

ANNEX 1
BOTSWANA

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I. THE ECONOMIC ENVIRONMENT**(1) MAIN FEATURES**

1. Botswana ranks 56th in the global competitiveness rankings of the World Economic Forum, second only to South Africa in sub-Saharan Africa.¹ Botswana owes its competitiveness, *inter alia*, to sound macroeconomic policies; it is also rated as the country with the lowest rate of corruption in Africa.² Development has been driven mainly by revenue from diamonds. Mineral taxation has also enabled the Government to improve basic infrastructure, such as transportation, and social services, such as health and education. Impressive economic performance since independence has raised average GDP per head to over US\$7,000, higher than most other sub-Saharan African countries (Table I.1); however, income distribution is highly skewed.³

Table I.1
Selected socio-economic indicators, 2002-08
(Per cent unless otherwise specified)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------|---------|----------|----------|----------|----------|----------|
| Miscellaneous | | | | | | | |
| Area ('000 km ²) | 566.7 | 566.7 | 566.7 | 566.7 | 566.7 | 566.7 | 566.7 |
| Population (million) | 1.65 | 1.67 | 1.69 | 1.71 | 1.72 | 1.74 | 1.75 |
| Urban (%) | 55.0 | 55.8 | 56.6 | 57.4 | 58.1 | 58.9 | .. |
| Life expectancy (year) | 46.6 | 47.5 | 48.3 | 49.1 | 49.9 | 50.7 | .. |
| Bank of Botswana lending rate (end of period, %) | 15.3 | 14.3 | 14.3 | 14.5 | 15.0 | 14.5 | 15.0 |
| Commercial and merchant bank prime lending rate (end of period, %) | 16.2 | 16.4 | 15.8 | 16.0 | 16.5 | 16.0 | 16.5 |
| Nominal GDP (US\$ million) | 6,091.5 | 8,086.8 | 10,048.2 | 10,263.2 | 11,255.2 | 12,335.9 | 13,360.9 |
| Real GDP (percentage change) | 9.0 | 6.3 | 6.0 | 1.6 | 5.1 | 4.4 | 2.9 |
| Real GDP, excluding mining (percentage change) | 7.2 | 6.0 | 8.9 | 1.4 | 3.2 | 9.0 | 7.2 |
| GDP per capita (US\$) | 3,691.8 | 4,833.7 | 5,938.6 | 6,008.9 | 6,543.7 | 7,105.9 | 7,613.0 |
| Annual inflation (percentage change of CPI) | 8.0 | 9.2 | 7.0 | 8.6 | 11.6 | 7.1 | 12.6 |
| Unemployment rate (%) | .. | 23.8 | .. | .. | .. | .. | .. |
| Monetary sector (percentage change) | | | | | | | |
| Money supply (M2, end of period) | -0.5 | 17.6 | 13.9 | 10.6 | 67.4 | 31.2 | 21.1 |
| Share of real GDP | | | | | | | |
| Agriculture | 2.0 | 2.2 | 1.9 | 1.8 | 1.7 | 1.8 | 1.7 |
| Mining and energy | 44.2 | 44.4 | 42.8 | 42.8 | 43.9 | 41.4 | 38.9 |
| of which: mining | 42.0 | 42.2 | 40.6 | 40.7 | 41.7 | 39.2 | 36.7 |
| Manufacturing sector | 3.4 | 3.3 | 3.3 | 3.5 | 3.4 | 3.9 | 3.8 |
| Services | 47.7 | 46.5 | 46.6 | 47.5 | 47.0 | 48.6 | 51.4 |
| Construction | 5.8 | 4.7 | 4.9 | 4.5 | 4.4 | 4.8 | 4.8 |
| Trade, hotels, and restaurants | 9.5 | 10.0 | 9.8 | 9.1 | 9.5 | 10.1 | 10.5 |
| Transport, post, and telecommunications | 3.2 | 2.9 | 2.9 | 3.2 | 3.4 | 3.6 | 4.0 |
| Banks, insurance, and business services | 10.0 | 9.5 | 9.3 | 10.0 | 10.2 | 10.6 | 11.8 |
| General government | 15.6 | 15.8 | 16.1 | 16.6 | 15.6 | 15.6 | 16.3 |
| Social and personal services | 3.5 | 3.5 | 3.7 | 4.0 | 3.9 | 3.9 | 4.1 |
| Indirect taxes less subsidies | 2.7 | 3.6 | 5.4 | 4.4 | 4.0 | 4.4 | 4.1 |

Table I.1 (cont'd)

¹ World Economic Forum (2008).

² Transparency International (2008).

³ The Gini coefficient (a measure of distribution of income ranging from 0 to a maximum of 100) is estimated at 63 for Botswana. See IMF (2007).

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|---------------------|---------|---------|---------|---------|---------|----------|
| Public finance^a | (percentage of GDP) | | | | | | |
| Total revenue, including grants | 37.1 | 40.5 | 38.1 | 42.5 | 41.7 | 37.8 | .. |
| Tax revenue | 31.8 | 35.3 | 34.5 | 38.4 | 38.4 | 34.1 | .. |
| Non-tax revenue | 5.1 | 5.0 | 2.9 | 3.9 | 2.6 | 2.9 | .. |
| Total expenditure | 40.8 | 40.7 | 36.9 | 33.6 | 30.0 | 32.8 | .. |
| Recurrent expenditure ^b | 30.1 | 32.3 | 29.2 | 27.0 | 24.3 | 24.5 | .. |
| Development expenditure | 10.9 | 10.6 | 8.3 | 7.2 | 6.2 | 8.6 | .. |
| Net lending | -0.2 | -2.3 | -0.6 | -0.6 | -0.4 | -0.4 | .. |
| Government balance | -3.6 | -0.2 | 1.2 | 8.8 | 11.7 | 5.0 | .. |
| National account | (percent of GDP) | | | | | | |
| Gross domestic expenditure | 80.1 | 87.2 | 90.4 | 85.2 | 76.8 | 79.8 | 87.0 |
| Final consumption expenditure | 53.1 | 57.2 | 57.2 | 59.0 | 52.8 | 53.9 | 54.5 |
| Government final consumption | 20.7 | 22.3 | 21.1 | 22.4 | 19.0 | 19.4 | 19.9 |
| Household final consumption | 32.5 | 34.8 | 36.1 | 36.5 | 33.8 | 34.5 | 34.6 |
| Gross capital formation | 27.0 | 30.0 | 33.2 | 26.3 | 24.0 | 25.9 | 32.4 |
| Net increase in inventories | 2.4 | 4.0 | 8.3 | 1.8 | 2.4 | 1.9 | 9.1 |
| Gross fixed capital formation | 24.5 | 26.0 | 24.8 | 24.5 | 21.6 | 24.0 | 23.4 |
| Total exports (goods and non-factor services) | 46.6 | 45.4 | 44.2 | 51.2 | 47.0 | 47.6 | 46.2 |
| Total imports (goods and non-factor services) | -35.4 | -34.4 | -36.9 | -34.4 | -30.7 | -35.5 | -38.8 |
| Net errors and omissions | 8.8 | 1.9 | 2.3 | -2.0 | 6.8 | 8.1 | 5.7 |
| External sector | | | | | | | |
| Exchange rate (pula per US\$ period average) | 6.33 | 4.95 | 4.69 | 5.11 | 5.84 | 6.14 | 6.83 |
| Real effective exchange rate index (September 2006 = 100) | .. | .. | .. | 99.8 | 99.9 | 98.9 | 103.4 |
| Real effective exchange rate index (pula per rand, September 2006 = 100) | .. | .. | .. | 92.8 | 97.4 | 95.7 | 108.6 |
| Current account balance (percentage of GDP) | 3.2 | 5.7 | 3.5 | 15.2 | 17.2 | 14.3 | 7.0 |
| Gross international reserves (US\$ million) | 4,729.3 | 4,791.4 | 5,156.8 | 6,772.6 | 8,219.8 | 9,532.5 | 10,050.3 |
| Gross international reserves (months of imports – goods and non-factor services) | 26.3 | 20.7 | 16.7 | 23.0 | 28.6 | 26.1 | 23.2 |
| External debt ^c (US\$ million) | 461.0 | 443.4 | 423.9 | 428.4 | 367.2 | 310.6 | 259.5 |
| External debt (percentage of GDP) | 7.6 | 5.5 | 4.2 | 4.2 | 3.3 | 2.5 | 1.9 |
| External debt in percent of total exports (goods and non-factor services) | 16.3 | 12.1 | 9.5 | 8.2 | 6.9 | 5.3 | 4.2 |

.. Not available.

a Fiscal year runs from 1 April to 31 March.

b Includes Financial Assistance Policy (FAP) grants, and interest on public debt.

c End of fiscal year (March).

Source: Bank of Botswana (2009), *Financial statistics*, March. Viewed at: <http://www.bankofbotswana.bw/files/attachments/a1985779930.xls>; IMF (2008), *Botswana: 2007 Article IV Consultation-Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Botswana*, Country Report 08/58, February; IMF (2007), *Botswana: Selected Issues and Statistical Appendix*, Country Report No. 07/228, July; and IMF online information, "International Financial Statistics". Viewed at: <http://www.imfstatistics.org/imf/>.

2. Under the National HIV/AIDS Strategic Framework 2003-09 considerable progress has been made in the prevention, treatment, and care of AIDS.⁴ According to the authorities, the national prevalence rate (old and new infections) has been reduced to 17.6% in 2008 and the rate of new infections to 2.9%.⁵ It is estimated that 90% of the infected needing treatment receive anti-retroviral

⁴ National Aids Co-ordinating Agency (undated).

⁵ In 2007, Botswana's HIV prevalence rate among adults (15-49 years) was estimated at 23.9%, the second highest rate in the world after Swaziland. See UNAIDS (2008).

drugs free of charge, which has contributed to reducing mortality to 10%. The Government's goal is for an "AIDS-free generation" by 2016. Combating HIV/AIDS has long-term repercussions in terms of productivity losses, and budgetary expenditures. Government spending for health, food, and social welfare increased by 17.3% on average in 2001-06, far exceeding annual growth of overall spending (8.7%), reflecting mainly increased expenditures for various programmes to address HIV/AIDS.⁶

(2) RECENT ECONOMIC DEVELOPMENTS

3. Real GDP increased by an average of 4.4% per annum in 2003-08, ranging from 1.6% in 2005 to 6.3% in 2003 (Table I.1).⁷ The volatility of national output was mainly due to the cyclical nature of the diamond industry, which contributes about 30% to GDP.⁸ Non-mining activities (accounting for about 60% of GDP) maintained strong growth, averaging almost 6% annually in 2003-08. Unemployment remains high, though it declined from over 19.5% in 2001 to 17.5% in 2005/06.⁹ Formal employment increased by only 1.5% per year in 2003/04-2005/06, in part due to insufficient (labour-intensive) investment to generate significant employment growth.

4. Following three successive budget deficits from 2001/02 to 2003/04, the government posted budget surpluses until 2007/08, which have been the norm in Botswana since independence (Table I.1). However, as the result of the current global financial crisis, a budget deficit of 14% of GDP is forecast for 2009/10. A continuing concern is the principal reliance on tax receipts from Botswana's diamonds. Diversification of its revenue base is therefore one of the Government's priorities. A growing proportion of revenues has come from the SACU Common Revenue Pool, reflecting the increase of imports in the SACU region, and a more favourable revenue-sharing formula introduced in 2004/05. These receipts increased from P 2.2 billion in 2003/04 to P 7.8 billion in 2007/08, representing over one quarter of total government revenues in 2007/08. The Government has also diversified away from mineral income tax revenues through the introduction of value-added tax in 2002, and improved tax collection. Grants from external sources account for less than 2% of total government revenues. Government expenditures are controlled over the medium term by the National Development Plan 9 (NDP 9) aimed at balancing the budget over the duration of the six-year plan (2003/04 to 2008/09). To stimulate growth, the budget has been rebalanced towards capital investment (development expenditures), with an increase of development spending from 24% of the overall budget in 2004/05 to 30% in the 2008/09 budget.

5. Monetary policy focuses on achieving a low, sustainable, and predictable level of inflation over the medium-term, currently set at 3-6% per year. Primary monetary policy instruments are the Central Bank's discount rate (bank rate) and open market operations, mainly through issues of Bank of Botswana Certificates (BoBCs), to influence interest rates and absorb excess liquidity in the banking subsector. As a result of relatively tight monetary policy, annual inflation was brought down from a peak of 14.2% in April 2006 to below 7% in mid-2007. However, annual inflation increased to 12.6% in 2008 due to a sharp increase in prices, notably for food and fuel.

⁶ The HIV-related costs in the mining sector are estimated at 8.4% of annual labour costs; domestic HIV-related public expenditures were about US\$200 million in 2007, the highest per-capita spending in the world by far (UNAIDS, 2008).

⁷ The target was to achieve real GDP growth of 5.5% per annum over the duration of the National Development Plan 9 (NDP 9) from 2003/04 to 2008/09.

⁸ In response to falling demand as the result of the global financial crisis, Debswana has announced a reduction of output to 15 million carats in 2009, down from 33.6 million carats in 2008.

⁹ Bank of Botswana (2008). In addition to the unemployed, in 2005/06, about 17% of the labour force was reported as "discouraged job seekers" (i.e. available but not actively looking for jobs), most of them living in rural areas.

6. The exchange rate policy is implemented by the Central Bank on behalf of the Government with the objective of achieving stability of the real effective exchange rate (REER). This policy is part of the economic diversification strategy to maintain the competitiveness of non-traditional exports, as well as other tradeable goods and services.¹⁰ To reverse an increase in the REER, the pula was devaluated by 7.5% in February 2004, and 12% in May 2005.¹¹ Also in May 2005, Botswana switched from pegging the pula to the South African rand and the SDR, to a crawling band exchange rate mechanism based on a basket of currencies (comprising the South African rand and the SDR). This change was made to ensure stability of the REER, while avoiding large discrete adjustments of the nominal exchange rates. The REER appreciated by 4.5% in 2008, in particular against the South African rand, weakening Botswana's competitiveness (Table I.1).

7. Structural reforms to improve the economy's productivity and competitiveness have been limited in recent years. Botswana still has no competition law to regulate anti-competitive conduct (Chapter III(4)(iii)). The Government adopted a Privatization Master Plan in June 2005 but privatizations of poorly performing parastatals, such as Air Botswana, have been deferred (Chapter III(4)(ii)). A number of goods and services remain subject to price controls, undermining an efficient functioning of Botswana's market economy (Chapter III(4)(iii)).¹²

8. Botswana has achieved substantial current account surpluses since 2003, with a peak of 17.2% of GDP in 2006. The underlying factors have been a burgeoning merchandise trade surplus driven by large diamond export earnings, favourable international base metal prices (until mid-2008), as well as rising net transfers from the SACU. Overall, the balance of payments remains healthy with official foreign exchange reserves at US\$9.1 billion at the end of 2008, equivalent to about 23 months of import cover (goods and non-factor services). Botswana has a relatively modest level of external debt, at 1.9% of GDP (end of 2008), equivalent to about 4% of total exports.

(3) TRADE PERFORMANCE

(i) Trade in goods

9. Botswana remains heavily dependent on exports of diamonds (including industrial diamonds), which accounted for 63.7% of total merchandise exports in 2007, down from 78.3% in 2003 (Table AI.1 and Chart I.1). The value of other traditional exports – copper-nickel, beef, and soda ash – has increased considerably in recent years, mainly as the result of favourable world market prices.¹³ The main change in export patterns is the substantial increase of apparel exports (non-traditional exports), largely due to preferential access to the U.S. market; and the declining share of automotive products exports due to the relocation of car manufacturers to South Africa (Chapter IV(5)(ii)).

10. Botswana's merchandise exports remain concentrated in Europe, especially the United Kingdom¹⁴, and SACU members, notably South Africa. Exports have become marginally more diversified geographically, with an increasing share of exports destined for America and Asia (Table AI.2 and Chart I.2).

¹⁰ Botswana also needed to avoid the so-called "Dutch disease" of a diamond-led exchange rate appreciation that would make non-mineral exports less competitive and expand the non-traded sector relative to the traded sector, thereby hampering the economic restructuring needed to diversify production and exports.

¹¹ These devaluations contributed, respectively, an estimated 2 and 3-4 percentage points to annual inflation in 2004 and 2005.

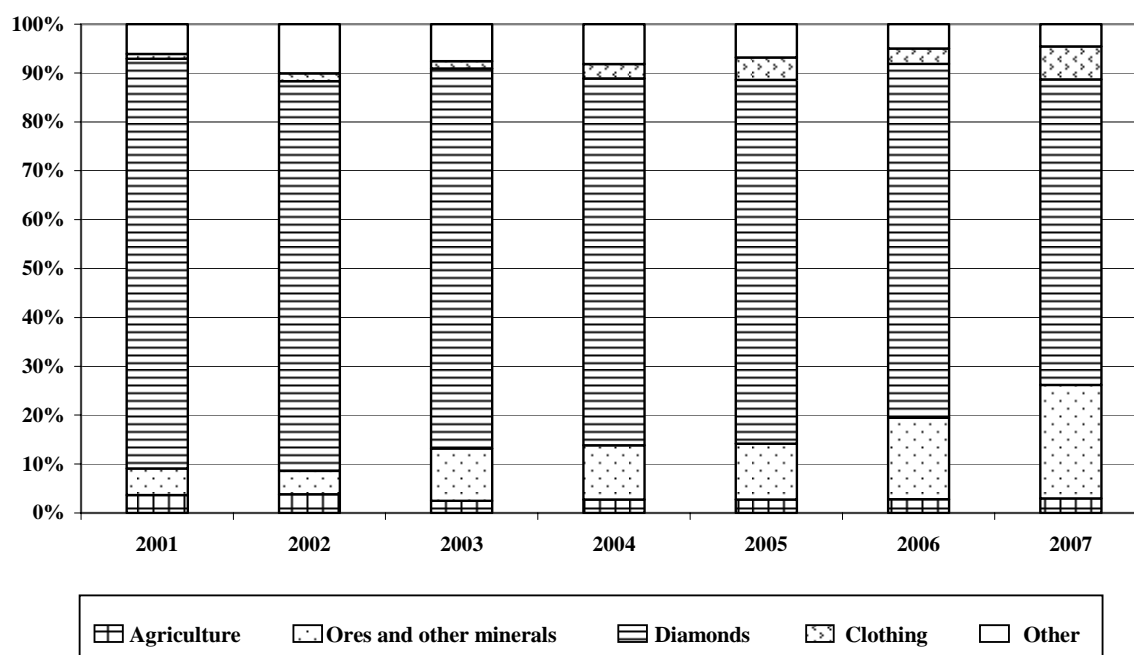
¹² Administered prices constitute 10.9% of the CPI basket.

¹³ Production volumes of copper-nickel matte have stagnated (Table IV.2).

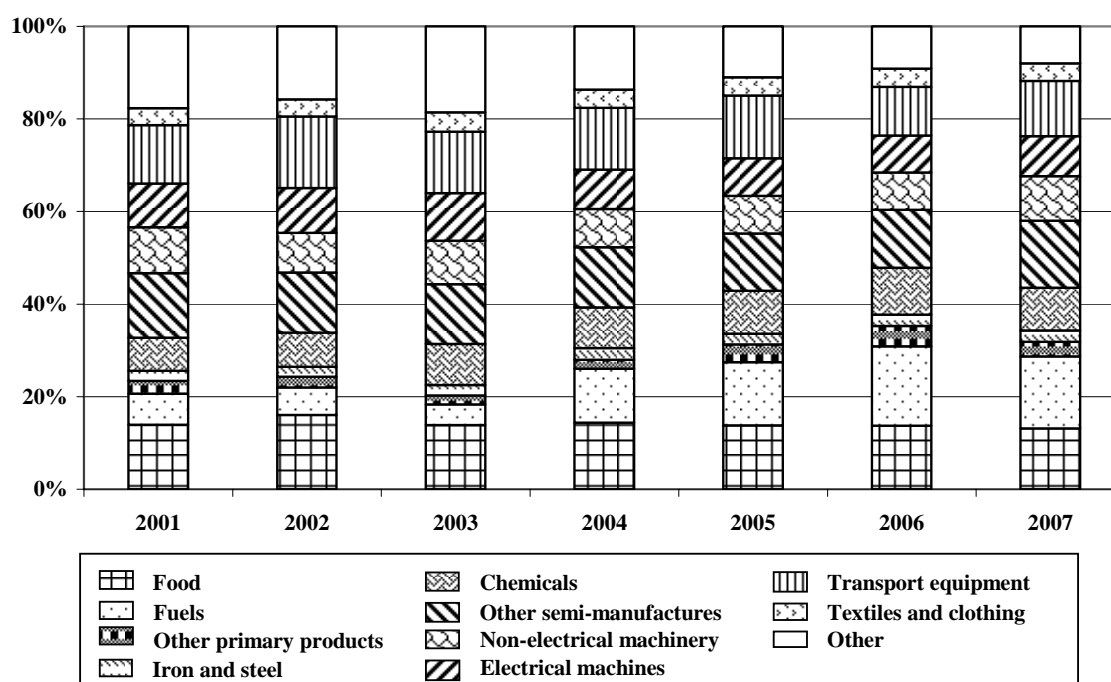
¹⁴ Botswana's rough diamonds are offered for sale mainly in London (Chapter IV(3)(i)).

Chart I.1
Structure of exports and imports, 2001-07

(a) Exports



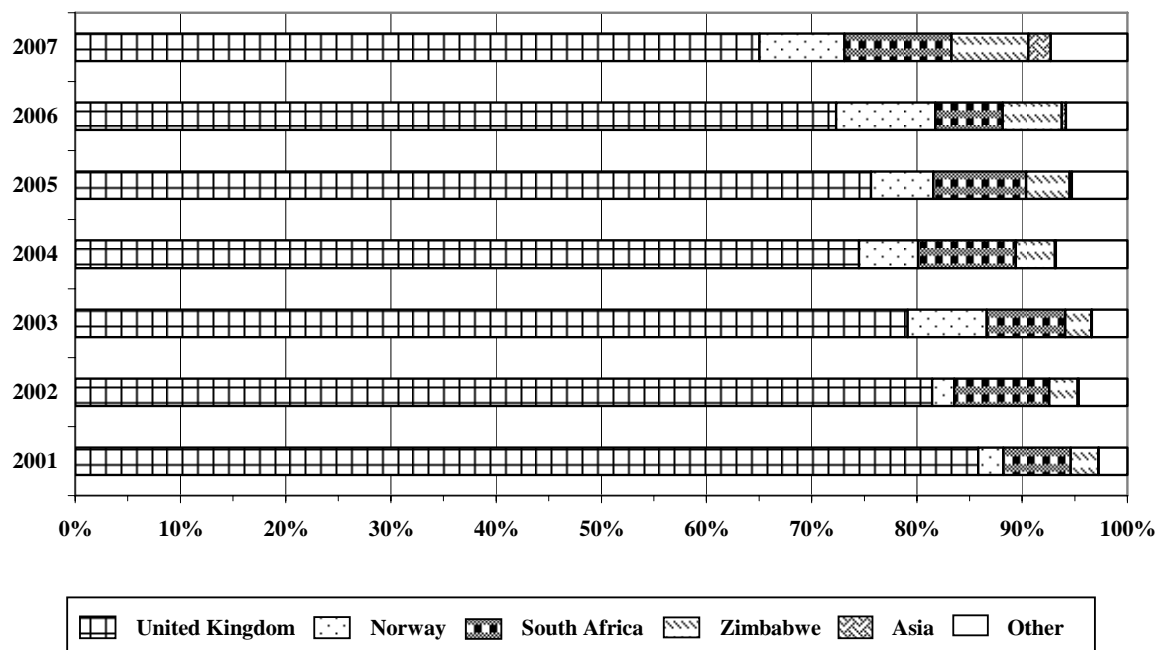
(b) Imports



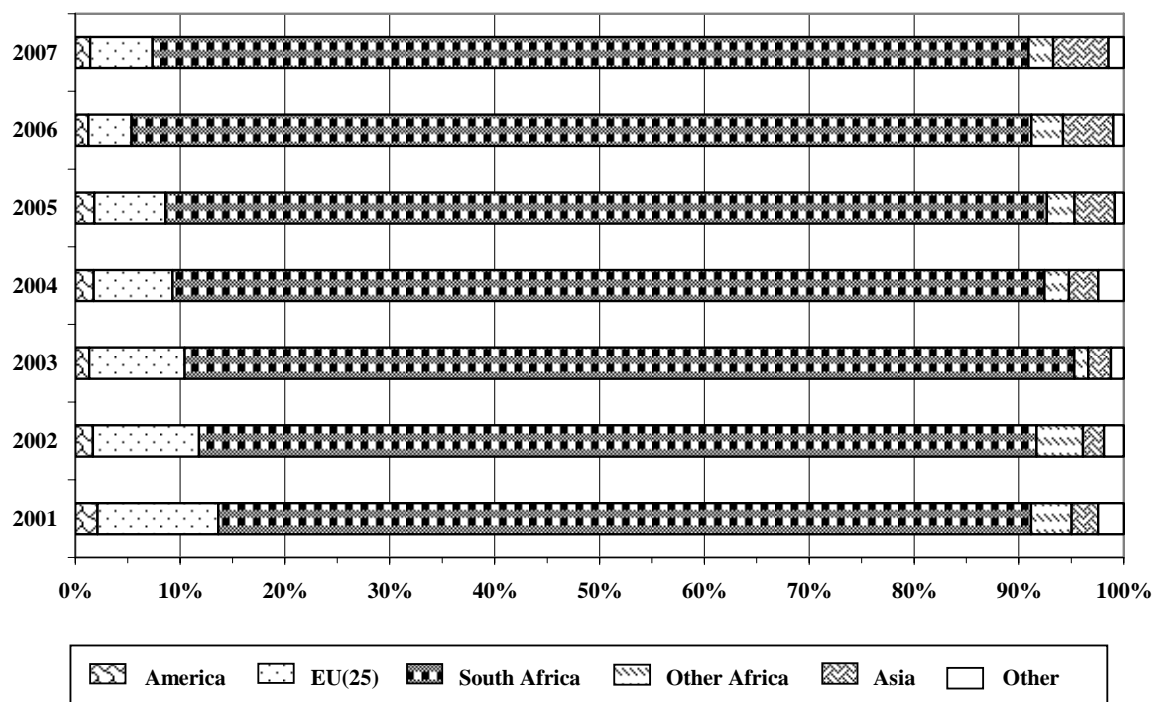
Source: WTO Secretariat calculations, based on UNSD, Comtrade database; and IMF Staff Reports, various issues.

Chart I.2
Direction of merchandise trade, 2001-07

(a) Exports



(b) Imports



Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3).

11. Merchandise imports consist mainly of machinery and transport equipment, fuels, and food and beverages, mainly from South Africa (Tables AI.3 and AI.4, and Chart I.1). The import bill increased sharply in 2007 to a level last experienced in 2003, reflecting not only the surge in international commodity and fuel prices, but also investment in capital imports for major infrastructure and mining projects.

(ii) Trade in services

12. Botswana is a net importer of services, especially of transportation services (Table I.2). The growing trade deficit in services is also due to an increase in imports of "other services", linked mainly to services for prospecting and mine development; tourism receipts have stagnated in recent years.

Table I.2
Balance of payments, 2002-08
(US\$ million)

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 ^a | 2008 ^b |
|---|---------------|---------------|---------------|-----------------|-----------------|-------------------|-------------------|
| A. Current account | 196.7 | 462.2 | 349.7 | 1,559.9 | 1,939.4 | 1,765.5 | 938.4 |
| Balance on goods and services | 678.7 | 887.9 | 781.5 | 1,727.4 | 1,840.5 | 1,400.6 | 201.9 |
| Merchandise trade balance | 707.5 | 897.2 | 831.9 | 1,757.5 | 1,904.3 | 1,580.4 | 440.8 |
| Exports f.o.b. | 2,345.6 | 3,024.3 | 3,695.9 | 4,443.5 | 4,520.8 | 5,024.8 | 4,903.8 |
| Imports f.o.b. | 1,638.1 | 2,127.2 | 2,864.0 | 2,686.0 | 2,616.5 | 3,444.4 | 4,462.9 |
| Services balance | -28.8 | -9.3 | -50.4 | -30.1 | -63.8 | -179.8 | -238.9 |
| Transportation | -166.6 | -179.1 | -208.1 | -255.2 | -240.8 | -316.4 | -378.2 |
| Travel | 135.3 | 227.1 | 273.1 | 279.4 | 260.7 | 265.0 | 269.1 |
| Other services | 2.5 | -57.3 | -115.4 | -54.3 | -83.7 | -128.4 | -129.8 |
| Income balance | -698.2 | -715.7 | -958.0 | -840.0 | -772.6 | -740.2 | -275.8 |
| Compensation of employees | -38.5 | -55.1 | -59.5 | -59.9 | -61.5 | -78.3 | -81.2 |
| Investment income | -659.7 | -660.6 | -898.4 | -780.1 | -711.1 | -661.8 | -194.5 |
| Current transfers (net) | 216.1 | 290.1 | 526.1 | 672.5 | 871.4 | 1,105.1 | 1,012.2 |
| Private | -52.8 | -75.6 | 70.3 | 70.6 | 107.5 | 86.0 | 56.7 |
| Government | 269.0 | 365.7 | 455.8 | 601.8 | 763.9 | 1,019.1 | 955.5 |
| Capital and financial account (B+C) | -216.6 | -356.3 | -299.8 | -84.0 | -152.1 | -147.3 | 1.5 |
| B. Capital account | 0.6 | 22.5 | 31.8 | 67.4 | 24.4 | 80.4 | 102.9 |
| Private | -5.9 | -8.4 | -8.4 | -8.5 | -8.2 | -8.3 | -9.6 |
| Government | 6.5 | 30.9 | 40.1 | 75.9 | 32.6 | 88.7 | 112.5 |
| C. Financial account | -217.2 | -378.8 | -331.6 | -151.4 | -176.5 | -227.7 | -101.4 |
| Direct investment | 360.5 | 212.0 | 429.8 | 222.7 | 436.8 | 444.0 | -3.1 |
| Abroad | -42.9 | -206.1 | 38.8 | -55.9 | -49.6 | -50.6 | -3.3 |
| In Botswana | 403.4 | 418.0 | 391.1 | 278.6 | 486.4 | 494.6 | 0.3 |
| Portfolio investment | -413.1 | -520.5 | -467.1 | -422.7 | -556.9 | -413.1 | 271.5 |
| Other investment | -164.6 | -70.2 | -294.3 | 48.5 | -56.4 | -258.5 | -369.9 |
| D. Net errors and omissions | 73.0 | 55.0 | -118.9 | -99.1 | -30.1 | 123.8 | 151.7 |
| Overall balance (total group A through D) | 53.1 | 160.9 | -69.0 | 1,376.7 | 1,757.2 | 1,741.9 | 1,091.6 |
| E. Reconciliation/financing | -53.1 | -160.9 | 69.0 | -1,376.7 | -1,757.2 | -1,741.9 | -1,091.6 |
| Change in the level of reserves | 1,778.8 | 1,254.4 | -103.0 | -2,037.1 | -2,289.9 | -1,717.4 | -1,478.5 |
| Valuation adjustments | -1,831.8 | -1,415.4 | 172.0 | 660.3 | 532.7 | -24.5 | 386.9 |

a Revised.

b Provisional.

Source: Bank of Botswana (2009), *Financial Statistics*, March. Viewed at: <http://www.bankofbotswana.bw/article.php?articleid=2269>.

(4) INVESTMENT PATTERNS

13. The stock of foreign direct investment (FDI) was US\$1.3 billion at the end of 2007 (Table I.3). Preliminary balance of payments data for 2008 show that the flow of FDI declined significantly in 2008 as a result of the global financial crisis (Table I.2). There has been little foreign investment outside the mining and the finance sectors. Botswana has been successful in attracting foreign investment in financial services, which can be linked to, *inter alia*, the establishment of the offshore International Financial Services Centre (Chapter IV(6)(i)). Most FDI is from Europe, especially Luxembourg, which is the seat of De Beers, the diamond company; and from South Africa. Botswana's stock of FDI abroad amounted to US\$809 million at the end of 2007.

Table I.3
Foreign direct investment, 2000-07

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-------------------------------|-------|-------|-------|-------|------|------|------|-------------------|
| (US\$ million) | | | | | | | | |
| Flow | | | | | | | | |
| Direct investment in Botswana | 57 | 31 | 405 | 420 | 392 | 281 | 489 | 495 |
| Direct investment abroad | 2 | 381 | 43 | 207 | -39 | 56 | 51 | 51 |
| Stock | | | | | | | | |
| Direct investment in Botswana | 1,827 | 1,388 | 854 | 1,167 | 982 | 806 | 805 | 1,300 |
| Direct investment abroad | 517 | 866 | 1,024 | 1,447 | 950 | 796 | 758 | 809 |
| (percentage of GDP) | | | | | | | | |
| Flow | | | | | | | | |
| Direct investment in Botswana | 1.2 | 0.6 | 8.0 | 5.7 | 4.6 | 3.1 | 5.5 | 5.0 ^a |
| Direct investment abroad | 0.0 | 7.8 | 0.9 | 2.8 | -0.5 | 0.6 | 0.6 | 0.5 ^a |
| Stock | | | | | | | | |
| Direct investment in Botswana | 37.4 | 28.3 | 16.9 | 15.9 | 11.6 | 9.0 | 9.1 | 13.1 ^a |
| Direct investment abroad | 10.6 | 17.7 | 20.3 | 19.7 | 11.2 | 8.9 | 8.6 | 8.2 ^a |

a Estimate.

Source: UNCTAD foreign direct investment database. Viewed at: <http://stats.unctad.org/FDI/TableView/ableView.aspx>.

14. In the FDI world rankings, Botswana fell from 46th place in 2003-05 to 66th place in 2005-07, although with an Inward FDI Performance Index of 1.5 (2005-07) it has attracted more FDI than would be expected by the size of its economy. Overall, Botswana's appears to have slipped from being a "front-runner FDI performer with high FDI potential" in 2003-05 to "performing below its high FDI potential" in 2004-06.¹⁵

(5) OUTLOOK

15. Botswana's economic performance relies heavily on its main driver of growth, diamonds. Such exports depend in turn on global economic prospects, especially in the major gem markets, e.g. the United States, which imports more than 50% of Botswana's diamonds. In the current global financial and economic crisis, the short-term economic outlook is bleak; the IMF expects Botswana's

¹⁵ According to UNCTAD, the Inward FDI Performance Index is the ratio of a country's share in global FDI flows to its share in global GDP. It indicates how a country has performed in attracting FDI relative to its economic size: a value below unity means it has attracted less FDI than expected by its size. The Inward FDI Potential Index measures a country's potential for attracting FDI given its structural factors. Despite obvious limitations, comparing these two indices may give a rough guide to whether countries are performing adequately given their (restricted set of) structural assets (UNCTAD online information, "FDI Indices". Viewed at: <http://www.unctad.org/Templates/Page.asp?intItemID=2468&lang=1>).

real GDP to contract by 10.4% in 2009 but to rebound by 14.3% in 2010.¹⁶ Large investments in electricity generation are expected to lead to an increase in the growth rate of non-mineral GDP over the medium term.¹⁷

16. The economy's longer term will outlook be influenced by economic strategies used to accelerate economic diversification, in anticipation of a decline of diamond output expected after 2015. Diversification is likely to remain the central theme of the new NDP 10, which is to cover the period until March 2016.¹⁸ The Government intends to further shift its focus from growth of government spending, to private-sector development as a stimulus to growth. Its priorities remain investment in infrastructure, and in education and training, as well as improvements of the business environment. The Government also plans to support (electronic) services exports, to overcome some of the transport cost disadvantage linked to Botswana's land-locked position.

¹⁶ IMF online information, "Botswana and the IMF". Viewed at: <http://www.imf.org/external/country/BWA/index.htm>.

¹⁷ IMF (2007).

¹⁸ The formal adoption of NDP 10 has been deferred until later in 2009 to allow for a reassessment in light of the global economic recession.

II. TRADE AND INVESTMENT REGIMES

(1) GENERAL

17. Botswana has been a member of SACU from its inception, and thus for a long time most of its trade policy instruments (especially customs matters) have been determined at the regional level (Main Report, Chapter II(2)). There has been little change in this position since the last Trade Policy Review (TPR) of SACU in 2003.

18. Nevertheless, Botswana has its own national policy initiatives in areas not yet harmonized at the regional level or not covered by the SACU Agreement. Within this context, the formulation and implementation of trade policy reside with the Ministry of Trade and Industry. The detailed structure of the Ministry of Trade and Industry was described in the 2003 TPR report, and remains largely unchanged.¹⁹ In essence, the Ministry comprises the Trade Section, which is made up of the International Trade and Internal Trade Directorates; and the section for Industry and Cooperative Affairs, which is made up of the Registrar of Companies; Directorate of Industrial Affairs, and Cooperative Development Commissioner.

19. Other institutions that also have important input into trade-related policies include the ministries responsible for finance; mineral resources; transport and communications; and agriculture; as well as the Bank of Botswana.

20. The 2002 SACU Agreement provides for the establishment of a national body in each member country to be responsible for all SACU issues (including tariff changes) at the national level, and for making recommendations to the Customs Union Commission (Main Report, Chapter II(2)(ii)). Botswana is currently drafting legislation establishing the national body; the draft is expected to be finalized before the end of 2009.

21. Botswana has a well-established consultative process for formulating trade policies.²⁰ The highest level of this process is the High Level Consultative Council, chaired by the President, and comprising the Vice-President, Ministers, and private-sector representatives. The Government of Botswana also established a National Committee on Trade Policy and Negotiations in 2003, whose mandate is to provide a forum for stakeholders to discuss and identify positions for Botswana's trade negotiations, and to coordinate the formulation and implementation of trade policy for the implementation of the WTO obligations and regional trade negotiations.

22. Private-sector input in trade and industrial policy (including from small and medium-sized businesses) is channelled through the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM). The BOCCIM reviews implementation of policies at the national level every three years. The Botswana Exporters and Manufacturers Association safeguards the interests of exporters; it also provides specialized export services, including assistance in identifying foreign markets. The workers are represented in the consultative process with business and government through the Botswana Federation of Trade Unions. There is also an independent Botswana Institute for Development Policy Analysis (BIDPA), created in 1995, to conduct public policy research for the Government and other clients, including monitoring of economic performance.²¹ This process finally leads to the adoption/implementation of trade-related legal instruments at the national level (Table II.1).

¹⁹ WTO (2003), Annex 1, p. 61.

²⁰ WTO (2003) Annex 1, pp. 61-63.

²¹ See WTO (2003), Annex 1, pp. 61-62, for details.

Table II.1
Main trade-related legislation, 2009

| Area | Legislation |
|-------------------------|---|
| Imports and exports | Customs and Excise Act, and 2001 amendments and regulations; Customs and Excise Act, Amendment, Act 31, 2004; Customs and Excise Duty Regulations S.I. 127, 2004; S.I 88, 2005; and S.I. 49, 2006 Botswana Unified Revenue Act, 2004; Trade Act, 2003; Trade Regulations, 2008; Liquor Act, 2003; Export and Import of Rough Diamonds Regulations, 2004 |
| Registration procedures | Companies Act, 2003 (Act No. 32 of 2004); Cooperative Societies Act, 1989 |
| Intellectual property | Industrial Property Act CAP 68:03; Copyright and Neighbouring Rights Act (CAP 68:02) |
| Government procurement | Public Procurement and Asset Disposal Act, 2001; Public Procurement and Asset Disposal Regulation, 2006 |
| Price controls | Control of Goods, Prices, and Other Charges Act (CAP 63:08) |
| Standards | Standards Act, 1995; Standards (Import Inspection) Regulations, 2008; Weights and Measures Act and Regulations, 2006 (CAP 46:06) |
| Agriculture | Botswana Agricultural Marketing Board Act, 1974 (CAP 74:06); Branding of Cattle Act (CAP 36:02), Branding (Amendment) Regulations, 2004; Livestock and Meat Industries Act (CAP 36:03), Grading of carcasses (Amendment) Regulations, 2004; Hides and Skins Export Act (CAP 49:01), Hides and Skins (Amendment), Regulations, 2004; Disease of Animal Act CAP 37:01 |
| Mining | Mines and Minerals Act, 1999 |
| Electricity | Botswana Power Corporations Act, 1971 |
| Services | Banking Act, 1995; Insurance Industry Act, 1987; International Insurance Act, 2005; Telecommunications (Amendment) Bill, 2004; Tourism Act, 1992; Tourism Regulations, 1996 |
| Foreign investment | Botswana Export Development and Investment Authority Act, 1997 |

Source: WTO Secretariat; and information provided by the Botswana authorities.

23. Trade liberalization and investment promotion remain key elements of Botswana's trade policy framework and its development strategy. The overall goal of broadening Botswana's manufacturing base for further diversification purposes remains a key objective of the Government. Developing small and medium-sized enterprises is also a high priority. The Government remains committed to creating a more enabling business environment to facilitate private sector growth, which it sees as essential to the economy's sustained and balanced development. Botswana's overall trade policy will, therefore, lay the framework for diversifying the production of goods and services for the local, regional, and international markets. Trade policy, as supported by other national policies and strategies, is to ensure that supply-side constraints are addressed, propelling the private sector to diversify and expand its production and become more competitive.

24. Botswana's four development planning objectives are: economic growth, social justice, economic independence, and sustainable development. Botswana's 9th National Development Plan (NDP) aims to have Botswana as a developed economy by 2016, built upon a sustainable, diversified, and competitive export-based economy. The NDP recognizes the private sector as the engine of growth and the driver of the export-led growth that Botswana envisages. The 10th NDP takes up most of the themes in the 9th NDP, and is due to commence before the end of 2009²². The Government aims to play a major role in creating a conducive environment for private-sector development by building institutional capacity, as well as ensuring infrastructural development.

(2) TRADE AGREEMENTS

25. Botswana is an original member of the WTO, and is committed to a fair trade regime based on multilaterally agreed principles. Jointly with the other SACU members, Botswana notified the 2002 SACU Agreement to the WTO in 2007 (Table II.2).

²² The 10th NDP covers the years 2009/10 to 2015/16.

Table II.2
Notifications to WTO, 2003-09

| WTO Agreement | Description of requirement | Periodicity | Most recent notification | Comment |
|---|---|-------------|-----------------------------------|--|
| Agreement on Agriculture | | | | |
| Articles 10 and 18.2 | Export subsidies | Annual | G/AG/N/BWA/7 16 October 2008 | No export subsidies during 1997/98-07/08 |
| Article 5.7 | Special safeguard provisions | Annual | G/AG/N/BWA/6 17 October 2008 | No special agricultural safeguards were invoked during 1997/98-2007/08 |
| General Agreement on Tariffs and Trade | | | | |
| Article XXIV:7(a) | Territorial application - customs unions | Once | WT/REG231/N/1 28 June 2007 | Notification of SACU to WTO |
| Article XXIV: 7(a) | Territorial application - free-trade areas | Once | WT/REG256/N/1 3 November 2008 | Notification of SACU-EFTA agreement |
| Agreement on Technical Barriers to Trade | | | | |
| Article 15.2 | Review of measures for implementation and administration of the Agreement | Once | G/TBT/2/Add.97 30 October 2007 | Measures to ensure implementation and administration of the TBT Agreement in place |
| Article 10.6 | Information about any technical regulations adopted or proposed | Once | G/TBT/N/BWA/1 13 November 2008 | Compliance standards for importation of specified products |

Source: WTO documents.

26. Botswana is a member of the Southern African Development Community (SADC) and is currently implementing the SADC Protocol on Trade.²³ Botswana is also a member of the African Union (Main Report, Chapter II(3)(ii)).

27. Botswana has very few bilateral trade agreements. One of these is an agreement with Zimbabwe, signed in 1988, which provides for reciprocal duty-free entry of goods and is currently under review with a view to improving its rules of origin and thereby facilitating more trade. Botswana also has a trade agreement with Malawi dating back to 1956: it has occasionally imported sugar from Malawi under this agreement, but much of this trade is now conducted under the SADC trade protocol.

28. Botswana is eligible for GSP treatment from Australia, Canada, EC, Japan, New Zealand, Norway, Switzerland, and the United States. This treatment provides preferential access to these markets (at zero or reduced tariffs) for eligible Botswanan products, subject to rules of origin. Product coverage and rules of origin vary between countries.

29. Botswana has been a beneficiary of the U.S. African Growth and Opportunity Act (AGOA) from inception (Main Report, Chapter II(3)(v)), but became eligible for enhanced access afforded to "lesser developed beneficiary sub-Saharan African countries" from 6 August 2002. Botswana's exports under AGOA are mainly textiles, apparel, and a small amount of furniture. The Government of Botswana has recognized the need to address the current inability to effectively capitalize on the preferential market access and the need to increase the competitiveness of its products in the U.S. market.

30. Botswana is currently negotiating an Economic Partnership Agreement (EPA) with the European Communities under the SADC Group, which comprises the SACU members plus Angola

²³ Botswana ratified the SADC Trade Protocol on 7 January 1998 and the SADC Amendment Protocol on 1 December 2000 (signed on 10 November 2000).

and Mozambique. This would be a reciprocal agreement that would allow duty-free and quota-free access for Botswana products into the EC market.²⁴

(3) INVESTMENT FRAMEWORK

31. Botswana generally maintains an open foreign investment regime. However, under its policy of citizen empowerment, a few manufacturing activities and services are reserved for Botswana citizens or companies owned by citizens of Botswana (Table II.3). The mining subsector is open to foreign investment, with the exception of small-scale projects.

Table II.3
Activities reserved for Botswana citizens or citizen-owned companies, 2009

| Legislation | Reserved activities |
|---|--|
| Industrial Development (Amendment) Regulations, 2008 ^a | Manufacture of school uniforms; manufacture of school furniture; manufacture of burglar bars; manufacture of protective clothing; milling of sorghum; manufacture of cement bricks and baked earth (mud) bricks; baking of bread and confectionery; manufacture of peanut butter; bottling of water; production of traditional sour milk; packaging; manufacture of floor polish; manufacture of traditional leather products; manufacture of traditional crafts; signage, including electronic signage; fencing materials, excluding gum poles; manufacture of candles; ice making; and meat processing |
| Trade Act, 2003 ^b | Auctioneers; bookshops; boutiques; car washes; cleaning services; curio shops; department stores; distributors; dry cleaning; fresh produce; funeral parlours; furniture shops; general clothing; general dealers; hair dressers; hardware; hire services; laundromats; motor dealers; petrol filling stations; restaurants; supermarkets/chain stores; take-away restaurants; wholesale; and workshops |
| Liquor Act, 2003 ^b | Liquor bars/clubs (other than bars linked to hotel establishments); bottle stores; liquor depots; discotheques/night clubs; and liquor distribution/wholesaling |
| Mines and Minerals Act, 1999 | Small-scale mining ^c |

a Small-scale manufacturing reserved for Botswana citizens or companies wholly owned by Botswana citizens.

b Reserved for Botswana citizens or companies wholly owned by Botswana citizens. Joint ventures in the reserved activities are permitted with up to 49% foreign participation (or otherwise subject to approval by the Minister of Industry and Trade) in "medium business enterprises" with less than 100 employees and annual sales between P 1.5 million and P 5 million.

c Small-scale mining means the intentional mining of minerals other than diamonds in operations involving the mining and processing of less than 50,000 tonnes of raw ore per annum and in which the overall investment in fixed assets does not exceed P 1 million.

Source: WTO Secretariat.

32. Botswana does not have a stand-alone foreign investment law, but relies on sectoral laws to implement its investment policy. Because of the size of the domestic market, the Government is targeting investment in export-oriented industries, including textiles and garments, leather goods, information technology, minerals, diamond cutting and polishing, glass products, automobiles, electrical goods, and printing and publishing.²⁵ FDI is also encouraged in the energy subsector, financial services, tourism, and healthcare.

33. Botswana's model Bilateral Investment Treaty (BIT) provides for non-discriminatory treatment of foreign investors. The Citizen Entrepreneurial Development Agency (CEDA) was set up to provide financial assistance schemes to build citizens' enterprises, and operates a Venture Capital Fund for joint ventures between citizens and foreigners. Foreign investors are encouraged, but not compelled, to establish joint ventures. The Export Credit and Guarantee Insurance Company (BECI)

²⁴ See Main Report, Chapter II(3)(iv).

²⁵ As part of the economic diversification strategy, the Government is planning to establish the "Botswana Innovation Hub" at an expected cost of P 1 billion for infrastructure and incentives. The project is aimed at attracting domestic and foreign investors in mineral technology, sustainable energy, biotechnology, and information and communications technology. The infrastructure development is to be managed by the Botswana Development Corporation.

offers export credit to Botswana companies, regardless of whether citizen owned or foreign owned. There is no minimum required investment level, including from foreigners. However financial institutions, such as the Botswana Development Corporation or the National Development Bank, require a minimum contribution from the investor of 25% of the total project cost.

34. Investment is promoted and facilitated by the Botswana Export Development and Investment Authority (BEDIA). BEDIA operates a "one-stop-shop" designed to assist investors with pre-investment services, such as obtaining land, buildings, work and residency permits, licences, and grants, and satisfying other regulatory requirements. Investment projects are subject to a Preliminary Environmental Impact Assessment to be submitted to the Department of Environmental Affairs. Investments in offshore financial services are promoted by the Botswana International Financial Services Centre (Chapter IV(6)(i)).

35. The new Companies Act, which entered into force in July 2007, *inter alia*, introduced simplified procedures for company registration; this has reduced registration time from twelve weeks to five working days.²⁶ Business licences for manufacturing are issued by the Industrial Licensing Authority, under the authority of the Ministry of Trade and Industry, which considers applications on a weekly basis; decisions are communicated to applicants within a week. The licences must be renewed every year. The Registrar of Companies and Intellectual Property, within the Ministry of Trade and Industry, maintains a register of registered entities.

36. Freehold land can be purchased by both citizens and non-citizens. A transfer duty applies to property sales: for citizens, no duty is charged on freehold land valued at P 200,000 or less; a 5% duty is charged on any amount in excess of this threshold. Non-citizens, including companies with less than majority local ownership, pay 5% duty on the total value of freehold land. State-owned land can be leased, for 50 years for business purposes and 99 years for residential use, subject to renewable options. Tribal (communal) land can be leased for 50 years for commercial, agricultural, and industrial use. A shortage of serviced industrial land has been identified as a major investment constraint in Botswana.

37. Work permits for foreign personnel are subject to a local labour availability market test (i.e. that there are no suitable national candidates) and submission of a satisfactory training programme for "localizing" each position. The fees for work permits were increased in 2005 to P 600 for employees, and P 1,000 for self-employed applicants.

38. The corporate tax rate, at 15% for registered manufacturing companies and 25% for other companies, is one of the lowest in the region. The Minister of Finance and Development Planning may also grant tax relief for certain businesses under Development Approval Orders (Chapter III(4)(i)). Profits, dividends, and capital can be readily repatriated. There are no restrictions on portfolio investment, and the Botswana Stock Exchange allows dual company listings.

39. Botswana's Constitution prohibits nationalization of private property. Domestic law assures the right to establish, acquire, and dispose of business interests, and guarantees the right to private ownership.

²⁶ The Act governs companies operating in Botswana, both through the Botswana International Financial Services Centre (IFSC) and those with domestic operations.

40. Botswana is currently ranked 8th in sub-Saharan Africa and 38th globally (out of 141 countries) in terms of ease of starting a business; a major improvement on its 52nd position world-wide in 2008.²⁷

41. Botswana is a member of the International Centre for the Settlement of Investment Disputes and the World Bank's Multilateral Investment Guarantee Agency. Botswana also signed a bilateral investment treaty in 1997 with the Overseas Private Investment Corporation (OPIC), which provides guarantees for U.S. private investors. Botswana has investment promotion and protection treaties with Belgium and Luxembourg, China, Germany, Ghana, Malaysia, Mauritius, and Switzerland. It has double taxation agreements with France, India, Mauritius, Namibia, Russia, South Africa, Sweden, the United Kingdom, and Zimbabwe.

(4) TRADE-RELATED TECHNICAL ASSISTANCE

42. Trade-related technical assistance (TRTA) has a critical role in enabling Botswana to derive benefits from open trade policies, as well as in its participation in the multilateral trading system. Botswana needs technical assistance in the following areas: (i) implementation of WTO agreements (and in deriving benefits from such implementation); (ii) building of human and institutional capacity, including for trade negotiations; (iii) supply-side constraints; and (iv) the integration of trade into overall development strategies.

43. Botswana's submission of TRTA needs to the WTO for 2008-09 outlined the following areas: (i) agriculture and notifications relating thereto; (ii) non-agricultural market access (NAMA) issues; (iii) rules of origin; (iv) scheduling of commitments in services; and (v) development of skills in trade negotiation techniques.

44. The delivery of technical assistance, including for capacity building, to Botswana and other SACU countries has the potential, if properly coordinated, to strengthen the integration of SACU countries into the multilateral trading system, as well as their evolution into common trade policy formulation at the regional level.

(i) Implementation of WTO Agreements

45. Botswana intends to implement legislation on anti-dumping, safeguards, and countervailing measures, although in view of the 2002 SACU Agreement this must, ultimately, be coordinated at the SACU level. Enhancing Botswana's capacity to develop such rules-based trade measures may contribute to stable and predictable trade policies.

46. The last SACU TPR noted that as other trade barriers are progressively reduced, standards, technical regulations, and sanitary and phytosanitary (SPS) measures are likely to emerge as constraints on exports. Given the relative importance to Botswana of agricultural exports – notably of bovine meat and products – compliance with SPS requirements is a particular challenge. The Government has underlined the need for training in relation to equivalence, transparency, and pest-risk analysis. The shortage of trained personnel and "hard infrastructure" in relation to SPS remains a challenge.

²⁷ World Bank online information, "Doing Business: Explore Economies: Botswana". Viewed at: <http://www.doingbusiness.org/ExploreEconomies/?economyid=27> [27 March 2009].

47. Botswana benefited from the establishment of an SPS Enquiry Point under the Joint Integrated Technical Assistance Programme (JITAP).²⁸

48. Capacity building is also needed for the development of enforcement capacity on intellectual property rights.

49. On customs-related matters, in addition to regular WTO technical assistance, Botswana has also benefited from technical assistance from the World Customs Organisation (WCO). However, the Government still needs much more capacity-building assistance in customs reforms and trade facilitation. In this regard, Botswana would like to use its relatively well developed road linkages and central position in the SACU region to become a regional transit hub.

(ii) Trade negotiations

50. Botswana is involved in trade negotiations at a number of levels, including with the EC in the context of the EPAs (as part of the SADC) (Main Report, Chapter II(3)(iv)), SADC, SACU, and the Doha Development Agenda (DDA) negotiations. This multifaceted, and sometimes overlapping, negotiating agenda entails an urgent need to develop and coordinate negotiating positions on various fronts.

51. Since negotiations can be used as a means of strengthening and "locking-in" domestic reforms, capacity building should focus on formulating negotiating positions and strategies that are based on the domestic reform process.²⁹ In relation to the DDA negotiations, the Government has continuously highlighted trade in services as being a key area for technical assistance, including for institutional capacity building. This is in view of the fact that trade in services has been identified as having a key role in Botswana's economic diversification.

52. Botswana, like many other small developing countries, faces considerable challenges in dealing with the volume of work involved in the WTO work programme, especially in light of the DDA negotiations.

(iii) Supply-side constraints and integration of trade into development strategies

53. Botswana suffers from a range of supply-side constraints. Its main challenge with respect to trade is its landlocked position. In addition, since the country is fairly large (though sparsely populated), its main port access is a considerable distance from the production/consumption centres. Nevertheless, it has a relatively good internal road network, which guarantees quick transit for goods to and from the ports.

54. Botswana still faces the challenge of diversifying away from heavy dependence on diamonds. This is particularly relevant in view of the significantly reduced demand as a result of the global financial crisis.³⁰ Botswana, therefore, needs assistance in identifying measures to diversify the economy, but without introducing inefficiency.

55. Botswana's participation in international trade and its trade reforms have been significant factors in promoting economic growth and alleviating poverty. It is also assisted by its periodic

²⁸ The JITAP expired on 31 December 2007.

²⁹ WTO (2003), Annex 1.

³⁰ At the time of preparing this Report, all four Botswana diamond mines had been closed for a few months due to poor demand, with two of them on course to be closed permanently, resulting in the loss of several thousand jobs, and likely to have a multiplier effect on vertically connected sectors of the economy.

national development plans in which policy priorities are set out, although some trade-related policy issues are considered on a sectoral basis. While inter-ministerial coordination exists in relation to the formulation of trade policy, greater collaboration between ministries and departments on integrating trade into the overall architecture of development policy would be beneficial. Botswana would also benefit from a more systematic analysis of trade policy options geared towards poverty reduction.

56. The Botswana Trade and Poverty Programme with the UK Department for International Development (DFID) has been finalized, and Botswana has benefited through DFID funding for capacity building in trade and development policy, and supported poverty programmes. The programme has benefited both the public and private sectors.

57. Challenges identified at the national level may be addressed through priority areas for AFT intervention to improve the country's capacity to benefit from trade expansion. These priorities fall within six broad thematic areas: infrastructure and institutional development; capacity building for the private sector and government officials; export diversification; regional integration; trade facilitation; and trade policy analysis and negotiations.

58. Botswana, like most other countries in the sub-region, is currently faced with many challenges such as HIV/AIDS, lack of capacity, and an undiversified economy, and as such is still in need of aid dedicated to trade to, *inter alia*, build infrastructure for trade facilitation purposes. This will help Botswana to achieve greater integration into the global economy. Botswana has benefited from a range of trade-related technical assistance activities; the commitment of development partners has materialised in various activities in support of trade development, including capacity-building activities in various trade disciplines, and trade facilitation initiatives. Nonetheless, the volume of aid available to it is not commensurate with its needs.

III. TRADE POLICIES AND PRACTICES BY MEASURE

(1) INTRODUCTION

59. Botswana applies SACU common external tariffs and excise duties, related exemptions and rebates, as well as any contingency trade remedies. Under SACU's provisions for infant industry protection, Botswana imposes additional duties on imports of ultra-heat-treated milk from all sources, it also levies additional duties on flour imports deemed to constitute unfair competition.

60. Botswana's Customs is using UNCTAD's Automated System for Customs Data (ASYCUDA) with a risk-based inspection system. It has also introduced a post-clearance audit system as a trade facilitation measure. Internal taxes on imports and domestic goods and services consist mainly of value-added tax, fuel and alcohol levies, and a copyright levy introduced in 2009.

61. Botswana has applied seasonal or temporary quantitative restrictions on imports of dairy products, poultry products, grains and some vegetables, to protect domestic producers. Technical regulations and standards are based on international norms, including those of Botswana's major trading partners, especially South Africa. Exports of cattle are taxed, and the Botswana Meat Commission has a statutory monopoly on beef exports. The textiles and automotive industries have access to import duty credit schemes that are linked to export performance; the schemes are designed to promote exports to non-SACU markets.

62. Botswana applies price preference and reservation schemes in public procurement. The privatization process has slowed in recent years. A competition law is pending, while price controls are maintained on certain goods (petroleum products, water, electricity) and services. Botswana has taken steps to strengthen its intellectual property regime, notably in the area of copyright.

(2) MEASURES DIRECTLY AFFECTING IMPORTS

63. Under the SACU Agreement, Botswana, Lesotho, Namibia, and Swaziland apply import duties and related measures set by South Africa in consultation with BLNS countries. In practice, ordinary customs duties, excise duties, tariff exemptions and concessions, valuation methods, non-preferential rules of origin, and contingency trade remedies are, so far, the only trade policy measures harmonized throughout SACU (Main Report, Chapter III).

(i) Registration

64. Trading licences are issued by the Ministry of Trade and Industry for non-liquor products under the Trade Act, 2003 and for liquor products under the Liquor Act, 2003. Under both acts, a number of activities are reserved for citizens of Botswana or companies wholly owned by citizens of Botswana (Table II.3).³¹ According to the authorities, importer/exporter licences and "specialized dealer's" licences were phased out in May 2008, since such licences were abused by traders for business in the reserved activities, due to lack of appropriate definition of licences. Importers and exporters have since been required to obtain distributor licences, on condition of holding a valid contract with the supplier. The Trade Act and the Liquor Act are under review to improve procedures for obtaining business licences.

³¹ Joint ventures in the reserved activities are permitted with up to 49% foreign participation (or otherwise subject to approval by the Minister of Industry and Trade) in "medium business enterprises" with less than 100 employees and annual sales between P 1.5 million and P 5 million.

(ii) Customs procedures

65. The Botswana United Revenue Service (BURS) is, *inter alia*, responsible for assessing and collecting customs and excise duties, value-added tax, and fuel levies. It also collects flour levies, alcohol levies, road-user charges, and road-safety levies on behalf of other government authorities. All importers (and exporters) with an annual turnover of at least P 20,000 are required to register with the Customs and Excise Division of BURS, and are given a Trader Identification Number (TIN). Clearing agents are mandatory for commercial imports.³²

66. The principal documents required for customs clearance are the customs declaration, commercial invoice, bill of lading (or air waybill), certificate of origin (for goods covered by preferential trade agreements), and packing list. Depending on the nature of the product, a technical conformity/health/veterinary certificate and/or an import permit (licence) may be required.

67. Customs procedures have been computerized using UNCTAD's ASYCUDA, enabling traders to submit customs declarations electronically (Direct Trader Input) using the single administrative document (SAD). Imported goods may be subject to inspection using a risk-based system, based on the importer's profile and profile of imports; the selectivity parameters are reviewed from time to time. This system has helped Customs to increase interception of illegal consignments.³³ Customs performs inspections on behalf of, *inter alia*, the Departments for Animal Health and Protection; Water Affairs; Wildlife and National Parks; and the Botswana Police Service. BURS is planning to undertake a time-release study in 2009/10 to assess clearance procedures at port of entry and the average time between arrival of goods and their release.

68. Botswana does not apply pre-shipment inspection. To facilitate trade, BURS has implemented a post-clearance audit system to verify import and export declarations: 9% of total processed declarations (656,478) were audited in 2006/07. Botswana and Namibia are planning to establish a one-stop border post at the Mamuno-Trans Kalahari border post to reduce transit times (Chapter IV(6)(iii)(a)).

69. The customs legislation (the Customs and Excise Duty Act (CAP 50:01) of 1970) was last amended in 2003, to update and align it with the South African Customs and Excise Act. Goods infringing intellectual property rights may be placed under embargo, destroyed or otherwise disposed of. Administrative decisions by Customs can be appealed in Court within three months of the decision.

70. According to World Bank analyses, Botswana does not perform well on a global scale, in terms of the ease of trading across borders: it is currently ranked 148th among 181 economies (Lesotho 141st; South Africa 147th; Namibia 149th; and Swaziland 154th).³⁴ This analysis compares the costs and procedures involved in importing and exporting a standardized cargo of goods by ocean transport.

(iii) Other duties, levies, and charges

71. Botswana exercises its right under the SACU Agreement to levy additional duties in specific cases to protect infant industries; temporary protection may be provided for a maximum of eight years. Since 2007, the dairy industry has received protection through additional duties imposed on

³² All clearing agents are required to register with BURS, irrespective of annual turnover.

³³ Botswana United Revenue Service (undated).

³⁴ World Bank (2009).

imports of ultra-heat-treated (UHT) milk; Botswana imports over half of its fresh milk requirements.³⁵ Since April 2008, the additional duty has been levied at a rate of 40%; the revenues are deposited in the Common Revenue Pool.

72. A 15% flour levy is collected on imports of bread flour from all sources with the objective of protecting the domestic milling industry from unfair competition; Botswana does not have an institutional framework to address unfair competition. The flour levy is not shared in the SACU Common Revenue Pool.³⁶

73. Road-user charges and road-safety levies are imposed at the border on foreign-registered vehicles for the purpose of providing revenue for the maintenance of roads, and for road safety campaigns (Chapter IV(6)(iii)(a)). Receipts from road-user charges amounted to P 48.8 million in 2006/07.

74. Botswana has notified the WTO Committee on Agriculture that it did not apply the special agricultural safeguard in the period 1997/98 to 2007/08.³⁷

(a) Tariff and tax exemptions

75. Botswana provides tariff exemptions and concessions on imported inputs used for manufacturing (or exporting) goods. All schemes applied by Botswana are harmonized within SACU (Main Report, Chapter III). Goods imported under such schemes must be taken directly from the port of entry to a customs bonded warehouse. Commercial importers (and exporters) may apply to Botswana United Revenue Service for a licence to operate a bonded warehouse.

(b) Internal taxes

76. Botswana applies VAT on domestic and imported goods and services, including from SACU members. The standard rate is 10%. Zero-rated items include staple foods (millet grain and meal, wheat, maize cobs, flour, sugar, maize meal, sorghum meal, and Setswana beans); fuel (petrol, diesel, paraffin); and fertilizers, pesticides, farming tractors, and transport services. Goods and services exported from Botswana are also zero-rated. The main VAT-exempt items are financial, educational, and medical services; long-term residential letting (including provision of hostel accommodation on a non-profit basis); leasing or renting of land for erecting a dwelling; and prescription drugs.

77. The business threshold for VAT registration is an annual turnover above P250,000. The base for levying VAT on imports differs slightly between SACU and non-SACU countries. For non-SACU countries, VAT is levied on the import's landed duty-paid price, i.e. f.o.b. price and import duties, plus the value of any services relating to the good, such as commission, packaging, transportation, and insurance. Imports from SACU members are levied on the greater of their f.o.b. price plus freight and insurance costs (i.e. landed duty-free price), and their transaction value. Botswana has a bond guarantee system for the deferred payment of VAT and customs duties.³⁸ Goods held in bonded warehouses are not subject to VAT until they are cleared for use.

78. Imports and domestic sales of petroleum products are subject to a levy (fuel levy) at the rate of P 0.04 per litre.

³⁵ WTO document WT/REG/231/3, 12 December 2008, page 6.

³⁶ Botswana United Revenue Service (undated).

³⁷ WTO document G/AG/N/BWA/6, dated 17 October 2008.

³⁸ BIDPA and World Bank (2006), p. 97.

79. In 2008, an alcohol levy was introduced at the rate of 30% on imported and locally manufactured liquor. The levy is remitted by BURS to a special fund designed to promote activities to combat alcohol abuse and its effects.

80. On 1 April 2009, Botswana introduced a copyright levy on imported and locally manufactured carrier media (section (4)(iv)).

(iv) Import prohibitions and licensing

81. There have been few changes to Botswana's import licensing regime since 2003. Import permits are generally required for imports of industrial products from outside SACU, except from Malawi and Zimbabwe. Permits are issued by the Ministry of Trade and Industry (Department of International Trade).

82. Prior to obtaining an import permit, imports of agricultural products, plants, livestock, and soil from all sources require approval from the Ministry of Agriculture for sanitary and phytosanitary reasons. Imports of vegetables, dairy products, meat and meat products, and poultry require an import permit on food security grounds. Poultry imports are permitted only when there is a shortfall of poultry products in the domestic market. Import restrictions have also been imposed on grains from time to time to protect local producers. Imports of some vegetables and dairy products are seasonally banned when it is determined that domestic supplies are adequate. Milk imports, including from SACU, are subject to import quotas established on a quarterly basis by a Milk Importation Committee comprising producers and processors.

83. Imports of firearms and ammunition require a permit for security reasons. Import licences are also required for boats (issued by the Department of Water Affairs), and for imports of second-hand goods, such as motor vehicles and clothing. The Ministry of Environment, Wildlife, and Tourism licenses imports of endangered species covered by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

84. Import prohibitions apply to goods such as narcotic drugs, obscene material, and environmentally hazardous products, such as toxic or radio-active waste, mainly to protect health, safety, and morality.

(v) Standards and other technical requirements

(a) Technical barriers to trade

85. The Botswana Bureau of Standards (BOBS), established in 1997 (Standards Act No. 16, 1995), is responsible for preparing and promoting technical regulations and standards on goods, services, and processes. The Bureau, headed by a 12-member Standards Council, is a member of the International Organization for Standardization (ISO) and participates in regional standardization initiatives, including SADC Cooperation in Standardization (SADCSTAN). It also functions as the national notification authority and national enquiry point under the WTO TBT Agreement.³⁹

86. Botswana has accepted the Code of Good Practice for the Preparation, Adoption and Application of Standards contained in Annex 3 of the WTO TBT Agreement. Standards are based on international norms (e.g. ISO or International Electrotechnical Commission) and those of Botswana's major trading partners, especially South Africa. They are developed in six stages: proposal, drafting, technical committee review, public comment, approval, and publication. Standardization projects are

³⁹ WTO document G/TBT/2/Add.97, 30 October 2007.

initiated through requests from interested parties (including technical committee members, government departments, consumers, manufacturers, BOBS, individuals). The Bureau of Standards evaluates the requests and makes recommendations to the Standards Council for priority areas, on the basis of which the Council approves annual work programmes. Draft standards are reviewed by technical committees and circulated for public comment. Accepted comments are incorporated and draft standards are sent to the Standards Council for approval. The public has a two-month period to comment on draft standards. In the case of a technical regulation, the public notice must contain full details of the "mandatory standard"; it does not become effective until the date specified in the notice, which must not be less than two months after the date of publication (Section 19 of the Standards Act). In principle, all product standards that affect health, safety, and the environment are mandatory, such as on dairy products, animal feeds, and electrical appliances. Botswana has seven technical regulations (mandatory standards), which are revised periodically. Violations of mandatory standards are liable to a fine of P 5,000 and imprisonment of three years (Section 14 of the Standards Act).

87. The Standards (Import Inspection) Regulations of 2008, implemented since 1 April 2009, require a pre-arrival compliance certificate from the Bureau of Standards for imports of designated products.⁴⁰ The certificate is issued by the Bureau of Standards or a recognized certifying body to attest compliance with a Botswana or foreign technical regulation recognized by the Bureau of Standards (Article 6). Imports that are not covered by a certificate issued by the relevant authority in the exporting country are sampled at the border to determine compliance; non-compliant imports are re-exported at the expense of the importers, or otherwise disposed of.⁴¹

88. Botswana's conformity testing infrastructure is limited: there are three accredited laboratories in Botswana. The Bureau of Standards is in the process of equipping its laboratories with adequate testing facilities; it relies on private laboratories to test products. Botswana recognizes foreign test results from accredited testing laboratories.

89. Botswana has not signed any mutual recognition agreements, but is collaborating with SADC countries to develop a regional body for accreditation of conformity assessment facilities (SADCAS), which would allow mutual recognition among all members. The Botswana National Accreditation Focal Point (BNAFP) was launched in August 2007 as a link to SADCAS, to facilitate the elimination of technical barriers to trade among SADC members, in the region and with other regional blocs.⁴² Under Article 28 of 2002 SACU Agreement, Botswana and other members have agreed to strive to harmonize product standards and technical regulations (Main Report, Chapter II(2)(v)).

(b) Sanitary and phytosanitary (SPS) measures

90. The Ministry of Health is responsible for food safety, and is advised by the National Food Control Board. The Board, established under the Food Control Act of 1993, comprises government officials from a number of ministries, including the Ministries of Health, and Agriculture.

⁴⁰ WTO document G/TBT/N/BWA/1, 13 November 2008; and Botswana Standards online information, "Standards (Import Inspection) Regulations of 2008". Viewed at: http://www.bobstandards.bw/web_en/news/articles/Import_Inspection_Regulation_2007.pdf. The products subject to pre-arrival compliance certification include cattle and chicken feed, milk, sorghum, pulses, peanut butter, canned fish; electrical appliances; plastic bags; cement, and pre-packaged consumer goods.

⁴¹ Imported goods covered by a mutual recognition agreement and inspected by the exporting country's recognized certifying body would not be subject to inspection at the border (Article 4).

⁴² Trade Law Centre for Southern Africa online information, "Botswana launches accreditation body", 8 August 2008. Viewed at http://www.icoh2009.co.za/cgi-bin/giga.cgi?cmd=cause_dir_news_item&cause_id=1694&news_id=43367&cat_id=1090.

91. The Ministry of Agriculture (through the Departments of Crop Production and Veterinary Services) is responsible for the implementation of veterinary and phytosanitary measures. The Ministry is also the national enquiry point, and notification authority on SPS matters. However, the last notification submitted by Botswana under the SPS Agreement dates back to 1997.⁴³

92. Foot-and-mouth disease (FMD) is endemic in northern Botswana. The virus is carried by wild buffalos roaming freely in the northern game reserves and national parks; for this reason, it is considered that complete freedom from FMD is practically impossible in Botswana.⁴⁴ Outbreaks of FMD are considered a national disaster. There were no outbreaks between 1980 and 2001 but since 2002 outbreaks have occurred every year, except in 2004. The last outbreak occurred in the district of Ghanzi on 23 October 2008, leading to the temporary suspension of meat exports.⁴⁵

93. Disease prevention and control is based on the Diseases of Animals Act of 1977 (as amended), under which FMD is a notifiable disease requiring any person who suspects or has reason to suspect the disease to report it immediately. Botswana has moved from a control policy of destruction of the affected herds (applied until 2002) to a policy based on strict border controls, quarantine, vaccination in high-risk areas, and regionalization. The policy has been shaped by OIE recommendations and standards. About two thirds of the country is FMD-free without vaccination; elsewhere, bovine animals are vaccinated against FMD. As part of the disease control strategy, the country is divided into fenced-off control zones. The Government also maintains quarantine points for animal movements (Chapter IV(2)(iii)).

94. The use of hormonal growth promoters in livestock and of animal protein in livestock feed are prohibited. Residues of antibiotics, heavy metals, and pesticides in meat and milk are monitored to ensure they do not exceed maximum allowable levels.

95. Measures to prevent the introduction and spread of pests and plant diseases are governed by the Plant Diseases and Pests Act of 1959 (as amended). A permit is required for imports of plants. Imported plants and plant products are subject to inspection at approved ports of entry and may be destroyed if necessary, and premises may be quarantined.⁴⁶

96. The Plant Diseases and Pest Act has been superseded by the Plant Protection Act of 2007, which entered into force on 1 April 2009. Under the new Act, a National Plant Protection Organisation (NPPO) is to be established whose main functions include implementing the International Plant Protection Convention and international phytosanitary standards; issuing phytosanitary and import certificates; inspecting and certifying consignments for export; establishing auditing and traceability procedures; and notifying phytosanitary measures in accordance with international obligations. While Botswana is not yet a signatory to the International Plant Protection Convention, instruments of adherence were submitted to the FAO in April 2009.

⁴³ WTO document G/SPS/N/BWA/3, 29 October 1997.

⁴⁴ Mapitse (2008).

⁴⁵ Following Botswana's measures to control the spread of FMD in the Ghanzi district, the EC authorized imports from parts of Botswana of de-boned and matured fresh meat of bovine, ovine, and caprine animals, and farmed and wild game (hooved animals); these regions are listed in Part 1 of Annex II to EC Council Decision 79/542/EEC (G/SPS/N/EEC/308/Add.2 of 3 December 2008).

⁴⁶ Four airports, eleven land road crossings, two points of entry by rail, and two by water have been approved.

97. Botswana is also in the process of adopting a regulatory framework for biotechnology products, including genetically modified organisms. Overall, Botswana's SPS regime has insufficient capacity to provide adequate plant protection services.⁴⁷

(vi) Government procurement

98. Botswana's procurement policy is driven by the objective of ensuring competition, fairness, value for money, efficiency, transparency, and accountability in the management of tenders. At the same time, the policy seeks to assist the economic empowerment of Botswana citizens through reservation and preference schemes. Botswana is not a member nor observer of the WTO Plurilateral Agreement on Government Procurement.

99. Public procurement by central government entities is governed by the Public Procurement and Asset Disposal Act of 2001, and the Public Procurement and Asset Disposal Regulations of 2006. The law applies to the procurement of works, services, and supplies.⁴⁸ As part of efforts to curb corruption in public procurement, the Local Authorities Procurement and Asset and Disposal Bill was passed in July 2008; this authorizes the Ministry of Local Government to monitor the procurement by local authorities.⁴⁹

100. Since 2003, public procurement at central government level has been managed by the Public Procurement and Asset Disposal Board (PPADB), an independent seven-member body appointed by the Minister of Finance and Development Planning.⁵⁰ PPADB has a pre-eminent role in Botswana: its Board awards tenders for infrastructure projects and services that are financed by the Government's development budget; the development budget totalled P 7.2 billion in 2007/08. The PPADB also has a role in the privatization of state-owned enterprises (see section (4)(ii)).

101. The procuring entities under the supervision of PPADB are the District Administrative Tender Committees (DATCs), Ministerial Tender Committees (MTCs), and a Special Procurement and Asset Disposal Committee; ad hoc committees may also be established. As of 1 April 2008, the tendering thresholds were P 500,000 for DATCs and P 5 million for MTCs. The PPADB is required to examine, at least once a year, the business practices and compliance of each procuring entity. The PPADB is audited by the Auditor General, and its performance is reviewed by an independent advisory body appointed by the Minister. A first version of an operations manual was published in July 2008 to assist procurement staff and to establish a standardized national approach to public procurement activities.⁵¹ The specification of brands in government tenders is not permitted.

102. The following procurement methods are used at central government level: (i) open domestic bidding; (ii) open international bidding; (iii) restricted domestic bidding; (iv) restricted international domestic bidding; (v) quotation proposal procurement; (vi) micro procurement; and (vii) direct procurement. The appropriate tender method in each case is selected by PPADB.

⁴⁷ NEPAD/FAO (2005).

⁴⁸ Parastatal entities and local authorities are outside the scope of the Act. However, contracts awarded by such entities that are funded by government contributions are subject to the applicable procurement provisions. The Act is currently under review to, *inter alia*, relax restrictions on retroactive approvals in case of emergencies and to include provisions for dealing with poorly performing contractors and service suppliers.

⁴⁹ *Mmegi Online*, "House passes Local Authority Bill", 31 July 2008. Viewed at: <http://www.mmegi.bw/index.php?sid=1&aid=17&dir=2008/July/Thursday31>.

⁵⁰ The PPADB is required to present an annual performance report to the Minister of Finance and Development Planning, for submission to the National Assembly.

⁵¹ Finnigan (2008).

103. Under open domestic tenders, participation of foreign companies registered in Botswana is permitted but reservation/preferences schemes may apply. Open international bidding must be used for contracts above P 50 million. Tenders exceeding a value of P 100,000 are published in the *Botswana Government Gazette*, in local newspapers and on the Government's central website.⁵² Pre-qualification is used under open bidding procedures to obtain a short-list of bidders with proven capability and the resources to perform the contract satisfactorily. The pre-qualification period is advertised and open to all bidders for at least 14 days. The PPADB publishes pre-qualification lists and newly registered contractors. The minimum bidding periods are: six weeks for open international bidding, four weeks for open domestic bidding, and two weeks for a selective tendering. Standardized bidding packages are available for works, supplies, and services.

104. Under restricted domestic tenders, bids are solicited from a limited number of potential suppliers. Restricted domestic bidding is used where the supplies, works or services are available only from a limited number of providers; or where there is insufficient time for an open bidding procedure due to an emergency situation or other exceptional circumstances. The quotation proposal method requires that bids are sought from at least five suppliers; this is used when there is insufficient time for an open or restricted bidding procedure due to an emergency situation, or other exceptional circumstances. In micro procurement (up to a threshold of P 20,000), the supplier is selected without competition; under this procedure, there is no bidding documentation, written bid, or signed contract. In direct procurement, the supplier is selected without competition, e.g. where there is insufficient time for other procurement methods due to an emergency situation; the supplies, works or services are available from only one provider; an existing procurement contract is extended; additional supplies, works or services are required to be compatible with existing ones; or it is advantageous or necessary to purchase from the original supplier to ensure continuity.⁵³

105. Bid evaluation, which is the responsibility of the procuring entities, is based on one of the following methods: (i) quality- and cost-based selection; (ii) quality-based selection; (iii) fixed-budget selection; (iv) least-cost selection; and (v) qualification selection. For works, the quality and cost method, or the least-cost method are used; for supplies, the least-cost method, and for services, any of the above methods may be used. Following the bid evaluation, procuring entity makes a recommendation to PPADB for adjudication and approval based on an assessment of cost and technical merit, and citizen participation considerations (reservation and preference schemes). Award decisions by PPADB are published in the *Government Daily News* and on the PPADB website, and distributed to District Commissioners' offices country-wide.

106. The Independent Complaints Review Committee, established in November 2004, deals with complaints against tender awards and other grievances by bidders. Administrative decisions may subsequently be challenged before the High Court. Numerous PPADB decisions have been challenged in court.⁵⁴

107. Botswana has reservation and price preference schemes in place that have the effect of discriminating between domestic and foreign-owned goods, services or suppliers.⁵⁵ Botswana-citizen-owned companies benefit from a price preference margin over foreign companies in

⁵² Under restricted bidding and direct procurement, selected bidders are invited without public advertisement.

⁵³ Finnigan (2008).

⁵⁴ Transparency International (2007).

⁵⁵ In accordance with the Public Procurement and Disposal Act (CAP.42:08), "the Government may from time to time introduce reserved and preferential procurement and asset disposal schemes, which shall be consistent with its external obligations and its stable, market oriented, macro-economic framework" (Article 66).

the range of 2-5%.⁵⁶ Price preferences may also be capped to meet the dual objectives of citizen empowerment and of value-for-money in government procurement (for example, for information technology and consulting services, the maximum preference allowed is P 100,000).⁵⁷ No reservation or preference is permitted in open international bidding for contracts over P 50 million.

108. The Local Procurement Programme (LPP) was renewed in August 2004 and expanded by a Presidential Directive on the Use of Locally Manufactured Goods and Services.⁵⁸ The Directive instructs the central government, local authorities, and parastatals to procure 30% of annual public purchases of goods and services from locally registered manufacturers and service providers.⁵⁹ The programme applies to tenders of up to P 300,000. Eligible firms, local or foreign, must register annually with the Ministry of Trade and Industry (Department of Industrial Affairs): the registration list is used by procuring entities as a source of information on the availability of locally produced goods and services. The firms must be properly licensed, and their products must meet the Botswana Bureau of Standards and other requirements.

109. Issues of concern with regard to the LPP are the lack of quality certification of many goods and services, and the limited availability or high price of locally manufactured goods and services; some local suppliers may end up importing finished goods, while service providers may subcontract to foreign service providers.⁶⁰

110. Reservation and price preference schemes are also implemented by the Ministry of Works and Transport for locally manufactured building and construction products; by the Ministry of Finance and Development Planning for citizen-owned consultancy companies and information technology providers; and by the Ministry of Health for citizen-owned companies manufacturing and/or supplying medicines, laboratory reagents, medical equipment, and related medical supplies.⁶¹

(vii) Local-content requirements

111. Local-content requirements are an important element of Botswana's government procurement policy. As part of a "Buy Botswana" campaign, a task force (comprising the Government, the Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM), and the private sector) has been established with the aim of opening outlets for local suppliers.

⁵⁶ The price preferences are: 5% for fully Botswana-citizen-owned entities; 3% for an entity that is 51-99% Botswana-citizen-owned; otherwise 2% (Tenderscan online information, "Tendering in Botswana". Viewed at: <http://www.tenderscan.co.za/Procurement/Botswana.aspx>).

⁵⁷ Tenderscan online information, "Tendering in Botswana". Viewed at: <http://www.tenderscan.co.za/Procurement/Botswana.aspx>.

⁵⁸ The programme covers, *inter alia*, business services, communication services (telecommunication services, audiovisual services), and financial services (all insurance and insurance-related services); health-related and social services (hospital services, other human health services, social services); tourism and travel-related services; and transport services.

⁵⁹ Ministry of Trade and Industry online information, "Guidelines on the use of locally manufactured goods and services". Viewed at: http://www.mti.gov.bw/index.php?option=com_rubberdoc&view=category&id=41%3Aindustrial-affairs&Itemid=9.

⁶⁰ Ministry of Trade and Industry (undated).

⁶¹ Ministry of Trade and Industry online information, "Guidelines on the use of locally manufactured goods and services". Viewed at: http://www.mti.gov.bw/index.php?option=com_rubberdoc&view=category&id=41%3Aindustrial-affairs&Itemid=9.

(viii) Other measures

112. Botswana has no official countertrade or offset arrangements, or agreements designed to influence the quantity or value of goods and services exported to Botswana. Botswana has no trade sanctions in force.

113. Botswana maintains strategic reserve stocks in grains and petroleum products. The Botswana Agricultural Marketing Board holds grain reserves, which are estimated to cover 240 days of domestic consumption of sorghum, and 75 days of maize (Chapter IV(2)(ii)). Under the Government's Oil Storage Development Programme, strategic fuel storage facilities, constructed at Gaborone and Francistown, maintain stocks equivalent to 90 days of national consumption.

(3) MEASURES DIRECTLY AFFECTING EXPORTS**(i) Registration and taxes**

114. The same registration procedures apply to importers and exporters (section (2)(ii) above). An export declaration is required for all commercial exports.

115. The Cattle Export and Slaughter Levy Act 10 of 2005 provides for the imposition of a levy per head of cattle exported from Botswana or slaughtered at the Botswana Meat Corporation, municipal abattoirs, private abattoirs, and butchers. The levy rate is currently P 10 per animal; a fine of P 300 per head, a term of two months imprisonment or both are imposed for exporting or attempting to export cattle without paying the levy (Chapter IV(2)(iii)).

(ii) Export prohibitions, restrictions, and licensing

116. Licences are required for all exports, including to other SACU members, for food security, sanitary and phytosanitary, and statistical reasons, and under international conventions to which Botswana is a signatory. Under the Control of Livestock Industry Act of 1941 (as amended), exports of livestock and animal products are subject to a permit issued by the Director of the Veterinary Service. In addition, exports of wild animals or their products (trophy or meat) require a permit from the Department of Wildlife and National Parks.

117. Exports of rough diamonds have been affected by the terms of commercial agreements governing the sale of diamonds by Debswana (currently Botswana's only diamond producer, in which the Government holds a 50% stake with De Beers) to the London-based Diamond Trading Company (DTC), an international cartel operated by De Beers, through which virtually Debswana's entire output is distributed (Chapter IV(3)(i)).

118. Botswana is a founding member of the United Nations' Kimberley Process Certification Scheme (KPCS), launched on 1 January 2003.⁶² This requires, *inter alia*, all rough diamonds exported from Botswana to have a valid Kimberley Process Certificate issued by the competent authority (all imports must also have a valid certificate issued by the exporting country).⁶³ Under a peer review conducted in 2004, Botswana was judged a "role model" in implementing the Kimberley

⁶² See also the decision (waiver) by the General Council on the Kimberley Process Certification Scheme for Rough Diamonds (WTO document WT/L/676, 19 December 2006).

⁶³ The Kimberley Process governs production and trade in rough diamonds only (HS codes 7102.10, 7102.21, and 7102.31); polished diamonds do not require a Kimberley Process certificate.

Process.⁶⁴ Kimberley Process Certificates are issued by the Ministry of Minerals, Energy, and Water Resources (Mineral Affairs Division).

119. Exports of unprocessed (uncut) semi-precious stones are prohibited to ensure processing in Botswana.

(iii) Export subsidies, finance, and assistance

120. Under the 1969 and 2002 SACU agreements, SACU members agreed to harmonize their duty and tax concessions on imports (Main Report, Chapter III(3)(v)), but competition among governments in the region to provide incentives for investment and exports remains fierce. The Government of Botswana is in the process of developing special economic zones.

121. Furthermore, Botswana operates two industry-specific import duty credit schemes linked to export performance, which are designed to promote exports to non-SACU markets (the Duty Credit Certificate scheme for textiles and clothing, and the Motor Industry Development Programme (MIDP) for the automobile industry (Main Report, Chapter III).

122. Duty drawback is available on capital equipment and manufactured inputs used for exports outside of SACU. Claims must be made within six months of the date of export and are settled within three months.

123. Unlike South Africa and other SADC countries, Botswana does not provide concessional trade finance or credit, but it offers export credit insurance.⁶⁵ The parastatal Botswana Export Credit Insurance and Guarantee Company (BECI) provides export credit insurance for exporters of local or foreign ownership. The company was established in 1996 as a wholly owned subsidiary of the Botswana Development Corporation, and is a member of the Prague Club of the Berne Union.⁶⁶ BECI offers insurance against non-payment by foreign buyers resulting from commercial risk (default and insolvency) and political risk (transfer delays, strikes, war or import restrictions that prevent entry in the buying country).⁶⁷ It covers up to 85% of commercial risks and up to 90% of political risks. Goods and services are eligible. Exports covered in 2007-08 included mainly steel, paper bags, tobacco, construction material, leather, textiles, agricultural products, and motor parts. The Government has reinsured political risks since 1997 (Political Risk Reinsurance Act 1997), while commercial risks are reinsured by the private reinsurance market.

124. Export promotion is mainly the responsibility of the Botswana Export Development and Investment Authority (BEDIA), established in 1998. It arranges participation of manufacturing enterprises in regional and international exhibitions, and facilitates buyer-seller contacts. It also conducts overseas market research aimed at finding export markets for Botswana-made products. In 2007, BEDIA launched an export development programme aimed at improving exporters' marketing

⁶⁴ "Botswana offers some excellent examples of best practice, in particular its internal controls from mine to first export. Security and audit requirements at the mines through to export at the international airport are first-class" (Kimberley Process online information, "Documents: Review Visits". Viewed at: http://www.kimberleyprocess.com/documents/review_visits_en.html).

⁶⁵ BIDPA and World Bank (2006), p. 64.

⁶⁶ Prague Club members are involved in insuring or guaranteeing export credit transactions and in underwriting political risk, but do not yet meet the entrance requirements for the Berne Union.

⁶⁷ BECI also provides domestic credit insurance against the risk of non-payment (default and insolvency) by domestic buyers.

and promotion skills, targeted, in particular, at the apparel, handicraft, leather and products, and agricultural products (mainly beef) subsectors.⁶⁸

125. Botswana notified the WTO Committee on Agriculture that it did not provide any agricultural export subsidies during the financial years 1997/98 to 2007/08.⁶⁹

(4) MEASURES AFFECTING PRODUCTION AND TRADE

(i) Incentives

126. Botswana has one of lowest corporate tax rates in the region.⁷⁰ The standard company tax rate is 25%; manufacturing companies registered in Botswana approved by the Minister of Finance and Development Planning, and offshore financial services companies are subject to a reduced rate of 15%. The taxation regimes for large diamond projects may be negotiated on a case-by-case basis and the tax agreements are subject to ratification by Parliament (Chapter IV(3)(i)). Botswana does not provide special tax incentives for companies that export, except offshore financial services companies.

127. The Minister of Finance and Development Planning may also authorize Development Approval Orders granting tax relief, such as tax holidays for 5-10 years, and/or education training grants for specific projects. Such projects must benefit the economy or contribute to the economic advancement of citizens. Applications are assessed on a case-by-case basis according to the applicants' job-creation prospects, training plans for citizens, plans to localize non-citizen positions, citizen participation in management, citizens' equity, investment location, effects on other economic activities, and effects on reducing consumer prices. The instrument to attract investment through Development Approval Orders has been used sparingly.

128. The Government funds a number of assistance schemes to promote the economic empowerment of Botswana's citizens. The Citizen Entrepreneurial Development Agency (CEDA), established in 2001, provides, *inter alia*, training, mentoring, and concessional loans to citizen-owned businesses. The CEDA was allocated P 15.6 million in the 2007/08 Budget.

129. The CEDA Credit Guarantee Scheme was established to address the difficulties of small, micro, and medium enterprises (SMMEs) with limited securities in obtaining bank loans. Participating loans institutions are guaranteed 75% of the net loss on loans provided to SMMEs; the loan threshold is P 4 million. CEDA provides concessional loans at 5% interest rate for loans up to P 500,000 and at 7.5% for loans up to P 4 million (with repayment periods up to 15 years).

130. In 2003, CEDA established a Venture Capital Fund to provide equity to citizen-owned enterprises and joint ventures between citizens and foreign investors.⁷¹ In 2007, CEDA started operating the Young Farmers' Fund, which provides subsidized loans and training to young agricultural producers (Chapter IV(2)(ii)).

⁶⁸ BEDIA online information, "Apply for Export Development Programme". Viewed at: http://www.bedia.co.bw/article.php?lang=&id_mnu=78; and BIDPA and World Bank (2006), p. 63.

⁶⁹ WTO document G/AG/N/BWA/7, 16 October 2008.

⁷⁰ BIDPA and World Bank (2006), p. 24.

⁷¹ The fund was capitalized with P 200 million, which have been fully committed to 18 projects in agriculture, manufacturing, construction, mining, and services.

(ii) State-trading, state-owned enterprises, and privatization

131. Botswana notified the WTO in 1997 that it had no state-trading enterprises within the meaning of Article XVII:4(a) of the GATT 1994.⁷² However, the Botswana Meat Commission has a statutory monopoly on beef exports (Chapter IV(2)(iii)).⁷³ The monopoly of the Botswana Agricultural Marketing Board over imports and exports of staple food products (designated grains, oilseeds, and pulses) was eliminated in 1991 and trade was opened to competition from the private sector (Chapter IV(2)(ii)). Debwana, the diamond mining company, holds a *de facto* monopoly over exports of rough diamonds (Chapter IV(3)(i)).

132. Botswana has a number of state-owned enterprises (parastatals) (Table III.1), including *de facto* or *de jure* monopolies that provide public utilities, e.g. electricity, certain telecommunications, and other services, such as air and rail transport.⁷⁴ Many private firms have indirect state ownership through equity investments by the commercially run Botswana Development Corporation.⁷⁵

Table III.1
State participation in parastatals and commercial enterprises, 2008

| State participation in parastatals and commercial enterprises, 2006 | | | | |
|---|---|-----|---|---|
| | State equity participation, 2008 ^a | | Main activities | Privatization scenario |
| | (P million) | (%) | | |
| Non-financial enterprises | | | | |
| Air Botswana | 35.0 | 100 | Air transport services | Planned management contract, then divestiture |
| Banyana Pty Ltd. | | 100 | Commercial cattle ranch | Planned divestiture |
| BCL | 5,027.7 | .. | Copper/nickel mining (commercial joint venture) | n.a. |
| Botswana Agricultural Marketing Board | 30.5 | 100 | Import/export, marketing, and storage of selected agricultural products; and sale of agricultural services and inputs | Planned divestiture |
| Botswana Housing Corporation | 250.2 | 100 | Property development | None |
| Botswana Meat Commission | 0.2 | 100 | Cattle abattoir; canning and tanning; beef export; and transport | Planned outsourcing of non-core services |
| Botswana Postal Services | 38.4 | 100 | Postal services | Planned restructuring |
| Botswana Power Corporation | 145.6 | 100 | Electricity generation, transmission, and distribution | Planned restructuring |
| Botswana Railways | 696.5 | 100 | Rail transport services | Planned restructuring |
| Botswana Telecommunications Corporation | 21.0 | 100 | Telecommunications services | Planned divestiture |
| Botswana Vaccine Institute | 8.3 | 100 | Production and marketing of vaccines | Completed corporatization and partial divestiture |
| Debswana | 542.1 | 50 | Diamond mining (commercial joint venture) | n.a. |
| DTC Botswana | .. | 50 | Diamond sorting, valuation, cutting, and polishing (commercial joint venture) | n.a. |
| Soda Ash Botswana Ltd. | 65.8 | .. | Commercial mining company | n.a. |

Table III.1 (cont'd)

⁷² WTO document G/STR/N/1/BWA, 7 February 1997

⁷³ Ministry of Finance and Development Planning (2005), p. 33.

⁷⁴ A parastatal in Botswana is a public entity created by the State (by act of Parliament) to achieve a specific social or economic goal determined by Government.

⁷⁵ The Corporation is the largest state-owned entity and provides long-term loans and guarantees. It is involved in various activities, including property development and hostelry. Its board comprises representatives of the public and private sectors.

| | State equity participation, 2008 ^a | | Main activities | Privatization scenario |
|--|---|-----|---|-------------------------------|
| | (P million) | (%) | | |
| Tati Nickel Mining Co. | .. | 15 | Copper/nickel mining (commercial joint venture) | n.a. |
| Water Utilities Corporation | 752.7 | 100 | Provision of water to urban centres | Planned restructuring |
| Financial services | | | | |
| Botswana Building Society | .. | 100 | Property finance | Planned divestiture |
| Botswana Development Corporation | 535.2 | 100 | Development finance | Planned restructuring |
| Botswana Motor Vehicles Accidents Fund | .. | 100 | Insurance services | None |
| Botswana Savings Bank | 19.7 | 100 | Banking services | Planned restructuring |
| Government Employees Motor Vehicle and Residential Property Advance Scheme | .. | 100 | Loan guarantee fund | Planned management contract |
| Guaranteed Loans Insurance Fund | .. | 100 | Insurance fund | Completed management contract |
| National Development Bank | 77.7 | 100 | Development finance | Planned divestiture |

.. Not available.

n.a. Not applicable.

a As at end of March.

Source: Bank of Botswana (2009), *Annual Report 2008*; and information provided by the Botswana authorities.

133. The government announced a privatization policy in 2000, with the aim of, *inter alia*, promoting competition, improving efficiency and productivity of enterprises, and relieving the financial and administrative burden of the State in providing services and investments in infrastructure.⁷⁶ A key element of the policy is the promotion of citizen participation in the ownership of national assets. Foreign participation in privatization is encouraged and any restrictions on foreign ownership are to be decided on a case-by-case basis. Where ownership of privatized companies is limited to Botswana citizens, foreign participation would be through management contracts and franchising. Concessions such as build-operate-transfer (BOT) or build-own-operate-transfer (BOOT) would be considered in cases where foreign expertise and technology are needed. The Government would also consider retaining a "golden share" to counter any perceived risk of foreign control of privatized enterprises.

134. Botswana Privatisation Asset Holdings, a state-owned company, was established to hold portions of the assets of privatized entities that are reserved for later sale to Botswana citizens and citizen-owned companies. The autonomous Public Enterprises Evaluation and Privatization Agency (PEEPA) was established to oversee privatization and monitor the performance of public enterprises. It reports to the Minister of Finance and Development Planning and has prepared a master plan and identified priorities for privatization.⁷⁷ Privatization methods include commercialization, corporatization, management contracts, franchising, leases, concessions, joint ventures, and stock market flotation. The bidding process would be managed by the Public Procurement and Asset Disposal Board (PPADB) (section (2)(vi)).

135. There has been little privatization in Botswana. Priority candidates for privatization through divestiture include Air Botswana, the Botswana Telecommunications Corporation, the National Development Bank and the Botswana Vaccine Institute (Table III.1). The privatization of Air Botswana has been suspended and the Government has decided to recapitalize the company, to create

⁷⁶ Ministry of Finance and Development Planning (2000).

⁷⁷ Ministry of Finance and Development Planning (2005).

a viable national carrier (Chapter IV(6)(iii)(c)); privatization of Botswana Telecommunications Corporation is ongoing; and privatization of National Development Bank is at the planning stage. The Government has partially divested the State's stake in the Botswana Vaccine Institute, through the sale of preference shares, but intends to maintain a majority stake because it considers the production of vaccines for the livestock industry to be of a strategic nature.⁷⁸

(iii) Competition policy and price controls

136. Under the SACU Agreement of 2002 (Article 40 and 41), members are encouraged to develop competition policies. The need for competition rules has long been recognized in Botswana, especially in a post-privatization environment where a public utility is transferred to the private sector. In 2005, Parliament approved a competition policy framework as a basis for a competition law.⁷⁹ The Competition Bill was approved by Cabinet, in April 2009, to be submitted for approval by Parliament. The act would prohibit, *inter alia*, anti-competitive practices, unless warranted by public interest (when welfare gains to society outweigh the costs of anti-competitive behaviour). A Competition Authority would be established to oversee implementation of the law. All sector-specific regulatory bodies, such as the Botswana Telecommunications Authority or professional associations, would be covered by the new competition law but not infrastructural facilities of public utilities, nor intellectual property matters. Sector-specific competition rules exist, for example in the telecommunications subsector (Chapter IV(6)(ii)).

137. In the absence of a general competition law, the Ministry of Trade and Industry (Department of Trade and Consumer Affairs) is mandated to protect consumers against unfair business practices on the basis of the Consumer Protection Act of 1998.⁸⁰ The Department's role is confined to education, investigation, mediation, and negotiation on behalf of consumers; consumer matters that are related, for example, to the Food Control Act, Public Health Act, Hire Purchase Act, Standards Act, or Trade Act, are the responsibility of specialized regulatory agencies.

138. Price controls are currently applied by the Government at the retail level and on profit margins for petroleum products (Control of Goods, Prices, and Other Charges Act). All petroleum products are imported, mainly from South Africa, and the Government believes that price controls are necessary due to the limited number of suppliers. The Petroleum Management Unit, responsible for the price controls, has been transferred from the Ministry of Trade and Industry to the Ministry of Minerals, Energy, and Water Resources. Other goods and services subject to administered prices (as of 8 January 2007) include water; electricity; train, certain bus, and taxi fares; certain mail and parcel delivery; and telephone installation and certain telephone tariffs.

(iv) Protection of intellectual property rights

139. Botswana has taken steps to strengthen its intellectual property regime, notably in the area of copyright. Since its last TPR in 2003, it has become a party to a number of WIPO-administered intellectual property conventions (Table III.2). Botswana is a member of the World Intellectual Property Organization (WIPO), and a founding member of the African Regional Intellectual Property Organization. The Office of the Registrar of Companies and Intellectual Property (a Department within the Ministry of Trade and Industry) is responsible for administering intellectual property laws. The Office of the Registrar houses the national IPR enquiry point, which was established in

⁷⁸ The Government has also decided to outsource the management of the Government Employees Motor Vehicle, and the Residential Advance Scheme (GEMVAS) to the private sector.

⁷⁹ Ministry of Trade and Industry (2005).

⁸⁰ Unfair business practices are defined as deceptive methods, such as false or misleading information.

September 2006. However, Botswana has not yet notified to the WTO any contact point under the TRIPS Agreement.⁸¹

Table III.2
Botswana's participation in intellectual property agreements, 2009

| | Date of membership |
|---|--------------------|
| Intellectual property protection agreements^a | |
| Paris Convention for the Protection of Industrial Property in the 1967 Act of Stockholm (Paris Union) | 15 April 1998 |
| Berne Convention for the Protection of Literary and Artistic Works in the Act of Paris of 24 July 1971 | 15 April 1998 |
| WIPO Copyright Treaty (Geneva, 1996) | 27 January 2005 |
| WIPO Performances and Phonograms Treaty (Geneva, 1996) | 27 January 2005 |
| Global protection agreements^b | |
| Patent Cooperation Treaty (Washington 1970, as amended in 1979 and modified in 1984) | 30 October 2003 |
| Hague Agreement for the International Registration of Industrial Designs (1999) | 5 December 2006 |
| Madrid Agreement concerning the International Registration of Marks in the 1969 Act of Stockholm (Madrid Union) | 5 December 2006 |

a Treaties that define internationally agreed basic standards of intellectual property protection in each country.

b Treaties that ensure that one international registration or filing will have effect in any of the signatory states.

Source: WIPO online information. Viewed at: <http://www.wipo.int>.

(a) Copyright

140. The Copyright and Neighbouring Rights Act (CAP 68:02), implemented since 2007, protects literary, artistic and musical works embodied in films, sound recordings, broadcasts and published editions, by providing exclusive rights to the owner as required by the Berne Convention. Computer programs, databases or compilations of data are protected as literary works. Performers also have exclusive rights to broadcast or communicate to the public, to make fixations and reproductions. Copyright is protected for the life of the author plus 50 years. Performers and producers of sound recordings receive the same protection. Rental rights are recognized, and specified according to the type of work, such as for phonograms, computer programs, databases, and cinematographic works. Exemptions or limitations to exclusive rights include reproduction and importation for personal purposes.

141. The Copyright Society of Botswana (a non-profit organization) was established in June 2008 to develop rules and regulations to ensure protection of right-holders and to set royalties in accordance with international standards. Royalties will be payable at a rate of 15% for non-residents for the use of, or rights to, copyrights, patents, trademarks, and secret formulas.

142. A copyright levy was introduced on 1 April 2009 on imported and locally manufactured blank sound and audiovisual carriers, compact discs, and equipment capable of being used to copy protected materials.⁸² The levy of 1-2% of the sales price is designated to compensate right-holders for unauthorized copying of their works, as well as for training and public awareness campaigns. Furthermore, all sound and audiovisual recordings on sale in Botswana must have an anti-piracy device (i.e. a tamper-proof sticker or hologram) affixed to it, to enable consumers to distinguish between genuine and fake products. It is sold to the owner of the copyright or persons authorized by the owner of the copyright work to sell, rent, lend or otherwise distribute the work.⁸³

⁸¹ WTO document IP/N/3/Rev.10, 16 May 2008.

⁸² Copyright and Neighbouring Rights Act, as amended in November 2005.

⁸³ The security device is sold by the copyright office at the Registrar of Companies at P 0.30 per unit.

143. The right holder (including the licensee) may seek civil remedies and criminal sanctions against infringements in Botswana's courts. Relief may take the form of injunctions restraining illegal activity and impounding or destruction of illegal works. Imports of unauthorized reproductions of any works relating to copyright are unlawful under the copyright legislation, which requires customs officials to use their powers under the Customs and Excise Duty Act to prohibit or destroy illegal imports.⁸⁴ Copyright infringements are prescribed as criminal offences subject to penalties of imprisonment and/or fines, of up to ten years and P 20,000 for first offence, and of up to ten years and from P 30,000 to P 5 million for subsequent convictions.

(b) Industrial property rights

144. Industrial Property Law No. 14 of 1996, last amended in 1997 (Industrial property (Amendment) Act No. 19)⁸⁵, provides protection for patents, trade marks, industrial designs, and utility models. Any decision of the intellectual property Registrar or the Minister can be appealed to the High Court.

Patents

145. Patents cover inventions, whether products or processes, provided they are new, involve an inventive step, and have an industrial application. Patent protection is for 20 years from the filing date.⁸⁶ The legislation provides for exclusions from patentability, including discoveries; scientific theories and mathematical methods; literary, dramatic, musical or artistic work; schemes or methods of doing business; computer programs; and surgical or diagnostic methods for treatment of humans or animals. Patent holders have exclusive rights over making, selling and importing products, which are enforceable in the courts. There are specific limited exceptions to exclusive rights, such as experimental acts relating to a patented invention and right of prior use done in good faith. Patent applications are received by the Registrar; foreign applicants are required to submit applications through a local agent. Applications are examined by the African Regional Intellectual Property Organization and granted by the intellectual property Registrar in Botswana. The cost of international application through the Patent Corporation Treaty is estimated at about US\$1,600-1,800.⁸⁷

146. The Government may authorize compulsory non-exclusive licences (without the holder's consent), predominantly for domestic supply, when deemed to be in the public interest or to remedy anti-competitive behaviour by the right holder, subject to payment of "equitable remuneration". Public interest covers national security, nutrition, health or the development of other vital sectors. Compulsory licences may also be issued if the patent has been insufficiently used in Botswana, or is not being "supplied on reasonable terms", as determined by the High Court. Legal action is only possible where the applicant has taken "all reasonable steps" and failed to acquire the licence "on reasonable terms", and after four years from the date of filing of the patent application or three years from when the patent was granted, whichever expired last.⁸⁸ Imports are considered as "working a patent"; compulsory licences cannot be granted where the product is being imported, since the

⁸⁴ The customs legislation also allows for exports of counterfeit goods to be suspended.

⁸⁵ WTO document IP/N/1/BWA/1, 19 February 2002. The WTO Council for TRIPS reviewed Botswana's intellectual property legislation in 2001.

⁸⁶ Utility model certificates are granted to protect new and industrially applicable inventions for seven years from the date of filing.

⁸⁷ Excluding translation costs, if necessary (Hahn & Hahn Inc. online information, "Botswana: Information on the filing of patents, designs and trademarks in Botswana". Viewed at: <http://www.hahn.co.za/patent-botswana.htm#trademark>).

⁸⁸ The legislation does not define what is "reasonable"; this is determined in each case by the courts.

legislation allows a licence to be granted only where the market is not being supplied on reasonable terms. To date, no compulsory licences have been issued by Botswana.

147. The proposed Industrial Property (Amendment) Bill, 2009 is to cover the matter of parallel importation; it will also cover importation of patented products by the Government or third parties in relation to generic pharmaceutical products.

148. Remedies available to the right holder include damages or profits derived from the infringement, injunctions restraining the illegal activity, and destruction of illegal works. Criminal penalties comprise fines of between P 2 million and P 5 million and/or imprisonment of six months to two years.

Trade marks

149. Botswana's industrial property legislation (CAP 68:03) protects trade marks and services marks. A mark is defined as covering any visible sign capable of distinguishing goods and services of an enterprise. The law also protects well known marks by preventing registration of identical or confusingly similar marks. The determination whether a mark is well known depends on the extent of advertisement featuring of the mark, and the degree of popular awareness of the mark among consumers through submission of surveys and statements by customers.

150. Foreign applicants are required to submit applications to the Registrar through a local agent. Applications are published for a three-month opposition period; it takes five months to register a trade mark in Botswana. Once granted, trade marks are protected for ten years, and are renewable indefinitely every ten years, provided the mark has been used for a minimum of three years from the time of registration. Botswana applies (but has not signed) the Nice Agreement concerning the International Classification of Goods and Services for the purposes of the Registration of Marks (Geneva 1977/1979).

151. The registered owner of a trade mark may take court action against unauthorized use. Civil remedies include damages or profits derived from the infringement, injunctions against illegal use, and destruction of infringing products. Criminal penalties also apply to illegal use of trade marks in accordance with Section 76(6) of the Industrial Property Act.

Industrial designs

152. The legislation extends protection of industrial designs in line with the Locarno Agreement Establishing an International Classification for Industrial Designs, although Botswana has not signed the convention. Textile designs are covered. International registration of an industrial design may be requested at WIPO or the Registrar in Botswana. The registered owner of a design has exclusive rights of use, including importation. There are no provisions for issuing compulsory licences. Registered industrial designs are protected for 15 years (5 years initially, renewable twice). The owner of a registered design may seek civil remedies for illegal use by way of damages, or profits derived from infringements, injunctions against illegal activity, and destruction of infringing products.

Other industrial property rights

153. Botswana has not yet developed legislation on geographical indications, layout designs (topographies) of integrated circuits or protection of undisclosed information, including trade secrets.

154. The current Industrial Property Act provides no specific protection for micro-organisms, non-essentially-biological or microbiological processes. However, the proposed amendment bill excludes plants, animals, and essentially biological processes from patentability. A *sui generis* system of protection for new plant varieties is being developed by the Ministry of Agriculture.

(c) Enforcement of intellectual property rights

155. Imports of illegal products are regulated by the customs legislation; those infringing trade marks or patents may be suspended pending legal action. Such legal action takes place in Botswana's ordinary civil courts, and may involve criminal prosecution and damages, injunctions, and destruction of illegal works. Courts may order interlocutory or temporary injunctions pending final judgement. In order to obtain evidence, the High Court may also instruct its legal officer to enter the premises of the alleged infringer to seize the offending material and equipment (the "Anton Piller Order"). Only the police have ex officio powers under the copyright and industrial property legislation.

IV. TRADE POLICIES BY SECTOR

(1) INTRODUCTION

156. Agriculture contributes less than 2% to Botswana's GDP; the main activity is cattle raising. Productivity in the beef industry is low, and has suffered from outbreaks of foot-and-mouth disease. Agriculture is also one of the most heavily protected subsectors in the economy. Botswana is a net-food importer of staple foods. The arable sector has received substantial government support through tariff protection, import quotas (for some products) and input subsidies.

157. Botswana has a small manufacturing sector (about 4% of GDP in 2008) and the degree of diversification is low. Food and beverages, textiles and clothing, and automotive parts are the main industries. In the diamond subsector, a policy of local beneficiation is aimed at stimulating diamond-related downstream activities. Botswana is highly dependent on imports of energy, mainly electricity and petroleum products. Large electricity-generating projects are under development in response to power shortage in the SADC region.

158. Botswana has a relatively open and stable banking subsector, which so far has not been seriously affected by the global financial crisis. An International Financial Services Centre was established in 2003, to promote cross-border financial services, notably insurance services. An international insurance law was adopted in 2005. The regulatory framework for financial services has been consolidated through the establishment of the Non-Bank Financial Institutions Regulatory Authority, which brings the supervision of all non-bank financial institutions and services under one regulatory authority. Botswana has pursued a policy of further liberalization of telecommunications services and promotion of effective competition in the subsector, resulting in reform of the licensing regime in 2007.

159. Botswana has further developed its transport infrastructure. However, restrictive transport rules remain a considerable constraint to competitiveness, including tourism. Tourism, which has an important role in the economy, is highly concentrated in the Chobe National Park and the Okavango Delta. Botswana has revoked a reservation of certain tourism services for its citizens and citizen-owned companies since it may not have been consistent with its GATS commitments.

(2) AGRICULTURE AND RELATED ACTIVITIES

(i) Main features

160. The contribution of agriculture to Botswana's GDP is less than 2%, which is small by regional standards (Table IV.1). The backbone of the rural economy is the beef industry (section (iii) below). Botswana's potential for arable agriculture is limited due to its semi-arid climate and erratic rainfall (two thirds of its territory is covered by the Kalahari Desert). The main food crops are sorghum, maize, millet, and beans, mostly for subsistence or local sale.

161. Botswana is a net food importer (Table AIV.1).⁸⁹ The country imports about 80-90% of its cereal requirements, 44% of fruits and vegetables, 67% of fresh milk, and almost all other dairy products, mostly from South Africa.⁹⁰ Manufacturers of UHT milk have received "infant industry"

⁸⁹ Botswana is listed as a Net Food-Importing Developing Country under the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (WTO document G/AG/5/Rev.8, 22 March 2005).

⁹⁰ *BOPA Daily News*, "Ministry increased food reserves", 6 August 2008. Viewed at: <http://www.gov.bw/cgi-bin/news.cgi?d=20080806>.

protection since 2007 (Chapter III(2)(iii)). Botswana is a net exporter of beef, and has become self-sufficient in poultry meat and table eggs, albeit under conditions that restrict import competition.

Table IV.1
Selected indicators of the agriculture sector, 2004-08

| | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
|---|---------|---------|---------|---------|
| Agricultural GDP at current prices (P million) | 899.9 | 1,027.9 | 1,325.0 | 1,488.8 |
| Agricultural GDP as share of total GDP, current prices (%) | 1.8 | 1.8 | 1.9 | 1.9 |
| Growth rate of agricultural GDP at constant prices (%) | -5.5 | 14.2 | 11.8 | -4.4 |
| Government expenditure for agriculture, forestry, and fishing (P million) | 536.8 | 791.8 | 721.2 | 843.4 |
| Government expenditure (agriculture, forestry, and fishing), as a share of: | | | | |
| Total government expenditures (%) | 3.1 | 4.5 | 3.7 | 3.4 |
| Agricultural GDP, current prices (%) | 59.7 | 77.0 | 60.5 | 56.6 |
| Imports of food, beverages, and tobacco (P million) ^a | 2,244 | 2,488 | 3,335 | 4,182 |
| Beef exports (P million) ^a | 309.9 | 363.2 | 592.3 | 530.3 |

a Data are for calendar years 2005, 2006, 2007, and 2008.

Source: Bank of Botswana (2009), *Annual Report 2008*.

162. Botswana has a dualistic agriculture sector. Commercial farmers tend to be established on freehold land (about 6% of the total land area) or leasehold land (23%). In traditional farming systems, there are individually managed holdings, and livestock grazing on communal land (about 71% of the total land area). Leasehold land can be leased from the State for 50 years (renewable). Obtaining freehold and leasehold land requires Government authorization, while access to tribal land requires approval from the District Land Board.⁹¹

163. Natural forests and bush continue to be overexploited as a source of fuel wood for domestic heating and cooking. Forest decline is also caused by wildfires, unsustainable harvesting practices, and clearing for infrastructure development, mining, and agriculture. To address the problem, the forestry legislation (the Forest Act of 1968) is being reviewed, and tree plantation programmes are being implemented. The draft National Forest Policy of 2007 is aimed, *inter alia*, at paving the way for the necessary legislation to regulate harvesting and trade in forest resources; a key element is community participation in the management of forest and woodland resources.⁹²

(ii) Agricultural policy

164. Food security is a one of the Government's major policy objectives, together with intensification and diversification of agricultural production, increasing employment opportunities, and conserving natural resources. The Government has used a range of measures, including quantitative restrictions, to promote the development of some subsectors (grains, poultry, dairy, and horticulture). These measures also apply to imports from other SACU members. Tariffs on agriculture, hunting, forestry, and fishing (ISIC definition) average 3.7%; tariffs on agricultural products average 10.1%, and range up to 96% (WTO definition) (Main Report, Tables III.1 and III.4).

165. Government support to agriculture is substantial, especially compared with agricultural GDP (Table IV.1). Support to agricultural producers includes drought relief (feed and seed subsidies), free water and irrigation services⁹³, and price support. Implementation costs for SPS measures, including cattle traceability, vaccination, extension and training services, and fencing, are borne by the

⁹¹ Burgess (undated).

⁹² *BOPA Daily News*, "Forests policy to improve lives", 16 August 2007. Viewed at: <http://www.gov.bw/cgi-bin/news.cgi?d=20070816>.

⁹³ FAO (2005), p. 49.

Government (Chapter III(2)(v)(b)).⁹⁴ The last notification on domestic support, submitted by the Government to the WTO Committee on Agriculture, dates from 1997.⁹⁵

166. Despite high levels of government support to the sector, most development programmes and projects to achieve agricultural policy objectives have had limited success.⁹⁶ According to the authorities, contributing factors include inadequate extension services, slow adoption of modern technology, and lack of inputs and machinery. The Arable Land Development Programme (ALDEP) was terminated because it failed to have a positive impact on national food security.⁹⁷ In its place, the Integrated Support Programme for Arable Agricultural Development (ISPAAD) was launched in 2008; it provides subsidized services and inputs to farmers, such as ploughing and planting services, seeds, fertilizer, seasonal loans, and fencing.⁹⁸ ISPAAD aims, *inter alia*, to increase national grain production, to commercialize agriculture through mechanization, and to promote food security.

167. The National Master Plan for Arable Agriculture and Dairy Development (NAMPAADD), launched in 2003, envisages a shift from a "welfare-oriented" approach towards a "business-oriented" approach, with less focus on subsidies and better targeting of farmers and support services. NAMPAAD involves the establishment of pilot demonstration and training farms for rainfed farming (at Ramatlabama); horticulture (in Dikabeya near Palapye); use of waste water for irrigation (Glen Valley in Gaborone); and dairy farming (Sunny Side near Lobatse).⁹⁹ The objective is to attract more farmers to commercial farming and increase productivity and output of milk, cereals, and fruits and vegetables.

168. The Young Farmers Fund was established in February 2007 by the Citizen Entrepreneurial Development Agency (CEDA) with a starting capital of P50 million. The fund seeks to draw young people to arable and pastoral farming (Botswana has a College of Agriculture at Gaborone) and to combat high unemployment among the youth. The fund provides access to concessional loans, and entrepreneurial training (Chapter III(4)(i)).¹⁰⁰ CEDA also provides working capital for farmers in arable agriculture, at 5% interest for up to 12 months (Arable Seasonal Loans, Ipelege). Under the Agricultural Credit Guarantee Scheme (ACGS), the Government provides credit guarantees, in the event of a drought, for input loans to small and medium-sized farmers in arable rainfed agriculture.

169. The Botswana Agricultural Marketing Board (BAMB), a parastatal, was established in 1974 to market the main staple foods and to manage Botswana's grain reserves for food security purposes. BAMB handles grains (sorghum, maize, and millets), oilseeds (sunflower seeds, and groundnuts) and pulses/beans (cowpeas, beans, and peas). It is required by law to purchase all designated (scheduled) products offered to it from local producers, and ensure that adequate supplies exist for sale to consumers at "reasonable" prices. As the buyer of last resort, BAMB is authorized to establish minimum guaranteed producer prices and receives government funds to stabilize producer prices and

⁹⁴ Mapitse (2008).

⁹⁵ WTO document G/AG/N/BWA/5, dated 15 April 1997.

⁹⁶ Ministry of Agriculture (undated).

⁹⁷ ALDEP provided poor farmers in rain-fed agriculture with animal draft power, fencing, water catchment tanks, and fertilizer.

⁹⁸ *Botswana Gazette*, "ALDEP Replaced With ISPAAD", 8 August 2008. Viewed at: <http://www.gazettebw.com/business/aldep-replaced-with-ispaad.html>.

⁹⁹ Other ongoing programmes include the Emergency Plant Protection Programme; the Livestock Management Infrastructure Development Project (LIMID); the Livestock Water Development Programme; and the Services to Livestock Owners in Communal Areas Programme.

¹⁰⁰ Citizens between 18 and 35 (or wholly citizen-owned companies engaged in agriculture with a director aged 18-35) are eligible under the fund. Loans of up to P 150,000 are subject to 5% interest over five years; loans above P 150,000 attract 7.5% interest with a repayment period of up to seven years. Loans are for a maximum of P 2 million. In 2007, 78 projects worth P 29.1 million were approved.

incomes (Stabilisation Fund).¹⁰¹ The producer prices set by the marketing board are based on import parity prices, using the prices of the South African Futures Exchange as a benchmark.

170. The marketing board no longer holds a monopoly over imports and exports of designated products. Private traders are authorized to import grains in competition with BAMB, subject to a permit for imports from all origins, including other SACU members. Import permits are granted on request by the Ministry of Agriculture. However, import restrictions are imposed from time to time, to protect local producers.¹⁰²

171. In response to the global food crisis, the strategic grain reserve for national food security purposes was increased in 2008 from 10,000 tonnes to 70,000 tonnes (comprising 30,000 tonnes of sorghum, 30,000 tonnes of maize, and 10,000 tonnes of beans), estimated to cover Botswana's sorghum and maize needs for eight months and 2.5 months, respectively. Furthermore, the marketing board acts as a one-stop shop for agricultural services (packaging, processing, and marketing of local produce), and inputs (fertilizers, seeds, pesticides, and packaging materials); it is among the parastatals earmarked for privatization.

(iii) Beef industry

172. Cattle production is the main activity, by far, in Botswana's agriculture.¹⁰³ However, the cattle and beef industry is bedset by low productivity. It is also one of the most heavily protected subsectors in the economy. A study on the long-term viability of the subsector, commissioned by the Government, has identified areas for reform, including the incentive structure, the land tenure system, liberalization of markets, and the export monopoly of the Botswana Meat Commission (BMC).¹⁰⁴ Tariffs for meat products average 17.4% ranging up to 43.7% (Main Report, Table AIII.2)

173. The national cattle herd has declined to about 2.5 million head, well below its peak of 3 million animals in the early 1980s. The main breeds are the native Tswana and Tuli breeds but the national herd is highly cross-bred with other African, Asian (e.g. Brahman), and European breeds to improve cattle productivity. The great majority of cattle is raised in traditional communal systems under extensive grazing systems; less than 30% of the national herd is raised in commercial systems. The Ministry of Agriculture plans to promote feedlot production, with the aim of increasing the low through-put (slaughter numbers) of the BMC. However, a viable feedlot system would require, *inter alia*, considerable investment in livestock transport and increased feed production/imports.¹⁰⁵

174. The main actors in the livestock and meat marketing system are the BMC, municipal abattoirs, private slaughterhouses, and local butchers. The BMC abattoirs are required by law to accept all cattle sent by farmers, even underweight cattle, which results in inefficiencies in the slaughter process. BMC has significant excess capacity because of low slaughter rates/weights. It has regained profitability in recent years (2005-08) following restructuring, but it also relied on substantial government support in 2006.¹⁰⁶

¹⁰¹ BOPA Daily News, "Ministry increased food reserves", 6 August 2008. Viewed at: <http://www.gov.bw/cgi-bin/news.cgi?d=20080806>.

¹⁰² Botswana Agricultural Marketing Board (undated).

¹⁰³ Cattle production is estimated at 70-80% of agricultural GDP (Botswana Export Development and Investment Authority, undated, p. 15).

¹⁰⁴ Republic of Botswana (2007).

¹⁰⁵ Botswana Export Development and Investment Authority (undated).

¹⁰⁶ BOPA Daily News, "BMC records P17m operating profit", 18 April 2008. Viewed at: <http://www.gov.bw/cgi-bin/news.cgi?d=20080418>.

175. The BMC continues to hold a statutory export monopoly for meat, canned meat, and live cattle under the Botswana Meat Commission Act of 1966. The Act is being reviewed with the aim of, *inter alia*, removing BMC's single buyer status of cattle destined for beef export. The BMC is also required to maintain a "stabilization reserve" to stabilize cattle prices paid to producers, and a "development reserve" for capital expenditures.

176. BMC's pricing system has been adjusted towards export parity pricing based on South African prices (South African Red Meat Abbatoirs Association prices), which are published weekly. In the past, the beef grading system favoured grass-fed (lean tender meat) over grain-fed cattle from feedlots. In 2006, the BMC introduced a new prime grade paid at export parity price, aimed at stimulating feedlot production.¹⁰⁷ Export parity pricing was extended to most grades in 2007.¹⁰⁸

177. The beef industry is highly export-oriented (around 85% of beef production) but is a minor player on the world market (less than 1% world-market share). Beef exports amounted to 18,955 tonnes in 2008 (Table AIV.1), of which 12,921 were boneless beef and veal. The United Kingdom is the main export market, followed by South Africa, and Norway.

178. The beef industry has not capitalized on substantial preferential access in the EC market: on average, only 60-75% of Botswana's annual tariff quota allocation (of 18,916 tonnes) under the Beef Protocol of the Cotonou Agreement were filled. Under the interim (EPA) agreement between Botswana and the EC, shipments to the EC benefit from increased preferences in the form of duty- and quota-free access.

179. Beef exports are highly dependent on the control of foot-and-mouth disease (FMD). Botswana's FMD control policy is based on strict border controls, quarantine, vaccination in high-risk areas, and zoning of areas (regionalization) with different risk levels (Chapter III(2)(v)). Cattle vaccination is subsidized. Botswana has an FMD contingency plan for stakeholders involved in the control of the disease; and an Animal and Animal Products Movement Protocol for extension officers and the general public (suspended during FMD outbreaks).¹⁰⁹ According to the BMC, the economic threat of FMD is increasing. Several disease-control zones were lost for export in recent years because of outbreaks of FMD.¹¹⁰

180. The Botswana Vaccine Institute (BVI) produces vaccines for various diseases and serves as a regional reference laboratory for Southern African types of FMD. Currently about 80% of its vaccines are exported.¹¹¹ The institute is a candidate for privatization (Chapter III(4)(ii)).

181. Botswana has implemented the Livestock Identification and Traceback System (LITS) since 2000; this has helped to improve cattle data collection and to meet beef export-market requirements. The system has been mandatory since April 2005.

(3) MINING

182. The mining sector is the backbone of the economy. Botswana is the world's largest producer (in value) and exporter of diamonds, which contribute about 30% to GDP. Foreign direct investment

¹⁰⁷ *BOPA Daily News*, "MoA reviews production-affecting laws", 14 March 2007. Viewed at: <http://www.gov.bw/cgi-bin/news.cgi?d=20070314>.

¹⁰⁸ Botswana Meat Commission (2008), p. 10.

¹⁰⁹ Mapitse (2008).

¹¹⁰ Botswana Meat Commission (2008), p. 10.

¹¹¹ *BOPA Daily News*, "FMD major constraint for farmers", 22 June 2007. Viewed at: <http://www.gov.bw/cgi-bin/news.cgi?d=20070622>.

in Botswana is concentrated in the capital-intensive mining sector (57% of the FDI stock at the end of 2007).¹¹² Most investment is by Debswana Diamond Company Pty Ltd. (Debswana), a 50:50 joint venture of De Beers and the Government of Botswana. Botswana also produces nickel, copper, and cobalt (in matte), coal, soda ash, salt, and small amounts of gold (Table IV.2). Most minerals are exported.

Table IV.2
Mineral production, 2003-08

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Diamonds | | | | | | |
| Production ('000 carats) | 30,371 | 31,037 | 31,900 | 34,293 | 33,639 | 32,595 |
| Exports (US\$ million) | 2,387.7 | 2,815.4 | 3,324.6 | 3,412.9 | 3,359.2 | 3,271.6 |
| Copper-nickel matte | | | | | | |
| Production (tonnes) | 51,983 | 44,140 | 50,386 | 52,206 | 49,475 | 52,422 |
| Value (P '000) | 1,052,264 | 1,222,951 | 1,675,786 | 3,799,393 | 5,090,841 | 3,596,049 |
| Exports (US\$ million) | 143.9 | 340.7 | 460.8 | 650.3 | 904.7 | 790.4 |
| Soda ash | | | | | | |
| Production (tonnes) | 234,520 | 264,695 | 263,692 | 238,942 | 279,625 | 263,566 |
| Value (P '000) | 173,780 | 218,375 | 217,545 | 234,163 | 349,810 | 329,721 |
| Exports (US\$ million) | 46.5 | 53.5 | 64.7 | 79.9 | 77.3 | 74.4 |
| Salt | | | | | | |
| Production (tonnes) | 229,432 | 216,745 | 181,432 | 206,033 | 165,710 | 170,994 |
| Value (P '000) | 47,264 | 45,950 | 38,464 | 55,423 | 51,537 | 53,179 |
| Exports (US\$ million) | .. | .. | .. | .. | .. | .. |
| Coal | | | | | | |
| Production (tonnes) | 822,780 | 910,968 | 894,739 | 897,396 | 828,164 | 909,511 |
| Value (P '000) | 25,919 | 28,695 | 28,185 | 48,309 | 44,582 | 45,959 |
| Exports (US\$ million) | .. | .. | .. | .. | .. | .. |
| Gold | | | | | | |
| Production (kg) | .. | .. | .. | 2,613 | 2,656 | 3,176 |
| Value (P '000) | .. | .. | .. | 288,673 | 359,964 | 567,655 |
| Exports (US\$ million) | .. | .. | 35.5 | 34.5 | 38.1 | 54.6 |

.. Not available.

Source: Bank of Botswana (2009), *Annual Report 2008*.

183. The Ministry of Minerals, Energy, and Water Resources is responsible for mineral policy. The main objectives are to encourage prospecting and new mine development; to increase local value-added by diversifying into cutting and polishing of diamonds; and the creation of employment and training opportunities.

184. The legal framework for mining operations is based on the Mines and Minerals Act of 1999, which provides, *inter alia*, for prospecting licences, retention licences, mining licences, and mineral permits for small-scale mining operations.¹¹³ Retention licences allow prospectors to defer mining of uneconomic deposits for up to six years. Except for diamonds, the legislation provides for automatic progression from exploration to mining. Mining licences are issued only to Botswana-registered companies. Licence applicants must show proof of technical competence and access to adequate financial resources.

¹¹² Bank of Botswana (2009), p. 87.

¹¹³ Annual licence fees are: prospecting – P 5.00 per km², a minimum of P 500 for industrial minerals and P 1,000 for all other minerals; retention licences – P 5,000 per km² for the first year, increasing annually by P 5,000 per km² for the second and subsequent years; mining licences or mineral permits – P 100 per km².

185. The tax regime and level of state participation in diamond mining are subject to negotiation between the Government and the investor. Non-diamond mining companies are subject to the standard tax rate of 25%. The legislated royalties are 10% of the gross market value for precious stones, petroleum, and natural gas; 5% for precious metals; and 3% for all other minerals. Mineral revenues, the main source of government receipts, rose from P 8,163 billion (58% of total tax revenue) in 2003/04 to P 12,334 billion (43%) in 2007/08.¹¹⁴ The main revenue components are dividends (77% in 2007/08) and royalties (21%) from diamond mining.¹¹⁵

186. Tariffs on imports of mining and quarrying products average 0.8%, ranging from zero to 10% (Main Report, Table AIII.2).

(i) Diamonds

187. Debswana is the world's largest diamond mining company (by value). It is Botswana's largest private-sector employer (6,500 in 2006) and provides about 70% of the country's export revenues and 50% of tax revenues. It is part of the family of companies of De Beers S.A.¹¹⁶ Debswana operates four diamond mines, all open-pit mines, at Orapa, Letlhakane, Jwaneng, and Damtshaa. Debswana's mining licences were renewed in August 2004 for a further 25 years. There are no legislated restrictions prohibiting other companies from mining and marketing diamonds. The company Diamond Ex Botswana is to start production near Lerala (targeting a production of 330,000 carat per year). Other companies are exploring for diamonds.

188. Historically, Debswana's entire output of diamonds was sold through De Beers' marketing arm, the Diamond Trading Company (DTC), an international cartel based in London.¹¹⁷ Diamonds are sold in parcels at DTC's "sights" or sales weeks held ten times a year, to a hand-picked group of clients (sightholders).

189. In 2006, DTC Botswana was established as a 50:50 joint venture between De Beers and Botswana, with the objective, *inter alia*, of making diamonds available for sale in Botswana for local manufacturing. This is part of De Beers' local "benefication" strategy to generate greater benefits in diamond-producing countries through the development of downstream activities in the diamond industry, ranging from sorting and valuing diamonds, cutting and polishing, to the manufacture of jewellery.¹¹⁸ In addition, it is hoped that DTC Botswana will stimulate ancillary activities, such as banking, security and IT. As of November 2007, 16 diamond manufacturing companies (sightholders of DTC Botswana) had been licensed in Botswana. DTC Botswana expects to sell diamonds worth at least US\$500 million by 2010 to local sightholders. Though Botswana has not yet adopted a competition law, the structure and some of the practices of the diamond trade, such as exclusive sales, and pricing arrangements, may not be conducive to a competitive market place.

190. The global economic crisis has begun to affect diamond production in Botswana. International diamond sales depend heavily on demand in the United States, where about 50% of the world's diamonds are purchased. De Beers is known for managing the supply of diamonds to align it with demand, including export quotas, stockpiling of diamonds, and mine closures. Moreover, it

¹¹⁴ Bank of Botswana (2009), p. S-95.

¹¹⁵ Department of Mines (2008).

¹¹⁶ De Beers SA is owned by Anglo American (45%), Central Holdings (40% – representing the Oppenheimer family), and Botswana (15%); its head office is in Luxembourg.

¹¹⁷ According to De Beers, the syndicate markets about 40% of the world's supply of rough diamonds. De Beers' sales of rough diamonds amounted to US\$5.9 billion in 2008 (See De Beers, undated).

¹¹⁸ Diamond sorting and valuation have traditionally been carried out by the Botswana Diamond Valuation Company, a subsidiary of Debswana; these functions have been transferred to DTC Botswana.

would appear that the supply management is facilitated through the United Nations' Kimberley Process International Certification System, aimed at regulating international trade in rough diamonds (Chapter III(3)(ii). Temporary closures of all Debswana mines took effect from end-February to mid-April 2009, except for the Damtshaa Mine and the Orapa No. 2, which may remain closed for the remainder of 2009. Nonetheless, De Beers maintains that the long-term market fundamentals remain promising for diamond producers, as global demand is expected to grow, while known reserves of diamonds are shrinking.¹¹⁹

(ii) Other minerals

191. Nickel and copper production has performed well in recent years, largely on account of buoyant prices for base metals on the international markets. However, international commodity prices collapsed in the fourth quarter of 2008, adversely affecting Botswana's mineral exports.

192. The Government has a stake in the two copper-nickel mining companies (BCL Ltd. and Tati Nickel Mining Company Ltd.).¹²⁰ BCL mines and smelts copper-nickel matte for refining in Norway, Zimbabwe, and other countries. It is the second largest private-sector employer with a labour force of over 5,000; it also accounts for about 20% of electricity usage in Botswana. The BCL mine has survived on government emergency funding for several years. Tati Nickel exploits copper and nickel at Phoenix and Selkirk. The BCL mine and Tati Nickel are projected to operate until 2013.

193. The Botswana Ash company (a joint venture 50% owned by the Government) mines soda ash and salt at Sua Pan. Its future depends heavily on exports to South Africa, which face strong competition from U.S. exports. The Government is exploring opportunities for further processing the salt and soda ash resources, for example, by establishing a local glass works. Botswana has large coal deposits, which are exploited at Morupule by Morupula Colliery Ltd. (a subsidiary of Debswana), mainly for domestic electricity generation. A coal washing plant is under construction to enhance the calorific value and efficiency of coal, for use as charcoal feedstock in the alloy and plastic industries.

(4) ENERGY

194. Botswana has limited energy resources and is dependent on imports, mainly electricity and petroleum products. Households also rely on fuel wood as a source of energy. Energy policy objectives are to promote alternative sources of energy in an environmentally friendly and sustainable way, such as clean (washed) coal, gas (methane from coal beds), electricity, and solar power. The Ministry of Minerals, Energy and Water Resources (Energy Affairs Division) formulates and coordinates national energy policies. The Ministries of Local Government and Education Skills Development are responsible for the off-grid power supply in rural areas, as well as installation and maintenance of solar-energy equipment in government institutions.

(i) Electricity

195. The state-owned national electricity utility, Botswana Power Corporation (BPC), operates under the oversight of the Ministry of Minerals, Energy and Water Resources. It has a monopoly over generation, transmission, distribution, and importation of electricity under the Botswana Power Corporations Act of 1971. The Electricity Supply Act was amended in February 2008 to allow, *inter alia*, the participation of independent power producers (IPPs) in Botswana's electricity industry.

¹¹⁹ De Beers (undated).

¹²⁰ The state of Botswana is the majority shareholder of BCL, and holds a 15% stake in Tati Nickel Mining Company; 85% is owned by Norilsk Nickel, Russia's largest mining company.

196. The BPC is a member of the Southern African Power Pool (SAPP), which is made up of the power utilities of 12 SADC member countries. IPPs and independent transmission companies are also permitted to join the SAPP. One of SAPP's objectives is to develop an inter-connected and competitive electricity market for Southern Africa. The first step towards a regional electricity exchange was the establishment of STEM in 2001, whereby electricity contracts are traded daily for delivery the following day. However, the trade volume has declined in recent years, to about 200 GW annually during 2006-07. The SAPP is in the process of establishing a day-ahead market (DAM) trading platform to operate as an organized electricity exchange for spot and forward deliveries. The main challenge for the SAPP lies in tight electricity supplies in the SADC region, which has already led to temporary power shortages in South Africa, as well as Botswana.

197. More than 80% of Botswana's electricity is imported, mostly under long-term supply contracts. In January 2008, the BPC renewed a five-year power purchase agreement with Eskom of South Africa: annual deliveries are reduced from 410 MW so far, to 350 MW during 2008-09; 250 MW in 2010, and 150 MW annually during 2011-12. BPC also has supply agreements with utilities in Mozambique. In addition, some imports are sourced from the Short-Term Energy Market (STEM) of the Southern African Power Pool (SAPP). Imports of electrical energy are duty-free (Main Report, Table AIII.2).

198. Less than 20% of domestic electricity requirements are met from BPC's Morupule power station, which is fired mainly with (low-quality) domestic coal but also imported coal. Its capacity is 120 MW, compared with national peak demand of 530 MW. No new electricity generation projects were commissioned in Botswana during 2004-06, but additional generation capacity of 600 MW is expected to come on-stream by 2010 from the expanded Morupule power station (Morupule Power Station Generation Expansion project at an estimated cost of US\$1.2 billion).

199. The Mmamabula Energy Project is designed as an export-oriented power station to provide some 1,200 MW. The investor, Canada's CIC Energy Corp., is to start operations in 2013 as an IPP. BPC is to absorb some portion of electricity production, while the main share is to be supplied to Eskom's nearest power station at some 90 km away (minimizing the cost of linking up with South Africa's transmission network). The project integrates an industrial complex, consisting of a new coal mine at the Mmamabula coal field, and a coal-to-hydrocarbons plant, which will convert some of the coal to fuels and petrochemicals.

200. The Government regulates electricity tariffs. Under the BPC Act, the corporation is required to conduct its business on a sound commercial basis. The Minister must approve increases. The average selling price was P 31.73 per kWh in 2008, compared with P 28.7 per kWh in 2007 and P 26.3 per kWh in 2006. Tariffs were last increased in April 2008 by 14% for commercial users and 9% for consumers (Table IV.3). Cross-subsidies exist between urban and rural consumers.

201. The mining industry, the largest consumer of electricity, accounts for 31% of consumption, followed by households (29%), commercial users (26%), and the Government (14%). The rural electrification programme, targeting 14 villages per year, is part of the Government's programme to alleviate poverty; access to electricity in rural areas is estimated at 52% (as of October 2008).

Table IV.3
Electricity tariffs^a, 2009

| | Fixed charge (P/month) | Energy charge (P/kWh) | Demand charge ^b (P/kW/month) |
|--------------------|---------------------------|--------------------------|--|
| Domestic consumers | 11.11 | 0.4000 | - |
| Small business | 29.74 | 0.4579 | - |
| Medium business | 29.74 | 0.2348 | 56.21 |
| Large business | 29.74 | 0.2117 | 52.91 |
| Government | 29.74 | 0.5935 | - |
| Water pumping | 29.74 | 0.4669 | - |

- Nil.

a Effective from 1 April 2008.

b The demand charge is calculated on the basis of the actual demand or 90% of the peak demand recorded in the previous 12 months, whichever is greater.

Source: Botswana Power Corporation (undated), "Public Notice: Electricity tariff increase". Viewed at: <http://www.bpc.bw/BPCTariffincreasead.pdf> [1 April 2009].

(ii) Petroleum and gas

202. All petroleum products are imported via railway from South Africa (Botswana is not linked up with any oil pipeline).¹²¹ The Government maintains strategic reserve stocks of petroleum products, aimed at covering at least 23 days of consumption; there are plans to increase reserves to 60 days of consumption by 2020. Importation, storage, and distribution of petroleum products are carried out by the private sector. Petroleum products are used mainly for transport, mining, electricity generators, and cooking. Tariffs on petroleum products average 3.8% ranging up to 20% (Main Report, Table AIII.2).

203. The Ministry of Minerals, Energy and Water Resources, in conjunction with the Ministry of Trade and Industry, controls retail prices of petrol, diesel, and paraffin, along with profit margins (Control of Goods Prices and Other Charges Act). Domestic retail prices are based on the imported cost plus local taxes and levies, and the industry and dealer margins (Chapter III(2)(iii)(b)). The Government believes that such controls are needed to safeguard consumers against unscrupulous pricing by the limited number of suppliers.

(5) MANUFACTURING

(i) Overview

204. Botswana has a relatively small manufacturing sector (3.8% of GDP in 2008, Table I.1). The degree of diversification is low; the food and beverages, textiles and clothing, and automobile industries dominate the sector.

205. The current Industrial Development Policy, dating from 1998, signalled a shift from import substitution objectives to an export-led growth strategy.¹²² Over the last decade investors have favoured export-oriented industries, such as textiles and clothing, because of the small size of the domestic market.¹²³ In line with its objective of economic diversification towards non-mining activities, the Government has pursued the goal of expanding the industrial base and developing local entrepreneurship. Key priorities are productivity enhancement through education, training, and

¹²¹ Currently there is no industrial use of natural gas in Botswana.

¹²² Republic of Botswana (1998).

¹²³ Botswana Export Development and Investment Authority (undated), p. 50.

modern technology, so as to expand efficient export industries. The Government is also seeking to stimulate local entrepreneurship through reserved manufacturing activities (Table II.3) and reservation schemes under its government procurement policy (Chapter III(2)(vi)).

206. The Ministry of Trade and Industry (Department of Industrial Affairs) is responsible for industrial policy. The interests of the private sector and parastatals are represented by the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) and the Botswana Exporters and Manufacturing Association (BEMA).

207. Botswana has high unemployment (17.5% in 2005/06), reflecting in part its dependence on mining (capital-intensive) and beef (land-intensive). To create more employment opportunities, the Industrial Development Policy puts emphasis on the support of small, medium, and micro enterprises (SMMEs). The Local Enterprise Authority (LEA), funded by the Government, provides training and advisory services to SMME's, including on government procurement opportunities. Support for entrepreneurial development is also provided by the Ministry of Industry and Trade (Department of Industrial Affairs) and the Citizen Entrepreneurial Development Agency (CEDA) (Chapter III(4)(i)).

208. The main financing institution for industrial development (but also for agriculture, commerce, and tourism) is the Botswana Development Corporation, followed by the National Development Bank, and CEDA.¹²⁴

209. Overall, Botswana's economy lacks significant technological capabilities. The mandate of the government-funded Botswana Technology Centre (BOTEC) is to foster industrial and scientific development through research and technology innovation in collaboration with the private sector. The Rural Industries Promotion Company (RIPCO) promotes industrial development and employment in rural areas by assisting in the dissemination of technology. The Botswana National Productivity Centre (BNPC) acts as facilitator of productivity/quality know-how and methods.

210. Tariffs on manufactured goods average 8.5%; *ad valorem* duties generally range up to 96% (Main Report, Table AIII.2).

(ii) Main industries

(a) Textiles industry

211. The textiles industry has developed through preferential access in overseas markets, with substantial subsidies and other incentives. In August 2001, Botswana became eligible for the benefits of the U.S. AGOA initiative, which has greatly benefited the apparel industry.¹²⁵ Nine Botswana firms exported to the United States in 2007, mostly knitwear, T-shirt, pants, tracksuits, and sportswear. Total textiles exports increased from US\$34.5 million in 2000 to US\$263.4 million in 2007 (mainly knitted and crocheted fabrics, and apparel).

212. The industry has been struggling with a lack of competitiveness due to low productivity.¹²⁶ The main subsidy, the Financial Assistance Policy (FAP), was eliminated in 2001.¹²⁷ The Duty Credit

¹²⁴ The National Development Bank finances projects for up to 15 years. Interest rates range from the prime rate minus 2% margin, to the prime rate plus 4% margin (fixed or floating).

¹²⁵ As a result of the AGOA Acceleration Act of July 2004, duty-free and quota-free treatment is accorded to virtually all products exported by beneficiary sub-Saharan countries to the United States until 30 September 2015, subject to strict rules of origin.

¹²⁶ BIDPA and World Bank (2006).

Certificate Scheme, introduced in 1993, was aimed at encouraging exports of textiles and clothing (Annex 4, Chapter IV(3)(ii)). Only a few firms currently take advantage of this scheme.

213. While Botswana is a net exporter of textiles, its imports are significant (US\$95.4 million in 2007, mainly fabrics and apparel). Tariffs on textiles and clothing are amongst the highest in manufactured products, ranging up to 34.5% for clothing and 19.4% for textiles (Main Report, Table AIII.2).

214. In May 2008, "specialised dealer's" licences were abolished, to ensure that foreign traders do not engage in commercial activities reserved for citizens of Botswana, such as trade in clothing (Chapter III(2)(i)). It appears that the decision was targeted at small-scale foreign traders engaging in the clothing trade. According to the authorities, these traders are now granted a grace period of 24 months to rearrange their activities.

(b) Automobile industry

215. In the 1990s, the Government began assisting the development of an automobile industry, with the objective of broadening the manufacturing base and increasing Botswana's technological capabilities. The industry evolved behind high levels of tariff protection in the SACU market, and with the help of subsidy programmes: the Motor Industry Development Programme, and the now-terminated Financial Assistance Programme (Annex 4, Chapter IV(3)(i)). However, Botswana's motor-vehicle industry experienced a set back in 2000 when Hyundai motor plant, which assembled imported semi-knocked down (SKD) kits, mainly for export to South Africa, closed. Two automotive companies remain in business (Harness Manufacturing Botswana, and Twana Bus Builders).

216. Botswana is a net-importer of automotive vehicles (imports of US\$433.3 million and exports of US\$22.7 million in 2007). Exports of vehicles (including accessories and parts), which had increased strongly during 1996-00, fell sharply when the Hyundai assembly plant was shut down. Exports recovered somewhat until 2005, as Volvo established in Botswana. In July 2005, Volvo relocated to South Africa, resulting in a drop in exports (Table AI.1).

217. Import tariffs on motor vehicles average 12.5% (Main Report, Table AIII.2). Imported second-hand cars, amongst other products, may be faced with stricter import inspection rules under the Standards (Import Inspection) Regulations, implemented as of 1 April 2009 (Chapter III(2)(v)).¹²⁸

(6) SERVICES

218. Services (including construction) accounted for 51.4% of Botswana's GDP in 2008 (in constant prices), compared with 46.5% in 2003 (Table I.1). Botswana lacks an explicit trade in services policy or detailed plan to develop trade in services, although some ministries have sectoral policies. However, Vision 2016 identified some specific services sectors to be promoted: tourism; transport; information services; and banking and financial services.¹²⁹

219. Botswana has made minimal commitments on services under the General Agreement on Trade in Services (GATS). The commitments cover some 19 service subsectors, mainly a few

¹²⁷ Under the FAP, the Government granted, *inter alia*, subsidies to investors for wages, training, and fixed assets for a period of five years.

¹²⁸ Trade Law Centre of Southern Africa online information, "Botswana to implement anti-dumping regulation", 11 March 2009. Viewed at: http://www.tralac.org/cgi%2Dbin/giga.cgi?cmd=cause_dir_news_item&news_id=62413&cause_id=1694.

¹²⁹ Presidential Task Group for a Long Term Vision for Botswana (1997).

professional business services; computer and related services; research and development; real estate services; courier services; and tourism and travel-related services.¹³⁰ It has generally made no commitments on cross-border trade, requiring in some instances that the service be supplied through commercial presence by a supplier who meets all residency requirements (e.g. real estate services). Botswana did not participate in the extended GATS negotiations on basic telecommunications (Fourth Protocol), nor on financial services (Fifth Protocol). In the DDA negotiations, Botswana has not so far tabled a services offer.

(i) Financial services

220. Botswana has a relatively open and stable banking subsector. The Government has established an International Financial Services Centre with the aim of promoting cross-border financial services, notably insurance services. An international insurance law was adopted in 2005, which is one of the first of its kind in Africa. Private institutions dominate the financial industry. The main parastatals are the Botswana Development Corporation (the main development finance institution), the Botswana Savings Bank, the Botswana Building Society, and the National Development Bank.

221. Botswana's regulatory framework for financial services has been consolidated. The Non-Bank Financial Institutions Regulatory Authority Act of 2006 brings the supervision of all non-bank financial institutions and services, including those registered under the International Financial Services Centre (IFSC), under one regulatory authority. The new authority, established in April 2008, also fills a gap in Botswana's supervisory infrastructure, in areas where prudential supervision has been weak or ineffective, such as asset fund management, investment advisory services or money lending.¹³¹ Commercial, merchant banks, as well as banks accredited by the IFSC, continue to be prudentially regulated by the Bank of Botswana.¹³²

(a) Banking

222. Botswana had seven commercial banks and one merchant/investment bank at the end of 2008.¹³³ The top four commercial banks (Barclays Bank of Botswana, Standard Chartered Bank of Botswana, Stanbic Bank of Botswana, and First National Bank of Botswana) account for about 95% of total bank assets. Botswana's banking subsector has been highly profitable, with average returns on equity of around 40% in recent years. The spread between (prime) lending and savings rates has been within the range of 8.5-10% in recent years. Despite the subsector's high level of profitability and rapid growth, it remains relatively small for the size of the economy: total assets of commercial banks amounted to P 43.8 billion at end 2008, equal to about half of GDP.¹³⁴ The customer base is small, with viable commercial banking limited mainly to the urban areas and larger villages.

¹³⁰ WTO document GATS/SC/109, 30 August 1995. Botswana has not scheduled any MFN exemptions.

¹³¹ An overview of the legal and regulatory framework of Botswana's financial services can be found in Bank of Botswana (2008), p. 137.

¹³² Botswana has, *inter alia*, adopted the Proceeds of Serious Crime Act, and the Corruption and Economic Crime Act, and is a signatory of several international conventions to combat money laundering and financing of terrorism.

¹³³ The African Banking Corporation specializes in structured trade finance, treasury operations, and investment banking (Bank of Botswana, 2008).

¹³⁴ Bank of Botswana (2009).

223. The Bank of Botswana is in the process of implementing the Basel II Capital Requirements Directive. Table IV.4 shows selected prudential indicators of the performance of Botswana's banks compared to international standards. Botswana does not yet have a deposit insurance scheme.

Table IV.4
Financial soundness and prudential standards of licensed banks, 2003-08^a
(Per cent)

| Financial soundness indicators | Prudential standards | 2003 | 2004 | 2005 | 2006 | Range | |
|--|----------------------|------|------|------|------|-----------|-----------|
| | | | | | | 2007 | 2008 |
| Capital adequacy | ≥ 15 | 19 | 17 | 17 | 17 | 15.2-36.9 | 15.8-32.5 |
| Liquid asset ratio | ≥ 10 | 26 | 30 | 38 | 57 | 22.0-63.0 | 30.7-56.2 |
| Profitability (return on assets) | Positive | 4 | 4 | 4 | 4 | 0.6-4.6 | 1.0-8.1 |
| Profitability (return on equity) | Positive | 42 | 45 | 53 | 57 | 6.2-66.0 | 12.9-57.2 |
| Asset quality (non-performing loans/total loans) | ≥ 2.5 | 5 | 5 | 5 | 6 | 2.2-27.1 | 2.3-17.9 |
| Intermediation (advances/deposits) | ≥ 50 | 70 | 71 | 67 | 45 | 32.3-81.2 | 37.0-77.1 |

a The figures are generated from the quarterly returns submitted by banks; they represent the average for all registered banks.

Source: Bank of Botswana (2009), *Annual Report 2008*.

224. Five types of financial institutions are licensed under the Banking Act of 1995: commercial banks, discount houses, credit institutions, investment/merchant banks, and representative offices (branches of foreign banks); each is subject to a restricted set of activities (without discrimination between domestic and foreign service providers). Banks may not undertake non-bank financial activities, either directly or indirectly. Minimum capital requirements for commercial/investment banks are P 5 million, or 8% of the risk-weighted assets/other risk-weighted exposures of the bank, whichever is greater (Banking Regulations of 1995).

225. Entry of foreign banks is largely unrestricted: all banks have substantial foreign ownership. The aim is to facilitate the entry of new banks in order to promote competition and efficiency within the subsector, and to stimulate the process of financial intermediation. The licensing decision depends on whether a prospective new bank is sufficiently capitalized, and has access to the necessary skills and resources to ensure a sound banking operation. Licensing of foreign subsidiaries is subject to prior approval from the supervisory authority in the bank's home country but the Bank of Botswana does not impose reciprocity requirements.¹³⁵

226. There are no limitations regarding market access, such as on the number of foreign banks, maximum foreign equity participation, or the number of foreign nationals that can be employed (though the Employment of Non-citizens Act requires a valid work permit for non-citizens). Foreign banks must operate as locally incorporated subsidiaries, while foreign bank branches are not permitted to engage in traditional financial intermediation.¹³⁶ For prudential reasons, foreign and domestic banks are restricted to holding equity not exceeding 25% in non-financial firms.

227. The Botswana International Financial Services Centre (IFSC), a subsidiary of the state-owned Botswana Development Corporation, was established in 2003 to develop cross-border financial

¹³⁵ Domestic banks are prohibited from establishing subsidiaries, branches or representative offices outside Botswana, without the prior written approval of the Bank of Botswana (Section 9 of the Banking Act 1995).

¹³⁶ Activities are restricted to advertising, marketing, and promotion on behalf of the parent bank, and agency services facilitating transactions between domestic entities and the foreign parent bank.

services. The services must be provided for clients outside Botswana and in foreign currencies.¹³⁷ Incentives for companies operating within the IFSC include a corporate tax rate of 15% guaranteed until 2020, exemption from domestic capital gains and withholding taxes; tax exemption for collective investment undertakings; and access to Botswana's network of double taxation treaties. Applicants are screened by the Bank of Botswana: at end 2008, 45 IFSC companies with a total capital of P 4.1 billion had been licensed by the Central Bank; three IFSC companies provide cross-border banking services.

(b) Insurance and other financial services

228. The insurance subsector comprises 15 insurers (life and non-life), many of which are wholly foreign owned (mainly South African) and three of which are joint ventures with local companies. In addition, there are 35 registered insurance brokerage firms, 114 corporate agents (the majority of which are foreign owned), and 616 individual agents.¹³⁸ Botswana Insurance Holding Limited (via Botswana Life Insurance Limited and Botswana Insurance Fund Management Limited) dominates the market segments of life insurance and asset management. Total assets of the insurance industry amounted to approximately P 12.3 billion at end-December 2007 (compared with P 9.4 billion one year earlier).

229. Domestic insurance services are governed by the Insurance Industry Act of 1987, while offshore insurance services are subject to the International Insurance Act of 2005. Supervision and licensing of insurance companies have been transferred from the Ministry of Finance and Development Planning to the Non-Bank Financial Institutions Regulatory Authority.

230. According to the Insurance Industry Act, only resident registered insurers and officers can be licensed.¹³⁹ Branches of foreign insurers are not permitted. Companies are prohibited from offering both general (short term) and life (long term) insurance. Foreign re-insurers are allowed to trade with Botswana registered insurers (under modes 1 and 2) without establishing locally. However, residents (including companies, but not insurers) require the regulator's written approval to buy insurance from overseas companies. Most reinsurance is placed overseas. The minimum capital requirement for insurers and re-insurers is P 2 million. Insurance premiums are market-driven; the regulator has authority to intervene but has not done so during the last decade. Insurers are required to seek clearance from the regulator to invest insurance funds abroad.

231. Licences for offshore insurance services, including re-insurance, are renewable annually. The premiums of international (re) insurers are not subject to approval by the regulator.

232. The Government operates an Employees Motor Vehicle Advance Scheme, and a Local Authorities Self Insurance Fund. Third-party motor vehicle injury is covered by the Motor Vehicles Accident (MVA) fund, which is funded, *inter alia*, through fuel levies (Chapter III(2)(iii)(b)). A portion, currently P 0.095 per litre, of petrol sold is transferred to the MVA fund, to compensate victims of motor vehicle accidents. Currently, only compulsory insurance in Botswana is workers compensation insurance.

¹³⁷ Offshore financial services include: banking and financing operations transacted in foreign currency; broking and trading of securities denominated in foreign currency; investment advice; management and custodial functions in relation to collective investment schemes; insurance and related activities; registrar and transfer agency services; exploitation of intellectual property; development and supply of computer software for use in the provision of the above services; and accounting and financial administration activities.

¹³⁸ te Velde and Cali (2007), p. 63; and Ministry of Finance and Development Planning (2008).

¹³⁹ According to the Act, the insurance industry comprises insurers, re-insurers, brokers, agents, insurance surveyors, and risk managers, loss assessors, loss adjusters, and claim settlement agents.

233. Prudential supervision of operators at the Botswana Stock Exchange (BSE), established in 1995, has been transferred to the Non-Bank Financial Institutions Regulatory Authority. There are four broking firms registered with the BSE (Capital Securities, Motswedi Securities, Stockbrokers Botswana, and African Alliance Botswana Securities) and 31 listed companies (20 local and 11 foreign). Equity capitalization stood at US\$ 41.8 billion at the end of 2008.¹⁴⁰ Listed companies represent a wide range of economic sectors, including banking, manufacturing, wholesale/retail, medical services, property, security services, mining, tourism, and information technology. Dual listings are permitted. The Central Securities Depository Company of Botswana Ltd., established in 2008, acts as the securities depository of the BSE.¹⁴¹

234. The Botswana Stock Exchange Act of 1994 is currently under review, to be replaced with a Securities Act, to align the legislative framework with international best practice. A pan-African commodities exchange (the Multi Commodities Exchange for Africa) was established at the IFSC in 2007; it trades in the major commodities produced in Africa.

(ii) Telecommunications and postal services

(a) Telecommunications

235. Liberalization of the telecommunications market began in 1996 following the adoption of the Telecommunications Policy of 1995 and enactment of the Telecommunications Act (Act No. 15 of 1996), which abolished the *de jure* monopoly of Botswana Telecommunications Corporation (BTC) in some segments of the market and established the independent regulator, the Botswana Telecommunications Authority (BTA). The Government plans to consolidate the legal framework for telecommunications, broadcasting, postal services, computer technologies, and all other ICT subsectors (Communications Authority Bill). The BTA would be merged into a new regulatory body, the Botswana Communications Regulatory Authority.

236. In 2006, the Ministry of Communications, Science and Technology (Department of Telecommunications and Postal Services) issued a policy directive aimed at the further liberalizing the telecommunications market and promoting effective competition in the subsector, resulting in reforms of the licensing regime, and the tariff structure.

237. In 2007, the BTA introduced a new licensing framework providing for service-neutral and technology-neutral public telecommunications operator (PTO) licences, and value added network services (VANS) licences. Under the old licensing regime, operators were required to route their international (internet and data) traffic through the BTC gateway; the policy directive on further liberalization allowed PTOs to establish their own gateways.

238. PTO licences were issued to BTC in March 2007, to Orange Botswana in April 2008, and to Mascom Wireless in June 2008. The BTC remains to date the only licensed provider of fixed-line voice services, including international calls. BTC operates commercially and manages the public network under a performance contract with the Government. BTC must run any new telecommunications services as a subsidiary or associated entity to allow sufficient accounting separation from its fixed-line operations (BTC Act and 1996 amendments). BOTSNET, a BTC subsidiary, for example, is competing in the market for internet services. The Government has also announced its intention to privatize the BTC, but no date has been fixed (BTC Transition Bill).

¹⁴⁰ BSE online information. Viewed at: <http://www.bse.co.bw/>.

¹⁴¹ The company is regulated under the BSE Act, the Non-Bank Financial Institutions Regulatory Authority Act, and the National Clearing and Settlement Systems Act No. 5 of 2003.

239. In 2008, BTC launched cellular phone services, thus becoming the third mobile service operator in the country, in competition with Orange Botswana, and Mascom Wireless. The penetration rate of mobile cellular subscribers has increased significantly in recent years (78% in 2008), and is among the highest in Africa (Table IV.5).

Table IV.5
Selected telecom indicators, 2003-08

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|--------|--------|--------|--------|---------|--------|
| Main telephone lines per 100 inhabitants | 7.42 | 7.45 | 7.73 | 7.50 | 7.28 | 7.47 |
| Cellular subscribers per 100 inhabitants | 25.1 | 29.5 | 31.9 | 46.8 | 61.2 | 77.97 |
| Mobile cellular coverage of population (%) | 99.0 | 99.0 | 99.0 | 99.0 | 99.0 | .. |
| Residential telephone monthly subscription fee (P) | 16.0 | 25.0 | 35.0 | 35.0 | 60.0 | .. |
| Business telephone monthly subscription fee (P) | 19.0 | 39.9 | 59.8 | 59.8 | 125.0 | .. |
| Three-minute local call (peak rate) (P) | 0.11 | 0.51 | 0.78 | 0.78 | 1.02 | .. |
| Three-minute local call (off-peak rate) (P) | 0.08 | 0.30 | 0.60 | 0.60 | 0.78 | .. |
| Cellular three-minute local call (peak rate) (P) | 3.90 | 5.40 | 5.40 | 1.14 | .. | .. |
| Cellular three-minute local call (off-peak rate) (P) | 1.65 | 0.75 | 0.60 | 0.72 | .. | .. |
| Fixed broadband internet subscribers | - | - | 1,600 | 1,800 | 3,540 | .. |
| Estimated internet users | 60,000 | 60,000 | 60,000 | 80,000 | 100,000 | 80,000 |
| International internet bandwidth (Mbps) | 23.0 | 26.0 | 30.0 | 30.0 | 81.0 | .. |
| Internet users per 100 inhabitants | 3.39 | 3.39 | 3.40 | 4.55 | 5.31 | 4.20 |

- Nil.

.. Not available.

Note: Year beginning 1 April.

Source: ITU (2009), *World Telecommunication/ICT Indicators Database 2008*, 12th Edition; and ITU online information, "ICT Statistics Database". Viewed at: <http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx#> [24 June 2009].

240. Tariffs for fixed and mobile telephony require approval from the regulator.¹⁴² Tariffs must be based on a costing and pricing model developed by the BTA with operators in 2004. BTC was requested to rebalance its tariffs in 2007 because Botswana's telephone tariffs were relatively high compared with other countries. The rebalancing involved three elements: an increase of monthly subscription fees, a tariff increase for local calls (which were cross-subsidized), and a tariff reduction for international calls. Tariffs for fixed-line international calls per minute are, for example: P 1.70-2.10 (approx. US\$0.24-0.30) to South Africa; P 2.70 (approx. US\$0.39) to the United Kingdom; and P 2.20 (approx. US\$0.32) to the United States.¹⁴³

241. Licences for data services (data licence) and for internet services (ISP licence) were merged with the new value added network services (VANS) licence in 2007. The VANS licence covers all value-added telecommunications services, including internet services and voice-over internet protocol (VoIP) services. The prohibition of VoIP services by value-added network service providers was lifted in August 2006, allowing internet service providers to compete in the voice telephony market segment. As of December 2008, 43 VANS licences had been issued. Tariffs for value-added services are not regulated.

242. Internet use is very limited in Botswana; it is slow, and expensive. Broadband penetration was only 0.19% in 2007 (Table IV.5). Internet services development has been delayed by the

¹⁴² Charging tariffs that are not in accordance with the applicable tariff structure or charging unreasonable prices for telecom equipment is prohibited (section 48 of Telecommunications Act).

¹⁴³ BTC online information, "New Tariffs Approved by BTC". Viewed at: http://www.btc.bw/doc/btc_rates.pdf. The tariffs are post-paid and VAT inclusive.

effective monopoly of BTC on long-distance bandwidth, with prices substantially above world standards, and ISPs not being allowed to offer VoIP services until 2006. A connectivity agreement signed between BTC and British Telecommunications South Africa in 2007 has reduced internet prices in Botswana, and allowed for a higher grade of service and reduction of communication transfer and reception delays. Overall, tariffs for telecom services are perceived to be a major constraint to the development of Botswana as a hub in certain activities (e.g. tourism).

243. In line with the National ICT Policy (*Maitlamo*), a key government priority is the development of a broadband infrastructure and capacity.¹⁴⁴ The Trans-Kalahari Fibre Optic Project, a 2,000 km backbone infrastructure project, was completed in 2008 but Botswana is not yet connected to any international fibre-optic cable systems.¹⁴⁵

244. The Private Telecommunications Network Licence (PTNL) did not change under the new licensing regime. Private network operators providing services for internal private telecommunications and unconnected to other public networks continue to be granted a PTNL; as of December 2008, 25 PTN licences had been granted.

245. The Botswana Telecommunications Authority is an independent parastatal, whose main functions are licensing, tariff approval, monitoring competition, other regulatory issues (numbering, interconnection etc.), policy advice to the Government, and dispute resolution. Administrative decisions by BTA regarding tariffs may be appealed to the Ministry; all other BTA rulings may be appealed to the High Court. All service providers, including BTC, must be licensed by the BTA, which has almost complete freedom in deciding the number of licences and associated conditions. The BTA is financially independent. About 80% of its revenue (P 61.1 million in 2008) is from licence fees set at 3% of operators' net annual turnover; most other revenue is from radio licence fees.

246. Botswana's interconnection regime aims to facilitate entry of service providers and a competitive market by guaranteeing their interconnection to the public network at "fair and reasonable" cost. Interconnection charges are to be agreed between the parties and to be submitted to the BTA for approval; they are fixed by the BTA only if in dispute.

247. In the absence of a general competition law, the Telecommunications Act provides for competition rules in the telecom subsector. The BTA is authorized to ensure that telecommunications services are provided on a "competitive and non-discriminatory basis" (section 48 of the Telecommunications Act). Certain anti-competitive practices (including collusion between providers; forming price-fixing cartels; and using a dominant market position to restrict, prevent or defer another provider from entering the market or to eliminate a competitor) are prohibited and subject to a fine of between P 10,000 and P 5 million.

248. Universal services in rural areas are subsidized. All operators may tender to supply and operate infrastructure, with a subsidy, in the rural areas under the Rural Telecommunications Programme. A draft Universal Access and Service Policy, which is under consideration, proposes the

¹⁴⁴ The National ICT Policy *Maitlamo*, meaning commitment, has three overall objectives: the creation of an enabling environment for the growth of an ICT industry; the provision of universal service and access to information and communication facilities; and the transformation of Botswana into a regional ICT hub.

¹⁴⁵ The Government participates in two projects to develop the undersea infrastructure that would ensure connectivity of Botswana's broadband infrastructure with the rest of the world (West Africa Festoon Fibre System (WAFS) and Eastern Africa Submarine Cable System (EASSy)). The country is currently connected through an earth satellite station with Intelsat and the ISDN network, which links Botswana to Europe and the United States.

establishment of a Universal Service Fund.¹⁴⁶ Under the time-line for achieving universal service (100% household penetration for postal, telecoms, and broadcasting) full coverage of all main urban cities and towns above 20,000 inhabitants is planned for the end of 2010; for villages with over 2,000 inhabitants – by end 2012; over 500 inhabitants – by end 2015; and for villages with over 250 inhabitants by the end of 2020. Targets under the Connecting Communities Programme include high-speed internet access for all communities of over 2,000 inhabitants by 2016, and 100 fully functioning access centres by the end of 2012.

249. Botswana is a member of the International Telecommunications Union (ITU), the Southern Africa Telecommunications Association (SATA), the Southern African Transport and Communications Commission (SATCC), and the Commonwealth Telecommunications Organization (CTO). The BTA is a member of the Communications Regulators Association of Southern Africa (CRASA).

(b) Postal services

250. The public postal operator, Botswana Post, was established as a Government commercial organization with the exclusive privilege of establishing and operating postal services in the country pursuant to the Botswana Postal Services Act, 1989; a Board of Management was charged with the overall management and control of the Post.¹⁴⁷ The provision of postal services has since been partially liberalized. So far there is no regulatory authority for the subsector, resulting in development of a "grey" market with unregulated service providers. The Government has commissioned a Postal Sector Policy to provide a framework for regulating the postal market and options for future development.¹⁴⁸

251. Botswana Post is the *de facto* provider of universal postal services through its 119 post offices and 78 postal agencies (the latter being run by Village Development Committees with the assistance of Botswana Post). These services comprise letters, parcels, and postal and money orders, as defined in the International Convention of the Universal Postal Union.¹⁴⁹ In addition, Botswana Post provides internet and e-mail access service, stationery sales, express mail services, philatelic services, and third party services (e.g. payouts).

252. Botswana Post's tariffs for Universal Postal Services and other services are subject to approval by Parliament. The unregulated commercial operators are free to charge commercial rates for their services.

253. There is a competitive market for courier services, which Botswana has committed to liberalize under the GATS. Over 30 courier and express mail companies operate in this market segment, including Botswana Couriers (a 100% owned subsidiary of Botswana Post) and global express mail providers DHL, FedEx, and TNT Worldwide.

(iii) Transport

254. Botswana is a net importer of transport services, which is a reflection of its landlocked position (Table I.2). Historically, transport costs have been relatively high (Table IV.6).

¹⁴⁶ The services are to cover fixed and mobile telephony, internet, data, radio and television broadcasting, and print media.

¹⁴⁷ The feasibility of privatization of Botswana Post is to be established after the development of a new postal policy, and postal reform.

¹⁴⁸ Hans Kok Business Consult BV (2007).

¹⁴⁹ Botswana is a member of Universal Postal Union and the African Postal Union.

Table IV.6
Cost of trading across borders, 2009

| | Botswana | Lesotho | Namibia | South Africa | Swaziland |
|--|----------|---------|---------|--------------|-----------|
| Time for exports (days) | 31 | 44 | 29 | 30 | 21 |
| Cost to export (US\$ per container), of which: | 2,508 | 1,549 | 1,686 | 1,445 | 2,184 |
| Inland transportation and handling (US\$) | 2,000 | 900 | 800 | 814 | 1,486 |
| Time for imports (days) | 42 | 49 | 24 | 35 | 33 |
| Cost to import (US\$ per container), of which: | 3,064 | 1,715 | 1,813 | 1,721 | 2,249 |
| Inland transportation and handling (US\$) | 2,200 | 900 | 857 | 900 | 1,486 |

Note: The cost estimates are for exporting and importing a 20 foot container by ocean transport.

Source: World Bank online information, "Doing Business: Trading Across Borders". Viewed at: <http://www.doingbusiness.org/ExploreTopics/TradingAcrossBorders/> [25 March 2009].

255. The Ministry of Works and Transport has established an office to coordinate the development of Botswana into a regional transport hub through, *inter alia*, investment projects and regional harmonisation initiatives. Joint ventures are encouraged between the public and private sectors in infrastructure ownership, financing, construction, and maintenance. The Government has not yet released its Integrated Transport Policy, which has been developed by the Ministry of Works and Transport since 2006.

(a) Road transport

256. Road transport is the main mode of transport by far. The road infrastructure is reasonably good with a total length of 8,900 kilometres, roughly unchanged since 2002. Botswana's major highway is part of the 1,800-kilometre long Trans-Kalahari (Trans-Kgalagadi) highway¹⁵⁰, which serves as a link to the Maputo and Walvis Bay Economic Corridors. The Ghanzi-Sehithwa road project completed an asphalt ring-road around the country, and facilitates the exploration of tourist areas and access to neighbouring countries. The vast majority of tourists (more than 95%) arrive by road.¹⁵¹ Botswana and Namibia are in the process of establishing a one-stop border post at the Mamuno-Trans Kalahari border post; this is expected to reduce transit times by 3-5 hours on a one-way trip.

257. Road transport costs are high; one reason is Botswana's prohibition of cabotage (none of the SACU countries allows cabotage). There are significant imbalances in the direction of regional trade, reflecting, for example, Botswana's merchandise trade deficit with South Africa. The traffic at the Botswana-Namibian border, for example, is estimated at 60% west-bound and 40% east-bound.¹⁵² Because of the restrictive cabotage rules, trucks are forced to return empty, because they are not permitted to pick up goods for onward delivery.

258. The Government does not regulate entry of freight transport operators, except for setting safety standards. There are no limitations on foreign equity participation, and the State does not have a stake in transport companies. Freight rates are market-determined, albeit under restrictive cabotage rules.

259. The Department of Road Transportation and Safety (DRTS) within the Ministry of Works and Transport acts as a road transport authority. All commercial vehicles operating in Botswana must have an annual (BA) permit (Road Transport Permits Act). Single Trip (BS) permits and Transit Single Trip (TS) permits are available for vehicles registered in neighbouring countries. Botswana

¹⁵⁰ There are 595 kilometres of the Trans-Kalahari highway in Botswana.

¹⁵¹ World Travel and Tourism Council (2008).

¹⁵² USAID (2008).

levies road user charges (permit fees) only on foreign transport and passenger vehicles (including transit), which are to be paid at the border.

260. Road maintenance is financed by, *inter alia*, road user charges, the fuel levy, vehicle and driving licences, and transport permits. A system of toll roads is under consideration (Toll Road Study). A road safety levy of P20 is payable by both domestic and foreign-registered vehicles to finance road safety projects, such as vehicles testing stations.

261. All passenger-transport vehicles require a route-specific (P) permit. Taxis also require a permit; their area of operation is not defined, only their location. The Government controls passenger bus fares and, in the case of long-distance services, prescribes time schedules. Government subsidies, limited to two return trips per week per customer, are paid on a performance basis to bus operators to encourage operators to provide rural services. For passenger transport, the Government restricts the entry of new operators, which must be citizen-owned companies, to safeguard the interests of existing firms and to avoid "unhealthy competition" in the thin transport market.

262. Botswana has bilateral and trilateral road transport agreements with Namibia, South Africa, Zambia, and Zimbabwe.¹⁵³

(b) Rail transport

263. Botswana's main railway line connecting South Africa with Zimbabwe was built at the end of the 19th century, largely as part of Cecil Rhodes' vision of a Cape to Cairo Railway. The route length of railways is nearly 900 kilometres, comprising 650 km of main line, and 250 km of branch lines (serving the copper-nickel mines in Selebi-Phikwe, the coal mines in Morupule, and the soda ash plant at Sua Pan). Spoornet of South Africa (now Transnet Freight Rail) is the monopoly provider of services for Botswana's soda ash industry. The textiles industry also relies on rail transport for imports of raw materials. The reintroduction in 2006 of the train service between Francistown in Botswana and Bulawayo in Zimbabwe has helped to promote bilateral trade and tourism, and to alleviate congestion at the border.

264. The parastatal Botswana Railways (BR) holds a statutory monopoly for operating railway services in the country, under the Botswana Railways Act, 1986, last amended in 2004.¹⁵⁴ The construction of private railways sidings (low speed tracks for loading, etc.) requires approval from BR (Section 13). Tariffs for goods and passenger traffic are set by BR, and require ministerial approval (Section 18). Discount rates are periodically negotiated with major customers.

265. Botswana has a limited market for rail-borne traffic due to the manufacturing sector's small share in the economy; there is also competition for transit traffic (traditionally a BR core activity) from the road transport sector and other regional railways. The completion in 1999 of the Beitbridge – Bulawayo Railway Transit between South Africa and Zimbabwe led to a diversion of North-South bound traffic and has greatly diminished BR's transit freight traffic from a peak of 1.2 million tonnes in 1998 (Table IV.7).

266. As traffic volumes had become uneconomical, BR adopted a five-year strategic plan in September 2006, which seeks to transform BR from a conventional rail transporter to a logistics and

¹⁵³ Ministry of Works and Transport online information. Viewed at: http://www.transport.gov.bw/files/attachments/strategic_plan.pdf.

¹⁵⁴ Chapter 70:01, Botswana Railways Act. Viewed at: http://209.85.135.104/search?q=cache:bjWbHUT3U_kJ:www.laws.gov.bw/Docs/Principal/Volume11/Chapter70/PR-VOL-XI-CHP-70-01%2520BOTSWANA%2520RAILWAYS.pdf+Chapter+70:01+Botswana&hl=en&ct=clnk&cd=1&gl=ch.

commercial transport service provider. The amended Railways Act allows BR to participate in joint ventures and establish subsidiaries. The BR subsidiary, BR Properties (Pty) Ltd., was founded in 2008 to allow, *inter alia*, the commercial use of railway property, to supplement operating revenue. BR is earmarked for privatization.

Table IV.7
Rail traffic, 2003-08
(’000 tonnes, unless otherwise specified)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Passengers | | | | | | |
| Total (’000) | 572.0 | 406.2 | 382.6 | 426.9 | 382.8 | 386 |
| Revenue (P’000) | 8,930.0 | 8,419.0 | 8,891.0 | 10,175.0 | 10,392.0 | 16,937 |
| Cargo | | | | | | |
| Total imports | 964.9 | 1,010.0 | 795.7 | 745.3 | 872.5 | 967 |
| Total exports | 435.1 | 485.0 | 570.3 | 510.5 | 533.8 | 564 |
| Local traffic | 356.6 | 345.8 | 323.9 | 343.0 | 342.8 | 328 |
| Transit traffic | 239.2 | 133.2 | 107.1 | 113.8 | 1.7 | 131 |
| Total traffic | 1,995.8 | 1,974.0 | 1,797.0 | 1,712.6 | 1,750.8 | 1,990 |
| Total revenue (P’000) | 119.9 | 118.8 | 146.8 | 505.8 | 133.0 | 221.1 |

Source: Central Statistics Office (2008), *Transport Statistics 2007*, December. Viewed at: <http://www.cso.gov.bw/images/stories/Transport/transport%20stats%20brief%2007.pdf>; and information provided by the Botswana authorities.

267. Botswana has three dry port facilities: the Gaborone Container Terminal (Gabcon Pt. Ltd.)¹⁵⁵, and the Francistown Container Terminal (Francon), which serve as container terminals for locally based importers and exporters, and Phikwe Dry Port. The development of another dry port facility is under way, at Walvis Bay in Namibia (under a lease agreement between the governments of Botswana and Namibia), to serve as an alternative to the ports of Durban and Cape Town, and to make Botswana's exports more competitive. A rail link to the Atlantic coast, the Trans-Kgalagadi Railway, to be used mainly for coal transportation, is also being considered (feasibility studies under way). The role of commercial railway transport is being challenged through competition from the upgraded road network for freight transport.

(c) Air transport

268. Air transport is vital for a landlocked economy like Botswana, notably to facilitate business travel, and for international tourist arrivals, because of the remoteness of many of its tourist attractions. Botswana's airspace is among the busiest in Africa in terms of over-flight traffic (Table IV.8).

269. While the strategic role of air transport services has been recognized by the Government, the capacity of the national carrier to adequately fulfil that role is a source of some concern. Air Botswana has been providing limited and unreliable service: there are no direct long-haul international flights; all long-haul passengers into the country have to connect through South Africa, Namibia or Zimbabwe.¹⁵⁶ Air travel costs are high, not least because of Botswana's restrictive access policies.

¹⁵⁵ Gabcon is a joint venture between Botswana Railways and Spoornet of South Africa (now Transnet Freight Rail)

¹⁵⁶ Air Botswana serves the routes of Gaborone-Johannesburg, Gaborone-Harare, and Maun-Johannesburg. South African Airways runs regular scheduled international flights to and from Gaborone, linking it with Johannesburg and Cape Town; and Air Namibia operates a flight between Maun and Windhoek.

Table IV.8
Air traffic, 2003-08

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---------------------------|---------|---------|---------|---------|---------|----------------------|
| Aircraft movements | | | | | | |
| International | 17,332 | 18,875 | 20,391 | 20,473 | 19,445 | 19,446 |
| Domestic | 44,794 | 49,474 | 52,391 | 55,917 | 56,962 | 66,373 |
| Total | 62,126 | 68,349 | 72,782 | 76,390 | 76,407 | 85,819 |
| Passengers | | | | | | |
| Departures | | | | | | |
| International | 123,708 | 135,596 | 144,914 | 143,433 | 155,664 | .. |
| Domestic | 118,241 | 130,935 | 129,920 | 139,528 | 148,655 | .. |
| Arrivals | | | | | | |
| International | 121,292 | 135,064 | 148,048 | 142,598 | 155,087 | .. |
| Domestic | 119,499 | 132,089 | 129,294 | 141,499 | 150,309 | .. |
| Total | 482,740 | 533,684 | 552,176 | 567,058 | 609,715 | 690,105 ^a |

.. Not available.

a International passengers arrivals and departures totalled 338,655. Domestic arrivals and departures totalled 351,450 passengers.

Source: Central Statistics Office (2008), *Transport Statistics 2007*, December. Viewed at: <http://www.cso.gov.bw/images/stories/Transport/transport%20stats%20brief%2007.pdf>; and information provided by the Botswana authorities.

270. The regulatory framework for civil aviation in Botswana is set out in the Civil Aviation Authority Act, 2004. The legislation established the parastatal Civil Aviation Authority of Botswana (CAAB). The independent regulatory authority is, *inter alia*, responsible for the management of Botswana's airport and air navigation services infrastructure and facilities, and licensing. The CAAB Board was constituted in March 2006. Under the Cabinet Decision of 9 February 2009, Air Botswana will no longer have a domestic monopoly on public transport of passengers, cargo, and mail on all scheduled routes. It will retain an exclusive right to operate international services only on routes from Gaborone and Maun, to Johannesburg (Oliver Tambo International Airport). Cabotage is prohibited.

271. Under the new regulatory regime being put in place by the CAAB, there will be open market entry for all eligible carriers. The CAAB will rely on competition to discipline fares and rates in the domestic market for scheduled services. The CAAB will nonetheless monitor market behaviour by air carriers and will retain authority to intervene in case of anti-competitive practices.

272. In international markets, the Government will remain responsible for designating carriers to operate scheduled services under bilateral air services agreements, and for negotiating new or revised bilateral air services agreements to open up new markets to Botswana and foreign carriers. The Government has indicated a willingness to designate other Botswana carriers, in addition to Air Botswana, on routes other than Gaborone/Maun to Johannesburg. The CAAB would license the designated carriers and would oversee the administration of fares, rates, and capacity, according to the provisions of the applicable bilateral air services agreement.

273. Botswana has bilateral air services agreements with South Africa, Tanzania, Zambia, and Zimbabwe. The agreement with Zambia provides for multiple destinations and points of entry for passenger and cargo services between the two countries, the removal of restrictions on capacity and frequency, and fifth freedom traffic rights.¹⁵⁷ The agreement with South Africa still has a restricted number of routes but, with the amendments made in 2004, provides for an unlimited number of air carriers to be designated by both sides.

¹⁵⁷ The fifth freedom is the right of an airline from one country to land in a second country, pick up passengers and carry them to a third country.

274. Air Botswana operates a dedicated cargo service between Gaborone and Johannesburg. Cargo prices are market determined. Volumes are small (about 1,100 tonnes in 2007) since there has been little demand for air cargo services. The Government is exploring the possibility of developing an air cargo hub for perishables in the SADC region, to serve, for example, horticultural projects in Botswana (Pandamatenga). The cold-store facilities at the international airport in Gaborone are small. Ground handling services are provided by Air Botswana on all scheduled routes (except in Harare), and on a contract basis for charter flights. The national airline also has its own charter service, while private operators service tourist areas.

275. Air Botswana has been making losses since 2004/05. In 2008, it was recapitalized by the Government (P 103.1 million) to finance, *inter alia*, overhaul/replacement of aircraft and to retain pilots. There have been several unsuccessful attempts to privatize Air Botswana since 2000. The possibility of running the national carrier by a management firm on a contract basis, or a franchise, has been considered by the Public Enterprise Evaluation and Privatization Agency.

276. Foreign air carriers must have a temporary air service permit (TASP) to operate non-scheduled flights into Botswana. Qualified aircraft maintenance engineers must obtain an Aircraft Maintenance Engineer's Licence (AMEL) in order to release Botswana-registered aircraft for service. Private aerodromes must be licensed; the four types of licences depend on the type of aircraft used (Air Navigation Regulations).¹⁵⁸

277. Botswana has 6 state-owned international airports and 19 airfields in major villages throughout the country, as well as 52 private airfields mainly catering for tourists. Upgrading of facilities at the four major airports is scheduled for completion ahead of the football World Cup in South Africa in 2010: Sir Seretse Khama (Gaborone), Francistown, Kasane, and Maun are being improved and/or expanded to enable them to receive larger aircraft; and the construction of Serowe/Palapye and Ghanzi airfields continues.

(iv) Tourism

278. Tourism is estimated to contribute about 5% to GDP and is Botswana's third-largest foreign exchange earner after diamonds and copper-nickel (Table IV.9).¹⁵⁹ The Ministry of Environment, Wildlife, and Tourism (the Department of Tourism) is responsible for policy formulation and oversees development of the tourism industry. Botswana's tourism policy seeks to address, *inter alia*, issues of sustainable use of natural resources for tourism, and of increasing benefits for the local population. The Botswana National Ecotourism Strategy of 2002 seeks to realize the potential for greater community-based involvement in tourism.¹⁶⁰ The Tourism Policy of 1990 is currently under review.

279. Botswana has been targeting wealthier visitors (low volume, high value), largely due to the sensitivity of the ecosystems of the Okavango Delta and Chobe River systems. These game parks accounted for 95% of all national park entries and 91% of park revenues in 2006.¹⁶¹ A tourism diversification strategy is being put in place in order to open up other geographical areas for tourism.

¹⁵⁸ Department of Civil Aviation online information. Viewed at: <http://www.dca.gov.bw/index.php?sectid=230&parent=207>.

¹⁵⁹ Tourism receipts were US\$546 million in 2007, compared with US\$537 million in 2006 (World Tourism Organization, 2008).

¹⁶⁰ See Botswana Tourism Board (undated).

¹⁶¹ World Travel and Tourism Council (2008).

Table IV.9
Selected tourism indicators, 2003-09

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 ^a |
|--|-----------|-----------|------------------------|------------------------|------------------------|------------------------|-------------------|
| Licensed tourism enterprises (number) | | | | | | | |
| Category A (accommodation other than camps and lodges) | 128 | 143 | 145 | 145 | 159 | 170 | 171 |
| Category B (camps and lodges) | 194 | 210 | 204 | 220 | 225 | 230 | 232 |
| Category C (mobile operations) | 140 | 143 | 135 | 149 | 164 | 158 | 158 |
| Category D (travel agencies) | 43 | 46 | 38 | 46 | 51 | 50 | 50 |
| Total | 505 | 542 | 522 | 560 | 599 | 608 | 611 |
| Tourist arrivals | 1,405,985 | 1,522,847 | 1,675,132 ^b | 1,842,645 ^b | 1,990,056 ^b | 2,131,149 ^b | .. |
| Expenditure (P million) | 1,815 | 1,642 | 2,433 | 2,858 | 3,283 | 4,098 | .. |
| Rooms (number) | 3,589 | 4,050 | 4,795 | 4,832 | 4,832 | 4,966 | .. |
| Room occupancy (%) | 30.5 | 35.5 | 41.5 | 54.4 | 50.3 | .. | .. |
| Beds (number) | 6,646 | 7,800 | 8,040 | 8,612 | 8,509 | 8,716 | .. |
| Average length of stay (number of nights) | 2.0 | 2.7 | 2.5 | 2.1 | 1.8 | .. | .. |

.. Not available.

a As end of March.

b Estimates.

Source: Information provided by the Botswana authorities.

280. Tourist arrivals are overwhelmingly by road from other southern African countries, notably South Africa and Zimbabwe. Overseas tourists were mainly from the EC (in particular the United Kingdom) and the United States. The high cost of passenger air travel to Botswana and the lack of direct international flights negatively affect tourism, which is also hampered by impediments such as multiple visa requirements in the Botswana, Zambia, Zimbabwe triangle.

281. The Botswana Tourism Board (BTB), established in 2006, is responsible for, *inter alia*, investment promotion, product development, and grading of tourism facilities (Botswana Tourism Board Act, 2004). Grading standards are developed by the Botswana Bureau of Standards (BOS) and are reviewed every five years through a BOS technical committee, which consists mainly of industry members. Annual grading fees are in the range of P 3,000 (one-star hotels) to P 5,000 (five-star hotels). Restaurants are not graded.

282. Licensing of "tourist enterprises"¹⁶² is governed by the Tourism Act of 1992, and the Tourism Regulations of 1996. Licences are granted by the Tourism Industry Licensing Board, a five-member board appointed by the Minister of the Environment, Wildlife and Tourism. Hotels are subject to minimum licensing (i.e. comfort) requirements; annual hotel licence fees are P 200 for guest houses and P 1,000 for hotels. A training levy of P 2 per paying guest per day is payable by all licensed tourist enterprises, to finance the Tourism Industry Training Fund for skills improvement of tourism employees.¹⁶³

¹⁶² Tourist enterprises comprise, *inter alia*, hotels, camps, lodges, guest tour operators (including tour guides), and travel agents. The Tourism (Licensing) Order of 1996 exempts wholly citizen-owned tourist enterprises with five bedrooms or less, from the licensing requirement.

¹⁶³ Finance (Tourism Industry Training Fund) Order of 1996.

283. Botswana has made full GATS commitments on market access under modes 1 and 3 with respect to hotels and restaurants, including catering (CPC 641-643)¹⁶⁴, and travel agencies and tour operators. The commitments under CPC 641 cover, *inter alia*, camping and caravan site services, and would appear to cover guest houses.¹⁶⁵ The Tourism (Reservation of Tourism Enterprises for Citizens) Revocation Regulation No. 86 of 2007 rescinded the reservation of certain tourist enterprises for citizens of Botswana or companies wholly owned by citizens of Botswana, since the reservation may not have been consistent with GATS commitments.¹⁶⁶

284. Tourism activities are largely private-sector driven. Access to appropriate sites is critical to the establishment of new private-sector tourism enterprises. State lands are leased to tourism organizations and individuals for 15 years, subject to reviews of the land's use every five years, with the option to renewing the lease at the end of the 15-year period. Tribal lands are allocated typically on 50-year leases. Some freehold allocations also exist.

¹⁶⁴ With regard to mode 3, "the service should be supplied through commercial presence" (WTO document GATS/SC/109, 30 August 1995).

¹⁶⁵ United Nations (1991).

¹⁶⁶ These covered camp sites including caravan sites, guest houses, mekoro operations (safaris in dug-out canoes), mobile safaris, motorboat safaris, and transportation.

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APPENDIX TABLES

Table AI.1
Structure of exports, 2001-07
(US\$ million and per cent)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total (US\$ million) | 2,532.9 | 2,745.1 | 3,801.6 | 3,510.8 | 4,430.6 | 4,506.2 | 5,072.5 |
| | (per cent) | | | | | | |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Total primary products | 9.2 | 8.8 | 13.2 | 14.0 | 14.3 | 19.6 | 26.5 |
| Agriculture | 3.6 | 3.9 | 2.5 | 2.8 | 2.7 | 2.8 | 3.0 |
| Food | 3.2 | 3.5 | 2.4 | 2.5 | 2.6 | 2.7 | 2.8 |
| 0111 Bovine meat, fresh, chilled | 1.5 | 1.6 | 1.1 | 0.8 | 0.9 | 1.0 | 1.2 |
| 0112 Bovine meat, frozen | 1.0 | 0.8 | 0.6 | 0.6 | 0.7 | 0.8 | 1.0 |
| Agricultural raw material | 0.5 | 0.3 | 0.1 | 0.3 | 0.2 | 0.2 | 0.2 |
| Mining | 5.6 | 4.9 | 10.8 | 11.2 | 11.5 | 16.8 | 23.5 |
| Ores and other minerals | 5.5 | 4.7 | 10.7 | 11.1 | 11.4 | 16.6 | 23.2 |
| 2842 Nickel mattes, sinters, etc. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 15.5 |
| 2831 Copper ores and concentrates | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 1.3 | 3.3 |
| 2832 Copper mattes; cement copper (precipitated copper) | 4.1 | 3.6 | 10.0 | 9.6 | 10.3 | 13.7 | 2.5 |
| 2771 Industrial diamonds, sorted, whether or not worked | 1.1 | 0.8 | 0.6 | 0.5 | 0.5 | 1.2 | 1.2 |
| 2841 Nickel ores and concentrates | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 |
| Non-ferrous metals | 0.0 | 0.2 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| Fuels | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 |
| Manufactures | 90.6 | 90.9 | 86.4 | 85.6 | 84.8 | 79.3 | 73.1 |
| Iron and steel | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.2 | 0.1 |
| Chemicals | 1.3 | 1.3 | 0.4 | 1.1 | 0.8 | 0.8 | 0.8 |
| 5237 Carbonates, percarbonates | 0.9 | 0.8 | 0.0 | 0.6 | 0.5 | 0.4 | 0.3 |
| Other semi-manufactures | 84.2 | 80.6 | 78.5 | 75.7 | 74.9 | 72.9 | 63.0 |
| 6672 Diamonds (excl. industrial, sorted) not mounted/set | 83.8 | 79.7 | 77.7 | 75.1 | 74.4 | 72.4 | 62.5 |
| Machinery and transport equipment | 2.9 | 6.3 | 5.2 | 5.0 | 3.7 | 1.7 | 1.8 |
| Power generating machines | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Other non-electrical machinery | 0.5 | 1.1 | 0.4 | 0.6 | 0.5 | 0.4 | 0.3 |
| Agricultural machinery and tractors | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Office machines and telecommunication equipment | 0.2 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| Other electrical machines | 0.1 | 0.9 | 0.8 | 0.4 | 0.3 | 0.2 | 0.5 |
| 7725 Switches, relays, fuses etc. for a voltage not exceeding 1,000 V | 0.0 | 0.0 | 0.0 | 0.2 | 0.2 | 0.1 | 0.4 |
| Automotive products | 2.0 | 3.7 | 3.6 | 3.4 | 2.5 | 0.7 | 0.5 |
| Other transport equipment | 0.2 | 0.5 | 0.2 | 0.4 | 0.2 | 0.1 | 0.2 |
| Textiles | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.3 | 0.3 |
| Clothing | 1.0 | 1.6 | 1.5 | 2.9 | 4.6 | 3.1 | 6.7 |
| 8453 Jerseys, pullovers, cardigans, etc., knitted/crocheted | 0.2 | 0.6 | 0.7 | 1.0 | 1.7 | 0.7 | 2.5 |
| 8447 Blouses/shirts, women's/girls', knitted/crocheted | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.3 | 1.0 |
| 8454 T-shirts, singlets and other vests, knitted or crocheted | 0.3 | 0.3 | 0.1 | 0.5 | 0.5 | 0.5 | 0.8 |
| 8426 Trousers, breeches, etc., women's/girls', not knitted/crocheted | 0.0 | 0.0 | 0.0 | 0.2 | 0.5 | 0.3 | 0.5 |
| 8427 Blouses/shirts, women's/girls', not knitted/crocheted | 0.0 | 0.0 | 0.1 | 0.1 | 0.7 | 0.2 | 0.4 |
| 8414 Trousers, bib and brace overalls, breeches and shorts | 0.2 | 0.2 | 0.1 | 0.2 | 0.5 | 0.2 | 0.4 |
| 8442 Suits, ensembles, jackets, dresses, etc. | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.3 | 0.2 |
| Other consumer goods | 0.8 | 0.7 | 0.5 | 0.4 | 0.4 | 0.3 | 0.4 |
| Other | 0.2 | 0.4 | 0.4 | 0.4 | 0.9 | 1.1 | 0.5 |
| 9310 Special transactions and commodities not classified by type | 0.2 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 | 0.4 |
| Gold | 0.0 | 0.1 | 0.0 | 0.1 | 0.6 | 0.8 | 0.3 |
| 9710 Gold, non-monetary (excl. gold ores and concentrates) | 0.0 | 0.1 | 0.0 | 0.1 | 0.6 | 0.8 | 0.3 |

Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3 data).

Table AI.2
Destination of exports, 2001-07
(US\$ million and per cent)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total (US\$ million) | 2,532.9 | 2,745.1 | 3,801.6 | 3,510.8 | 4,430.6 | 4,506.2 | 5,072.5 |
| | (per cent) | | | | | | |
| America | 0.3 | 0.9 | 0.8 | 4.0 | 2.3 | 1.9 | 2.6 |
| United States | 0.2 | 0.7 | 0.4 | 1.6 | 2.2 | 1.9 | 1.0 |
| Other America | 0.1 | 0.2 | 0.4 | 2.4 | 0.0 | 0.0 | 1.7 |
| Canada | 0.1 | 0.2 | 0.3 | 1.0 | 0.0 | 0.0 | 1.6 |
| Europe | 89.1 | 85.7 | 88.2 | 82.0 | 83.5 | 83.7 | 76.3 |
| EC(25) | 86.7 | 83.6 | 80.7 | 76.4 | 77.1 | 74.3 | 67.7 |
| United Kingdom | 85.8 | 81.4 | 79.1 | 74.5 | 75.6 | 72.3 | 65.0 |
| Germany | 0.3 | 0.4 | 0.5 | 0.4 | 0.7 | 0.4 | 1.1 |
| Belgium | 0.0 | 0.2 | 0.0 | 0.3 | 0.2 | 0.5 | 1.1 |
| Greece | 0.1 | 0.3 | 0.2 | 0.1 | 0.1 | 0.2 | 0.2 |
| France | 0.1 | 0.2 | 0.0 | 0.2 | 0.1 | 0.1 | 0.1 |
| Netherlands | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Italy | 0.3 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Portugal | 0.0 | 0.8 | 0.8 | 0.3 | 0.2 | 0.1 | 0.0 |
| EFTA | 2.4 | 2.1 | 7.5 | 5.6 | 5.9 | 9.4 | 8.5 |
| Norway | 2.4 | 2.1 | 7.5 | 5.6 | 5.9 | 9.4 | 8.1 |
| Switzerland | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 |
| Other Europe | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 | 0.0 | 0.1 |
| Commonwealth of Independent States (CIS) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Africa | 9.7 | 12.6 | 10.4 | 13.5 | 13.7 | 13.0 | 18.0 |
| South Africa | 6.4 | 9.1 | 7.5 | 9.3 | 8.8 | 6.4 | 10.2 |
| Zimbabwe | 2.6 | 2.7 | 2.5 | 3.7 | 4.2 | 5.6 | 7.3 |
| Zambia | 0.3 | 0.3 | 0.1 | 0.1 | 0.3 | 0.4 | 0.2 |
| Namibia | 0.0 | 0.1 | 0.1 | 0.1 | 0.3 | 0.3 | 0.2 |
| D.R. Congo | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Angola | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 |
| Swaziland | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Middle East | 0.8 | 0.8 | 0.6 | 0.4 | 0.3 | 0.9 | 0.9 |
| Israel | 0.8 | 0.8 | 0.6 | 0.4 | 0.2 | 0.9 | 0.9 |
| Asia | 0.0 | 0.1 | 0.0 | 0.1 | 0.2 | 0.4 | 2.1 |
| China | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 1.9 |
| Japan | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Six East Asian traders | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.1 | 0.1 |
| Thailand | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Asia | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3 data).

Table AI.3
Structure of imports, 2001-07
(US\$ million and per cent)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total (US\$ million) | 1,810.8 | 3,373.8 | 3,964.0 | 3,235.3 | 3,162.3 | 3,053.3 | 3,986.9 |
| | (per cent) | | | | | | |
| Total primary products | 23.4 | 24.3 | 20.2 | 28.0 | 31.2 | 35.3 | 31.8 |
| Agriculture | 14.7 | 16.8 | 14.7 | 15.1 | 14.7 | 14.5 | 14.0 |
| Food | 13.9 | 16.0 | 13.9 | 14.4 | 13.8 | 13.7 | 13.1 |
| 0221 Milk and cream, not concentrated/sweetened | 0.6 | 0.7 | 0.5 | 0.9 | 1.0 | 0.9 | 0.7 |
| 1222 Cigarettes containing tobacco | 0.5 | 0.5 | 0.3 | 0.7 | 0.6 | 0.6 | 0.7 |
| Agricultural raw material | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 0.8 | 0.9 |
| Mining | 8.7 | 7.4 | 5.5 | 12.8 | 16.5 | 20.8 | 17.8 |
| Ores and other minerals | 1.8 | 0.9 | 0.9 | 0.9 | 2.5 | 3.2 | 1.8 |
| 2841 Nickel ores and concentrates | 0.6 | 0.4 | 0.6 | 0.2 | 1.9 | 2.0 | 0.9 |
| 2771 Industrial diamonds, sorted, whether or not worked | 0.9 | 0.2 | 0.0 | 0.4 | 0.3 | 1.0 | 0.7 |
| Non-ferrous metals | 0.2 | 0.6 | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 |
| Fuels | 6.7 | 6.0 | 4.5 | 11.7 | 13.6 | 17.2 | 15.6 |
| 3510 Electric energy | 0.4 | 0.2 | 1.0 | 0.9 | 1.1 | 1.4 | 1.3 |
| Manufactures | 71.0 | 70.7 | 74.9 | 65.9 | 65.0 | 62.9 | 67.2 |
| Iron and steel | 2.2 | 2.1 | 2.3 | 2.5 | 2.3 | 2.4 | 2.5 |
| Chemicals | 7.2 | 7.5 | 9.0 | 8.8 | 9.3 | 10.1 | 9.2 |
| 5429 Medicaments, n.e.s. | 1.5 | 1.6 | 2.2 | 1.9 | 2.3 | 2.7 | 2.5 |
| Other semi-manufactures | 13.9 | 13.0 | 12.9 | 13.0 | 12.4 | 12.5 | 14.5 |
| 6911 Iron or steel structures, tubes and the like, for use in structures | 1.4 | 1.1 | 1.2 | 1.3 | 0.8 | 1.1 | 1.4 |
| 6612 Portland cement and similar hydraulic cements | 1.5 | 1.2 | 0.7 | 1.5 | 1.4 | 1.2 | 1.3 |
| 6924 Reservoirs, tanks, vats of iron, steel or aluminium, <= 300 litres | 0.9 | 1.0 | 1.4 | 1.0 | 0.9 | 0.8 | 0.8 |
| Machinery and transport equipment | 32.0 | 33.7 | 32.9 | 30.1 | 29.8 | 26.5 | 30.2 |
| Power generating machines | 0.5 | 0.4 | 0.5 | 0.8 | 0.7 | 0.5 | 0.6 |
| Other non-electrical machinery | 9.4 | 8.1 | 8.9 | 7.4 | 7.4 | 7.5 | 9.0 |
| 7283 Other mineral working machines | 0.7 | 0.7 | 0.5 | 0.5 | 0.7 | 0.8 | 1.1 |
| 7232 Mechanical shovels, etc., self-propelled | 0.6 | 0.8 | 1.3 | 0.5 | 0.8 | 0.6 | 1.1 |
| Office machines and telecommunication equipment | 5.2 | 6.1 | 6.6 | 5.1 | 4.8 | 4.4 | 4.6 |
| 7643 Radio or television transmission apparatus | 1.8 | 1.7 | 1.5 | 1.4 | 1.7 | 1.0 | 0.8 |
| Other electrical machines | 4.2 | 3.6 | 3.6 | 3.4 | 3.4 | 3.6 | 4.0 |
| 7731 Insulated wire, cable etc.; optical fibre cables | 0.8 | 0.7 | 0.6 | 0.6 | 0.7 | 0.9 | 1.3 |
| Automotive products | 10.9 | 13.2 | 11.8 | 11.6 | 9.9 | 8.9 | 10.6 |
| 7821 Goods vehicles | 4.4 | 5.9 | 3.1 | 3.9 | 3.6 | 3.1 | 4.0 |
| 7812 Motor vehicles for the transport of persons, n.e.s. | 4.0 | 5.1 | 5.5 | 4.6 | 3.6 | 3.3 | 3.5 |
| Other transport equipment | 1.8 | 2.3 | 1.5 | 1.7 | 3.7 | 1.6 | 1.4 |
| Textiles | 1.8 | 1.7 | 1.6 | 1.4 | 1.5 | 1.4 | 1.4 |
| Clothing | 1.9 | 2.0 | 2.6 | 2.5 | 2.4 | 2.6 | 2.4 |
| Other consumer goods | 12.1 | 10.8 | 13.7 | 7.5 | 7.2 | 7.4 | 7.0 |
| Other | 5.5 | 5.0 | 4.8 | 6.2 | 3.8 | 1.8 | 1.0 |
| 9310 Special transactions and commodities not classified by type | 4.3 | 3.6 | 3.8 | 4.0 | 3.3 | 1.3 | 15.0 |
| Gold | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3 data).

Table AI.4
Origin of imports, 2001-07
(US\$ million and per cent)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total (US\$ million) | 1,810.8 | 3,373.8 | 3,964.0 | 3,235.3 | 3,162.3 | 3,053.3 | 3,986.9 |
| | (per cent) | | | | | | |
| America | 2.1 | 1.7 | 1.3 | 1.8 | 1.8 | 1.3 | 1.4 |
| United States | 1.8 | 1.4 | 0.8 | 1.4 | 1.3 | 0.9 | 1.2 |
| Other America | 0.4 | 0.3 | 0.5 | 0.4 | 0.6 | 0.4 | 0.2 |
| Europe | 11.9 | 10.6 | 10.0 | 9.2 | 7.0 | 4.3 | 6.1 |
| EC(25) | 11.5 | 10.1 | 9.1 | 7.5 | 6.8 | 4.1 | 6.0 |
| Belgium | 0.2 | 0.1 | 0.1 | 0.7 | 0.1 | 0.7 | 1.6 |
| United Kingdom | 4.4 | 3.4 | 2.9 | 1.4 | 1.3 | 1.1 | 1.4 |
| Germany | 0.5 | 0.7 | 0.7 | 0.3 | 0.9 | 0.7 | 0.8 |
| Sweden | 2.8 | 2.4 | 3.4 | 3.1 | 3.1 | 0.3 | 0.6 |
| Portugal | 0.9 | 0.6 | 0.0 | 0.2 | 0.1 | 0.1 | 0.4 |
| France | 1.1 | 1.9 | 1.1 | 1.2 | 0.3 | 0.2 | 0.2 |
| Italy | 0.9 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 |
| Netherlands | 0.0 | 0.2 | 0.2 | 0.1 | 0.3 | 0.2 | 0.2 |
| EFTA | 0.4 | 0.3 | 0.8 | 1.6 | 0.2 | 0.2 | 0.2 |
| Other Europe | 0.0 | 0.2 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 |
| Commonwealth of Independent States (CIS) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Africa | 81.4 | 84.3 | 86.2 | 85.5 | 86.7 | 88.8 | 85.9 |
| South Africa | 77.5 | 79.9 | 84.8 | 83.2 | 84.1 | 85.8 | 83.5 |
| Zimbabwe | 3.2 | 2.0 | 0.6 | 1.6 | 1.5 | 1.6 | 1.3 |
| Namibia | 0.3 | 0.4 | 0.2 | 0.4 | 0.5 | 0.6 | 0.6 |
| Zambia | 0.1 | 0.8 | 0.1 | 0.0 | 0.2 | 0.2 | 0.3 |
| Middle East | 2.0 | 1.3 | 0.3 | 0.8 | 0.6 | 0.8 | 1.3 |
| Israel | 2.0 | 1.2 | 0.1 | 0.5 | 0.4 | 0.6 | 1.1 |
| United Arab Emirates | 0.0 | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 | 0.2 |
| Asia | 2.5 | 2.0 | 2.1 | 2.8 | 3.9 | 4.8 | 5.3 |
| China | 0.4 | 0.5 | 0.6 | 0.6 | 1.1 | 1.2 | 1.8 |
| Japan | 0.3 | 0.2 | 0.3 | 0.7 | 0.7 | 0.6 | 0.7 |
| Six East Asian traders | 1.2 | 0.8 | 0.8 | 0.9 | 1.2 | 2.1 | 1.7 |
| Hong Kong, China | 0.1 | 0.2 | 0.3 | 0.3 | 0.4 | 0.6 | 0.5 |
| Thailand | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.5 | 0.4 |
| Singapore | 0.3 | 0.1 | 0.1 | 0.2 | 0.3 | 0.6 | 0.4 |
| Chinese Taipei | 0.5 | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.3 |
| Other Asia | 0.6 | 0.6 | 0.4 | 0.7 | 0.9 | 0.9 | 1.1 |
| India | 0.3 | 0.3 | 0.2 | 0.5 | 0.7 | 0.7 | 0.7 |
| Australia | 0.2 | 0.2 | 0.1 | 0.2 | 0.1 | 0.2 | 0.4 |
| Other | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: WTO Secretariat calculations, based on UNSD, Comtrade database (SITC Rev.3 data).

Table AIV.1
Agricultural production, imports, and exports, 2003-08
 (Tonnes)

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------|---------|---------|--------|---------|---------|---------|
| Production | | | | | | |
| Beans | 2,009 | 3,463 | 1,126 | 3,790 | 196 | 1,819 |
| Beef | .. | 25,688 | 23,343 | 27,985 | 33,913 | 22,964 |
| Horticulture | 13,406 | 15,874 | 18,180 | 30,763 | 38,100 | 35,315 |
| Maize | 1,633 | 7,536 | 2,586 | 10,467 | 657 | 10,596 |
| Sorghum/millet | 23,596 | 14,453 | 21,323 | 25,833 | 25,978 | 32,394 |
| Wheat | .. | .. | .. | .. | .. | .. |
| Imports | | | | | | |
| Beans | 4,949 | 4,858 | 3,985 | 4,882 | 2,618 | 5,732 |
| Beef | 1,185 | 1,502 | 1,845 | 1,254 | 2,422 | 1,681 |
| Horticulture | 40,481 | 66,720 | 67,701 | 63,128 | 52,900 | 57,567 |
| Maize | 141,000 | 112,591 | 92,353 | 173,355 | 128,438 | 127,281 |
| Sorghum/millet | 38,000 | 18,679 | 14,239 | 14,168 | 47,811 | 33,208 |
| Wheat | 93,909 | 75,000 | 60,767 | 75,330 | 96,332 | 105,054 |
| Exports | | | | | | |
| Beans | 185 | 197 | 445 | 232 | 35 | 87 |
| Beef | 14,654 | 16,200 | 20,358 | 21,209 | 31,035 | 18,955 |
| Horticulture | .. | .. | .. | .. | .. | .. |
| Maize | 0 | 0 | 0 | 0 | 0 | 0 |
| Sorghum/millet | 0 | 0 | 0 | 0 | 0 | 0 |
| Wheat | 0 | 0 | 0 | 0 | 0 | 0 |

.. Not available.

Source: Information provided by the Botswana authorities.

