natural concentration that exists in small economies often enables collusion.

Corporate Leniency Programme

One of the ways in which an authority can identify areas for investigation is through insider whistle-blowing. This is usually extremely helpful as it usually directs the authorities to an actual abuse and often provides more accurate private information. This whistle-blowing could come from (a) the public or (b) through a programme designed to incentivise those engaging in illegal conduct to inform the Authority in exchange for immunity.

South Africa initiated such a programme on the 6 February 2004, which “aimed to serve as an incentive for cartel members to blow the whistle on their cartel partners in exchange for immunity from prosecution.”¹⁴ This kind of leniency policy has proved effective in dealing with cartel behaviour in Canada, the European Union, the United States and the United Kingdom. The leniency policy encourages companies to give evidence of cartels in exchange for immunity from prosecution or reduced fines. In the US, the Antitrust division announced its leniency policy in 1978 by announcing that “the Division would not prosecute a company that reported its illegal conduct before any investigation was initiated and cooperated fully to achieve the prosecution of the others in the industry.”¹⁵ The program was successful immediately, resulting in several important proceedings. Similarly, the European Commission’s leniency policy offers companies involved in a cartel - which self-report and hand over evidence - either total immunity from fines or a reduction in fines which the Commission would have otherwise imposed on them. It also benefits the Commission, allowing it not only to “pierce the cloak of secrecy in which cartels operate but also to obtain insider evidence of the cartel infringement.”¹⁶ Apart from providing actual evidence of cartel behaviour, leniency policies have a deterrent effect on cartel formation

¹³ OFT website <http://www.oft.gov.uk/OFTwork/cartels-and-competition/cartels/> last accessed 20 September 2010

¹⁴ Competition Commission 2009 *Unleashing Rivalry Ten years of enforcement by the South African competition authorities*: 47

¹⁵ Klawiter D *US Corporate Leniency After the Blockbuster Cartels; Are we entering a new era?*

¹⁶

<http://ec.europa.eu/competition/cartels/leniency/leniency.html>

and destabilise the operation of existing cartels by creating distrust and suspicion among cartel members.”

The US has three principles for its Corporate Leniency:

- “First in- Full in” – implying that the Division must be certain the Company applying for leniency reported its conduct before any investigation had begun and took action to cease its illegal action.
- Restitution to injured parties – for example the settlement of damage actions; and
- The fairness and propriety of granting leniency to the company. In other words – if granting leniency to a company is unfair to others, considering the illegal activity, the company’s role in it and the timing and extent of cooperation, the Division has the discretion to reject a leniency application.¹⁷

The introduction of a Corporate Leniency Programme should be seen to be a priority in itself to help combat, and destabilise, cartels, as is evidenced in the US, Europe and South Africa. South Africa’s experiences with corporate leniency have been overwhelmingly positive, and several cartels in a range of industries from plastic pipes to tyres been uncovered as a result of corporate leniency. Furthermore the South African authorities have experienced massive growth in leniency applications in the past year, indicating that firms are becoming more aware of competition law and are putting more effort into establishing whether they are contravening the Act or not.¹⁸

Detection

A competition authority has various sources that it can tap into for information on collusion that it can then investigate. These could include the following:

- *Inter-regional guidance:* The Authority could also potentially look to investigations in other jurisdictions as a pointer to which companies locally may be engaged in prohibited conduct. This is possible in instances in which a company operates in several countries, and has been found guilty in one of these other countries. This to some extent may be driven by communication and co-operation across authorities - communication between authorities would allow the authorities to flag companies that have been subject to prosecution and to assess whether similar behaviour is likely.

¹⁷ Klawiter D *US Corporate Leniency After the Blockbuster Cartels; Are we entering a new era?*: 3

¹⁸ Competition Commission 2009 *Unleashing Rivalry Ten years of enforcement by the South African competition authorities*: 47

- *Merger filings:* The in-depth analysis of an industry which has been investigated for a merger filing can often yield insights into areas in which collusion may be taking place.
- *Previously managed aspects of the economy.* Generally it is found that sectors of the economy that were previously managed (for example through a marketing board) run the risk of continued collusive behaviour. This could continue even after disbandment. This is prevalent in the agricultural sector which historically was managed in most countries in the region.
- *Features conducive to collusion.* One of the most obvious ways in which the Commission could prioritise investigations into co-ordination between firms is to look at sectors where there are structures in place that clearly facilitate collusion. For example, collusion is possible, and likely, in a market that is concentrated, where high barriers to entry exist and where there is a degree of price transparency.

Abuse of dominance

Assessing abuse of dominance in terms of the Competition Act requires three key steps. Firstly an authority has to show that the firm accused of abuse is in fact dominant in terms of the Act. Secondly, they have to show that their behaviour amounts to abuse of dominance. Thirdly, they need assess whether there is a legislated defence for the behaviour as per S30 of the Act. These include developmental and public interest benefits.

Detection

A competition authority has various sources that it can tap into for information on abuses that it can then investigate. These could include the following:

- *Acting on a complaint from the public or aggrieved parties:* One of the most obvious ways in which the Commission could prioritise investigations is to react to complaints brought forward by the public.
- *Focusing on sectors where abuse of dominance is likely:* An example of this would be where there is vertical integration in a market and one firm is dominant upstream. This would allow for various exclusionary acts to be performed, such as (i) refusal to supply, and (ii) customer foreclosure.
- *Inter-regional guidance:* The Authority could also potentially look to investigations in other jurisdictions as a pointer to which companies locally may be engaged in prohibited conduct. This is possible in instances in which a company operates in several countries, and has been found guilty in one of these other countries. This to some extent may be driven by communication and co-operation across authorities.

- *Merger filings*: The in-depth analysis of an industry which has been investigated for a merger filing can often yield insights into areas in which abuses may be taking place.

Market studies

However, given the number of avenues for complaints or information on abuses, it is often necessary for the authorities to prioritise a few large investigations with quality analysis and prosecution rather than spreading itself too thin. There are several manners in which a commission can prioritise market studies.

- Firstly, it can focus on sectors that matter to the public and which have some of the features that facilitate abuse of dominance. An example is the South African Competition Commission's focus on the food chain (including wheat and maize, bread and milk). This was beneficial in that it played a substantial role in increasing its public profile and political capital.
- Secondly, it can focus on complaints that have spillovers into other markets. For example, in South Africa prominent investigations have focused on steel and plastics, in part due to their importance downstream. This could potentially have spillover effects on the economy if blockages upstream are released.

In 2006, as part of its strategic planning, the Competition Commission of South Africa developed a prioritisation framework to ensure greater impact from its enforcement actions. The approach relates both to determining priority sectors and the basis on which specific cases will be prioritised. There are three main criteria for the prioritisation of sectors and cases, namely¹⁹:

- the impact on poor consumers;
- their importance for accelerated and shared growth; and
- The likelihood of substantial competition concerns based on information that the Commission gathers from complaints and merger notifications.

Market studies could potentially play a crucial role in prohibited practices, including collusion and abuse of dominance. These studies are generally done on supply chain type industries, such as telecoms and broadcasting. According to OFT "*market studies are examinations into the causes of why particular markets are not working well for consumers, leading to proposals as to how they might be made to work better.*"²⁰ "The OFT may also conduct market

studies to improve its knowledge of markets or practices, or to look at developing markets, for example where the potential risks to consumers may be high, or where there may be potential barriers to entry."²¹

Prohibited practice investigations play a pivotal role in a new competition regime by creating a deterrent to contraventions of the Act, improving the competitive landscape. However, given limited resources prioritisation is important. This can be done through a focus on sectors or types of practice.

MERGER EVALUATION AND CAPACITY BUILDING

Merger evaluation is one of the key functions of a Competition Authority. While this is not an area that the Authority explicitly prioritises, merger evaluation is legislated due to its role in allowing the authorities to pre-emptively evaluate mergers to assess whether they would increase concentration and create a less competitive market. Merger analysis is also the primary interface between the competition authorities and business.

Merger control serves three main functions, namely: it mitigates the anti-competitive effects of a merger, it can strengthen competition in a market by imposing conditions that lower concentration and barriers to entry and it can provide insight into where anticompetitive conduct may be occurring. However, in making this assessment merger control also needs to balance out potential anti-competitive effects that result in increased concentration with potential efficiency gains. These efficiency gains may be in the form of increased competitive relevance, or direct customer pass-through that results from cost savings, more intensive use of existing capacity, economies of scale or scope, and demand-side efficiencies, or pro-competitive changes in the merged entity's incentives, for example Research and Development²².

If merger evaluation is effective it will enhance competitiveness by allowing efficiency enhancing mergers, and disallowing those that are likely to create harm to competition. However, a slow pace of approvals, or ineffective decisions could create a drag on the economy by preventing companies from merging where there are significant gains. As such, effective merger evaluation is critical to a new authority.

Merger evaluation is different from investigations of abuses in several ways.

- Firstly, all mergers beyond a particular threshold are notifiable. This means that all of these mergers need to be considered, unlike abuse cases in which particular cases can be chosen as focal areas.

¹⁹ Competition Commission 2009 *Unleashing Rivalry Ten years of enforcement by the South African competition authorities*:39

²⁰ Office of Fair Trade "Market Studies. Guidance on the OFT approach"

²¹ Office of Fair Trade "Market Studies. Guidance on the OFT approach"

²² Examples include increased network size or product quality

- Secondly, the timing of merger investigations are generally more regulated as the time-frame is generally stipulated by legislation. These features mean that merger evaluation, once introduced, can quickly provide a clear work-flow for a new authority.

These features of merger evaluation can provide a competition authority with several benefits and opportunities:

It can provide opportunities for building capacity

Merger evaluation provides a new authority with opportunity to build capacity. This is because the routine steps to evaluating a merger are generally clearly set out in terms of international economic literature and there is generally some form of international case precedent to provide a guideline. Furthermore, merging parties are usually willing to assist in the timeous provision of information and expertise in order to expedite their approval. This enables the Commission to build up information on specific industries, and develop tools that can be used in other investigations. Staff gain insight into industry dynamics and have knowledge when entering into prohibited practices complaints.

It allows the authority to build credibility with the business community

Merger review is one measure by which the competition authority is able to directly build a relationship with the business community. It therefore provides a platform by which they can prove their professionalism, efficiency in meeting deadlines and respect for confidentiality.

- *Efficiency:* Merger control generally has very specific time periods within which a merger is to be dealt with.²³ These time periods can only be adhered to if the merger review is dealt with efficiently. Respect for the Authority is likely to grow once it has established that it deals with mergers in an efficient manner. This is particularly relevant given the costs and stresses to the business community of red-tape related to deals such as mergers.
- *Fairness and consistency:* If the Competition Authority is fair and consistent then it builds credibility within the business community. This is because dealing with an organisation with a reputation for fairness and

²³ Take for example South Africa's merger control - under the Competition Act of 1998 all mergers above a specified threshold, calculated in terms of assets and turnover, have to be notified with the Commission which will then evaluate the merger filing. According to the Act the Commission is allowed 20 days from time of notification to assess the competitive effects of a small and intermediate merger, and 40 days for a large merger.

consistency provides business with the comfort that if they do a reasonable risk assessment, the results should be consistent with the decision taken by the authorities. As such, a reliable Competition Authority allows business to plan ahead, reducing uncertainty – which is critical in business. An important part of this would be ensuring that the decisions made by authorities are independent of political objectives and pressures. Furthermore, it would be important for authorities to develop mechanisms for dealing with powerful lobby groups or companies (for example, multinationals who threaten to disinvest in the face of a prohibition). Since merger control is the Authority's primary interface with business it should conduct its analyses fairly and consistently.

- *Confidentiality:* Much of the information supplied to the authorities in a merger filing is likely to not available to the general public and as such needs to be kept confidential. Furthermore, the merger deals themselves may at times be highly confidential. Maintaining this confidentiality in these circumstances is key to establishing a relationship with business and builds credibility for the new Authority.

Merger evaluation therefore provides the new authority with the scope to shape the competitive landscape. On a more practical level it also offers opportunities for enhancing investigative tools and to build up a good rapport and reputation with the business community.

CONCLUSION

Competition policy stands to play an important role in improving social outcomes through stimulating business, improving consumer choice and innovation and encouraging lower prices and higher quality. This applies equally to a smaller economy such as Botswana, where there is likely to be a higher degree of market concentration in many markets due to the narrow scope of the local economy. High concentration brings with it greater scope for collusion and exclusionary behaviour through the abuse of dominant upstream market positions. For this reason these areas must be of particular priority for the new Competition Authority if it is to have a significant impact on improving competition and providing consumer benefits. However, the new Authority will also have to lay the basis for its activities through a process of education around the new Act, addressing co-jurisdiction issues with other regulators and providing some guidelines on how it intends to interpret and implement the Competition Act. Finally, the new Authority should also not neglect the flow of merger notifications as this remains an important area for developing both expertise and a sound reputation.

GROUP 3: COMMUNICATIONS AND RESPONSIVENESS

Chair: Kabelo Ebineng, Bokamoso

Rapporteur: Boyce Sebetela

Communications and Responsiveness: Effectiveness of Communications with Government

Mr Emang Maphanyane, BOCCIM Council

Motlhabane Emang Maphanyane is an economist with many years experience in development

administration, not only in the Botswana Public Sector but also in the SADC region and elsewhere. While in the Public Service, Mr Maphanyane held, among others, the position of Chief Economist with responsibility for the implementation of the national development programme. This involved participation in the formulation of the national development plan, the formulation and implementation of projects including the mobilization of donor funding for projects. Subsequently he became Chief Economist in the SADC Secretariat with overall responsibility for the implementation of the regional development and the associated project funding assistance programmes.

Mr Maphanyane has also been the General Manager of a major parastatal in Botswana, the Botswana Housing Corporation, where he successfully orchestrated a major organisational and culture transformation process and the financial restructuring at the Corporation. The aim and the effect of the transformation was not only to improve the quality of customer service and build a culture of teamwork, but also to generally build capacity and offer the staff a challenging and exciting work environment as well as introducing a reward system based on performance.



Mr Maphanyane has also served as vice chairman of the National Task Force, which prepared the draft White Paper on a Privatisation Policy for Botswana. He was also the founding board chairman of the Citizen Entrepreneurial Development Agency (CEDA). He served for many years as a member of the Council of the University of Botswana and more recently as chairman of the Botswana Agricultural Marketing Board.

Currently, Mr Maphanyane runs his own consultancy firm concentrating on areas of economics, public policy, governance issues, institutional reforms and management.

Abstract:

This topic is taken in the context of the theme of this National Business Conference – Deepening Diversification through Private Sector Leadership. Over the years communication between the Government and the private sector has markedly improved. To this end a number of joint structures have been established to facilitate greater communication between the two parties. The question is whether the communication and its associated structures have elicited a speedy and effective response to the concerns identified by the private sector. In other words, are the existing structures and communication channels effective, and are the concerns articulated by the private sector factored into the decision-making processes of government in a timely manner so as to enhance the ease and prospects of doing business in Botswana and enhance the performance of the private sector?

Effective communications between the government and the private sector is an important contributor to improving the business climate in the country and promoting the growth of the private sector. In business, time and timing are of the essence. It is therefore critical to the performance of business that government responds promptly to the concerns of the private sector and constraints to business when these are identified. The presentation will review the effectiveness of existing communication channels and the speed of government response, in the context of the main and Sectoral Level Consultative Committee (SLCCs), as well as other communications channels.

Communications Between the Government and the Private Sector – Responsiveness and Effectiveness

Presentation by E M Maphayane
At the National Business Conference,
Francistown, 28 September 2010

Contents

- Introduction
- Existing Consultative and Communication Structures
- What is the Score Card?
- What has tended to happen in practice?
- Some ideas on what can be done to improve the responsiveness and effectiveness of the communications structures.
- Some Issues going forward.

Introduction

- The context is the theme of this national business conference – ‘Deepening Diversification through private Sector Leadership.
- The of NDP10
- Similar to themes of past NBC and not the first time that the leadership in the transformation of the economy given to the private sector;
- Private Sector – Engine of Growth
- Communication between the Government and the private sector has improved over the years;
- A result of the structures that have been put in place to enhance communication between the two sides;
- The key question is whether the improved communications and the existing structures have led to greater responsiveness and effectiveness to the concerns of the private sector or indeed to the concerns of the Government.

- Responsiveness and effective communication is key ingredient in improving the country’s business climate otherwise called the ease of doing business;
- The enhanced business climate in turn leads to private sector growth and the growth of the economy generally;
- In determining whether communication is responsive and effective three dimensions come to mind: substance, relevance and timeliness;
- ‘Window of opportunity’

Existing Consultative and Communication Structures

- The National Business Conference;
- The High Level Consultative Conference (HLCC);
- Local Level Consultative Councils (LLCCs)
- ‘Pitso’;
- Thematic Working Groups (TWGs)
- Others include the Botswana Economic Advisory Council, the Rural Development Council, the National Committee on Trade Policy and Negotiations;
- A plethora of consultative structures.

The National Business Conference

- First convened in 1988 as private sector conference. Then renamed the National Business Conference to acknowledge the partnership between Government and the private sector;
- Given rise to a number of institutions and policies;

- The HLCC and the Botswana National Productivity Centre are examples of the institutions as a result of the resolutions of the NBCs;
- The Botswana National Privatisation Policy is an outcome of the resolution taken at an NBC;
- Many others
- All the resolutions of the NBC and the associated institutions and policy initiatives were aimed were aimed at creating the necessary conditions for a private sector led diversification and growth of the economy in line with both the NBC and NDP themes;

The High Level Consultative Conference (HLCC)

- This is a high level forum chaired by His Excellency the President and attended by all sector ministers and permanent secretaries and chief executives of parastatals on the side of Government
- and chief executives of companies on the side of the private sector;
- The trade unions and non-governmental organisations are also represented.
- The HLCC is an apex body which meets twice a year under the chairmanship of His Excellency the President;
- Supported by sector consultative meetings involving sector ministers and their permanent secretaries and other senior officials including heads of parastatals on one hand;
- Representatives of the sector from the private sector on the other;
- Other participants who in the view of the minister can make a contribution to the deliberations.

The Local Level Consultative Structures

- Relatively new invention aimed at addressing the concerns of business at the local level- generally the concerns of small business;
- Attended representatives of central and local government authorities and those of the private sector;
- Under the chairmanship of the district commissioners.

The Pitso

- This is a new invention;
- Convened by sector ministers;
- Apparently once a year;
- The aim is to bring all the Ministry stakeholders together to discuss the Ministerial policies and plans and current issues of concern to all parties;
- Usually the attendance is excess to 100 participants including members of the private sector;
- The 'Pitso' end up with resolutions;

- Not clear how such resolutions reconcile with those taken at the HLCC forums in the event the two conflict.
- The sub-current of the Pitso social projects and subsidies and not the promotion of private enterprise.
- Impression created is that the Pitso resolutions take precedence over those of the HLCC as the voice of the Pitso is the voice of the people.

The Thematic Working Groups (TWGs)

- The thematic working groups were created to involve the private sector in the drafting of NDP10;
- More recently these have been institutionalised to assist with the implementation of the Plan;
- According to the initial institutional design the TWGs are to be chaired by the deputy permanent secretaries of the relevant sectors;
- Under the overall oversight of the PSP;
- The national Strategy Office to be Secretariat;
- Report to the HLCC.

Other Structures

- The Botswana Economic Advisory Council chaired by His Honour the Vice President and attended by the BOCCIM President among others. Private sector representation is at the discretion of the Government;
- The Rural Development Council chaired by His Honour the Vice President. Private sector representation at the discretion of the Government

The National Committee on Trade Policy and Negotiations (NCTPN)

- Chaired by the PS Ministry of Trade and Industry;
- Membership approximately 40-50 people;
- Largely Government dominated and led;
- Responsible for establishing national positions on trade related issues and trade negotiations such as in SACU, SADC, EPAs and others;
- By nature both strategic and highly technical issues come up;
- Meets in plenary and technical working groups;
- Participants must study many technical reports and attend meetings of technical committees;
- Patchy attendance by representatives of the private sector and little meaningful input.
- Important decisions that have impact on business with little input from the private sector.

What is the Score Card?

- How to judge the responsiveness and effectiveness of Government –private sector communications?

- The NBC has been around for 20 years and passing resolutions on a number of key topics – privatisation, competition policy, deregulation etc;
- The theme of private sector led economic growth in some variant or other has been around since the 1980's.
- Is it by the number of policies or legislation that has been formulated, the institutions created, committees formed that we should base our judgment;
- Effectiveness should be outcome-based;
- On that basis this criteria assessment is a sorry sight;
- The public enterprises such as BMC, Air Botswana and others have continued to wreak havoc on the economy and eating up scarce public resources with no end in sight;
- The regulatory environment in the country has become worse over the last 20 years. If in doubt try getting a planning permission to put up a building or a trading license.
- The direct contribution of Government to GDP was 18% in 2009 to 14.8% in 2000;
- When one throws in the contributions of such Government arms as, the utility companies, the BDC and BMC in manufacturing, DEBSWANA in mining etc, government domination is complete;
- Botswana's overall ranking by such organisations as the World Economic Forum and others has not become better;
- Indications are for the continued decline in foreign investment flows relative to other countries in the region;
- The overall assessment is that we are very good at making resolutions and making decisions in the many consultative structures that have been created but the actual effect is zero or near zero at best;

What tends to happen in practice

- The two sides reach a consensus on high level conceptual issues but the then the design,

implementation and timing is left to the Government side with little or no input from the private sector;

- Minimal participation of the private sector in the governance structures;
- No real review mechanism in the implementation of jointly agreed decisions;
- The Government side will often take decisions that repudiate decisions jointly agreed.
- Implementation of agreed positions depends exclusively on the resources and capacity of the Government and the Government's sense of priority;
- In the daily management of national affairs the Government will take decisions that impact negatively on the private sector and consult later;
- BOCCIM simply has no resources to participate effectively in the exchange between the Government and the private sector;
- Key stakeholders such as labour are more often ignored or sidelined in the relationship;

Possible Issues Going Forward

- Determine how can Botswana deepen diversification through private sector leadership?
- Judge whether existing consultative and communication structures effective and responsive to private sector concerns;
- Is there any scope for the enhance private sector participation in the implementation of resolutions jointly reached?
- If they are not, how to make them deliver by re-defining their scope, content and governance;
- Is there an issue with the resourcing of the current consultative arrangements?
- Is there scope for joint Government-private sector institutional arrangements to deal with these concerns;
- Can we take a leaf from the experience of South Africa where joint structures such as NEDLAC seem to make the interaction between Government, private sector, labour and NGOs more effective?

SESSION 8: REPORT BACK TO PLENARY AND DISCUSSION

Chair: Tebogo Matome, LEA

Regulations Affecting Business, and Priorities for Deregulation

- Some regulations are necessary but don't adapt to changes in the environment
- Land zoning, immigration, sector specific and business licensing
- Transport: air, unnecessarily regulated, losses, inefficiency
 - International trends: move towards liberalisation, lower cost and promotion of tourism
- Business licensing: costly, uncertain and restricts diversification- move for deregulation except where there are issues of public concern e.g. health
- Shouldn't be used for revenue generation and not to manage competition
 - Trade licences: used to enforce other laws and raise income

Proposed Resolutions

- Revise immigration system to facilitate business-friendly, transparent and objective criteria for work

Microeconomic Issues: Priorities for the New Competition Authority

Priorities

- Investigation- deal with cartels, abuse of power
- Education- businesses about compliance, submission of complaints, empower consumers, educate govt to foster more competitive markets
- Jurisdictional conflicts/over laps
- Clear guidelines to avoid conflicts
- Merger controls
- Tidying up the distribution channels

Recommendations

- Deal with cartels
- Leniency programs established to blow the whistle
- Compliance program to deal with complaints
- Get business and competition authorities together
- Authority needs to engage with govt as a whole to iron out issues

permits – for instance based on a points system - and ensure efficient, time-bound procedures and decisions.

- Make land zoning more efficient, flexible and business friendly through permitting multiple use and simplified change of use procedures
- Adopt an "Open Skies" policy for air transportation; remove Air Botswana's domestic monopoly; allow any accredited foreign carrier to fly into Botswana on any route; allow 5th freedom rights; and ensure that the necessary supportive structures are put in place as a matter of urgency.
- Revise the business licensing process under the Trade Act to accord with international best practice, remove licensing requirements except where there are clearly-identified public interest objectives, exempt SMEs, and make the licensing process simple, objective and transparent.
- Establish a high-level Deregulation Commission, conduct a regulatory impact assessment of existing regulations and recommend abolition where negative impact on business outweighs public interest gains, and establish a screening process to assess impact of any proposed new regulations on business.

Government/Private Sector Communication

Is it Responsive?

- What is the dialogue for? To improve country competitiveness to diversify and grow the economy and improve the quality of life of Batswana.
- Communication between government and the Private sector is largely responsive. It has moved away from an adversarial relationship to one of professional open and direct engagement. Over the years the NBC has achieved new policies such as privatization and institutions such as BNPC.

Is it Effective?

- Is it effective? Judging by 'doing business' and World Economic Forum ratings, it is not achieving the results we want. Private sector participation post the conference is passive and not active in the finer details

of implementation and progress monitoring. The BTC privatization decisions of government 51% and IPO 49% apparently didn't have private sector input.

Resolutions

- It agreed that the following resolutions could improve effectiveness:
- NBC resolutions after adoption should be subjected to a process of consolidation, rationalization and prioritisation between government/BOCCIM taking into account budget and NDP cycles before the next NBC. The outcome of this exercise must be reported to the next HLCC which will thereafter monitor progress on implementation on the same
- Set up a formal BOCCIM/government joint structure through the NSO to implement NBC resolutions.
- Consolidate and rationalize government/private sector fora. They are currently too many and may undermine progress made in the government/private sector dialogue.
- Include labour in the NBC and reconstitute its membership and clarify its role.
- Agree high level outcomes or charter for the NBC
- After adoption, they should be prioritized, consolidated by both govt and private sector b4 the next NBC, HLCC to monitor progress
- Set formal private sector govt thru NSO to implement NBC resolutions
- Consolidate govt-private sector bodies, too many
- Include labour in NBC and reconstitute membership and clarify its role
- Delivery time frames to be set for resolutions

The Six Hubs

- Not communicative- rec, comm. On mandates and share achievements. Consult and give feedback on their issues
- Stop being isolated, respond to issues involving their industries in the economy
- Coordinators must have right skills to do the job, perhaps attached to other established hubs such as in Japan
- Multi stakeholder forum to entrench ownership of programs by the hubs
- Creation of Financial services hub be formalized
- Diamond hub should be inclusive of other sectors in the economy, noting linkages
- Meaningful M&E of the hubs by NSO
- Generate projects scalable to be undertaken by the SMMEs and local companies

- Projects from hubs need to be prioritized and the MSF could play a role in setting these.
- Introduce the tourism hub

Suggested Resolutions:

1. In order for the hubs to effectively realise their mandates, communications strategies be developed, targeting specific stakeholder groups with a view to communicating on their mandates, making consultations, and continuously responding to sector specific issues as and when they arise.
2. For effective management and coordination of the hubs, to avoid duplication of effort and waste of financial and other resources and to ensure implementation priorities that are in line with national strategies, the hubs should be directly responsible to the National Strategy Office.
3. The hubs be appropriately resourced with personnel that have the requisite skills and that in order to strengthen their competences, officers be attached to identified hubs across the world that are renowned as centres of excellence; and that all substantive positions at the hubs be filled, particularly that of the Transport Hub Coordinator, to ensure the requisite momentum and timely delivery of the envisaged outcomes.
4. In order to ensure buy-in and participation of the private sector, multi-stakeholder fora be created such that the outcomes at each of the hubs are owned by all stakeholders; and that the hub concept papers be redrafted where necessary to incorporate the views of the respective stakeholders.
5. In line with the objective for optimisation, the hubs should not duplicate efforts or mandates of any of the existing establishments across Government.
6. The creation of the financial services hub be formalised.
7. The mandate of the diamond hub be extended to become the "mining hub" so that it addresses issues of the sector holistically.
8. Appropriate structures be created for monitoring and evaluation of the hubs with a view to continuous assessment of the impact and benefits flowing there from; and that the resultant diversification projects must be scalable enough to enable participation of the SMME's and transfer of knowledge and skills to citizens.

9. The workplace must make deliberate effort towards creation of an environment that ensures development of knowledge and skills required for

the businesses to excel and for the individuals to grow into respected experts in their respective disciplines.

Cocktails Sponsored by First National Bank

At Tati River Lodge

SESSION 9: BUILDING THE PRIVATE SECTOR

Chair: Leonard Makwinja, BTC

Strengthening Local Entrepreneurship and Attracting FDI

Mr Anthony Siwawa, Venture Partners Botswana

Anthony Siwawa is the founder and Managing Director of Venture Partners Botswana, and is regarded as a pioneer in the field of Private Equity in Botswana. Prior to establishing VPB he was involved in the consulting and financial



management arena in Johannesburg, South Africa with Deloitte, tackling a wide variety of consulting mandates in a number of industries which included real estate, financial services, forensics, and healthcare. While at Deloitte he participated in the establishment of a US Government backed regional private equity fund capitalized at US\$100M. He later joined the fund and was involved in the conclusion of transactions in Zimbabwe, Namibia, Zambia and Angola. He has extensive corporate finance expertise and has had significant experience with transactions in a number of areas including telecommunications - where he was responsible for the first sizeable buying of the largest mobile operator in Botswana; real estate; financial services - where he was involved in acquisitive expansions of a major regional financial services group, supply chain, etc.

He is a Computer Science graduate from Aston University Birmingham (UK) and is a qualified Chartered Certified

Accountant (ACCA, UK). He holds an MBA from the University of Chicago Booth School of Business. He also serves as a Director in numerous companies in Botswana including the African Venture Capital Association.

Abstract:

The development and growth of local entrepreneurship is a process that is synonymous with economic development, GDP growth and diversification of the Botswana economy. The need to foster a culture of entrepreneurship in an economy, which as all economic indicators show, is significantly overweight in terms of mineral export contribution to GDP, is paramount to the long term sustainability of Botswana.

A successful entrepreneurial culture will always attract capital flows, both internal and external, to the growing sectors of the economy. Therefore capital flows and entrepreneurship are activities that are always intertwined - a good example is Silicon Valley. Therefore all activities that are directed towards fostering the development of entrepreneurship should ensure that the overall impact on economic growth is positive and growth oriented.

Some of the challenges to consider in improving the entrepreneurship environment will include amongst other things:

- Scale of opportunities – activity external to the mining sector precludes one from real large scale opportunities
- Government ownership and participation in the economy
- Limited capital flows in the economy – e.g. pension funds regulation, the case of Namibia and Swaziland
- A private sector dominated by multinationals (80% of the economy) and SMMEs (90% by number)
- A competitive landscape – the global economy, open and accessible

- Creativity and exposure
- Talent

Foreign Direct Investment (FDI)

Capital, like water, flows through the path of least resistance - in other words, to where the best opportunities lie. International capital is highly mobile, and moves with significant speed. In order to attract that capital there should always be the minimum amount of hurdles to the capital flow. Furthermore, capital flows to those areas from which it can exit and be realised.

The factors that reduce resistance for international capital are closely linked to those that are attractive to entrepreneurs.

In addition to FDI there is a need to provide an environment for local capital to thrive and create opportunities for growth. A regulatory environment that supports the utilisation of local contracted savings will always be beneficial to entrepreneurship activities and, by default, to FDI.



Structure of the Presentation

- Entrepreneurship characteristics in Botswana
 - Growth Factors
- FDI
 - Flows
 - Impact
- GDI
 - Patient Organised Capital
 - Sources
- Recommendations
- Conclusions

Entrepreneurship



Entrepreneurship



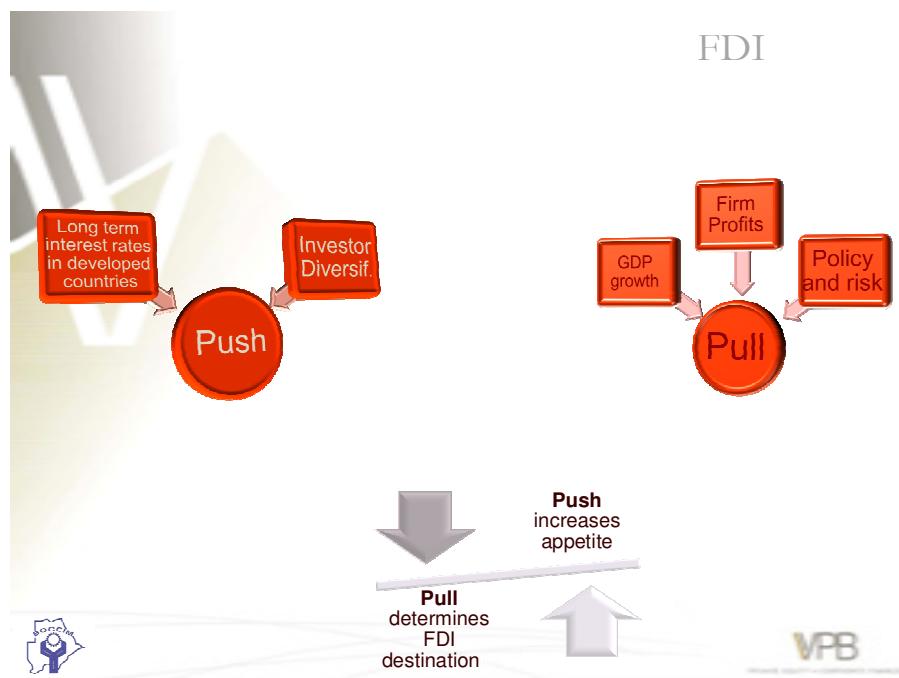
Entrepreneurial growth

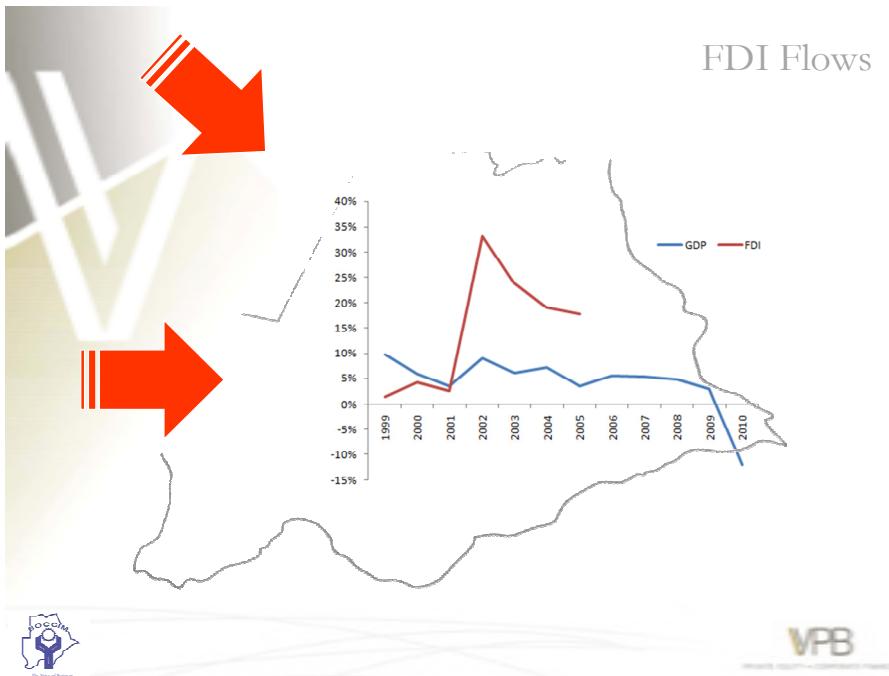
Requires:

- Attracting and retaining Patient Organised long term capital
- Scale opportunities
 - For diversification
 - Scale outside of resource
- Access to Information (Morupule)
- Reduced state participation in business

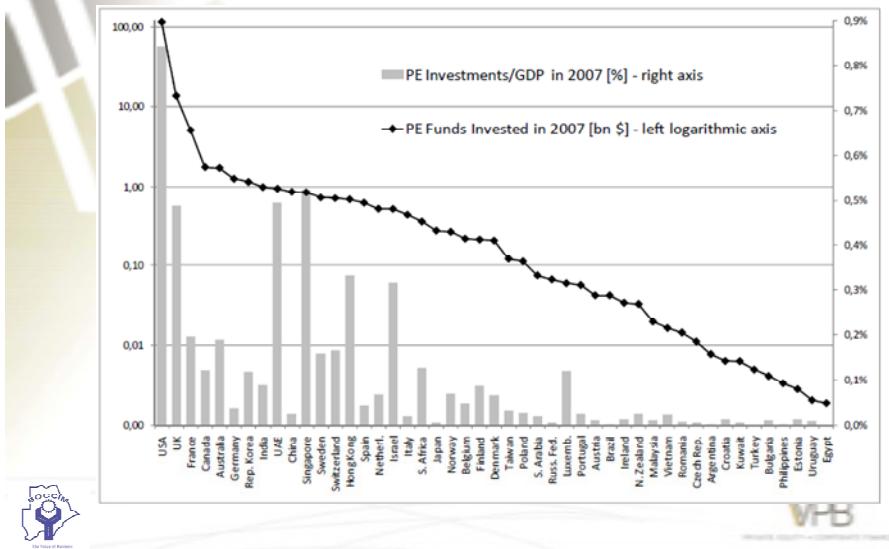
Availability of securities on active capital markets

- Capital requirements in Botswana >> \$1 Billion
- Privatisation
- Monetary and fiscal policies geared towards GDP growth
- FDI
 - Long/Short term, equity capital
 - Lasting, management interest
 - growth capital
 - Encourages resource mobilisation
 - Risk diversification
 - Monitoring of corporate sector
 - Hurdles
 - Liquidity
 - Scale of opportunities / market size





Impact



Capital Sources

Gross Domestic investment

- Local contractual savings schemes
 - Asset allocation strategies (5%)
 - New social security savings scheme
 - Municipal or city council bonds for infrastructure
- Utilisation of Botswana's SWF (Pula Fund)
- Targeted utilisation of allocations

FDI will follow success of GDI

- Realisation of GDI investment
- Attuned to local conditions
- Scale smaller than FDI
- Grow capital markets
- discipline

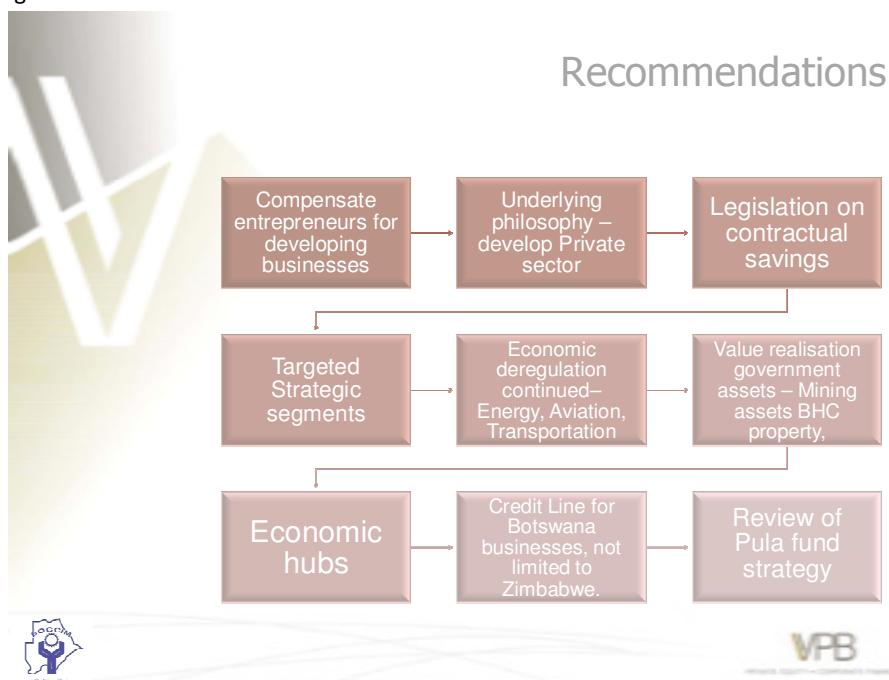
Policy focus

- Long term GDI
- Scalable investment opportunities
 - Home ownership, (primary development / Financing)
 - Mining asset ownership (Unitised)
 - Reduced state participation e.g. passenger transport
- Capital markets development
- Enforcement of regulations
- Strategic industry sector development
 - Diamond sector – trading platform
 - 15% mining rights
- Concentration of Development

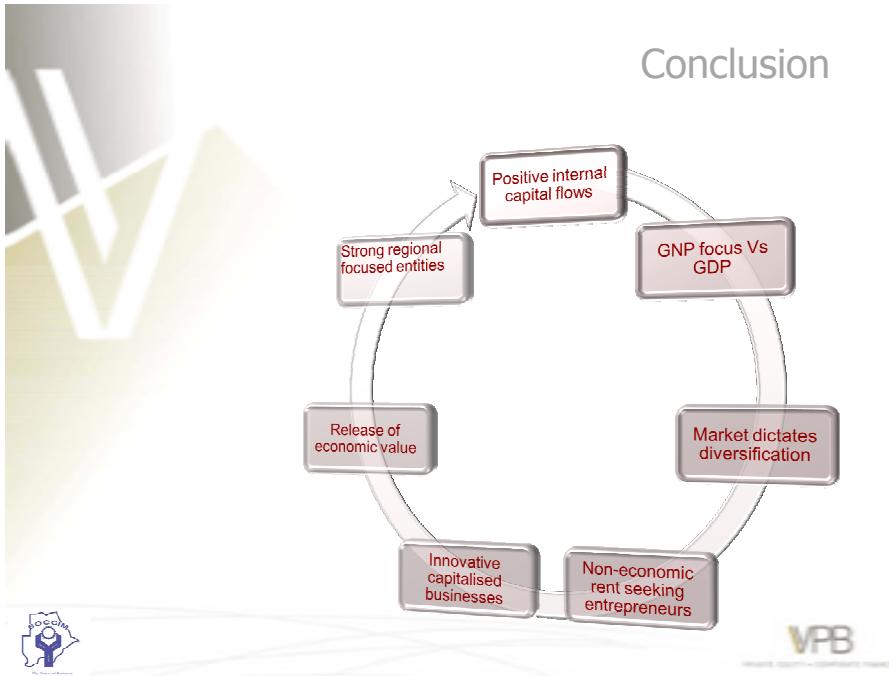
Hurdle Drivers

Private Sector

- Champion Botswana companies
- SADC and Africa focus
- Use of capital markets
- Use of institutional capital
 - Enforces discipline, governance
- M&A activity for growth and realisation



Conclusion



Developing Export Markets for Goods and Services

Mr Saman Naziri, Associate – International Business Developer, Swedish Trade Council

Saman Alae Naziri is an Associate and International Business Developer at the Swedish Trade Council in Gaborone where he works with export and trade promotion on behalf of Swedish companies in Southern Africa. In addition, the Swedish Trade Council is actively working with the concept of “Partner-Driven Cooperation” within a variety of key sectors which involves arranging meeting-



points where Swedish operators can establish partnerships with local counterparts. Saman is an MSc graduate in International Business from Stockholm University and has previous academic experiences from Stockholm, New York and Barcelona as well as professional experience from industries such as finance, retail and telecom.

Abstract:

Background

At the end of 1860, Sweden was one of the poorest countries in Europe. However, in the period between 1870 and 1970, GDP per capita in Sweden grew faster than in any other country in the world (besides Japan). Although very different, there is one similarity between Sweden and Botswana. Both have limited domestic markets and are consequently dependent on export markets. With a population of 8-9 million, Sweden is globally known as the birthplace of global leaders such as Hennes & Mauritz (H&M), IKEA, Ericsson, Scania, Atlas Copco and Volvo. Sweden's transformation occurred in three waves, with greatest focus on the 3rd wave. While the first economic breakthrough in its history was based on the steam engine and the second on the combustion engine, the third wave

was founded on information technology. Other major factors that contributed to Sweden's transformation were globalisation, internationalisation and entrepreneurship. Free capital movements, decreased global barriers to trade and the increasing expansion of the European Union are also factors that helped creating successful export markets for Swedish goods.

Regional Economic Communities (RECs)

70% of trade of all trade done by EU member states are within the EU while in Africa, that number is merely 10%. RECs (SADC) must coordinate trade and member states need to specialise and offer complementary goods and services. More regional integration and specialisation reduces duplication.

Innovation and Entrepreneurship

Rising international competition today is making growing demands on the innovative ability of many companies. This is why it is also increasingly important for companies to set up business in strong developing regions close to relevant skills, active access to venture capital, where there are networks and where investments are being made. Entrepreneurship, innovation, research and an open

cooperation between business, academia, and municipalities is of vital importance for a company's expansion opportunities. This collaboration generates an ecosystem that promotes growth and creates fertile soil for improved business opportunities and competitiveness. With limited resources, specialisation is vital. For Botswana, there are opportunities to develop markets in the financial sector for a large range of services including Business Process Outsourcing (BPO) and Call Centres. The newly established BIUST can become a high quality research-intensive university with a focus on Innovation, Science, Engineering and Technology. Furthermore, the establishment of business incubators where innovative startups can thrive is necessary.

Global export developing agency

Founded in 1972, the Swedish Trade Council serves the Swedish Government and Swedish business. It has offices in more than 60 countries and work closely with trade associations, embassies, consulates and chambers of commerce around the world. Undoubtedly, Sweden would not have been able to develop its current export markets without the support of such agency.



NATIONAL BUSINESS CONFERENCE 2010

SESSION 11: BUILDING THE PRIVATE SECTOR

DEVELOPING EXPORT MARKETS FOR GOODS AND SERVICES

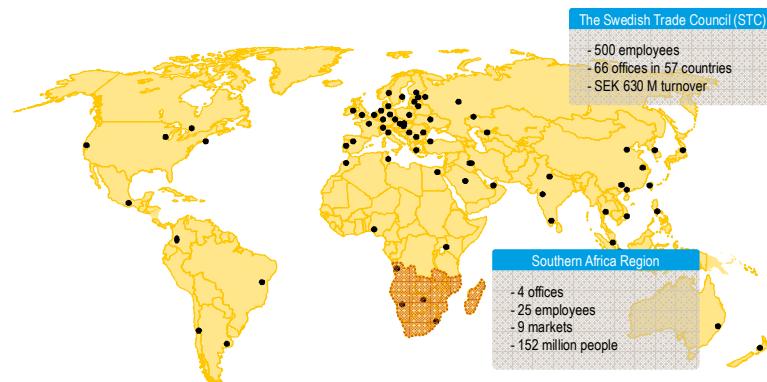
Saman Alae Naziri
Associate - International Business Developer
Swedish Trade Council
Saman.Alaenaziri@Swedishtrade.se



Agenda

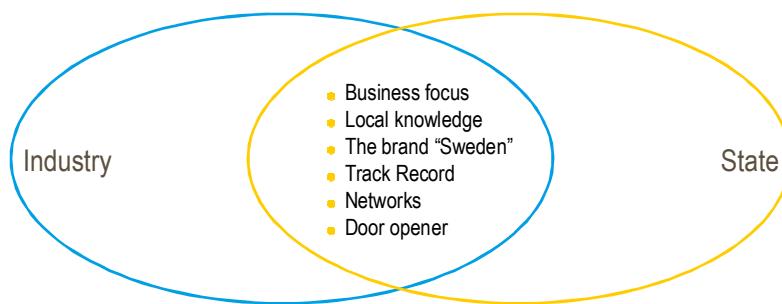
- The Swedish Trade Council
- Partner-Driven Cooperation & Meeting Points
- Export Development & Internationalization Process
- The Case of Sweden
- Factors for Economic Growth & Trade
- Export Opportunities:
 - Services
 - Manufacturing
- Proposed Resolutions / Wish List

WE ARE AT HOME ON SWEDENS FOREIGN MARKETS



WE COMBINE THE BEST OF TWO WORLDS

Jointly Owned by the Swedish Business Community and the State

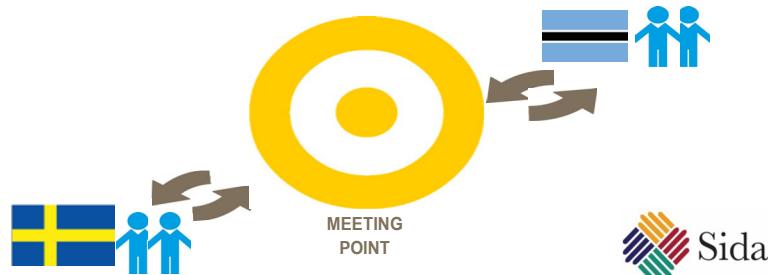


Swedish Trade Council – Global Export Developing Agency

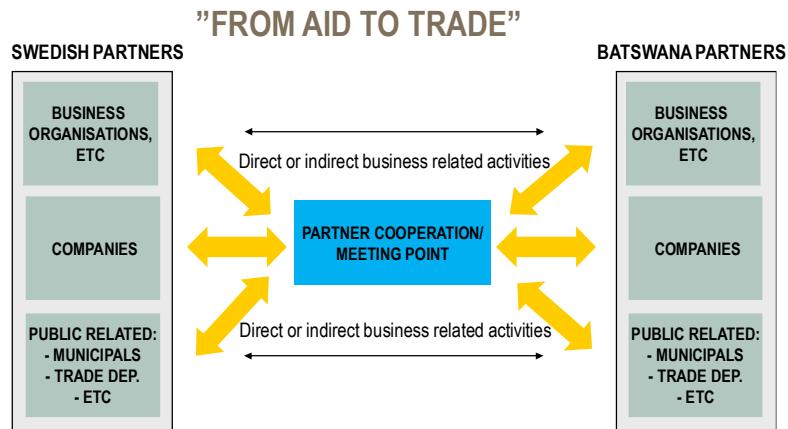
- Founded in 1972
- 68 Offices World-Wide
- Working closely with Trade Associations, Embassies and Consulates
- Commercial consulting activities
- State mission
 - SIDA (Swedish International Development Cooperation Agency)
 - Swedish Ministry for Foreign Affairs

OUR STATE MISSION: MEETING POINT CONCEPT - ASSISTING BOTSWANA IN CREATING TRADE

Stimulating Business Communication and Interaction by Providing Meeting-Points
for Swedish – Botswana Interests



PARTNER DRIVEN COOPERATION



Activities 2010

Health delegation

Based on the successful cooperation between the Spinalis foundation and the Botswana Ministry of Health, we are currently identifying areas for additional cooperation

Environment Technology Workshop

Exclusive workshops with chosen Swedish and Batswana participants. Focus on renewable energy, energy efficiency, waste management and sustainable road development

Civil Security Workshop

To provide solutions to perennial challenges faced by both Botswana and Namibia within the Civil Security and Disaster Management (DRM) area by facilitating discussions between stakeholders from Sweden and their local counterparts

ICT Conference

To create a platform for meetings and dialogue between authorities, universities, private entities, incubators etc. To foster sustainable solutions for cooperation and knowledge exchange as well as to present interesting investment opportunities in the region.

**EXPORT
RÅDET**
SWEDISH TRADE COUNCIL

INFORMATION & COMMUNICATION TECHNOLOGY CONFERENCE

NOVEMBER 15-16, 2010

- ICT Key Role in Leading Economic Diversification and as an Enabler of Economic Growth and Poverty Alleviation
- Create Platforms for Meetings and Dialogues Between Authorities, Universities, Private Entities and Incubators to Promote Partnerships and Knowledge exchange
- To Challenge Authorities on Issues Such as Bandwidth, Legislation and Regulations (MTC, BTA)
- Opportunity to Meet With Potential Partners From the Public- and Private Sector as Well as Stakeholders From Sweden
- Sweden no 1 ICT Nation in the World (World Economic Forum, Global IT Report 2010 & ITU Report 2010) on Access and Usage & Skills (Botswana 109th Out of 159)

Partially funded by



Partners



Swedish Trade Council >> NBC 2010

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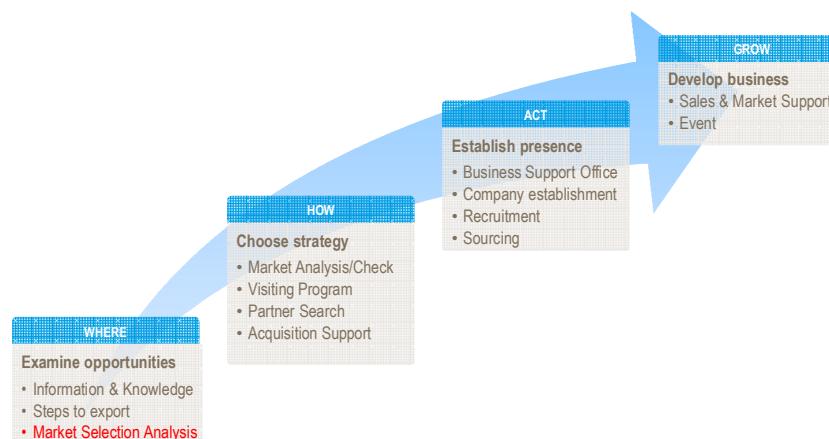
2010-10-

Internationalisation starts at home

- Preparations
 - The better the preparations and the higher the export competence, the greater chance of success
- Qualified Information
 - About business opportunities, markets and foreign trade rules, e.g. product demands, customs, labelling rules, payments structures and financing
- Open trade gate to Sweden - www.opentradegate.se
 - Assisting Exporters from developing countries with information on rules and requirements in Sweden and the European Union



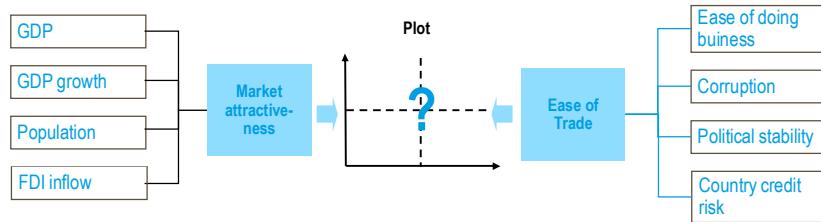
EXPORT DEVELOPMENT STEPS



Swedish Trade Council >> NBC 2010

2010-10-30

MARKET SELECTION ANALYSIS: USED VARIABLES FOR MARKET ATTRACTIVENESS AND EASE OF TRADE



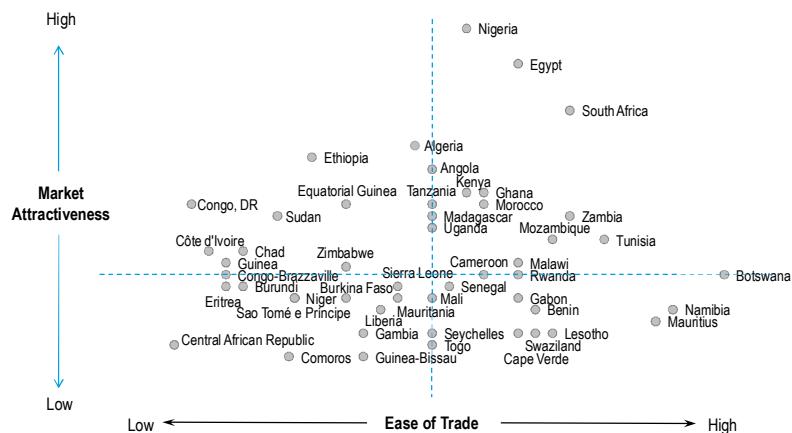
Sources: Euromonitor, World Bank, EKN

SWEDISH TRADE COUNCIL >> NBC 2010

2010-10-30

AFRICA PLOT

- Nigeria, Egypt and South Africa are the most interesting markets in general terms



Note: Dotted lines indicate median market score

SWEDISH TRADE COUNCIL >> NBC 2010

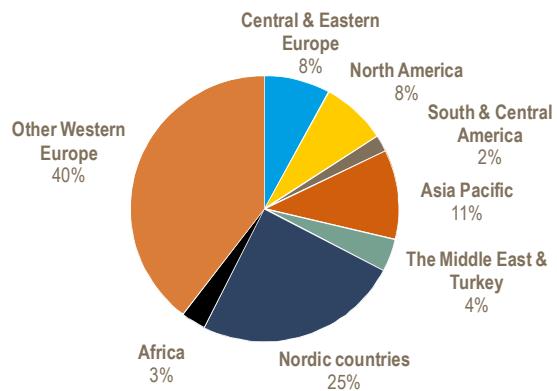
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The Importance of Exports for Sweden

- Limited domestic market
 - Population only 8-9 Million
- Dependant on trade
 - Exports represent more than 50% of GDP and make an important contribution to Sweden's prosperity
- Multinationals vs. entrepreneurs
 - 2/3 of the total export value can be attributed to some 100 multinationals, but the small and medium-sized companies will shape the future

SWEDISH EXPORTS OF GOODS BY REGIONS 2009

Percentage shares of total exports SEK 998 billion



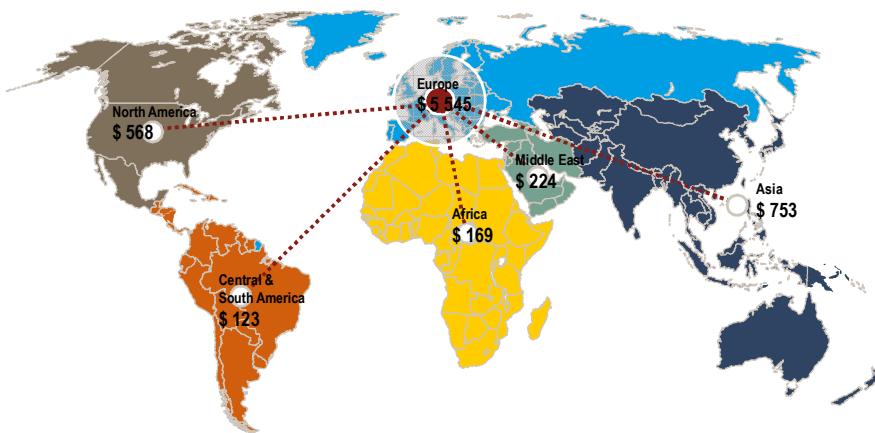
Source: Statistics Sweden

SWEDISH TRADE COUNCIL >> NBC 2010

2010-10-30



EUROPE TRADES MOSTLY WITH OTHER EUROPEAN COUNTRIES (75%) - EUROPEAN EXPORTS BY REGION (BILLION USD 2008)

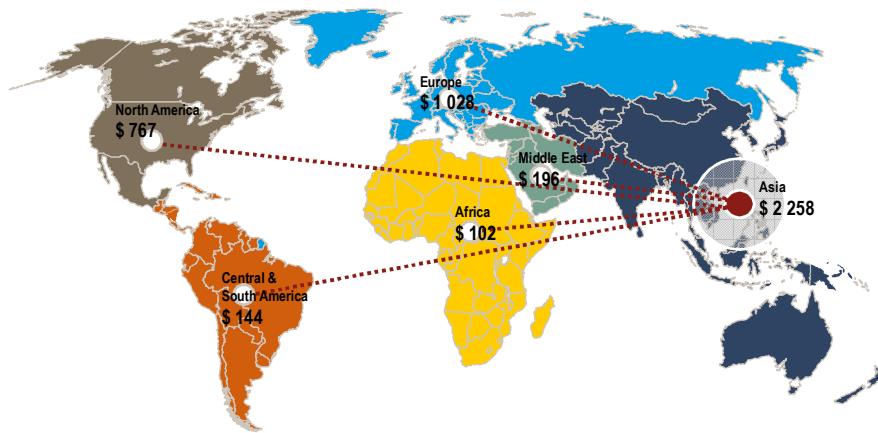


Source: IMF

Swedish Trade Council >> NBC 2010

2010-10-30

AND THE LARGEST MARKET FOR ASIAN PRODUCTS IS IN ASIA!
- ASIAN EXPORTS BY REGION (BILLION USD 2008)

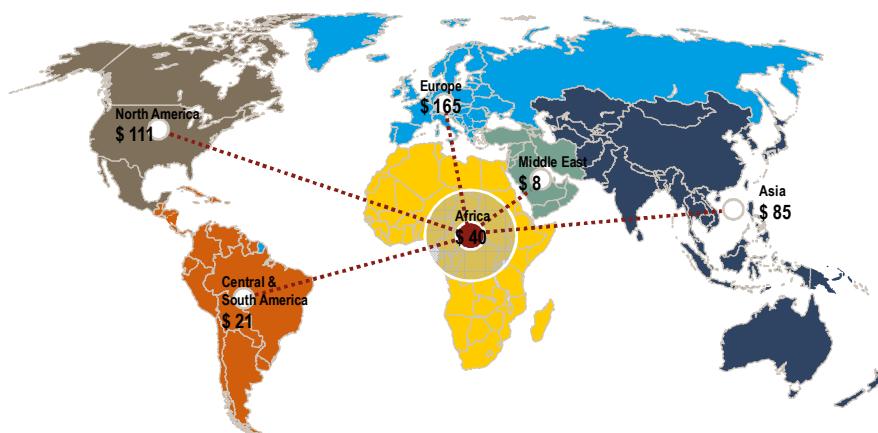


Source: IMF

Swedish Trade Council >> NBC 2010

2010-10-30

HOWEVER....(10%)
- AFRICAN EXPORTS BY REGION (BILLION USD 2008)



Source: IMF

Swedish Trade Council >> NBC 2010

2010-10-30

SWEDEN - BIRTHPLACE OF LEADING EXPORTERS



ERICSSON



Thinking of you
Electrolux



ABB



H&M



SWEDISH TRADE COUNCIL >> NBC 2010

2010-10-30

EXPORT
RÅDET
SWEDISH TRADE COUNCIL

ONE THING IN COMMON – THE ENTREPRENEUR



Swedish Trade Council >> NBC 2010

2010-10-30

Factors for Economic Growth and Trade

- Entrepreneurship - wealth creation starts with the entrepreneur. Access to venture capital is vital. Allowing the entrepreneur to fail before reaching success. Risk taking
- Regional Economic communities & customs union – SADC should not fall into the political trap. EU is an economic rather than political union. Free capital movements, more coordination of trade and regional integration. Free trade agreements of SACU
- Information & Communication Technology - Key role in leading economic diversification and an enabler of economic growth and poverty alleviation. Access, usage & affordability is crucial for doing business
- Innovations and R & D - Rising international competition is making growing demands on the innovative ability of many companies
- Education - Current shortage of qualified labour. Open cooperation between academia, businesses and authorities needed
- Savings - without savings no capital and no investments
- Specialisation - with limited resources, specialization is vital

- Establishment of incubators - where innovative startups can thrive. Stockholm School of Economics set to establish global lab in Botswana
- Legislation & Regulations – for example BTA for the growth of ICT

Export Opportunities: Services

- ICT - Transforming Botswana into a regional ICT hub would empower Batswana and make the country's service sector globally competitive
- BPO & Contact Centres - Combined with ongoing liberalization of trade and investment in services, Business Process Outsourcing (BPO) activities are globalizing rapidly. These activities not only contribute to the development of the ICT sector but also more broadly to other business and service activities. customer service, insurance claims etc
- Financial sector markets - cross-border financial and business services

Export Opportunities: Manufacturing

- Retailers - global or regional retailers. H&M for example currently outsource production to Asia
- The Role of CSR - Customer satisfaction and increasing awareness at home makes Botswana an attractive alternative with good CSR conditions
- Incentives - In order to compete with countries such as Bangladesh or Vietnam, government must offer incentives in form of heavily reduced taxes

Proposed Resolutions / Wish List

- Reduce Market Power - Studies show that some operators are enjoying substantial market power. BTA should be given full regulatory and pricing power. Increased competition will lead to lower prices, more access, usage and a more educated and informed nation
- Compulsory ICT & entrepreneurship classes in secondary education
- Internet Cafés - ACCESS, ACCESS, ACCESS. Provide the public or have the private sector build new internet cafés by end of 2011
- Trade specialists at every embassy - Have a trade representative in every embassy and diplomatic mission with the task of identifying interesting trade opportunities and promote Botswana as interesting outsourcing destination
- Hands-on support to the entrepreneur - Business ideas are not scarce, but knowledge is. Establish incubators where people can receive support in making business, marketing and export plans
- Manufacturing/Production - Offer zero tax incentives for foreign retailers



THE SWEDISH TRADE COUNCIL IN SOUTHERN AFRICA

Angola	Botswana	Namibia	South Africa
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SESSION 10: PRESENTATION AND DEBATE OF CONCLUSIONS AND RESOLUTIONS

Chairs:

- Mrs Grace Muzila, Director General, National Strategy Office
- Dr Jaloni Pansiri, Chair of the National Business Conference Organising Committee

NBC 11 Resolutions

1. Enhance the functionality of the scarce skill register with associated information gathering and monitoring & evaluation functions to be linked to both education and immigration
 - o Responsibility- MDP, MESD, MLHA
2. BOCCIM and Govt to facilitate value chain analysis to help identify business opportunities
 - o RES- BOCCIM, MTI, BEDIA
3. Improve communication between hubs and private sector in order to better inform the private sector on hub activities to help the hubs prioritize their activities and promote private sector participation.
 - o Res - NSO
4. Expedite the provision of international internet connectivity and bandwidth at competitive price and ensure that the business community is kept updated on progress
 - o BTA, MTC, BTC
5. Reform the internship scheme to make it more suitable for the private sector and effective for the interns ,encourage greater private sector participation.
 - o MLHA, BOCCIM
6. Review public procurement procedures to recognize and reward innovations so as not to discourage innovative unsolicited bids and proposals.
 - o PPADB, MDP
7. Reinvigorate privatization, outsourcing and PPPs to facilitate new forms of private sector participation in the provision of goods and services by and to government.
 - o PEEPA, MDP
8. The Private sector should aim to outsource non- core activities to promote opportunities for the SMMEs
 - o PS, BOCCIM, LEA
9. Training providers to develop programs targeting the improvement of service culture? (To be drafted by BOTA)
 - o BOTA, TEC,
10. Review the vocational training fund (training levy) to broaden its scope and relevance to the wider private sector to ensure effective utilization. In-addition govt and private sector should find and agree on a sustainable mechanism for student sponsorship
 - o BOTA, TEC
11. Private sector to engage meaningfully in curriculum development using available channels
 - o BOCCIM, PS
12. Government and private sector to develop mechanisms for broadening the scope of R&D and innovation
 - o BOCCIM, Innovation HUB, MIST
13. Urgently address the need for more diverse and efficient transport routes in/out of Botswana including railways and more efficient border procedures
 - o BURS, MTC
14. Deregulation of road transport in order to encourage competition in the private sector
 - o MTC
15. Finalize the draft IDP with its emphasis on implementing low cost (efficiency) improvements in the business climate and levelling the playing field between manufacturing and services and ensure that it is urgently and effectively implemented

- MTI, NSO
- 16. Ensure that the NBC resolutions implementation committee undertakes more effective dissemination of progress of the implementation of resolutions.
 - BOCCIM, MTI
- 17. Revise immigration system to facilitate a business-friendly, transparent and objective criterion for work permits – for instance based on a points system - and ensure efficient, time-bound procedures and decisions.
 - MLHA
- 18. Make land zoning more efficient, flexible and business friendly through permitting multiple use and simplified change of use procedures
 - MLH
- 19. Adopt an “Open Skies” policy for air transportation; remove Air Botswana’s domestic monopoly; allow any accredited foreign carrier to fly into Botswana on any route; allow 5th freedom rights; and ensure that the necessary supportive structures are put in place as a matter of urgency
 - CAAB, MTC
- 20. Revise the business licensing process under the Trade Act to accord with international best practice, remove licensing requirements except where there are clearly-identified public interest objectives, exempt SMEs, and make the licensing process simple, objective and transparent.
 - MTI, BOCCIM
- 21. Establish a high-level Deregulation Commission, conduct a regulatory impact assessment of existing regulations and recommend abolition where negative impact on business outweighs public interest gains, and establish a screening process to assess impact of any proposed new regulations on business
 - MTI, NSO, OP, BOCCIM

SESSION 11: CLOSING

Chairs:

- Mrs Grace Muzila, Director General, National Strategy Office
- Dr Jaloni Pansiri, Chair of the National Business Conference Organising Committee

Closing Remarks

Hon. Dorcas Makgato-Malesu, Minister of Trade and Industry



Director of Ceremonies;
Honourable Ministers;
Your Excellencies Members of the Diplomatic Corps and International Organisations;
President of BOCCIM;
Permanent Secretaries here present;
Captains of Industry;
His Worship, the Mayor of Francistown;
Honourable Councilors here present
District Commissioner of Francistown;
Members of the Business Community;
Distinguished Delegates;

Good afternoon,

It is a great honour for me to have been invited to make closing remarks at this 11th National Business Conference.

KEY OBJECTIVES OF THE NATIONAL BUSINESS CONFERENCE

It brings together the Public Sector and the Business Community to make an assessment of what has been achieved over the last two years, and what should be done in the next two years; and

The National Business Conference as a forum, is one of the key Private Sector initiatives geared towards providing dialogue between the Government and the Private Sector on policy, business and economic issues, intended to influence new strategic decisions, to meet new challenges.

The Importance of This Forum

The importance of this Forum cannot be overemphasized, we should therefore introspect in terms of whether the things we have been doing for the past eleven years justify our meeting every two years.

However, it is essential to recognize that this conference is not the only forum which provides a platform to deliberate on issues of concern. Therefore, BOCCIM members should take it upon themselves to bring up issues at fora such as the HLCC and other bilateral meetings with the Government in order to ensure that we address some of the impediments to doing business without having to wait for two years. As partners we should all take ownership of

the recommendations and ensure that they are implemented. We would, however, need to undertake a consolidation exercise that would allow us to evaluate their implementation capacity as well address any other bottlenecks.

The theme for this conference, “**Deepening Diversification through Private Sector Leadership**,” is well placed in that it is challenging the Ministry of Trade and Industry and private sector as whole to be accountable. It is therefore necessary to ensure that the recommendations emanating from the Forum are aligned to the theme. Conversely, we need to ask ourselves whether this is a case of *déjà vu* or whether this was actually a transformational forum that will change the business landscape. This can only be achieved through tangible recommendations which I can confidently present and engage Government for consideration in meeting the expectations of the private sector. I am saying this because I expect the very same intellectual capital applied in this Fora, to be applied at the same level during implementation.

I listened carefully to His Excellency the President’s deliberations in which he emphasized the need to review our current strategies and policies, if necessary change them, to ensure that our diversification drive is successful. In this regard, it is important to buttress the fact that the Economic Diversification Drive as mentioned by His Excellency the President offers opportunities for private sector involvement in wealth creation, while simultaneously fostering citizen economic empowerment.

Our Guest Speaker, Mr. Bobby Godsell, a notable business personality and Chairperson of Business Leadership South Africa at the beginning of the conference, also challenged us to play our critical roles in the diversification drive of our economy.

The most important point I picked from Mr. Bobby Godsell, on wealth creation, was that MTI as the lead Ministry and other key stakeholders should identify and nurture companies with a potential to become world class businesses. He stated that **"real growth is, and can only be, about real wealth creation, and to create wealth we must go to where wealth creation really happens; in the individual business".**

We should however, acknowledge that in market economies business failure is essential to the process of innovation and improvement. I therefore implore upon the business community to persevere.

The other important point he raised with regard to markets is that Africa can create its own market by combining the SADC and COMESA markets to create a sizeable African market of 500 million people.

I have taken note of the presentations by various speakers, and it is apparent that there is a need to re-look into areas such as skills and infrastructure development, policies/regulations and land tenure system in order to create a conducive business environment in the country.

THE ROLE OF THE PRIVATE SECTOR

Distinguished guests, having listened to all these presentations, my view is that, in order for us to succeed in our economic diversification efforts the role of the Private Sector is key in the development of a strong entrepreneurial platform to create jobs both in the high quality professional services and in the manufacturing sectors which require more sector specific skills.

THE ROLE OF GOVERNMENT IS TO:

The primary role of any government is to provide a conducive investment climate in which the private sector can do business without any unnecessary impediments

It is therefore, important for all of us, as Government, the Private Sector, Labour and Civil Society to play our respective roles in contributing to the achievement of the Economic Diversification Drive. This is a song-sheet from which we should all sing. It is our shared belief in the free market economy and the key importance we attach to the growth and development of the private sector.

GRATITUDE TO HIS EXCELLENCY THE PRESIDENT, GUEST SPEAKER AND THE PRESENTERS

Distinguished guests, let me take this opportunity to express my sincere gratitude to His Excellency the President for his continued support to the Government/Private Sector dialogue and consultative forum, and in particular, for having come to officially open this Conference. I wish to also thank the guest Speaker, Mr. Bobby Godsell, and other knowledgeable local and International presenters for attending this conference and giving us very inspiring messages. Let me also express my gratitude to the Media and everyone else who attended this Conference.

Allow me to also thank the Business Community, Parastatal Organisations and Government for their commitment to this forum as demonstrated, not only by their attendance and active participation, but also by their financial support to this Conference.

My special thanks go to our various sponsors who have contributed a lot to the success of the conference.

Last but not least, let me thank BOCCIM for taking the lead in organizing this important event and the Organizing Committee for working tirelessly to make this event a success.

Distinguished guests, as we go back to our respective organizations, I urge you to implement, with immediate effect, the resolutions that we have just adopted in this Conference. It is encouraging to note that, out of the twenty six (26) resolutions adopted at the tenth National Business Conference held in 2008, twenty five (25) resolutions have been implemented or are being implemented, and only one (1) is due for implementation by the end of this financial year. This, in my considered view, is a remarkable achievement, and a clear demonstration of how seriously, we, as Government, take these resolutions.

I want to assure you that I noted with keen interest the issues raised and the resolutions adopted by this Conference. I believe that if these resolutions are implemented effectively and monitored well, we will be able to transform our economy.

CONCLUSION

Distinguished guests, it is now my pleasure and honour to declare the 11th National Business Conference officially closed.

INVITATION FOR LUNCH

At the end, I would like to invite you for lunch and wish all a safe journey back home and a wonderful 45th Independence Celebration.

Thank you. PULA!!! PULA!!!

Lunch was sponsored by Ministry of Trade and Industry

The NBC Organising Committee



From left: Komissa Burzlaff, BOCCIM; Tshepiso Letshwiti, MTI; Sylvia Molapisi, BOCCIM; Lucy Hinchliffe, Third Hand Business Services; Bogolo Kenewendo, Econsult; Faried van Wyk, BOCCIM; Ruth Seipone, NSO; Lex von Rudloff, Emang Professional Services; Chigedze Chinyepi, WIBA; Norman Moleele, BOCCIM; Jaloni Pansiri, University of Botswana, (Chair); Larona Sedimo, MTI; Keith Jefferis, Econsult.