



Doing Business In Botswana: A Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Botswana

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Market Overview

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Botswana is an African success story. It has progressed from one of the poorest countries in the world at the time of independence in 1966, to a middle-income country with nominal GDP per capita of US\$ 7,343.54 as of November 2008. It is now attempting to diversify the country's economy and promote sustainable development against the backdrop of an emerging global market and a severe HIV/AIDS challenge.

Several international rankings and economic indicators highlight Botswana's successes and challenges:

- The World Economic Forum report has ranked Botswana 60th on the Global Competitiveness Index of 2009/10, which makes it the second-best country in sub-Saharan Africa. Botswana scores well in institutions and macroeconomy but needs to improve in health, education and training, efficiency, business sophistication, and innovation according to the report.
- In February 2010, Moody's and Standard & Poor's downgraded Botswana's investment grade credit rating from "A" to "A-". The downgrading was due to Botswana's decision to set out plans to boost public spending until March 2012. Transparency International ranked Botswana 37th out of 180 countries, on its 2009 corruption perception index, the best amongst sub-Saharan African countries.
- The U.N.'s Human Development Index ranked Botswana 125th, placing it among the Medium Human Development group.
- The fight against HIV/AIDS consumes a large portion of government spending and is a factor in low productivity.
- The Bank of Botswana's target inflation rate is 3-6% although it has rarely been within the target since the pula devaluation in May 2005. However, as of December 2009, inflation was 5.8%.
- Botswana enjoyed budget surpluses for several years, but is estimated to have a budget deficit of approximately 7% of estimated GDP in 2008-9 and a deficit of approximately 15% of estimated GDP in 2009-10. The past surpluses were due in part to poor implementation of projects. The deficit spending in the 08-09 and 09-10 budget years is the result of a GOB decision to maintain spending levels to stimulate the economy despite significant losses of revenue due to the global economic downturn. The budget shortfalls will be covered by borrowing from the domestic capital market, a \$ 1.5 billion loan from African Development Bank and drawing down its significant foreign reserves.

Botswana's economic statistics usually lag by one-year and are sometimes difficult to interpret due to a history of revisions made after statistics are released. The 2010

budget speech indicates that in real terms, the GDP for 2008/09 declined by 4.6 percent. The fall in real output is largely due to the decline in real value, as well as a 31.4 percent decline in the mining industry while the rest of the economy recorded a growth of 11.6 percent over the same period. The economy continued to recover in the third quarter ending September 2009 having a 4.1 percent GDP growth in real terms. The Minister of Finance has projected an overall real GDP growth for 2009/10 financial year to be around zero, and about 5 percent in 2010/11.

The Government continues to focus its economic policies on diversification of the economy away from dependence on the mineral sector, which in previous years accounted for roughly 70 to 80 percent of export earnings and at least 40 percent of government revenue. The diversification strategy is also aimed at the reduction of unemployment, which is officially estimated at 17.6 percent. The Government is actively encouraging the development of the private sector through an attractive taxation regime, the elimination of exchange controls and support for foreign direct investment in non-mining sectors of the economy, principally: manufacturing, tourism, and financial services. It is currently drafting a Foreign Direct Investment Strategy, Competition Law, and National Export Strategy, Trade Policy and Industrial Policy.

USG trade statistics as of November 2009 show total US exports to Botswana of \$56.3 million, a one percent decline from the same period in 2008, and US imports from Botswana stood at \$122.8 million, indicating a 42 percent decline from the same period in 2008. These figures do not necessarily reflect the total consumption of U.S. goods, however, since many U.S. products enter Botswana as re-exports from South Africa. Similarly, Botswana's exports to the U.S. do not include most diamonds, the nation's principal export, which generally enter as re-exports from the United Kingdom.

Export opportunities to Botswana include: mining equipment, hospital/medical equipment and supplies, aircraft equipment, pharmaceuticals, telecommunications equipment and supplies, computer hardware and software, solar energy equipment, consulting services, fabrics and grains. Sectors targeted by the Government for investment include: tourism, light manufacturing, financial services, leather products, printing and publishing ceramic and sanitary ware items, glass products and pharmaceuticals. Due to Botswana's small domestic market, export-led industries are encouraged, and foreign investors and exporters should look to market products throughout Southern Africa, for which Botswana presents a strategic location.

Botswana is a member of the Southern Africa Development Community (SADC) and the Southern African Customs Union (SACU). The SADC Trade Protocol provides that the fifteen SADC Member states shall accord each other the Most Favored Nation Treatment (MFNT) on goods traded between them. This includes import and export duties, non-tariff barriers as well as quantitative import and export restrictions. The member states signed an agreement to form the FTA in August 2008, and work continues towards implementation of the agreement. Under the FTA, tariffs and non-tariff barriers will be eliminated on all trade between the Member States.

SACU has five contracting members. The Customs Union controls trade and regulates tariffs between the member countries. Once fully implemented, goods traded within SACU will enjoy free movement without payment of customs duties and quantitative

restrictions. Only local taxes such as sales tax and Value Added Tax, (VAT) will be levied on goods traded between the member countries.

Botswana has had a democratically-elected government since its independence in 1966. Democratic institutions are in place and function well. Parliamentary elections held in October 2009 were free and fair and resulted in another victory for the ruling Botswana Democratic Party. The next general election is expected in October 2014. Botswana and the U.S. enjoy excellent bilateral relations.

Market Challenges

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- Relative size of the market – Population of only 1.8 million
- Landlocked country with high transportation costs
- Potential future energy shortages and cost of energy
- Access to financing
- Work and resident permits for expatriate employees
- Skills shortage
- Judicial backlog
- Customer service, productivity, and government bureaucracy
- Regulatory system in need of clarification
- Advancing citizen empowerment efforts may limit new opportunities

Market Opportunities

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- Government has completed National Development Plan 10 in August 2009, which will set the direction of government programs for the next seven years and is expected to achieve aspirations of the long term Vision 2016 plan.
- Mining sector including diamonds, coal, copper/nickel, and gold as well as mining equipment and services;
- Energy projects including independent power producers, solar energy operations and equipment, natural and methane gas development;
- Construction and engineering consulting services;
- International financial services such as investment banking, business processing outsourcing, and insurance/reinsurance business;
- Tourism; and
- Healthcare including services and medical/surgical equipment

Market Entry Strategy

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- Personal relationships are essential to establishing business relationships
- Visiting is important to establishing mutual respect and understanding
- Partnering with local firms greatly enhances prospects for success, particularly for securing government procurement contracts or local financing

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/1830.htm>

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Using an Agent or Distributor

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U.S. companies looking for assistance in finding a Botswana agent/distributor may wish to contact BOCCIM, the Botswana Confederation of Commerce, Industry, and Manpower (www.boccim.co.bw), an organization to which many local businesses belong. Currently its membership directory is not available online, but the complete list can be provided by BOCCIM in hard copy. BOCCIM has roughly 2,000 member companies and is the single largest private sector association in Botswana.

Establishing an Office

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Companies interested in investing in Botswana should contact the Botswana Export Development and Investment Authority (BEDIA – www.bedia.co.bw), the parastatal agency charged with assisting foreign investors in setting up operations. BEDIA promotes itself as a one-stop shop for foreign investors considering establishing offices in Botswana.

Company formation and registration in Botswana is relatively simple and governed by the Companies Act. All companies are registered with the Registrar of Companies, who certifies that the company is incorporated. The common practice is to engage a local attorney or a company secretary to arrange for a company registration, which can typically be completed within two weeks, although efforts are being made to expedite the process. A list of local attorneys can be obtained from the U.S. Embassy's Consular Section (<http://botswana.usembassy.gov>).

Franchising

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Although most franchises are South African, there are a number of successful U.S. franchises and licensing agreements in Botswana including DHL, Federal Express, Coca-Cola, Kentucky Fried Chicken, Avis, and Remix Realtors.

Registering a franchise is similar to registering any other type of company and follows the procedures outlined in the Companies Act. Registration is done with the Registrar of Companies and requires a license with either the city council or Ministry of Trade and Industry, depending on the type of business.

Direct Marketing

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Botswana's functional postal and phone systems would allow for use of direct marketing techniques such as direct mailings or telemarketing. However, direct marketing is not a business practice commonly used in Botswana.

Joint-ventures/Licensing

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Botswana entrepreneurs and the government's investment arm, the Botswana Development Corporation (BDC – www.bdc.bw), welcome joint-venture opportunities, particularly where the foreign partner will bring production expertise, product design, or marketing ties.

Selling to the Government

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The Public Procurement and Asset Disposal Board (PPADB - <http://www.ppadb.co.bw/>), an independent parastatal, is responsible for the award of all government tenders. The tender process is open and tenders are now listed online at the Government's central website <http://www.gov.bw/business/tenders.html>. Lobbying of the PPADB or its members is strictly prohibited. The PPADB has an Independent Complaints Review Committee, which reviews the Board's decisions that have been challenged by stakeholders. Ministerial and District Tender Committees ensure that speedy decisions are made.

The PPADB publishes its decisions concerning awarded tenders, prequalification lists and newly registered contractors.

Government procurement practices do, however, involve some preference schemes and reserve certain tenders for 100 percent citizen-owned companies. There is an ongoing public debate about government procurement practices, which many view as a giveaway to foreign companies. The PPADB is explicitly charged with promoting citizen empowerment through the proactive implementation of reservation and preference schemes designed and introduced by the Government of Botswana from time to time to enhance citizen participation in economic activities, resulting in increased employment and capacity building. However, the Board states that it considers these schemes within the context of its obligations under international trade treaties such as the World Trade Organization (WTO), and regional agreements under the Southern African Development Community (SADC) and the Southern African Customs Union (SACU).

Distribution and Sales Channels

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Botswana is a land-locked country, but finds itself in the middle of the SADC region and at the center of the Trans-Kalahari Corridor, which connects Botswana to the Namibian port of Walvis Bay and through to Dar Es Salaam in the northeast. The principal commercial trading route remains via South Africa through its southern port of Durban. However, Walvis Bay is increasingly an attractive alternative to the delays often experienced shipping out of or into Durban, due mainly to over-utilization.

Most goods enter Botswana through Gaborone, the capital city. However, other central points of commerce include Lobatse, Francistown, Maun and Kasane. Roads are typically good, although driving at night is dangerous and should be avoided due to the high incidence of traffic accidents, many caused by wildlife or livestock on the roads.

As part of SACU, the vast majority of U.S. products sold in Botswana enter as re-exports from South Africa. Many U.S. companies maintain regional distributorships in South Africa, which supply the rest of the SACU and SADC regions. There are, however, a growing number of U.S. franchises in Botswana, concentrated principally in the capital, Gaborone.

Selling Factors/Techniques

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English is the official language, but Setswana is the traditional language and remains predominant in social and business interactions. Depending on the scale or target consumer, marketing materials should be translated into Setswana.

Electronic Commerce

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Internet usage is on the rise, but remains low nationwide. Reportedly, 5 percent of the population is utilizing the Internet. There are a growing number of Internet Service Providers and Internet cafes, but due to the high cost of fixed-line phone charges associated with dial-up service, the cost of accessing the Internet remains prohibitive for the majority of the population. DSL service is available in some parts of the country and is more reliable and efficient; however, the cost remains relatively high for the general public.

For the first time in Botswana, the telecommunications industry has taken a major step in internet development. The three mobile service providers namely, BeMobile, a subsidiary of Botswana Telecommunication Corporation (BTC), Orange Botswana and Mascom Wireless Botswana are now offering upgraded product packages. They have now introduced mobile broadband internet, which is capable of transmitting high speed data in most parts of the country. The new technology offers services such as high speed internet, email access, video telephony and music downloads

Botswana's business sector like the general public, has not yet fully embraced e-commerce. There are few Business to Business (B2B) websites and a minimal level of e-commerce transactions. The Government of Botswana's ICT Policy is expected to identify appropriate policy actions that the government needs to establish a trusted and secure e-commerce, e-health, and e-government environment.

Trade Promotion and Advertising

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Newspapers and radio are the most common advertising media in Botswana. South African satellite television broadcasts reach the major cities and can provide a venue for products marketed region-wide. The national television station, Btv, and the Gaborone television station, GBC, may also prove useful means for advertising.

Major newspapers are:

(a) The Botswana Guardian - www.botswanaguardian.co.bw

(b) The Botswana Gazette - www.gazette.bw

(c) The Midweek Sun - www.midweeksun.co.bw

(d) Mmegi - www.mmegi.bw

(e) The Daily News - www.gov.bw/news; and

(f) Sunday Standard – www.sundaystandard.info

(g) The Advertiser - Printing and Publishing Services, P/Bag 0081, Gaborone, Tel: (267) 391-4788, Fax: (267) 391-4595, email: advertiser@info.bw. (No website)

Advertisers interested in wide, local and English language coverage may wish to contact Radio Botswana at Department of Information and Broadcasting, P/Bag 0060, Gaborone, Tel: (267) 395-2541; Fax: (267) 395-2541. Private radio stations include:

(a) Gabz FM 96.2, Bag B0319, Gaborone, Tel: (267) 3956-962 and

(b) Yarona FM 106.6. Box 1607, Gaborone, Tel: (267) 391-1066.

(c) Duma FM 93

The government-owned Botswana television station (Btv) offers some advertising. Interested advertisers should contact the Department of Information and Broadcasting at the above address. The GBC television station, Box 921, Gaborone, Tel. (267) 395-7654, Fax (267) 390-1875, email: gbctv@info.bw, offers advertising for the Gaborone market.

"Beneath Botswana" is a locally produced trade magazine for the mining industry and *"Discover Botswana"* is a Botswana tourism trade magazine, which showcases tourism resources and investment opportunities. For more information you may visit www.discover-botswana.com.

A few reputable marketing, media, and advertising agencies are present in the country. These include:

(a) Horizon Ogilvy and Mather - www.horizon.ogilvy.co.bw

(b) Marketing Communications - Email: marcom@info.bw

(c) Media Communications - Email: vich@medcom.bw

(d) Clear Channel Independent Botswana - www.ccirsa.com

(e) Optimum McCann-Erickson – www.pulaholdings.co.bw

Pricing

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Companies are free to set prices inclusive of Value Added Tax (VAT). Most goods are free of price controls, with a few exceptions such as maize meal, petroleum, diesel, illuminating paraffin, and beef.

Currently there is VAT of 10% charged on most sales of goods and services. Sales of petrol, diesel, paraffin, maize and sorghum meal, financial, educational, and health services are exempt from VAT. The Government has announced that the VAT will increase to 12 % as of April 2010.

Sales Service/Customer Support

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Service and after-sales support for imported products sold in Botswana are often deficient. Guaranteeing parts and service may be essential to market unfamiliar products.

Introduction

Several general principles are important for effective management of intellectual property rights in Botswana. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Botswana than in the U.S. Third, rights must be registered and enforced in Botswana under local laws. Your U.S. trademark and patent registrations will not protect you in Botswana. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Botswana market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government, generally, cannot enforce rights for private individuals in Botswana. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Embassy can provide a list of local lawyers upon request.

While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Botswana require constant attention. Work with legal counsel familiar with Botswana laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Botswana or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy

- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Botswana Musicians Union (BOMU)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit:
http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. Contact Todd.Reves@USPTO.GOV and Kevin.Rosenbaum@USPTO.GOV for Botswana IPR issues.

IPR Climate in Botswana

Botswana has made progress in the last few years in its protection of intellectual property rights. Its legislation is now largely in accordance with the World Trade Agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS), except for geographic indications and integrated circuits (Chapter III (4) (v)). Capacity building is mainly needed for enforcement of intellectual property rights. Botswana is a member of both the Bern and Paris Conventions, the international baseline for intellectual property rights agreements. The Botswana Copyright Law offers internationally-accepted standards of protection for the rights of creators of literary, artistic, dramatic, cinematographic works; computer programs; broadcasting organizations; and sound recordings. In addition, the legislation gives the Government additional tools to use in its ongoing fight against piracy, including stiffer penalties. To further enhance copyright protection, the Copyright and Neighboring Rights Act, which came into operation in 2008, is aimed at updating the Botswana Copyright Law to enhance protection of artistic and literary works. The Act

is also compliant with World Intellectual Property Organization (WIPO) Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT).

A Copyright Office exists in Gaborone with branches in other towns. The Copyright Office supervises the activities of the copyright society and advises the government and its agencies on all matters pertaining to copyright law, including Botswana's obligations under international treaties and agreements. It also is responsible for organizing awareness campaigns to inform, educate, and sensitize the public on matters of copyright. In addition, an arbitration panel comprising three to five members will be established to preside over any conflicts.

The Industrial Property Act of 1998 governs Botswana's patent and trademark legislation. Under the law, Botswana provides internationally-recognized standards of protection for both foreign and domestic holders of patents, industrial designs, and trademarks, and fully complies with the TRIPS Agreement.

Despite these efforts, the Government of Botswana still needs to improve its performance in protecting intellectual property rights. Botswana had the fifth highest piracy rate out of 26 African and Mideast countries in 2006, according to the Business Software Alliance.

Contact information can be found at <http://www.wipo.int/directory/en/urls.jsp>.

Due Diligence

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Due diligence is essential to any commercial enterprise and this holds true in Botswana. Due diligence can be conducted through engaging a local attorney. Many of the global accounting firms have offices in Gaborone that can also provide due diligence services.

Local Professional Services

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Botswana Telecommunications Corporation: www.btc.bw

International Financial Services Center: www.ifsc.co.bw

Botswana Export Development and Investment Authority: www.bedia.co.bw

Botswana Confederation of Commerce, Industry and Manpower: www.boccim.co.bw

Botswana Development Corporation: www.bdc.bw

American Business Council: rram@it.bw

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Government Tenders: <http://www.gov.bw/business/tenders.html>.

Botswana Telecommunications Corporation: www.btc.bw

International Financial Services Center: www.ifsc.co.bw

Botswana Export Development and Investment Authority: www.bedia.co.bw

Botswana Confederation of Commerce, Industry and Manpower: www.boccim.co.bw

Botswana Development Corporation: www.bdc.bw

Exporters Association of Botswana: <http://www.exporters.bw/>

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Mining (MIN) – Leading Sector #1

Overview

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	2007	2008	2009 (estimated)
Total Market Size	\$ 3,710 million	\$ 4,351.90 million	\$ 4,525.98million
Total Local Diamond Production	33.8 million carats	32.6 million carats	8.9 million carats (2 nd quarter)

Data is estimated at an average exchange rate of P1 = \$ 0.0.13

Source: Bank of Botswana 2008, Budget speech 2009

The mining industry has dominated the economy of Botswana since its independence in 1966. For the past four decades the sector accounted for roughly 70 to 80 percent of national foreign exchange earnings, 50 percent of government revenue, and 40 percent of GDP. Botswana's mining industry consists mainly of diamonds. Other minerals include copper-nickel matte, coal, soda ash, salt, and small amounts of gold. The Government's main objective for the mineral sector is to continue to maximize the economic benefits for the nation while enabling private investors to earn competitive returns. The performance of the mineral sector has been remarkable; however it has declined sharply and suddenly due to the global economic crisis. Diamond sales started falling significantly in November 2008 and in the first quarter of 2009 diamond exports collapsed by about 67 percent, following

the closure of three diamond mines. The GOB estimated that in 2009, Botswana's diamond sales revenue will decline by roughly 50 percent as prices are estimated to decrease by 15 percent and production expected to reduce by 35 percent. Government policy continues to encourage prospecting and new mine development.

Debswana, which is a 50/50 joint-venture between the Government of Botswana and the De Beers Corporation, is the nation's main diamond mining company. De Beers Corporation and the Government of Botswana have signed license agreements for Debswana's four diamond mines through 2029. As demands to increase diamond mining's contribution to employment have risen, the Government has pressured Debswana to actively promote downstream processing of minerals, such as diamond cutting and polishing, diamond jewelry manufacturing and a rough diamond trading facility. Several new cutting and polishing companies recently opened in Botswana, however, operation and certainly growth of the nascent industry has been slowed. .

The Diamond Trading Company (DTC) Botswana is a 50/50 joint-venture company between the Government of Botswana and De Beers that started operations in 2008. DTC Botswana was expected to create over 3,000 new jobs in Botswana in downstream diamond related activities. This represents an increase of around 30 percent in diamond industry employment levels in Botswana and an increase of 10 percent in the overall Botswana manufacturing sector. There are currently 16 sightholders actively operating in Botswana. The DTC is also expected to foster development of local skills and transfer of technology. The government is also looking at opportunities for further processing its salt and soda ash resources.

U.S.-based Caterpillar has captured a sizable portion of the mining equipment market. Equipment is supplied by distributors mainly located in South Africa and recorded as imports from the country of supply and not as imports from the country of origin, hence the understated value of imports from the U.S. All heavy equipment and machinery are imported, as there is no local production or assembly.

Best Products/Services

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Mining equipment, services, prospecting and consulting.

Opportunities

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The Mines and Minerals Act revised in 1999 aims to increase the sector's competitiveness by improving security of tenure for investors by removing ministerial discretion, lowering royalty rates and facilitating exploration and production of other minerals. A good example of the opportunities this Act creates is the Kalahari Gas Corporation's discovery of natural gas reserves and the provisions for private exploitation of the resource.

The Diamond Hub which was established in 2008 has identified four areas of concentration, including diamond cutting and polishing, establishment of a rough and polished diamond trading facility, development of diamond jewelry manufacturing and support industries.

Resources

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Ministry of Minerals, Energy and Water Affairs:

http://www.gov.bw/government/ministry_of_minerals_energy_and_water_affairs.html

Debswana: <http://www.debswana.com/homePage/dbHomePage.asp>

Ministry of Trade and Industry: www.mti.gov.bw

Department of Customs and Excise: <http://www.finance.gov.bw/customs/>

Financial Services (FNS) – Leading Sector #2

Overview

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	2007	2008	2009 (estimated)
Total Market Size	\$860.00 million	\$1,084.00 million	\$1,230.12 million

Data is estimated at an average exchange rate of P 1: 0.13

Source: Bank of Botswana, 2008

Botswana's financial services sector is developing rapidly through the International Financial Services Center (IFSC). Incentives to attract companies to base their operations in Botswana include: a guaranteed 15 percent corporate tax for IFSC companies until 2020; an exemption from withholding taxes on interest, commercial royalties, management or consultancy fees, and dividends paid by an IFSC company to a non-resident; a tax credit for withholding taxes in other jurisdictions; a tax exemption for Collective Investment Units (CIU); and no foreign exchange controls. The Bank of Botswana regulates the IFSC.

IFSC companies are eligible to provide banking and financing operations, brokerage and securities trading, investment advice, Collective Investment Schemes, captive insurance and reinsurance business, registrars and transfer agency services, accounting and financial administration, including for non-financial corporate institutions, and back office support or business processing outsourcing, including call centers. The majority of existing businesses are in the areas of international banking, funds administration, corporate treasury management and captive insurance operations, including two U.S. firms, the AON and Marsh insurance companies.

IFSC is also constructing a 57-hectare science, technology and business park (the Botswana Innovation Hub), which will provide infrastructure and support to high tech industries locating to Botswana. It will be a development zone and the IFSC tax framework will apply to all accredited companies, particularly if the company is working multi-country or in a regional setting in Africa. In 2008 a total of seven companies were certified, indicating a growing interest in IFSC by investors. The total number of financial companies licensed to operate under the auspices of the IFSC has gone from 19 in 2007 to 22 in 2008.

Best Prospects/Services

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Insurance and reinsurance, regional investment banking and structured financing operations, and business processing outsourcing.

Opportunities

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IFSC has launched new services for insurance companies as it has realized a gap in the market for a multi-country insurance product, one that is domiciled in Africa but can be taken into a number of countries. Investors are trying to navigate multi-country environments and set their insurance products and services. Botswana has specific legislation and a regulatory framework to respond to this.

IFSC allows accredited companies to denominate their share capital in major convertible currencies, bringing the Botswana IFSC in line with the international practice in other financial services jurisdiction and is particularly important in promoting Botswana as a preferred domicile for international investment flowing into Africa.

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International Financial Services Center: <http://www.botswanaifsc.com/>

Ministry of Finance: www.gov.bw

Bank of Botswana: www.bob.bw

Ministry of Trade and Industry: www.mti.gov.bw

Department of Customs and Excise: <http://www.finance.gov.bw/customs/>

Tourism (TRA, HTL) – Leading Sector #3

Overview

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	2007	2008	2009 (estimated)
Total Market Size	\$ 925.34 million	\$ 1,174.70 million	\$ 1,434.30 million

Data is estimated at an average exchange rate of P1 = \$ 0.130

Source: Bank of Botswana, 2008

The tourism sector has a natural comparative advantage to compete both regionally and internationally and has shown consistent growth over the past several years, with eco-tourism in the Okavango Delta and Chobe National Park leading the way. The National Development Plan (NPD10) embraces tourism as an alternative engine of economic growth and a critical development activity with the potential to accelerate economic diversification and to contribute to an increase in GDP. The industry contributes about five percent to GDP, second largest after mining. The Government started to review the Tourism Policy, which is used as guide in the sector developments, in February 2008 and the review is expected to be completed in the next financial year.

The Botswana Government encourages new investments and joint-ventures in tourism and continues to play a major role in facilitating the development of tourism projects. Many new hotels and conference facilities such as the Phakalane resort, Mondior, Metcourt, Gaborone International Conference Centre, Falcon Crest etc, have opened in the past few years, significantly increasing the country's ability to host international conferences and events. In order to maintain and improve the economic performance of the tourism sector, the government continues to upgrade infrastructure in wildlife-protected areas. About 11 new lodge sites have been awarded within four of the largest National parks. Government officials have commented that there is still need for a large, high-quality hotel and conference facility in Gaborone, as the city's current hotels are relatively small and frequently booked to capacity. A luxury hotel property in Gaborone could also cater to business travelers visiting the new Diamond Trading Center (DTC) and its sightholders.

The government is looking to diversify Botswana's source markets and to increase the participation of the private sector. The Botswana Tourism Board is responsible for all operational functions of the tourism sector such as marketing, investment promotion, and grading of the tourism facilities to international standards. There has been a steady increase in the number of citizen-owned tourism enterprises and foreign investors are encouraged to operate joint-ventures with citizens.

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Eco-Tourism, Hotels, lodges & Restaurants

Opportunities

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Joint-ventures are being sought for hotel expansions and start-ups along the Trans-Kgalagadi Highway joining Botswana and Namibia and development of lodges in Kgalagadi Transfrontier park, Central Kalahari Game reserve, Makgadikgadi Pans National Park and Chobe National Park.

If successful, a proposed trans-frontier conservation area, commonly referred to as the Limpopo / Shashe Trans-frontier Conservation Area, would be a unique partnership between the Governments of Botswana, South Africa, and Zimbabwe, the private sector, and the local communities, and create new opportunities for eco-tourism.

Resources

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Ministry of Environment, Wildlife and Tourism:

http://www.gov.bw/government/ministry_of_env_wildlife_and_tourism.html

Hospitality & Tourism Association of Botswana: <http://www.hatab.bw/>

The Tourist (Botswana Tourism Magazine): TheTourist@botsnet.bw

Air Botswana: www.airbotswana.co.bw

Botswana Tourism Board: www.botswanaturism.co.bw

Ministry of Trade and Industry: www.mti.gov.bw

Telecommunications (TES, TEL) – Leading Sector #4

Overview

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	2007	2008	2009
Total Market Size	\$ 334.43. million	\$ 398.17million	\$ 474.22 million

Data is estimated at an average exchange rate of P1 = \$ 0.13

Source: Bank of Botswana , 2008

Botswana has a reasonably well-developed telecommunications system. The government-owned Botswana Telecommunications Corporation (BTC) provides landline services and competes with cellular joint-venture consortiums Mascom Wireless, BeMobile, and Orange for cellular service. A comprehensive market study undertaken by the Botswana Telecommunications Authority (BTA) in 2009 identified that the mobile market was performing well with strong penetration and coverage. The mobile phone market experienced a growth from 1,5 million subscribers in March 2008 to 1,8 million in March 2009, indicating a growth of about 26 percent. . The high telephone density is attributable to a relatively large number of customers with more than one SIM card.

Internet use is very limited, estimated at 5 percent of the population. It is also currently slow and expensive, mainly because there is no formal national Internet exchange point. DSL service provided by BTC is faster and more reliable but also expensive. There are no restrictions on the provision of VoIP by value-added network service providers. The Ministry of Communications, Science, and Technology has the authority to issue licenses for a range of telecommunications services including: mobile telephones; data communications; payphones; sale of telecommunications equipment; and Internet services. No restrictions apply to foreign partnerships in mobile services.

The Government has stated its intention to privatize the BTC in the near future and favors a strategic partnership approach. However, it is unclear what impact further liberalization would have on the valuation of the BTC. Competition in telecommunications services has reduced tariffs, and additional opportunities are virtually certain to open up with further liberalization.

Best Prospects/Services

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Communications services, including Internet service provision, and telecommunications equipment and software.

Opportunities

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In addition to the expected services opportunities that will be generated through liberalization, the BTC has embarked on an ambitious program to upgrade the country's telecommunications infrastructure, and government tenders for the supply of equipment and services are often issued. See the BTC tenders page for additional information: www.btc.bw/tenders.asp#

As a partial measure of the potential for telecommunications equipment, U.S. exports more electronic products to Botswana than any other commodity or product, apart from mining equipment. In 2008, U.S. electronic exports to Botswana stood at approximately \$14.8 million. Opportunities may exist for U.S. businesses if the Government follows through on its plans to privatize BTC.

Resources

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Botswana Telecommunications Corporation: www.btc.bw

BTC Tenders Page: www.btc.bw/tenders.asp#

Botswana Telecommunications Authority: <http://www.bta.org.bw/>

Ministry of Communications, Science and Technology: www.gov.bw

Ministry of Trade and Industry: www.mti.gov.bw

Department of Customs and Excise: <http://www.finance.gov.bw/customs/>

Energy (OGS, OGM, REQ) – Leading Sector #5

Overview

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	2007	2008	2009 (estimated)
Total Market Size	\$245.83 Million	\$300.47 Million	\$ 325.24 Million

Data is estimated at an average exchange rate of P1 = \$ 0.13

Source: Bank of Botswana –2008 Statistics represent both Energy and Water sector economic activity.

Faced with increasing demand from business projects and a growing economy and decreasing supplies provided by South African energy giant Eskom, the Government of Botswana has committed to the development of electricity production through the expansion of its existing coal-fired power station and the construction of an export power station to meet the region's growing energy needs. In addition, government-owned Botswana Power Corporation (BPC) is extending the provision of electricity to rural villages and has recently issued a number of tenders for transmission line construction.

The energy sector is facing challenges that require policies and strategies that can facilitate effective and efficient management of the sector. In view of this, the National Energy Policy has been drafted in order to address these challenges as well as give direction for future developments in the sector. The draft has been approved by Cabinet and is still awaiting discussion by Parliament.

Botswana has abundant renewable energy resources, mainly in the form of solar energy, which is under-utilized. The Government is hoping private industry and households will help increase the contribution of solar energy to the national energy balance. The Government has developed the National Rural Photo-Voltaic Electrification Program

(http://www.gov.bw/government/mewa/pv_dissemination_project/index.html) to

assist communities with loans repayable over four years to purchase and install quality photo-voltaic (PV) systems for household use. The program is scheduled to run from 2003 until 2012. The demand for solar energy equipment including PV components is expected to continue to rise.

Best Products/Services

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Energy equipment, solar heating systems, engineering services.

Opportunities

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The Kalahari Gas Corporation, a private joint-venture U.S.-Botswana energy company, has discovered substantial natural gas reserves in northeast Botswana. Through the assistance of a USTDA-funded feasibility study and initial start-up financing provided by OPIC, the Kalahari Gas Corp has begun drilling coal-bed methane wells and hopes to exploit the resource for Botswana's growing energy needs. Once fully developed over the next couple of years, the natural gas deposits could generate substantial downstream opportunities for new natural gas intensive equipment and services.

In addition, the Botswana Government's planned construction of an export power station in Mmamabula could present opportunities for U.S. construction and engineering firms as well as for clean-coal power generation equipment.

Finally, the Government has stated its interest in inviting private sector investment to participate in the construction of a briquette manufacturing plant in Morupule, where its existing power plant is located.

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Ministry of Minerals, Energy and Water Affairs:

http://www.gov.bw/government/ministry_of_minerals_energy_and_water_affairs.html

Botswana Export Development & Investment Authority: www.bedia.co.bw

Botswana Power Corporation (BPC): www.bpc.bw

BPC Tenders: <http://www.bpc.bw/tenders.htm>

Ministry of Trade and Industry: www.mti.gov.bw

Department of Customs and Excise: <http://www.finance.gov.bw/customs/>

Health Care Industry (HCS, MED) – Leading Sector #6

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Botswana is facing major challenges in stamping out health threats, such as HIV/AIDS, malaria, and tuberculosis. In order to improve service delivery, the Botswana Government has attached high priority to manpower development through training of health care personnel. There is also a firm commitment to improve health

care infrastructure and provide and upgrade medical and surgical equipment. Presently, there is no pharmaceutical production capacity in Botswana.

	2007	2008	2009 (estimated)
Total Market Size	\$308.99 million	\$373.26 million	\$433.73 million

Data is estimated at an average exchange rate of P1 = \$ 0.13

Source: Bank of Botswana 2008 – The total market size data is considered part of the Bank of Botswana’s Social and Personal Services financial category. Therefore, the figures are an over estimation of the size of the market.

For fiscal year 2009/2010, the HIV/AIDS program has been allocated about US\$ 105 million of the development budget. Over the past several years, in part due to generous financial assistance from the USG under the PEPFAR program, Botswana has made tremendous progress in its, response to HIV/AIDS. Health sector improvements include the upgrading and constructing health facilities, improving procurement and distribution of drugs, introducing telemedicine. Botswana’s Ministry of Health is planning a series of hospital infrastructure improvements and equipment upgrades, including improvements to several district medical facilities. Due to shortages of trained healthcare professionals, Government is looking to outsource several health services.

Best Prospects/Services

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Pharmaceuticals, construction, supply of drugs for treatment of HIV/AIDS and related infections, medical and surgical equipment, healthcare services

Opportunities

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Infrastructure improvements and equipment upgrades for a number of hospitals and medical facilities are planned as part of the government’s infrastructure development plans. The government also intends to develop a local pharmaceutical production capacity. Some international companies have shown interest in expanding regional production capacity by opening facilities in Botswana. The USG government through its PEPFAR program is the single largest donor assisting Botswana with its HIV/AIDS prevention, care, and treatment program. The GOB provides nearly universal free access to anti-retroviral drugs to citizens in need of treatment, funded largely by the government itself and also with grant support from the African Comprehensive HIV/AIDS Partnership (ACHAP), a consortium between U.S. pharmaceutical company Merck and the Bill and Melinda Gates Foundation. Merck Foundation has agreed to extend donations of their two antiretroviral drugs to the Government of Botswana.

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Ministry of Health: http://www.gov.bw/government/ministry_of_health.html

Ministry of Trade and Industry: www.mti.gov.bw

Department of Customs and Excise: <http://www.finance.gov.bw/customs/>

President’s Emergency Fund for AIDS Relief (PEPFAR) <http://www.pepfar.gov/>

Textile and Apparel (TXP, TXF, TXM) – Leading Sector #7

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	2007	2008	2009 (estimated)
Total Local Production			
Total Exports to the U.S.	\$187.4 million	\$218.8 million	\$93.8 million
Total AGOA Exports to the U.S.	\$31.6 million	\$15.9 million	\$9.39 million
Imports from the U.S.	\$52.4 million	\$61 million	\$9.30 million

Source: USITC

Past development of the textiles and clothing sector was focused on supplying the domestic and regional markets, but Botswana's entitlement to duty-free access to the U.S. market under the African Growth and Opportunity Act (AGOA) provided new opportunities for expanding value adding activities. Unfortunately the textile industry has not been able to take full advantage of AGOA and only a handful had been able to export under the system. Many of the companies closed over the last several years and as a result of the recent economic crunch there were no companies exporting textiles under the system.

While there is little U.S. manufactured textile and apparel product export potential for U.S. firms, the sector remains viable for the sale of equipment and fabrics necessary for production as well as a potential investment opportunity for U.S. companies interested in establishing production facilities overseas.

Best Products/Services

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Fabrics, manufacturing equipment, textiles, and apparel.

Opportunities

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The Government continues to support the textile and apparel industry and the sector has potential for growth. AGOA also provides opportunities for Botswana in the textile, clothing and apparel sectors. Several companies have been issued with visas to enable them to export to the U.S. . Government through the Ministry of Trade and Industry is working on a rescue plan for the sector. Under AGOA, Botswana is categorized as a least-developed country and is thereby eligible to source its fabrics from third countries until September 2012, predominately in Asia.

Resources

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Southern Africa Global Competitiveness Hub: www.satradehub.org

AGOA: www.agoa.gov

Ministry of Trade and Industry: www.mti.gov.bw

Department of Customs and Excise: <http://www.finance.gov.bw/customs/>

Despite dropping from roughly 40 percent of GDP at independence in 1966 to only 1.9 percent of GDP in 2007/8, agriculture remains critical for the Government's economic diversification efforts, as it plays a vital role in the lives of the citizens. The sector is also important as it presents linkages with upstream and downstream industries. It supplies raw materials for agro-based industries such as: meat processing; tanning; milling; oil; soap; brewing; furniture manufacturing; and suppliers of agricultural inputs.

Botswana is a net importer of food and agricultural products. Unfortunately, solid data on agricultural production and commodity-specific trade are scarce. However, rough figures on the country's self-sufficiency in various agricultural sectors provide a glimpse of the opportunities that may exist for U.S. agricultural products. These figures show that Botswana is about 10 percent self sufficient in grains, 15-20 percent in vegetables, 24 percent in fruits, and only 3 percent in dairy products. It produces almost all of its poultry requirements and is a net exporter of beef, exporting some 90 percent of production, mainly of chilled and frozen beef to the European Union and South Africa. Botswana imports 90 percent of its dairy requirements, including fluid milk and milk powder.

	2007	2008	2009 (estimated)
Total Market Size	\$ 150.00 million	\$ 175 million	\$ 217.00 million
Total Exports	\$ 0.10 million	\$ 0.182 million	\$ 0.044 million
Imports from the U.S.	\$ 0.103 million	\$ 0.044 million	\$ 0.075 million

Data is estimated at an average exchange rate of P1 = \$ 0.13

Source: Bank of Botswana 2008, USITC

Direct U.S. agricultural exports to Botswana, as the table above shows, have been negligible. Most U.S. agricultural products that reach the store shelves of Botswana's cities enter the country as re-exports from South Africa, by virtue of the SACU's common tariff. Many South African importers and U.S. distributors resell American goods across the border into Botswana.

Botswana's large-scale livestock sub-sector provides the bulk of the nation's agricultural output, and the beef industry is well established. Livestock and cattle raising and grazing is by far the primary agricultural product and export. It is estimated that livestock production, especially cattle contributes 80 percent to the agricultural GDP share. The total population of cattle in Botswana is estimated to be around 2.2. million. (Agricultural News Dec 12, 2008).The livestock production exceeds domestic needs, and the country has been a substantial exporter of range-fed beef to the European Union for many years. Unfortunately, the modernization

and investment in an efficient livestock production and slaughter industry (and the corresponding development of a market for U.S. feed stocks, ingredients and technology) is stifled by the Government's ownership and monopoly of meat processing plants, exports, and livestock prices. Separately, the Government is working with the Botswana Ostrich Co. to identify options to turn around the Botswana Ostrich Abattoir.

As mentioned above, Botswana is a net importer of food, representing a strong potential growth area for U.S. exporters. The crop sub-sector is dominated by the growth of cereals, principally sorghum. A range of initiatives is being implemented by the Government of Botswana to increase the productivity and expand the range of crops. The main priority is expanding both rain-fed and irrigated farming.

The Government of Botswana has identified horticulture as having significant potential for diversifying agricultural production. The government aims to facilitate sustainable agricultural diversification by widening the range of products, promoting value-added agricultural resources and improving marketing arrangements.

National fish production has averaged 190 tons per annum over the past six years. About 80 percent of the country's fish output comes from the Okavango aquatic system. Botswana's annual national fish import bill is around P 19 million (USD 3.17 million), which reflects a total quantity of 2,800 tons of fish sourced from outside the country. Efforts to augment fish production through aquaculture, such as the construction of fish hatcheries to supply fish seed to over-fished reservoirs are being explored and may provide a niche market for incoming investors.

The Ministry of Agriculture has prepared a National Master Plan for Agricultural and Dairy Development (NAMPAADD), which is used to guide investments and increase productivity. In 2005, the Ministry of Agriculture launched a project on "Commercialization of Hides and Skins by Improving Collection and Quality in Small-holder Farmer Systems in Botswana." The objective is to improve and increase the marketability and quality of hides and skins from small producers. The study on the viability and Long Term Development Strategy for the livestock (beef) sector has been completed, and Government is considering its recommendations.

NAMPAADD is one of the initiatives forming the new Agricultural hub. Government has identified the agricultural sector as one of the areas that has an excellent potential to diversify the economy and create employment, particularly in rural areas. Its aim is to develop an environment that will encourage, facilitate and support a viable and economically sustainable agricultural sector.

USDA's Foreign Agricultural Service in Pretoria prepares more than 50 reports each year on the agricultural situation by commodity sector in South Africa. Some reports highlight opportunities for U.S. farm exports. For U.S. exporters of agricultural products, it may be useful to start with the Exporter Guide for South Africa at <http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

For other sector reports please look at "Attaché reports" off the main FAS website: www.fas.usda.gov

If you are an exporter of U.S. agricultural products, please feel free to contact AgPretoria for further information at the following address:

Foreign Agricultural Service

U.S. Embassy Pretoria, South Africa
Tel: +27-12-431 4235
Fax: +27-12-342 2264
Email: agpretoria@fas.usda.gov

Best Products/Services

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Grains, dairy farming, pet foods, health foods, food service, ostrich farming and processing, leather, fish farming, and veldt products.

Opportunities

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There is considerable potential for the development of entrepreneurial fish farming. Presently, it is not conducted on a commercial scale and is confined mainly to the Chobe River and Okavango Delta.

Over the next five years, the government hopes to attract private sector investment in tanneries countrywide for the export of processed hides and skins, establish a poultry hatchery, breeder stock and poultry abattoirs, and pig feed production and breeder stock.

The Zambezi Agro-Commercial Development Project in the north of the country will develop agricultural production on a large commercial scale as well as infrastructure. In addition to job creation, this project intends to encourage private investment in the agricultural industry.

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Ministry of Agriculture, http://www.gov.bw/government/ministry_of_agriculture.html
U.S. Foreign Agricultural Service: www.fas.usda.gov
Ministry of Trade and Industry: www.mti.gov.bw
Department of Customs and Excise: <http://www.finance.gov.bw/customs/>

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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In general, goods imported into Botswana from outside the Southern African Customs Union - SACU (Botswana, Lesotho, Namibia, South Africa and Swaziland) attract customs duties at rates outlined in the Customs Tariff Book. Customs duties are paid against a prescribed "form SAD 500", which is a declaration form, formally known as a bill of entry. A tariff book as well as a goods codebook is available for sale at all regional Customs and Excise offices. It is not currently available via the Internet.

The Southern African Development Community (SADC) is an inter-governmental organization that promotes socio-economic cooperation and integration as well as the political and security cooperation among the 15 member states. The SADC Free Trade Area (FTA) was launched in August 2008. The FTA is not yet in force as the SADC members are reducing their tariff at different rates. SADC intends to complete the tariff phase down by 2012. It will allow for free movement of goods and services produced within the region, but each member state will still have its own external tariff to non-member states of SADC. The FTA also provides a larger SADC market to local producers for goods and services, without any wall within the region. SADC plans for a customs union in 2010.

Trade Barriers

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Apart from restrictions on licensing for some business operations, which are reserved for Botswana companies (see Chapter 6), there are very few tariff or non-tariff barriers to trade with Botswana. Importers will be required to obtain an import permit from the relevant Ministry or Department.

Import Requirements and Documentation

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With the exception of Malawi, import permits are required for goods entering Botswana directly from outside the SACU and are obtainable from the Department of International Trade, in the Ministry of Trade and Industry. The import permits are not transferable. Permits are usually granted upon request, and Botswana's abolition of foreign exchange controls in February 1999 means there is no difficulty in obtaining sufficient foreign currency to cover transactions.

With effect from April 2010 imported goods will be subject to VAT at a rate of 12%, an increase of 2 percent of the value of the goods. Goods exported from Botswana are not subject to VAT. The SAD 500 is the only form required for external trade.

U.S. Export Controls

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Relatively few exports require an export license. Licenses are required in certain situations involving: national security; foreign policy; short-supply; nuclear non-

proliferation; missile technology; chemical and biological weapons; regional stability; crime control; or terrorist concerns. License requirements are dependent upon an item's technical characteristics, the destination, the end-use, and other activities of the end-user. For information related to U.S. Export controls, please visit the U.S. Department of Commerce's website at <http://www.export.gov/exportcontrols.html>.

Temporary Entry

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Equipment that is imported on a temporary basis for a given project is admissible under the General Rebate of duty concession. All equipment warranty and non-warranty, and parts thereof imported on a temporary basis should be imported under cover of a bond, the amount of which is equivalent to customs duties and/or VAT applicable. The bond is valid for a limited period only, as follows: equipment attracting VAT is covered by a three (3) months bond while equipment attracting customs duties is covered by a six (6) months bond. Applicable customs duties and/or VAT become due and payable once the bond period expires, and the bond will be called to suit as customs duties and/or VAT. A bond form can be collected from the headquarters of the Department of Customs and Excise (Excise Unit) and lodged with any recognized commercial bank or insurance company in Botswana.

Labeling and Marking Requirements

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There are specific requirements for providing information regarding preparation of goods. The labeling and marketing article addresses aspects relating to presentation and advertising. It prohibits the use of information that would mislead purchasers. This is applicable to prepackaged goods that are to be delivered as such to the ultimate consumer. It also affects foods supplied to restaurants, hospitals, etc. The Botswana Bureau of Standards conducts periodic inspections to verify compliance with this compulsory standard specification.

Prohibited and Restricted Imports

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Prohibited imports include habit-forming drugs and objectionable literature (pornographic magazines and videotapes). Importation of certain agricultural products and plants requires approval from the Ministry of Agriculture, before obtaining the import permit from the Department of Trade and Consumer Affairs. Imports of fresh pork and beef are banned; import permits are granted only on processed pork products. Poultry imports are permitted only when there is a domestic market deficit. Imports of some vegetables, meat, and dairy products are seasonally banned.

Customs Contact Information

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The Botswana Department of Customs and Excise website:
<http://www.finance.gov.bw/customs/>

Standards

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The Botswana Bureau of Standards (BOBS – www.bobs.co.bw) which was created in 1995 is a parastatal organization that develops and implements national Botswana standards. Separate government ministries, parastatals, and private companies can develop standards specifically for their own institutions, however, only BOBS is recognized by the International Organization for Standardization (ISO) and has the authority to create national standards. The procedures used in the development of standards are tailored to comply with the WTO's code of good practice for the development of standards.

Botswana's standards regime consists of compulsory and voluntary standards. Compulsory standards are those that all public and private entities are compelled by law to implement. Compulsory standards affect human health, safety, environment or export, which BOBS monitors to ensure compliance. Presently, BOBS enforces compulsory standards on seven products: petroleum gas; poultry feed; pre-packaged goods for consumers; cereals/sorghum grains for consumption; cattle feeds; garments; and drinking water. Standards are voluntary, not binding or backed by law, so manufacturers do not have to conform to them. Altogether, there are over 600 Botswana standards that have been gazetted for different sectors in Botswana. A standards catalogue is now available to the public at the BOBS Information department. Any foreign entity or company that is accredited in its home country is allowed to certify products in Botswana. Thus, there are many conformity assessment bodies in country.

Standards Organizations

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BOBS is the sole organization that develops national standards, and it has an annual plan of standards. The National Food Control Board is the only other organization in Botswana that develops an annual plan. BOBS annually sends its plan to the ISO.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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Botswana has no national testing organization or conformity assessment body.

The Government created National Testing System (NTS) is made up of all government, private, and parastatal laboratories. Through a Memorandum of Agreement with BOBS, these laboratories do testing for the Government whenever it is needed. Whenever BOBS receives a request for testing or calibration, the request is passed on to a relevant laboratory. However, according to the Director of Standards BOBS, has well-equipped laboratories and continues to equip others to carry out testing, though they still send some requests outside the country.

Product Certification

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Any public or private body whose product satisfies all the requirements of a Botswana product standard can apply to BOBS for the product to be certified. Samples of the product are then tested to verify its conformance to the requirements of the product standard, and if the results are acceptable, the product can then obtain the BOBS certification mark.

There are benefits to product certification. Furthermore, the construction industry is one of the major users of standards in Botswana and the Government has agreed to only locally made BOB certified products for all of its construction projects. All compulsory standards must be certified. Botswana has no mutual recognition agreements (MRA's) with U.S. organizations.

Accreditation

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The Government requires accreditation for each sector but has no national accreditation body. Laboratory reports are sent to the accreditation boards in South Africa, Mauritius, or the United Kingdom. The SADC countries established a regional accreditation organization called the Southern African Development Committee for Accreditation Services (SADCAS), but it is not yet functioning.

Publication of Technical Regulations

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The Government Gazette publishes both proposed and final regulations. There are two ways that U.S. entities can comment on proposed regulations. The 1995 Standards Act stipulates that for two months prior to standardizing a

product, BOBS must publish a preliminary notice of the proposed standard in the Gazette and circulate it among countries that participate in trade of the particular product, or are affected by the standard. Any interested entity is able to comment or send an objection to BOBS during the two months of circulation. Furthermore, before requiring a government ministry to place a compulsory standard on a product, BOBS notifies the Batswana public of its intent. At that point, before a recommendation becomes a technical regulation, interested parties are able to comment and intervene. In the future, BOBS is considering sending each of its draft compulsory standards to all WTO members.

Labeling and Marking

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There are specific requirements for providing information regarding preparation of goods. The labeling and marketing article addresses aspects relating to presentation and advertising. It prohibits the use of information that would mislead purchasers. This is applicable to prepackaged goods that are to be delivered as such to the ultimate consumer. It also affects foods supplied to restaurants, hospitals, etc. The BOBS conducts periodic inspections to verify compliance with this compulsory standard specification.

Trade Agreements

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Recognizing the problems that its small domestic market ultimately poses for investors, Botswana is actively pursuing free trade agreements with its neighbors as well as other developed and developing countries.

Southern African Customs Union (SACU)

Botswana is a member of SACU along with South Africa, Lesotho, Namibia, and Swaziland. SACU comprises a duty free trading area with a common external tariff. With the exception of certain foodstuffs, import permits are not required for goods entering Botswana from other SACU members. Botswana's membership in SACU allows investors to take advantage of selling duty free in the far larger South African market. The SACU Secretariat based in Namibia, is responsible for implementing the SACU Agreement as well as improving economic performance of the union's member states. .

Following an eight year negotiation period, a new SACU agreement was signed in October 2002. The new SACU Agreement provides that SACU countries can negotiate new Free Trade Area agreements with third parties as a bloc. The new agreements will certainly open new and wider market opportunities for Botswana goods and services. The initial SACU Agreement came into force in 1910.

U.S.-SACU Free Trade Agreement negotiations were suspended in April 2006, largely due to divergent views on the scope and level of ambition for the agreement. Instead of a free trade agreement, the United States and SACU reached an agreement on a Trade, Investment, and Development Cooperation Agreement (TIDCA), that would establish a forum for consultative discussions on a wide range of trade and investment issues. A Consultative Group will oversee the implementation of the TIDCA, and provide a framework for working on a range of interim-trade-related

agreements, cooperative programs, and other trade development steps that would set the platform for future free trade agreement negotiations.

Southern African Development Community (SADC) Free Trade Protocol

The Southern African Development Community's (SADC) main objective is to pursue a common integration plan based on economic, political and trade interests. The SADC Free Trade Area (FTA) is key towards this goal. SADC has been in existence since 1980 and has fifteen Members States namely, Angola, Botswana, Lesotho, Democratic Republic of Congo, Malawi, Madagascar, Namibia, Seychelles, Swaziland, Mauritius, Mozambique, South Africa, Tanzania, Zambia and Zimbabwe. In August 2008, Botswana was one of the twelve SADC members that established the FTA. Angola and the Democratic Republic of Congo are yet to sign. Under the SADC FTA, tariffs and non-tariff barriers will be eliminated on substantially all trade between the members. The implementation of the FTA started in 2000 following the signing of the SADC Trade Protocol. Through the FTA, 85 percent of trade in goods produced in the region will move across borders free of any customs duties. The liberalization of trade has taken place at different rates. The more developed member states (South Africa, Namibia, Botswana, Swaziland and Lesotho) have reduced the tariffs at a faster rate. Tariff reductions for least developed countries (Zimbabwe and Mozambique) have been introduced between 2007 / 2008. These gradual reductions are referred to as tariff phase downs. The remaining tariff lines are scheduled to be almost completely phased out by 2012. The Protocol on Trade commits members to phase out existing tariffs, harmonize trade procedures and documentation within SADC and reduce other barriers to trade. In addition to the FTA, SADC has adopted milestones to facilitate the attainment of the Customs Union in 2010, a Common Market by 2015, a Monetary Union by 2016 and a Single Currency by 2018.

World Trade Organization

Following its accession to the General Agreement on Tariffs and Trade (GATT), Botswana became a member of the World Trade Organization (WTO), which was launched as the official successor to GATT in January, 1995. The WTO is currently responsible for the implementation of the Doha Round of trade liberalization negotiations.

SADC – EU Economic Partnership Agreement

Botswana has signed an interim Economic Partnership Agreement (EPA) with the European Union (EU). The EPA will provide duty and quota free access on goods to the EU markets. Negotiations need to be completed on the treatment of services and new generation issues.

China and India

Botswana, as part of SACU, launched free trade negotiations in 2005 with both China and India. Negotiations for a Preferential Trade Agreement with India have commenced and are still ongoing

Mercosur

SACU signed a Preferential Trade Agreement (PTA) on the 16th of December 2004 with the South American customs union, known as Mercosur, comprising: Argentina; Brazil; Paraguay; and Uruguay. The agreement creates the legal framework for improved trade relations between SACU and Mercosur as well as serving as a first step toward the creation of a free trade area between the two regions.

African Growth and Opportunity Act

Botswana is a beneficiary of the U.S. African Growth and Opportunity Act, which expands the Generalized System of Preferences and remains in effect until 2015 with the passage of the 2004 AGOA Acceleration Act. Under AGOA, over 6,500 product categories of goods are granted duty and quota free access to the U.S. market. More information about AGOA is available on the Internet at www.agoa.gov and from the Southern Africa Global Competitiveness Hub, located in Gaborone, on its website at www.satradehub.org.

Web Resources

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Ministry of Trade and Industry: www.mti.gov.bw

AGOA: www.agoa.gov

Southern Africa Global Competitiveness Hub: www.satradehub.org

Botswana International Financial Services Center: <http://www.botswanaifsc.com/>

Botswana Bureau of Standards: <http://botsid.com/bobs/>

Southern African Development Community: <http://www.sadc.int>

World Trade Organization: www.wto.org

The Botswana Department of Customs and Excise website:

<http://www.finance.gov.bw/customs/>

U.S. Export controls: <http://www.export.gov/exportcontrols.html>

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Chapter 6: Investment Climate

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The Government of Botswana is committed to creating an attractive climate for foreign investment. During 2009 the country's favorable investment grade sovereign credit ratings by Moody's Investors Service and Standard and Poor's were retained at grade "A", reflecting Botswana's continued sound financial position, as well as consistent record of sound macroeconomic management. This puts Botswana at par or above many countries in central Europe, East Asia and Latin America. Botswana has a strong and well-managed minerals economy, coupled with a long record of political and macroeconomic stability. However, the first quarter of 2009 was one of the most challenging periods faced by the economy of Botswana in the past thirty years. The impact of the global financial and economic crisis and the slowdown in world trade hit the country severely, affecting Botswana's major exports: diamonds, copper-nickel and tourism. This resulted in deficits in the balance of international trade, the weakening of foreign reserves, and a drop in Government revenues. However, the inflation has continued to decline, and is in line with the Central Bank's target rate of 3 – 6 percent.

Botswana's per capita income of roughly USD -7,343 as of 2007 makes it a middle-income developing country. Transparency International ranked Botswana as Africa's least corrupt country and 37th overall, ahead of many European and Asian countries. In the 2009 the Economic Freedom of the World report, Botswana was ranked 60th overall and third highest in Africa, while the Heritage Foundation's 2008 Index of Economic Freedom ranked Botswana at 34th, making it second in sub-Saharan Africa. The World Bank Doing Business Report 2010 ranks Botswana 45 out of 183 countries.

The Government of Botswana has made considerable efforts to maintain a sustainable budget by managing expenditure and diversifying the revenue sources. The fiscal policy perspective in Botswana has consistently emphasized prudence and sustainability. In order to maintain a fiscally responsible position, the Fiscal Rule requires Government expenditure to keep total public expenditure at no more than 40 percent of GDP, deficits at a maximum of 3 percent of GDP and development related expenditure at 30 percent of the total Government budget. Revenue from minerals is only used to finance Government investment expenditure.

The Government and the private sector in Botswana increasingly acknowledge the need for significant foreign direct investment (FDI), which will require a privatization strategy of state-owned enterprises. While this policy is not without its political and ideological opponents, the Government is committed to maintaining Botswana's position as one of the developing world's most competitive economies and to attracting serious foreign investors to enhance efficiencies, productivity and secure transfer of skills and technology. Efforts are now focusing on developing the country's service sector through the International Financial Service Center (IFSC) and Botswana's unique tourism potential, as well as making the agriculture sector, especially beef, more competitive, productive, and efficient.

Botswana continues to develop a regulatory framework favorable to investors. The Government abolished all foreign exchange controls in February 1999. It has undertaken largely successful efforts to combat crime, including corruption. The Government has instituted low corporate tax rates, the increasingly speedy

processing of applications for business ventures, a stable macroeconomic environment, and a commitment to transparency. In 2006, the Ministry of Trade and Industry announced that it had taken measures to simplify and expedite the issuance of work and residence licenses, although evidence of arbitrary implementation and occasional politicization of the process appears to be on the rise. The Registrar of Companies has progressed in implementing its commitment to reduce the turnaround time to register a company from twelve weeks to an average of eight weeks. In addition, the Government provided assistance to investors through investment incentive schemes, including grants and tax relief.

The Botswana Export Development and Investment Authority (BEDIA) is an autonomous organization established in 1998 to promote investment in Botswana with a special emphasis on export-oriented manufacturing industries. BEDIA serves as the primary government contact point for both domestic and foreign investors. Through its One Stop Service Center, BEDIA provides services for investor needs and aftercare to both new and existing foreign and citizen-owned enterprises. The Center focuses on enabling investors in both the manufacturing and service sectors to secure all clearances and approvals as quickly as possible under one roof. The Aftercare program helps identify problems encountered by new and existing companies in the implementation and operation of projects, it secures infrastructure facilities and expedites approvals relating to licenses, work and resident permits as well as visas. BEDIA promotes the sectors through incoming and outgoing missions as well as through direct mailing campaigns in the targeted markets, such as the European Union, South Asia, and southern Africa. BEDIA is increasingly reaching out towards the United States as a source for foreign investment and is eager to work with established businesses seeking to expand their operations into Botswana.

In order to help position Botswana favorably in the face of increased global competition for FDI, BEDIA is in the process of developing a national FDI strategy including the drafting of a FDI Bill, which will articulate the country's investment climate. BEDIA continues to support and give momentum to efforts towards attracting FDI and developing export markets including a branding exercise to create a comprehensive 'Brand Botswana' strategy for Botswana, which was launched in November 2007.

Trade liberalization and investment promotion remain key elements of Botswana's trade policy framework and its development strategy. The Government's main objectives are to promote export-led industrialization and to diversify the economy away from diamonds into non-traditional goods, such as information technology, pharmaceuticals, tourism, textiles, clothing, leather products, and glass products.

The foreign investment climate in Botswana calls for foreign investors to be law-abiding, identify with Botswana's national principles and objectives, assist in the diversification of the economy, and share Botswana's commitment to maintenance of a democratic, open, and non-racial society. Botswana has little tolerance for corruption.

All foreign investors wishing to invest in Botswana are required to register a company in Botswana in accordance with the Companies Act and comply with other applicable legislation, transfer technology to Botswana, and transfer skills to Botswana by promoting their involvement and participation in positions of supervisory, middle and senior management levels in the company in an effort to localize the companies within an agreed period. There are no ownership transference

requirements. These initiatives are aimed at securing citizen involvement in the development of Botswana's private sector.

The Government of Botswana is aware that for Botswana to be competitive in both the regional and global markets there is a need to continue to create a favorable environment for private sector investment and growth by both domestic businesses and foreign direct investors. The 2005 Competition Policy prevents and redresses anti-competitive practices and conducts by firms, encourages competition and the effective use of resources, promotes investment, and reduces prices. With assistance from the United Nations Development Program (UNDP) the Government now has a National Competition Policy in place. In early December 2009, the Competition Bill was presented to Parliament for a second reading as it was seen to be wanting in certain areas during the initial presentation. The proposed Act will be implemented by the soon to be established Competition Authority. In addition, the new Companies Act will create an updated, simplified and clarified framework for incorporating companies.

While generally open to foreign participation in its economy, Botswana does reserve some sectors solely for citizen participation and has a number of citizen-empowerment programs that are closed to foreign investors. Most were imposed by Parliament out of a fear that other non-citizen African and South Asian residents were opening businesses in areas traditionally controlled by Botswana. The restrictions are not retroactive, and businesses in existence prior to the law's passage remain in the hands of their non-citizen owners. In addition, many foreign investors have continued to invest in certain areas, such as gas stations, through franchising to Botswana citizens.

The Ministry of Trade and Industry, which has responsibility for licensing businesses, issues licenses to foreigners to operate businesses related to these areas whenever there has been any ambiguity as to whether the licensing prohibition applied. A licensee shall transfer a license to a citizen of Botswana only. At present, the law prohibits foreign participation in school furniture manufacturing, welding and bricklaying trades. The law limits the following trades or businesses to citizens of Botswana or for those ventures wholly controlled by Botswana:

- A) individual hawkers and vendors
- B) butcheries
- C) general trading establishments
- D) petrol filling stations
- E) bottle stores (liquor stores)
- F) bars (other than those related to hotels)
- G) chibuku (traditional beer) bars
- H) village type restaurants (take-away including restaurant liquor license)
- I) supermarkets (excluding chain stores and franchise operations)
- J) single store boutiques (i.e. clothing, footwear, etc)
- K) auctioneers
- L) car washes
- M) domestic cleaning services
- N) curio shops
- O) fresh produce vendors
- P) funeral parlors
- Q) hairdressers
- R) various hire services

- S) laundromat services
- T) Government building projects
 - building contractors registered in Class 1 building grades A to E
 - Grade A building projects up to P 150,000 (USD 21,430)
 - maintenance and minor building works of government properties
- U) Road contracts and railway maintenance
 - fencing, reserve and draining, culvert construction, transport and plant hire, clearing and scrubbing bush, road marking, carting gravel, bridge painting, stock piling of material
- V) Industrial activities
 - school furniture, uniforms, ordinary cement and baked bricks, ordinary bread baking, sorghum milling, burglar bars
- W) Others
 - transportation of mail, purchase of furniture by local authorities and government, procurement of uniforms, overalls and dust coats by government, local authorities and parastatals.

In February 2006, the Government imposed an indefinite suspension on the issuance of new licenses and transfer of licenses for importers/exporters, wholesalers, specialized wholesalers, and specialized dealers in an effort to curb the potential abuse of the specialty trading licenses for the operation of general dealerships, which are reserved for Botswana citizen companies.

The Ministry of Trade and Industry has taken an expansive interpretation of "chain stores" to mean any store with more than one outlet and has allowed the exemption to apply not only to supermarkets, but also to simple specialty operations and general trading stores. Hence, large general merchandise markets, restaurants, and the dominant grocery network, all owned by foreigners, operate without restriction. Foreign investors are allowed to participate in all other sectors. Business licenses are issued following a routine review of proposed commercial activities, which is carried out in a transparent and non-discriminatory manner. There are no stringent screening mechanisms for licensing that could cause an impediment to investment, limit competition, or protect domestic interests at the expense of foreign investment.

Foreign investors are given equal access to general investment incentive schemes for medium and large projects in most economic sectors. Foreign investors do not, however, have access to Botswana Government assistance loans and grants designed for citizen-owned contracting firms or for small enterprises, defined as those involving investments of less than Pula 75,000 (approx USD 10,710). Investment of foreign capital in job-creating industrial projects, particularly those that have an import substitution component or have export potential, is strongly encouraged.

The Government is continuing to reorganize and restructure some Ministries and Departments, with the aim of improving efficiency and effectiveness of service delivery, and is moving towards privatizing a number of parastatal businesses. Part of the reform development has required the Government to establish autonomous authorities or boards, working largely on commercial principles. One of these is the Public Enterprise Evaluation and Privatization Agency (PEEPA), established in 2000 to oversee the implementation of the Privatization Policy. PEEPA will ultimately decide the extent of foreign participation in the privatization process and determine the mechanics that will be used to promote citizen participation. The Government intends

to use privatization as a tool to increase foreign direct investment and portfolio investment in the country, while also hand addressing the concerns that privatization will cost jobs and only reward wealthy foreign interests.

The Ministry of Finance, to which PEEPA reports, welcomes foreign participation in privatized companies, as, in addition to capital, foreign investors bring advanced technology, managerial expertise and useful market connections. The Ministry has also stated that local investors may be given preference in some instances stating "restrictions may need to be imposed on foreign participation in certain companies for strategic or other reason that will be considered on a case-by-case basis.

The 2005 Privatization Master Plan provides the Government with a concrete basis for implementation of different privatization-related activities in a systematic manner. As part of the preparations for implementation of the Privatization Master Plan, PEEPA is carrying out extensive diagnostic reviews covering the performance of public enterprises. The privatization of the national airline, Air Botswana, was Botswana's first attempt at privatization. This was unsuccessful and is currently on hold. Transactions on the privatization of state organizations are behind schedule. PEEPA has revised and updated the Privatization Master Plan, which will guide PEEPA activities for 2009/10, including enterprises which are earmarked for privatization. While there are about six organizations earmarked for privatization, Botswana Telecommunications (BTC) and National Development Bank (NDB) are the two public entities considered most ripe for privatization. Indications are that NDB will become the first government enterprise to be privatized in Botswana. In an effort to warehouse its shares in the Botswana Building Society (BBS), Government has made an arrangement with the institution to transfer all of its indefinite period shares in BBS to Privatization Asset Holdings, a company wholly-owned by Government. The company was created for purposes of storing shares and assets from privatized public entities.

Despite the well-intentioned Privatization Master Plan, privatization remains controversial in Botswana, as evidenced by the repeated failure to privatize Air Botswana. The main concerns are the potential job losses in the affected enterprises, and the reduction in services provided, especially to poorer households. The other concern relates to the sale process particularly who will be able to buy the privatized assets and how the proceeds will be used.

The ability of PEEPA to push through the privatization of state-owned enterprises is hampered also by its own legislative restrictions. Government has been moving very slowly in the area of privatization. There is no privatization implementing legislation, meaning the decision for privatizing particular parastatals still rests with the Ministries in question; a situation that has not helped propel privatization process forward.

Conversion and Transfer Policies

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Botswana has abolished exchange controls, which enhances Botswana's competitive position as a regional investment destination. In addition, the abolition of exchange controls has allowed for further development of Botswana's financial markets through the creation of new portfolio investment options. This new change in policy has necessitated the development of government capacity to monitor data on capital flows to provide early warning signals of potentially destabilizing activity.

Commercial banks are required to have investors complete basic forms indicating name, address, identity, purpose and details of the beneficiary prior to processing investors' transfer requests or loan applications. The Ministry of Finance monitors data collected on the forms for statistical information on capital flows, but the form does not require Botswana Government approval prior to the processing of a transaction and does not in any way delay capital transfers. Other government agencies also monitor large international capital inflows so that appropriate policies can be implemented to reduce any destabilizing effects on the economy.

There are no restrictions on converting or transferring funds associated with an investment into a freely convertible currency and at a legal clearing rate. Investors are allowed to remit funds through financial institutions. To encourage portfolio investment, develop the domestic capital market, and diversify investment instruments, non-residents are able to trade in and issue Botswana Pula-denominated bonds with maturity periods of over one year, provided such instruments are listed on the Botswana Stock Exchange. Foreigners can hold shares in Botswana companies.

Residents are permitted to invest overseas and borrow offshore. Travelers are not restricted to the amount of currency they may carry on their person or in their baggage, but they are required to declare to customs at the port of departure any cash amount in excess of Pula 10,000 (USD 1,430.00). All quantitative limits on foreign currency access for current account transactions have been removed. Dual listings are permitted on the Botswana Stock Exchange. Botswana's "Letlole Saving Certificate" (the equivalent of a U.S. Treasury bond) can be purchased only by Botswana citizens.

The government permits the establishment of foreign currency-denominated accounts in Botswana. At present, commercial banks offer accounts denominated in U.S. Dollars, British Pounds, Euros and South African Rand. Businesses and other bodies incorporated or registered under the laws of Botswana may open such accounts without prior approval from the Bank of Botswana. The government also permits the issuance of foreign currency denominated loans.

Upon disinvestment by a non-resident, the non-resident is allowed immediate repatriation of all proceeds. Investment returns such as profits and dividends, debt service, capital gains, returns on intellectual property, royalties, franchise fees, and service fees can all be repatriated without limits. There is no difficulty in obtaining foreign exchange. Shortages of foreign exchange that would lead banks to block transactions are highly unlikely. As of July 2009 international reserves stood at approximately USD 8.15 billion an indication that Botswana will not experience foreign exchange difficulties in the foreseeable future, covering roughly two years of import liabilities. The Botswana Pula is, for all intents and purposes, freely convertible.

Expropriation and Compensation

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The Constitution of Botswana prohibits the nationalization of private property. The Government of Botswana has never pursued a policy of forced nationalization, and there is no indication that it will consider expropriating actions.

The Constitution of Botswana provides for a judiciary, which is independent of both the executive and legislative authorities. Civil law is based on Roman-Dutch law while criminal law is built on familiar tenets of the English legal system. The legal system is sufficient to enforce agreements related to commercial dealings. Foreign and domestic parties have equal access to and standing under the judicial system. Botswana courts will, in general, accept and enforce decisions of a foreign court found to have jurisdiction in a given case. However, due to a caseload backlog, some U.S. companies facing legal challenges have expressed impatience with the resolution of disputes. The Botswana Attorney General's Office has launched a website outlining the laws of Botswana. It contains an index of laws, which includes all laws in enforcement as of December 2008 and a new legislation link containing a table of Bills, Acts and Statutory Instruments passed since January 2009. (www.laws.gov.bw)

Botswana has written and consistently applied commercial and bankruptcy laws. Secured and unsecured creditors enjoy the similar rights under bankruptcy proceedings as they would in the United States. Botswana is a member of the International Center for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA), and as such accepts binding international arbitration of investment disputes.

Performance requirements are not imposed as a condition for establishing, maintaining, or expanding an investment in Botswana, or for access to tax and investment incentives. A unique incentive corporate tax at only 15 percent for manufacturing enterprises is also available. Foreign investors are encouraged, but not compelled, to establish joint ventures with citizens or citizen-owned companies. The choice of citizens or citizen owned companies is at the absolute discretion of the foreign investor.

Foreign investors wishing to invest in Botswana are required to register the company in accordance with the Companies Act and comply with other applicable legislation. Investors are encouraged, but not required, to purchase from local sources. Foreign exchange is available to all investors, domestic or foreign, regardless of export volumes. The Government does not require investors to locate in specific geographical areas, use a specific percentage of local content, allow local equity in projects, manufacture substitutes for imports, meet export requirements or targets, or use local sources of financing.

It is the official policy of the Government to encourage foreign firms to hire qualified Botswana nationals rather than expatriates, and the granting of work permits to expatriates can in some instances be made contingent upon establishment of demonstrable "localization" efforts. The Government has in the past recognized that the shortage of technical and managerial job skills among the general population necessitates the import of expatriate labor and has generally granted work permits for positions which cannot be filled by an appropriately trained Botswana citizen or for which the company requires job-specific training. After the start-up period, however, the Government has often required evidence that a citizen is being trained

to assume some of the expatriate positions, particularly at the middle-management level, through the filing of an annual localization plan.

In 2006 the Industrial Development Act was updated to decentralize and simplify licensing procedures for manufacturing industries, among others, in order to speed up the issuance of licenses, as well as bring services closer to the public. The update also aligned the Industrial Development Act with the Trade Act of 2003 to provide consistency in the issuance of business licenses. The regulations for the Trade Act, which clarifies processes for citizens' and non-citizens' requirements, have also been implemented. These initiatives are designed to remove impediments to private sector development. Efforts are continuing to deal with the long-standing backlog of residence permit applications for investors. The use of a single application for both work and residence permits has reduced the processing time of applications for both resident and work permits, although delays still exist.

The government of Botswana offers foreign investors equal access to incentives designed to promote export-oriented industries. Current incentives include:

- A duty drawback facility when purchasing raw materials to be used for the production of merchandise destined for export. (Note: Though there is no formal statement, this provision may be terminated in the very near future)
- Exemption from sales tax when importing machinery and equipment required in the production of export merchandise.

In addition, the government-owned Botswana Export Credit Insurance and Guarantee Ltd. (BECI) allows investors to purchase coverage against the insolvency and inability of buyers to pay for purchases and political risks, such as losses caused by import restrictions, war, and, more commonly, the prevention of foreign exchange transfer for payment by the buyer's country.

A venture capital fund has been established under the Citizen Entrepreneurial Development Agency (CEDA) to provide equity capital to citizens as well as ventures between citizens and foreign investors. The CEDA venture capital fund invested its full committed capital of P200 million (USD 28.6 million) by December 2007. Transfer of technology is expected of foreign investors and investors are encouraged, but not required, to purchase from local sources. The Government does not require investors to locate in specific geographical areas, utilize a particular percentage of local content, allow local equity in projects, manufacture substitutes for imports, meet export requirements or targets, or use local sources of financing.

The CEDA Credit Development Scheme (CGS) in participation with local banks, which provide funds and appraise projects, provides:

- An upper loan limit of P 2 million (USD 285,700) to support development of small and medium enterprises
- A guarantee cover to participating banks of 75 percent of the net loss
- A reduced maximum interest rate of prime plus 2 percentage points

Collateral or security required by the participating banks is subject to negotiation between lender and borrower.

Technical assistance is to be made in the form of training and mentoring to develop entrepreneurship among citizens. CEDA's rejection rate remains very high due to a lack of a sufficient market for a proposed project to be viable, and ineligible requests to refinance existing loans from other financiers for businesses in over-traded markets.

The Government has directed Central Government, Local Authorities and Parastatal organizations to purchase all of their products from locally based manufacturers and service providers, if the goods and services are locally available, competitively priced and meet tender specifications in terms of quality standards as certified or recognized by the Botswana Bureau of Standards (BOBS) as well as other requirements. The Department of Industrial Affairs under the Ministry of Trade and Industry is responsible for administering the program. The idea is to facilitate the development and stimulation of local entrepreneurship, capacity building and international competitiveness.

In order to register a firm with the Department of Industrial Affairs for the "Use of Locally Manufactured Goods and Services Program" the firm must be registered with the Registrar of Companies in Botswana and possess a relevant license or a letter of waiver written by a "competent authority". Both foreign and domestic owned firms operating in Botswana are equally eligible.

The registration and classification of enterprises is determined by the number of employees and annual turnover, as defined by the Small Medium and Micro Enterprises (SMME) Policy in categorizing business enterprises as follows:

- a) Micro Enterprises – Less than 6 employees including owner and annual turnover of up to P 60,000
- b) Small Enterprises – Less than 25 employees and annual turnover of between P 60,000 and P 1,500,000
- c) Medium Enterprises- Less than 100 employees and an annual turnover of between P 1,500,001 and P 5,000,000
- d) Large Enterprises – More than 100 employees and an annual turnover of P5,000,000

The Minister of Finance and Development Planning has the authority to issue Development Approval Orders for specific projects, providing tax relief and/or education and training grants of different types and rates. The Minister must be satisfied that the proposed project will be beneficial to Botswana's economy and/or contribute to the economic advancement of Botswana. Any firm may apply for a Development Approval Order to the Permanent Secretary for Finance and Development Planning. Applications will be evaluated against the following criteria:

- a) Job creation for Botswana citizens;
- b) The company's training plans for Botswana citizens;
- c) The company's plans to localize non-citizen positions;
- d) Botswana citizen participation in company management;
- e) Amount of equity held by Botswana citizens in the company;
- f) The location of the proposed investment;
- g) The project's effect on stimulation other economic activities and;
- h) The project's effect on reducing local consumer prices.

Domestic and foreign-owned firms may both apply for Development Approval Orders.

Right to Private Ownership and Establishment

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Botswana has no restrictions on investment ownership, the sources of financing for investments, the marketing of products, the sources of technology used by companies, or the methods of training used by companies. Foreign and domestic private entities may freely establish, acquire, and dispose of interests in business enterprises. As previously discussed, there is a brief list of enterprises reserved for ownership by citizens and a minimum value for foreign investment in a number of industries, but these restrictions are not a serious impediment to serious foreign investment. Competitive equality is the standard applied to private enterprises in competition with public enterprises with respect to access to markets, credit, and other business operations. Indeed all-remaining parastatals have been commercialized, meaning they are expected to operate as commercial entities receiving no government subsidies or special treatment, with the exception of certain public utility corporations, which still enjoy legally protected monopoly status. Most of these parastatals, even those without legally protected monopoly status, are de facto monopolies.

Protection of Property Rights

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The Constitution of Botswana prohibits the nationalization of private property. The Government of Botswana has never pursued a policy of forced nationalization, and there is no indication that it will consider expropriating actions.

Transparency of Regulatory System

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The Botswana Government adheres to transparent policies and maintains effective laws to foster competition and establish clear rules of the game. Bureaucratic procedures are streamlined and open, although somewhat slow, but not excessively overbearing compared to other African countries.

The Public Procurement and Asset Disposal Board (PPADB) is an independent parastatal responsible for the award of all government tenders. The tender process is open, and lobbying of the PPADB or its members is strictly prohibited. One of the key policy objectives of the PPADB is the enhancement of operational efficiency in the public procurement system. PPADB has established the Advisory Committee, the Independent Complaints Review Committee and the Ministerial and District Tender Committees in accordance with its mandate. The Advisory Committee advises the Ministry of Finance and Development Planning on any weaknesses in the operations of the board. The Independent Complaints Review Committee reviews any Board's decisions challenged by stakeholders (e.g. contractors and procuring entities) while the Ministerial and District Tender Committees ensure that speedy decisions are made. In effect since December 2003, PPADB publishes its decisions concerning awarded tenders, prequalification lists, and newly registered contractors.

Government procurement practices do, however, involve some preference schemes and reserve certain tenders, such as those that fall under IT and construction, for

100 percent citizen-owned companies. There is an ongoing public debate about government procurement practices, which many view as a give-away to foreign companies. Some people allege that many foreign companies have been awarded tenders that they did not qualify for. The PPADB is explicitly charged with promoting citizen empowerment through the proactive implementation of reservation and preference schemes designed and introduced by the Government of Botswana from time to time to enhance citizen participation in economic activities resulting in increased employment and capacity building. However, the Board states that it considers these schemes within the context of its obligations under international trade treaties such as the World Trade Organization (WTO), and regional agreements under the Southern African Development Community (SADC) and the Southern African Customs Union (SACU).

The Government updated its labor legislation to comply with ILO standards in 2004. The existence of an industrial court further enhances and strengthens impartiality in labor disputes. The Employment Act of 1992 provides basic guidelines for employment in Botswana. This labor legislation sets minimum wages, length of the workweek, annual and maternity leave, hiring and termination.

Work permits regulate the employment of non-citizens in Botswana. Non-resident consultant and supervising engineers or directors of companies registered in Botswana, however, are exempt from obtaining work permits. Every private company is required to have at least one director resident in the country. Health and safety laws, embodied in the Factories Act of 1973, are designed to provide basic protection for workers from unsafe working conditions. Minimum working conditions required on work premises include cleanliness of the premises, adequate ventilation and sanitation, sufficient lighting and the provision of safety precautions. Health inspectors and the Botswana Bureau of Standards carry out periodic checks at both new and operating factories.

Efficient Capital Markets and Portfolio Investment

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The liberalization of Botswana's economy created the necessary environment for growth in the financial sector. The country continues to maintain sound and coordinated fiscal and monetary policies, which are reflected, in the careful control exercised over credit expansion, the Pula exchange rate, interest rates, and foreign and domestic borrowing. Banking legislation is in line with the global industry's norms for regulation, supervision and payments. The Botswana Government is encouraging the establishment of new and diverse financial institutions to support increased foreign and domestic investment and to fill existing gaps where finance is not currently commercially available.

Botswana's IFSC is tasked with developing a recognized financial services regional hub in an effort to diversify the economy and to manage the country's real comparative advantages. Botswana has an attractive tax incentives package to encourage financial service providers to use the IFSC as a base for managing regional initiatives including a guaranteed maximum tax rate of 15 percent until 2020, exemption from withholding tax in Botswana, access to Botswana's double taxation treaty network, and no capital gains tax. The IFSC plans to play an important role in regional expansion initiatives by providing a platform to facilitate cross-border financial services in an appropriate and conducive manner. The Government has set up specific international insurance legislation and a regulatory

framework to place IFSC in an advantageous position to capture multi-country insurance products within Africa which can be offered in other countries.

The country's policies facilitate the free flow of financial resources. Credit is available on market terms, and foreign investors have access to credit on the local market, although the high prime rate of 14.50 percent as of December 2007 is considered prohibitive to debt finance. Botswana banks may lend to non-resident controlled companies and other non-resident owned business entities in Botswana without specific approval from the Bank of Botswana. In fact, foreign investors generally enjoy much better access to credit than local firms due to the often-limited capital base of the local entrepreneur, conservative lending policies by commercial banks, and the variety of strengths (personnel, technological, and logistical) that the bigger foreign investors possess. Commercial lenders generally apply a debt to equity ratio of 4:1. Authorized dealers and credit institutions licensed by the Bank of Botswana are allowed to make foreign currency-denominated loans, financial leases and other forms of financial support to their customers in Botswana whether or not they have onshore accounts.

The central bank - the Bank of Botswana (BOB) - has an impressive track record for managing both the commercial banking sector and the country's monetary policies. BOB maintains a safe, sound and stable financial system. As of December 2008, there were seven commercial banks operating in Botswana. All have correspondent relationships with U.S. banks. In addition, the African Banking Corporation operates a financial services institution, specializing in structured trade finance, treasury operations and investment banking.

In spite of the global financial crisis, the banking sector has had a healthy performance during 2008, with total assets and liabilities of commercial banks increasing by 21.4 percent slightly slower than the 23.3 percent in 2007.

Two government financial parastatals, the Botswana Development Corporation (BDC) and the National Development Bank (NDB), complement domestic banks in terms of commercial and long-term lending. BDC seeks to develop quality investment proposals with an emphasis on developing commercially viable investment and lending portfolios. BDC continues to identify manufacturing projects and monitors and supervises the Corporation's portfolio of companies engaged in a wide variety of manufacturing activities.

The NDB offers competitive long-term loans and equity capital to finance commercial business development. As a development financial institution, NDB is viable and self-sufficient. NDB's business is directed solely towards the business community – whether they are small, medium, or large-scale enterprises and/ or projects. In 1998, NDB was the first bank in Africa to be certified under the ISO 9001 International standards. NDB's total assets increased by 18.9 percent in 2007- mainly due to the 12.5 percent increase in loans and advances. Both foreign and domestic investors are equally eligible for NDB loans and equity participation in investments. NDB issued and listed BWP 100 million Bond in the Botswana Stock Exchange during the financial year 2007/08. Screening mechanisms do not discriminate against foreign-owned firms, with 27 percent of the Bank's total loan value owned by non-citizens as of March 31, 2007.

The Botswana Stock Exchange (BSE) has been one of Africa's best performing stock exchanges, having an average of 24 percent aggregate returns. Trading has been

active with 286 million shares traded in 2008, as compared to 192 million traded in 2007. The number of domestic listed companies remained at 20 in 2008. Similarly the number of foreign companies listed in the exchange was unchanged at 11. The number of foreign companies listed on the BSE decreased from 12 to 11 in 2007. Of the listed companies, seven were on the Venture Capital Board (VCB), six of which were foreign mining-related operations.

The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) started its operations in April 2008. NBFIRA is expected to close regulatory and supervisory gaps within the financial sector, including the regulatory oversight of insurance and management activities, which will further enhance the soundness and stability of the financial system. The regulations will ensure that Botswana registered non bank financial institutions work along the internationally accepted standards.

The Government has legitimized offshore capital investments and allows foreign investors, individuals and corporate bodies, and Botswana incorporated companies to open foreign currency accounts in specified currencies. The designated currencies are US Dollar, Pound Sterling, Euro and the South African Rand. There are no known practices by private firms to restrict foreign investment participation or control in domestic enterprises. There are no known laws or regulations specifically authorizing private firms to adopt articles of incorporation or association, which limit or prohibit foreign investment, participation or control.

Competition from state-owned Enterprises

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State-owned enterprises (SOEs) or parastatals, are majority or hundred percent owned by the Government. There are no provisions in place that prohibit the private enterprises from competing with the public sector. They are all covered by the same laws and regulations in terms of business registration and licensing. The establishment of financial institutions is meant to support both private and public enterprises. State-owned enterprises have been set up to compete with the private sector when and where an opportunity arises especially in the financial sector. This is done in an effort to assist small and medium enterprises. In Botswana SOEs tend to be more dominant in the utilities industries. The senior management of SOEs report to the Permanent Secretaries within the relevant Ministries and the board seats of the SOEs are allocated to any executive from the Government and/ or the private sector, without any political influence. SOEs are required by law to publish annual reports, and depending on how they are constituted, they are either audited by professional accountants or the auditor general.

Botswana has a sovereign wealth fund which is listed as the Pula Fund. This long-term fund was established under the Central Bank of Botswana Act and forms part of the foreign exchange reserves, which are partly funded by the diamond revenues. The Pula Fund is wholly invested in foreign currency denominated assets. All the realized market and currency gains or losses are recognized within the Bank's income statement.

Corporate Social Responsibility

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Corporate Social Responsibility (CSR) is highly recognized and embraced by the foreign and local firms as well as customers. Increasingly, businesses, NGOs and the

Government are pulling together to promote business, social and environmental progress.

Political Violence

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There is no political violence in Botswana.

Corruption

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The Government of Botswana is concerned about the effects of the growing crime rate which is seen to be limiting the country's development and affecting its social structures, depriving it of considerable revenue, and damaging the country's reputation. Legislation to combat corruption and economic crime was put in place, and the Directorate on Corruption and Economic Crime (DCEC) was established in 1994. Passage of the Proceeds of Serious Crime Act in 2000 expanded the DCEC's mandate to include money laundering. The Financial Intelligence Bill was presented to Parliament in March 2009. The proposed law provides a legal framework that addresses money laundering and the establishment of a financial intelligence agency. The unit will be placed under the Ministry of Finance and Development Planning. Since its inception, DCEC has earned respect locally and among those engaged in anti-corruption work elsewhere in the world. In 2001 Botswana was the first SADC country to ratify the SADC Protocol Against Corruption. Prior to the signing of the Protocol, DCEC had been actively engaged in the formation of the Southern African Forum Against Corruption (SAFAC), the principal aims of which are to implement the protocol and facilitate training in anti-corruption disciplines.

Corruption in Botswana is perceived as present, but has not been an obstacle to investment and penalties for such acts are applied proportionately. Botswana ranks 37th out of 180 countries in Transparency International's Corruption Perception Index for 2009. The DCEC has embarked on an education campaign to raise public awareness about the cost of corruption and is also working with Government departments to reform their accountability procedures.

A few cases of substantial misappropriation of money and land have been exposed in recent years by the press. Officers at all levels within government are brought to court if needed. Bribery is strictly illegal in Botswana although it appears to be on the rise at lower levels. Under the Botswana Corruption and Economic Act of 1994, any person who is guilty of corruption or cheating for valuable consideration shall, upon conviction, be liable to imprisonment for a term not exceeding 10 years or a fine not exceeding P 500,000 (US \$ 71,430) or both.

The government bureaucracy is paid on time and is provided a living wage. Investors with experience in other developing nations describe the lack of obstruction or interference by government as among the country's most important assets. While there remains a high tolerance for conflict of interest in government/private sector interaction, foreign investor complaints generally focus on the reputed inefficiency and/or unresponsiveness of mid-level and low-level bureaucrats in government. Because of the high tolerance in government for conflicts of interest, nepotism concerns are largely overlooked given the small size of the population and the chronic shortage of skilled labor in various sectors. The Government introduced the Performance Management System (PMS) in 2004 in an effort to improve service and accountability.

Bilateral Investment Agreements

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Botswana and the United States entered into an investment guarantee treaty soon after the country's independence. Botswana has bilateral trade agreements governing the duty-free entry of goods with Malawi and Zimbabwe in southern Africa. Botswana is also a member of the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). Other members of SACU include South Africa, Namibia, Swaziland and Lesotho. SACU has announced it is planning to pursue free trade negotiations with China and India in addition to its Trade and Investment Cooperation Agreement with the U.S. Botswana signed an interim Economic Partnership Agreement (EPA) with the EU as part of SADC. In addition, Botswana participates in the Generalized System of Preferences, and is an AGOA beneficiary country. None of these agreements are specifically "investment" agreements.

Botswana's trade regime is more open than that of an average Sub-Saharan Africa country. Its tariff policy is governed by the SACU, which controls customs and excise duties on goods imported from non-SACU countries and establishes transit rights for products transported over Southern African territory. Botswana holds a number of non-tariff barriers including import permit requirements for a variety of food products, seasonal trade bans on selected agricultural goods, and a state monopoly on beef exports.

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC) insurance is available to U.S. investors in Botswana. In July 2004, OPIC signed a USD 8.5 million investment guarantee with Kalahari Gas Corporation, owned in part by Covalent Energy Corporation of Arlington, VA, to finance equipment purchases and the drilling of coal bed methane (CBM) wells located approximately 500 meters underground in eastern Botswana. In October 2008 OPIC approved a USD \$ 250 million guarantee facility for the Botswana diamond industry. The purpose of the facility was to develop a vibrant and robust lending market to Botswana's emerging cutting and polishing industry.

Botswana is a member of the Multilateral Investment Guarantee Agency (MIGA). MIGA offers investors protection against inconvertibility or transfer of currency, expropriation, breach of contract and war and civil disturbance.

The U.S. Embassy in Gaborone purchases local currency at the official exchange rate provided by the Department of State's Financial Service Center. The annual estimated U.S. dollar value of local currency used by the U.S. Embassy in Botswana is US\$15 million.

The pula has a crawling peg exchange rate and is tied to a basket of currencies comprised of approximately two-thirds South African rand and one third Special Drawing Right (SDR is itself a currency basket, comprising the U.S. dollar, the Euro, British pound, and Japanese yen). As a result of the composition of the pula basket, the exchange rate is heavily influenced by movements of the South African rand against the U.S. dollar.

Labor[Return to top](#)

With high levels of unemployment (estimated at 17.6 percent in 2005/2006) and underemployment, Botswana suffers no shortage of potential workers. However, the skills base is limited and employers may have to engage in significant training efforts depending on the industry. Retention of workers and absenteeism can pose problems and is growing as HIV/AIDS affects the workforce on a broader basis. In addition, managers often cite productivity of the workforce as a point of frustration. The lack of trained local citizen professionals is generally resolved by the use of expatriates, although government officials maintain that local equivalent labor is available.

Organized labor represents only a small portion of the formal sector workforce in Botswana of 288,000 workers, concentrated in the mining and, to a lesser extent, banking sectors. Botswana law provides for the right of association, but most foreign investors will not encounter a unionized workforce in the near term. Only on very rare occasions have the established unions resorted to work stoppages.

Botswana law protects worker rights in a number of commonly defined areas, and, in the formal employment sector, standards for length of workweek (48 hour maximum), minimum wage, and prohibition of child labor is almost universally upheld in the formal sector. Government continues to build capacity and ensure implementation of fair practices, and good human and industrial relations. To achieve this, there will be a review of the Regulations for Industrial Class Employees and the Public Service Regulations to align them with new Employment Act, Trade Disputes Act, Trade Union and Employers Organization Act, and International Labor Organizations Conventions of which Botswana is a signatory.

Foreign-Trade Zones/Free Ports[Return to top](#)

Botswana currently has no domestic free trade zones or free ports.

Foreign Direct Investment Statistics[Return to top](#)

Foreign direct investment statistics trends show that FDI forms a major portion of capital flows into Botswana followed by portfolio investments, which have shown a considerable increase since the establishment of the Botswana Stock Exchange in the 1990's.

The following tables show the Levels of Foreign Investment in Botswana by Industry and Country as of 31 December 2007.

LEVEL OF FOREIGN INVESTMENT IN BOTSWANA BY INDUSTRY
(Equity/Non-equity - P million as of 31 December 2007)

Industry	Foreign Direct Investment	Other Investment
-----	-----	----
Mining	3,299	3,704
Manufacturing	90	327

Finance	2,050	2,326
Retail & Wholesale	144	356
Water Electricity and Energy	0	270
Business Services	166	73
Transport & Communication	39	49
Construction	8	10
Hospitality	32	1
Public Administration	---	1,907
Other	41	438
Total	5,861	9,461

LEVEL OF FOREIGN INVESTMENT IN BOTSWANA BY COUNTRY
(Equity/Non-equity - P million as of 31 December 2007)

Source	Foreign Direct Investment	Other Investment
-----	-----	-----
North America & Central (of which)	418	2
U.S.A	418	2
Europe	3,414	3,928
(of which)		
United Kingdom)	496	291
Netherlands	56	---
Luxembourg	2,832	446
Other Europe	30	3,192
Asia Pacific	52	5
Africa	1,862	3,001
(of which)		
South Africa	1,758	2,683
Middle East	61	77
Other	11	2,449
Total	5,818	9,462

Average exchange rate USD/Pula 1:7

Source: Bank of Botswana 2008 Annual Report

Unlike in the past where foreign direct investment was focused mainly in mining, in 2006 foreign direct investment into the finance sector was slightly higher, due to investment in the insurance industry. Europe continues to dominate accounting for 59 percent as the main direct investment. Luxembourg contributes over 80 percent of Europe's direct investment. This is a reflection of the residence status of the major mining investors in Botswana. South Africa is also a significant contributor to foreign direct investment, indicating South Africa's involvement with the financial institutions in Botswana. According to preliminary estimates, during 2008 Botswana's foreign assets increased from P 89.4 billion (US\$12.8 billion) at the end of 2007 to P 98 billion (US\$14 billion). Out of this, foreign exchange reserves make the largest amount at 70 percent.

Major U.S./Foreign Investors

AON Botswana is 95 percent U.S. owned by the AON Corporation, which has its headquarters in Chicago, and it is 5 percent owned by AON Botswana staff. AON has annual revenues of over USD 7 million and its primary clients are the Government of Botswana and Debswana (Government-De Beers joint venture).

Phillip Morris owns a percentage of SAB Miller Co., which owns 40 percent of Kgalagadi Breweries (KBL) (Pty) Limited and Botswana Breweries (Pty) Limited (BBL). In 2004, South African Breweries (SAB) bought out the Miller Brewing Company, which owned the percentage of Kgalagadi. The combined businesses employ over 1,000 people directly and provide employment to a further 28,000 indirectly. Contributions to GDP and Government revenue are estimated to be between 3 percent and 5 percent respectively.

Marsh Insurance established in 1994 is 95 percent owned by Marsh New York of the Marsh and McLennan Companies and is 5 percent locally owned. Marsh has 27 employees and annual revenues were roughly USD 1 million in 2005.

H.J. Heinz, Inc. owns 80 percent of Kgalagadi Soap Industries, representing assets of well over USD 5 million.

Covalent Energy of Virginia owns 25 percent of the Kalahari Gas Corporation, which received OPIC funding for a natural gas drilling project in mid-2004.

Additional U.S. Distributors/Agents/Franchises operating in Botswana include: Kentucky Fried Chicken, ReMax Realtors, Colgate Palmolive, Grant Thornton Acumen, Deloitte and Touche, PricewaterhouseCoopers, KPMG, Ernst & Young, DHL, Federal Express, Avis, 3M, Barloworld, and Canon. The auditing firms (e.g. PricewaterhouseCoopers, etc.) are wholly owned by the local partners and receive management control and guidance from the U.S.

Among non-U.S. investors, by far the largest is the Anglo-American Corporation (De Beers), which has a 50 percent stake, along with the Government of Botswana, in the country's diamond mining company Debswana.

Web Resources

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Bank of Botswana: www.bob.bw

Citizen Entrepreneurial Development Agency: www.ceda.co.bw

Ministry of Agriculture: http://www.gov.bw/government/ministry_of_agriculture.html

Ministry of Trade and Industry: <http://www.mti.gov.bw/>

Ministry of Finance and Development Planning: <http://www.finance.gov.bw/>

Southern African Development Community: <http://www.sadc.int>

Overseas Private Investment Corporation: www.opic.gov

U.S. Export-Import Bank: www.exim.gov

U.S. Department of Commerce: www.doc.gov & www.export.gov & www.buyusa.com

U.S. Department of State: www.state.gov

U.S. Trade and Development Agency: www.tda.gov

U.S. Small Business Administration: www.sba.gov

U.S. Department of Agricultural: www.usda.gov

Botswana Central Statistics Office: <http://www.cso.gov.bw>

Botswana Public Procurement and Asset Disposal Board: <http://www.ppadb.co.bw/>

Botswana Export Development and Investment Authority: www.bedia.co.bw

Botswana Development Corporation: www.bdc.bw

Botswana Telecommunications Corporation: www.btc.bw

Botswana Telecommunications Authority: <http://www.bta.org.bw/>

Directorate on Corruption and Economic Crime:
http://www.gov.bw/government/directorate_on_corruption_and_economic_crime.html

Botswana Stock Exchange: <http://www.bse.co.bw>

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The most common method of payment for imports from the U.S. is through Letters of Credit, bank drafts or bank transfers. There are currently no domestic credit rating agencies in Botswana.

How Does the Banking System Operate

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Botswana's banking sector consists of a central bank (Bank of Botswana) and seven commercial banks (Barclays Bank Botswana, Standard Chartered Bank Botswana,

First National Bank Botswana, Bank of Baroda Botswana Ltd., Stanbic Bank Botswana, Capital Bank and Bank Gaborone).

There are a growing number of investment and corporate finance institutions, including Investec Group, Andisa Bank, and the African Banking Corporation of Botswana, which specialize in structured trade finance, treasury operations, and investment banking. All are geared towards financing for existing and new businesses. However, a lack of adequate local corporate financing, partially as a result of over-concentration on asset-based as opposed to cash flow lending practices, has presented some problems for local and international businesses. The financial institutions are now improving the range of services they provide, including a new emphasis on small and medium-sized enterprises. In 2008 Government established the Non Banking Financial Institution Regulatory Authority to ensure that the non banking financial sector operates in an efficient and orderly manner. The newly-emerging group of international financial institutions that are entering Botswana under the umbrella of the International Financial Services Center (IFSC) should augment these efforts. The number of institutions registered with the IFSC currently stands at twenty two. An additional six development-targeted financial institutions offer specialized services to specific economic sectors.

The Bank of Botswana is responsible for monetary policies, central banking services, supervision of financial institutions, issuing of bank notes, implementing exchange rate policies, administering exchange controls and foreign exchange reserves management. The bank's financial statements comply with international standards.

Short-term finance, including pre-and-post-shipment credit, is readily available through the commercial banking system at market rates of interest. Export credit insurance is available through the Botswana Export Credit Insurance (BECI) agency. The provisions for U.S. and other foreign firms borrowing in Botswana are liberal while local banks remain highly liquid. The country's commercial banks, however, have difficulty making long-term credit available due to the short maturity nature of their deposits and small capital bases. At present, commercial banks finance only about one-third of the annual investment in Botswana.

Foreign-Exchange Controls

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There are no exchange controls in Botswana. The complete elimination of controls on current and capital accounts allows the free flow of money and capital.

U.S. Banks and Local Correspondent Banks

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There are currently no U.S. financial lending institutions in the country but all seven commercial banks mentioned above have correspondent relationships with U.S. banks.

Project Financing

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The Botswana Development Corporation (BDC) and National Development Bank (NDB) provide local project financing. In addition, the Citizen Entrepreneurial Development Agency (CEDA) operates a Venture Capital Fund to provide equity capital to citizens as well as ventures between citizens and foreign companies.

There are no multilateral development banks in Botswana.

The Overseas Private Investment Corporation's (OPIC) finance and insurance programs are available for Botswana, and the body is currently pursuing a number of investment options in the country. For example, OPIC signed a deal worth USD 8.5 million to develop a coal-bed methane natural gas project in mid-2004 and signed a \$6 million direct loan for school development in 2005. The gas project's feasibility study was funded by the U.S. Trade and Development Agency (USTDA) and built the basis for the extension of OPIC financing. U.S. Export-Import Bank resources are also available for both trade financing and project financing in Botswana. In October 2008 OPIC approved a US\$250 million guarantee facility for the Botswana Diamond industry.

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule:

http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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Chapter 8: Business Travel

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Business Customs

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Although friendly and well disposed toward Americans, Botswana business and government counterparts tend to be more reserved and formal than in the U.S. business world. The use of first names generally takes longer, and it is a good idea to wait until your Botswana contact initiates the practice. Reconfirm business meetings twenty-four hours in advance directly with the person you are to meet, if possible. Even carefully arranged meetings may sometimes start late. Business meetings may be interrupted by telephone conversations. Although odd for an American businessperson, these occurrences are not indications of a lack of respect or interest in your business proposal.

Travel Advisory

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U.S. Department of State Travel Advisory website:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1071.html

Visa Requirements

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A valid U.S. passport is required for entry into Botswana. No visa is required for U.S. citizens staying in Botswana up to 90 days.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: <http://travel.state.gov/visa/index.html>
United States Visas.gov: <http://www.unitedstatesvisas.gov/>
U.S. Embassy Gaborone Consular Section: <http://botswana.usembassy.gov>

Telecommunications

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Botswana has a relatively modern telecommunications infrastructure, with over 20 licensed Internet service providers, three licensed mobile cellular phone operators, and a number of licensed private networks and data service providers in the country. However, the Botswana Telecommunications Corporation maintains a de facto monopoly on most voice services, and maintains the country's fixed-line services exclusively. The high cost and inconsistent reliability of Internet service, including at the principal hotels in town, has fueled an infrastructure development initiative and discussions on further liberalization of the telecommunications industry. DSL service is available.

Promotional videotapes should be in the PAL-I format. Computer-based slide projectors are not readily available. Power runs on 220V.

Transportation

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Although major roads are generally in good condition, the combination of long, tedious stretches of two-lane highways, high speed limits, and the occasional presence of large animals on the roads make fatal accidents a frequent occurrence. Driving at night on rural highways is dangerous and should be avoided. Taxis are generally available in towns. Gaborone has several 24-hour door-to-door chauffeur services. Major hotels provide periodic shuttle bus service to the downtown area, but arranging transfers between business appointments is often difficult. Renting a car is recommended if you have a busy appointment schedule in Gaborone. The rental agencies will provide a driver for an additional charge, an option some may wish to consider as traffic moves on the left in Botswana.

Language

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English is the official language of government and business in Botswana. Setswana is the predominant indigenous language and the first language of most Batswana.

Health

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Inoculations are not required for visitors to Botswana. Malaria prophylaxis is necessary for those traveling north of Mahalapye especially in the Central, Chobe, Tuli Block, Ngamiland, northern game parks and reserves, and the Bobirwa area in the east. Tap water in the major towns is safe to drink. Medical facilities in Gaborone and Francistown are adequate, even though in some cases there has been need to transfer patients to neighboring South Africa. In the rest of the country, they are limited. Health providers often expect immediate cash payment for health services. U.S. medical insurance is not always valid outside the country.

Local Time, Business Hours, and Holidays

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For 2010, businesses will be closed in Botswana on January 1 (New Year's Day), January 2 (Public Holiday), April 2 (Good Friday), April 3 (Public Holiday), April 5 (Easter Monday) May 1 (Labor Day), May 13 (Ascension day) July 1 (Sir Seretse Khama Day), July 19 (President's Day), July 20 (Public Holiday), September 30 (Botswana Day), October 1 (Public Holiday), and December 24-25 (Public Holiday & Christmas), Dec 26-17 (Boxing Day & Public Holiday). Local government/business hours are commonly from 7:30-12:45 and 1:45-4:30, and local time is 7 hours ahead of Eastern Standard Time from November-April, and 6 hours ahead from May-October.

Web Resources

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Government of Botswana Homepage: www.gov.bw

U.S. Embassy, Gaborone, Consular Section:

<http://gaborone.usembassy.gov/botswana/consular.html>

U.S. Department of State Travel Advisory for Botswana:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1071.html

Hospitality and Tourism Association of Botswana: www.hatab.co.bw

Botswana Export Development and Investment Authority: www.bedia.co.bw

Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM):

<http://www.boccim.co.bw/>

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

U.S. Embassy Commercial Section Contact

Organization: Embassy of the United States of America
Contact Name and Title: Heather Merritt, Political / Economic
Section Chief
Adrienne Taylor, Political/Economic Officer
Keletso Tlale-Dube, Commercial Specialist
Address: P.O. Box 90, Gaborone, Botswana
Phone: (267) 395-3982 X 2319
Fax: (267) 395-6947 or (267) 390 6129 / 318 0513
E-Mail address: commercialgabs@state.gov
Web Address: <http://botswana.usembassy.gov>

USAID Financed Trade Assistance/Capacity Building Center

Organization: Southern Africa Global Competitiveness Hub
Web Address: www.satradehub.org

Local Chambers of Commerce/Business Associations

Organization: American Business Council (ABC) of Botswana
Email: rram@it.bw

Organization: Botswana Confederation of Commerce
Industry and Manpower (BOCCIM)
Web Address: <http://www.boccim.co.bw/>

Organization: Botswana Exporters Association of Botswana (BEMA)
Web Address: www.exporters.bw

Organization: Hospitality and Tourism Association of Botswana
(HATAB)
Web Address: www.hatab.bw/

Government Agencies/Departments/Parastatals

Government Homepage: www.gov.bw

Organization: Ministry of Agriculture
Web Address: http://www.gov.bw/government/ministry_of_agriculture.html

Organization: Ministry of Trade and Industry
Web Address: <http://www.mti.gov.bw/>

Organization: Department of Customs and Excise
Web Address: <http://www.finance.gov.bw/customs/>

Organization: Ministry of Finance and Development Planning
Web Address: <http://www.finance.gov.bw/>

Organization: Bank of Botswana
Web Address: www.bob.bw

Organization: Botswana Exporter Development and Investment Authority (BEDIA)
Web Address: www.bedia.co.bw

Organization: Botswana Development Corporation
Web Address: www.bdc.bw

Organization: National Development Bank
Web Address: <http://www.ndb.bw/>

Organization: Public Procurement and Asset Disposal Board (PPADB)
Web Address: <http://www.ppadb.co.bw/ppadb/index.html>

Organization: Enterprise Botswana
Web Address: <http://www.enterprisebotswana.org/EBmenu.htm>

Organization: Botswana Telecommunications Corporation
Web Address: <http://www.btc.bw/>

Organization: International Financial Services Center
Web Address: www.ifsc.co.bw

Organization: Central Statistics Office
Web Address: <http://www.cso.gov.bw>

Think Tanks/Policy Organizations

Organizations: Botswana Institute for Development Policy Analysis
Web Address: <http://www.bidpa.bw/>

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

The following is a list of annual or semi-annual trade events held in Botswana:

- Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) Francistown Northern Trade Fair (Annual – May)
- BOCCIM National Business Conference (Bi-annual – September 2010)
- Botswana Consumer Fair (Annual - August)
- Botswana's Premier Food & Beverage Exhibition (FOBEX) – (Annual - July/August)
- Global Expo – BEDIA (Annual November)

Please click on the link below for information on global upcoming trade events.

<http://www.export.gov/tradeevents.html>

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

U.S. businesses can contact the Embassy's Commercial Section below or contact the Department of State Economic/Commercial Officer at (+267) 395-3982.

<http://botswana.usembassy.gov>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained

herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.