



U.S. Department of State FY 2000 Country Commercial Guides: Botswana

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CHAPTER 1. EXECUTIVE SUMMARY

This Country Commercial Guide (CCG) offers a comprehensive look at Botswana's commercial environment, using economic, political and market analyses. The CCG's were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government agencies.

The World Economic Forum ranks Botswana as the third best economic performer in Africa with uninterrupted economic growth since 1971 (when diamond mining began). In June, 1998, The New York Times reported that the World Bank had identified Botswana as the country with the greatest rate of economic growth in the world from 1966-97. Its average annual growth rate of 9.2% exceeded that of South Korea (7.3%) and China (6.7%). These impressive growth rates continued in 1997/98, with a real increase of 8.3% leading to a per capita GDP of about \$3,300.

The country's positive response to the opportunities and challenges of globalization, which currently face every developing nation, is reflected by the following: (a) the continued strong performance of the stock exchange, (b) the approval of a new Industrial Development Policy to encourage productive and efficient export industries, and (c) the rigorous implementation of educational and training programs to raise the productivity and quality of the labor force.

Even so, the 1998/99 fiscal year was in many ways a troubling one for Botswana due in part to the East Asian economic recession, which caused a decline in diamond sales and earnings on the Bank of Botswana's investment portfolio, which together comprise 68% of government revenue. This led to a budget deficit of about \$325 million, the country's first deficit since 1990. This downturn in government revenue led the Government to recommit itself to the country's National Development Plan 8 (launched in 1997), the theme of which is "Sustainable Economic Diversification." It is an effort to diversify the economy, reducing heavy economic dependence on minerals, particularly diamonds, while creating employment. The Government is actively encouraging private sector development through various investment incentives, an attractive taxation system, the elimination of exchange controls, and support for foreign direct investment, to improve non-mining sectors of the economy, principally manufacturing, tourism and financial services.

Official external trade statistics show direct U.S. exports to Botswana of \$31.1 million in 1997, accounting for just 1.5% of the country's total imports. However, as most U.S. exports enter Botswana as re-exports from South Africa this figure is understated. Similarly, Botswana's exports to the U.S.,

recorded at \$21.4 million in 1997, do not include diamonds, the nation's principal export, which enter the U.S. indirectly.

Export opportunities include hospital equipment and pharmaceuticals, computer hardware and software, heavy machinery for mining, solar energy equipment, telecommunications products, and water supply equipment. Sectors targeted by the Government for investment include tourism, light manufacturing and financial services. Due to Botswana's limited domestic market, export-led industries are encouraged, and foreign investors and exporters should look to market products throughout Southern Africa.

In early 1998, Botswana ratified the Southern African Development Community (SADC) Trade Protocol, which will lower trade barriers among the fourteen SADC member states. The Trade Protocol will come into force upon ratification by eight member states. A detailed tariff and non-tariff reduction schedule is under negotiation among the Trade Protocol's eleven signatories and should be in place some time in 2000. This will offer U.S. exporters and investors easy access to the regional market

Politically, democratic institutions are in place and functioning well. The President, Festus Mogae, succeeded to the Presidency from the Vice-President's office when the previous elected leader, Sir Ketumile Masire, retired in April 1998. The next general elections are scheduled for 1999. Botswana and the U.S. enjoy excellent bilateral relations.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact Stat-USA at 1-800-Stat-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at <http://www.stat-usa.gov> and <http://www.state.gov/> and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRADE or by fax at (202) 482-4473.

CHAPTER II. ECONOMIC TRENDS AND OUTLOOK

Economic developments during the past year have mostly been favorable, and this trend is expected to continue into 2000. Domestic output, as measured by Gross Domestic Product (GDP) recorded an impressive real growth of 8.3% during 1997/98. At the same time, however, the Asian financial crisis and related downturn in the international diamond market resulted in a less vibrant financial picture for the Botswana Government in 1999, culminating in its first deficit since 1990.

Growth continued to be broad based, as in the previous year, although the pattern of sectoral expansion changed somewhat. The mining sector, which accounts for nearly one-third of the GDP grew by 9.5% in 1997/98 compared to 5.8% in 1996/97 due to the strengthened performance in the soda ash and coal industries, as well as continued increased production from the country's diamond mines. This year, growth in GDP from the mining sector is expected to continue, as the Orapa diamond mine's expansion project becomes operational.

The overall growth of the economy was led by the non-mining sectors, which performed exceptionally well by recording real GDP growth of 7.7% for the 1997/98 period. Significant growth was realized in several sectors including water and electricity (9.8%), transport and communications (9.3%), trade, hotels and restaurants (8.4%), and manufacturing (4.7%). The non-mining sectors are again expected to record high growth rates in the 1998/99 period as the construction sector and other service sectors including transport and finance are expected to grow significantly.

Real per capita GDP, an indicator of the average standard of living, maintained its rate of expansion at 5.7%, with a population growth rate of around 2.4%.

Inflation was subdued in 1998 while consumer spending was relatively strong, providing a boost to local suppliers. The annual inflation rate continued its downward trend from 7.8% in December 1997 to 6.4% in December 1998. The inflation rate reached an all time low of 5.9% in October 1998. Low inflation rates are expected to continue for the foreseeable future.

The local currency unit, the Pula declined against the major world currencies in 1998 due to drops in the value of the South African Rand, the largest component of a basket of currencies to which it is tied. This followed a worldwide loss of confidence in emerging markets stemming from the East Asian financial crisis. In nominal terms, the Pula depreciated by 20.0% against the Deutsche Mark, 24.1% against the Japanese Yen, 14.5% against the U.S. Dollar, 15.7% against the British Pound and 19.9% against the French Franc. Against the currency of Botswana's major regional trading partner, South Africa, the Pula

appreciated slightly. Most Pula depreciation against the major international currencies occurred in July and August when the Rand came under severe speculative pressure and fell sharply against the U.S. Dollar.

The overall balance of payments in 1998 is forecast to have fallen from a surplus of \$503.8 million in 1997 to only \$31.9 million. The weak performance of the external sector is mainly due to the poor performance of the current account which fell from a surplus of \$572.5 million in 1997 to a deficit of \$81.6 million in 1998. For the first time since the early 1980's, the merchandise trade balance is expected to be in deficit due to a 23% drop in diamond exports and a 28.6% increase in total imports fueled by the economy's continued expansion and the Pula's devaluation against major currencies. The financial account is also expected to register a deficit of \$50 million due to the growth of equity investment offshore, following exchange control liberalization. This negative situation is likely temporary and will be rectified when diamond sales again increase and new domestic portfolio investment opportunities are developed to keep capital at home.

Because of the balance of payments surplus recorded over the years, Botswana has accumulated sizable foreign exchange reserves. At the end of November, 1998, foreign exchange reserves topped \$5.9 billion up slightly from \$5.7 billion the previous year, and sufficient to finance about 29 months of import cover.

Employment growth rates improved in 1998, although unemployment continues to pose a major challenge. Formal sector employment grew at 5.4% from 227,300 in March 1997 to 239,500 a year later, a vast improvement over growth rates of less than 2.3% since 1992. The most recent labor force survey shows unemployment holding steady around 21% in the first quarter of the 1996/97 national accounts year. While Botswana can boast of high literacy rates and virtual universal access to primary education, employment growth is limited by a lack of technical and managerial skills.

The Government of Botswana has used the country's mineral wealth to develop its people and infrastructure, producing a literate workforce as well as good roads, communications and utilities. Private sector participation in the country's growth is increasing, spurred on by government policies to liberalize the economy and privatize some government agencies.

Corporate tax rates of 25%, including a 15% concessional rate for manufacturers and providers of financial services, are among the lowest in the region.

The 1998/99 budget shortfall led to the country's first deficit since 1990 of about \$325 million. The deficit was caused by a decline of 12% in diamond sales and a decline of 44% in revenue

from the Bank of Botswana portfolio investments, both linked to the East Asian economic crisis. The revised 1999/2000 budget estimate initially predicted a shortfall of about \$86.9 million with revised total revenues and grants increasing by 27% and total expenditures and net lending increasing by 13%. Significantly improved diamond sales in the first months of the fiscal year have led to a prediction that the government may show a small surplus.

Diamonds remain the story behind Botswana's impressive financial sheet, although the Government has introduced fiscal policies aimed at fostering economic diversification. By targeted international marketing of Botswana's exports, tourism, and investment opportunities, the Government of Botswana expects to lessen dependence on mineral revenues, generate more jobs, and contribute to poverty alleviation.

The Government of Botswana has been a leading advocate of economic integration among the 14 members of the Southern African Development Community (SADC). As a landlocked nation with a small population, Botswana's economic fate is closely entwined with that of its larger neighbors, particularly South Africa through which most of its imports and exports transit. The limitations of Botswana's small domestic market make access to SADC's large liberalized market of 200 million people essential in attracting foreign investment.

SADC member states are currently negotiating the details of a Trade Protocol, which was signed in August 1996 and ratified, thus far, by five of its members (including Botswana in 1998). The Trade Protocol will contribute to lowering trade barriers and extend dependable and secure market access for producers. Once implemented, the Protocol will have a significant impact on the economic and commercial prospects for the region. Ratification by the necessary two-thirds member states to bring the Trade Protocol into force is expected by year end 1999 with implementation expected shortly thereafter.

CHAPTER III. POLITICAL ENVIRONMENT

While there are several active political parties in Botswana, the country's politics have been dominated by the governing Botswana Democratic Party (BDP), which has held power since independence. The BDP won 27 of the 40 contested National Assembly seats in the October, 1994 elections. With the four additional members the ruling party is authorized to appoint, the BDP holds 31 seats in the Assembly. The thirteen seats won by the opposition Botswana National Front (BNF), however, represented an unprecedented challenge to the BDP and a substantial increase from its previous representation of only three seats. The BDP won 54.3 percent of the popular vote compared to the BNF's 37.3 percent.

A traditional socialist party, the BNF has focused more on internal squabbles and criticizing BDP policies than on articulating its own platform. Currently, the BNF faces a growing challenge from dissidents who broke away to form a new party, the Botswana Congress Party (BCP) in June 1998 after a year of internal squabbles and court fights over the leadership of the BNF. Eleven of thirteen MPs have crossed over to the BCP, along with many of the BNF's rank and file. The BCP retains many tenets of the BNF's social policy, while discarding much of its ideological baggage. The BCP now represents the official opposition in Parliament, but the coming election will demonstrate the degree to which the BCP has become an effective and lasting political organization. Opposition strongholds continue to center around urban areas, where the economically marginalized, particularly youth, respond favorably to opposition calls for increased government spending on human services.

Most observers predict a comfortable victory for the ruling party in October. Voters have been drawn to the BDP for over thirty years largely because its conservative fiscal programs have contributed to Botswana's marked progress. However, some Botswana would prefer to see the government save less and spend more to spread the country's wealth more equitably. The October elections will be a measure of the electorate's confidence in the government's ability to distribute Botswana's wealth, and to diversify the economy and generate jobs for all segments of society.

CHAPTER IV. MARKETING U.S. PRODUCTS AND SERVICES

75 to 80% of Botswana's imports come from South Africa. Not all these, however, are of South African origin, as some goods are re-exports of South African imports while others have undergone final processing within the country. Many U.S. goods marketed in Botswana enter as re-exports through South African agents and distributors. Locally-based wholesalers and retailers are increasingly looking to establish direct links with U.S. producers to avoid mark-ups (standard U.S. consumer goods often become prohibitively expensive luxury items by the time they reach Botswana) or to diversify their supply away from dominant South African brands. U.S. companies looking for assistance in finding a Botswana agent/distributor may wish to contact BOCCIM, the Botswana Confederation of Commerce, Industry and Manpower, an organization to which many local businesses belong. The Commercial Section at the U.S. Embassy, working through the U.S. Department of Commerce, also provides a wide variety of services including the Agent/Distributor Service for U.S. firms interested in exporting goods and services to Botswana (for contact information, see Appendix E). Direct marketing is also feasible, particularly to local companies seeking to import goods for a government tender.

There are a number of successful South African franchises in Botswana, including fast food, automobile repair, supermarkets and department stores. U.S. franchises and licensing agreements include DHL, Federal Express, Coca-Cola, Kentucky Fried Chicken, Avis, and Best Western. There is increasing government and private sector interest in U.S. franchises; however, small market size and limited domestic investment capital may preclude more expensive franchises.

Botswana entrepreneurs and the Government backed Botswana Development Corporation (BDC), welcome joint venture opportunities, particularly where the foreign partner will bring production expertise, product design, or marketing ties.

Company formation and registration is relatively simple. Legislation governing company formation is contained in the Companies Act of 1959, Cap 42.01, as amended, and distinguishes between external, public, and private companies, the latter being predominant. All companies are registered with the Registrar of Companies, who certifies that the company is incorporated. It is common practice to engage a local attorney or a company secretary to handle registration, which can be finished within two weeks. There are several locally based international accounting firms, which provide assistance to businesses establishing offices in the country. Primary documents required for registration are the new company's memorandum and articles of association. The Company Act requires that accounts be maintained in Botswana (although additional overseas accounts are permitted), that there is a

resident auditor, and that certain reporting requirements are met.

The Industrial Development Act of 1988 requires that all foreign-owned manufacturing enterprises obtain a license from the Ministry of Commerce and Industry. U.S. companies are advised to consult with the Botswana Export Development and Investment Agency (BEDIA) which can assist with the process and which can ensure that their proposal does not include one of a small number of commercial enterprises reserved for citizens of Botswana.

Prices for most American consumer goods marketed directly or through local agents or distributors are acceptable due to the favorable exchange rate between the Botswana Pula and the U.S. Dollar. The current exchange rate is Pula 1 = \$0.21. Service and after-sales support from foreign suppliers to Botswana companies have often been deficient. Thus, guaranteeing parts and service may be essential to marketing unfamiliar products.

Newspapers and radio are the most common advertising mediums. South African television broadcasts (SABC) are available via satellite and can provide a venue for products marketed region-wide. In addition the South African broadcaster BOP TV is received in Gaborone. GBC, the country's sole television station, is received in Gaborone and the nearby cities of Molepolole, Mochudi, Ramotswa and Mogoditshane and is increasingly an advertising medium of choice.

Major newspapers are as follows:

The Botswana Guardian, (Pula Printing and Publishing (Pty) Ltd.),
P.O. Box 1641, Gaborone, Tel: [267] 300-302
Fax: [267] 374-381

The Botswana Gazette, P.O. Box 1605, Gaborone, Tel: [267] 372-283, Fax: [267] 312-774

The Midweek Sun, P/Bag 00153, Gaborone, Tel: [267] 300-302
Fax: [267] 374-381

The Reporter - Mmegi, Bag BR 50, Broadhurst, Gaborone, Tel:
[267] 374-784, Fax: [267] 305-508

The Daily News, Department of Information and Broadcasting
P/Bag 0060, Gaborone, Tel: [267] 352-971, Fax: [267] 352-541

The Advertiser, (Printing and Publishing Services), P/Bag 0081
Gaborone, Tel: [267] 314-441, Fax: [267] 312-001

Advertisers interested in wide, local language coverage may wish to contact Radio Botswana at Department of Information and Broadcasting, P/Bag 0060, Gaborone, Tel: [267] 352-541
Fax: [267] 352-541

Those interested in local television advertising should contact GBC at P.O. Box 921, Gaborone, Tel: [267] 357-654, Fax: [267] 301-875, E-Mail: gbctv@info.bw.

A few reputable marketing and advertising agencies also publish magazines which are widely circulated. These include Hello Botswana, Private Bag BR53, Gaborone, Botswana, Tel: [267] 374-134; Fax: [267] 357-433.

The Government has approved licenses for two private radio stations and is launching a new government television station. All three are expected to come on line in 2000 and will offer additional advertising possibilities.

The Government of Botswana remains a major customer for U.S. goods and services. An autonomous Central Tender Board, located in the Ministry of Finance and Development Planning and consisting of senior officials from the Ministries of Commerce and Industry, Finance, Works, Transport and Communications, and Mineral Resources and Water Affairs, makes the final decision on all government tenders. Tenders are initially evaluated by a consultant and/or a technical review board, appointed by the concerned ministry which then makes a recommendation to the CTB. The CTB generally follows the recommendation, but can and has overruled it. The CTB normally bases awards on cost and technical merit, but is free to use other criteria it deems appropriate. A CTB decision is final and may be appealed only if there were procedural irregularities in the tender process. Lobbying the CTB or its members is strictly prohibited and will disqualify a bidder.

U.S. firms are encouraged to make contact with relevant Government ministries or parastatals to provide input at the drafting stage of tenders for major projects. A pre-bid trip to Botswana may improve the understanding of the precise needs of the client and allow the U.S. firm to tailor its proposals to those needs. While this may escalate bidding costs for U.S. firms due to transportation costs, the investment often proves useful. Alternatively, U.S. companies may wish to form partnerships with Gaborone or Johannesburg based firms. South African firms often have a strong advantage over their competitors due to knowledge and name recognition. The U.S. Embassy can assist in identifying appropriate local associates and making initial business contacts.

It is necessary for U.S. firms to study Botswana's market as well as its existing technology and standards before submitting bids for government tenders. U.S. firms often fail to undertake adequate research on acceptable and compatible technical conditions for the southern Africa region. The lowest offer, though attractive, may not be the leading criteria for awarding a tender. The U.S. Embassy has found the tendering process in Botswana to be generally fair and transparent.

The Government of Botswana addresses intellectual property rights through the Copyright Act and the recently enacted Industrial Property Act. The Copyright Act, which provides low penalties for violations, dates from 1965 and needs revision. The Ministry of Commerce and Industry is drafting new legislation which it plans to present by year's end. The new Broadcast Bill includes a clear provision for copyright protection of broadcast material. The Industrial Property Act of 1996 while current requires implementation regulations to bring it into full operation. The Ministry of Commerce and Industry has drafted such regulations and they are expected to be enacted by year's end.

CHAPTER V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

Trade data provided by the Botswana Central Statistics Office indicates that major imports for 1998 in descending monetary value were as follows:

- Machinery & Electrical Goods
- Vehicles & Transport Equipment
- Food and Beverages
- Metal & Metal Products
- Chemical & Rubber Products
- Wood & Paper Products
- Textile and Footwear

Most large development projects are government sponsored and are funded from existing revenues. The supply of inputs for such projects generates export leads for U.S. firms. Construction activities, particularly for government office blocks, factory shells and primary schools; district council water and sewerage projects; and township services receive a good share of the development budget. The upgrading of hospitals and the provision of medical equipment also provide good U.S. export prospects. In addition, the Government plans investments in secondary road construction, bitumen road improvements, and rural roads. Educational projects and supplies are ongoing expenditures. Other planned projects which have the potential to generate export orders include village water supply and sanitation development projects, rural power supply projects, and civil aviation infrastructure improvements.

A Central Business District (CBD) is planned for Gaborone, Botswana's capital, and the first phase will commence in 1999. This will primarily consist of the construction of access roads, water and sewerage reticulation, ducting and sleeving for telecommunication and power works, traffic signaling, and street lighting. The CBD will be developed in three phases stretching over a 20-year period. It is envisioned as the center of communications and the focus of business, shopping and entertainment for future metropolitan populations. Civil

engineering contractors are strongly encouraged to submit tenders for this multi-million dollar project.

Information on Government tenders and reports on market insights are available from the World Wide Web address below:

www.usia.gov/abtusia/posts/bcl/wwwhcomm.html

Commercial opportunities are generally small in scale in the private sector. However, opportunities do exist for trade and investment, and U.S. firms have discovered profitable market niches. The improved political and economic prospects for southern Africa have also brought new opportunities for assembly or service operations targeting the much larger regional market.

In addition to the sectors highlighted above, we consider the following areas as potentially interesting to U.S. firms:

1 - Trade Opportunity: Hospital Equipment/ Pharmaceuticals

The Government has committed Pula 250 million (\$55.5million) to upgrading all district hospitals in the country. The campaign against HIV/AIDS receives top billing as efforts to develop human resources continue to be undermined by the pandemic. The effect of this scourge has prompted the construction of clinics and the provision of vehicles, furniture and equipment. Pula 14.5 million (\$3.2 million) has been provided for fiscal year 1999 to cover these activities. The Government has also decided to introduce drug cocktails to reduce HIV transmission from expectant mother to unborn child, and has provided Pula 16 million (\$ 3.5 million) this year. This scenario presents opportunities for U.S. supplies in the health sector.

Data provided by the Botswana Trade Statistics Unit indicate that there has been considerable increase in the supply of pharmaceutical products over the 1997/98 period. This is an area where U.S. companies might successfully compete, although they will undoubtedly face stiff competition from well established South African firms.

Pharmaceuticals

	1997 (\$ MILLIONS)	1998	1999
A. Total Market Size	26.7	28.7	31.5
B. Local Production	Negligible		
C. Total Exports	Negligible		
D. Total Imports	26.7	28.7	31.5
E. Imports from the U.S.	0.0410.1430.157		

The above statistics are unofficial estimates. Data are computed at an estimated annual growth rate of 10% and at an average exchange rate of Pula 1 = \$0.2625 & 0.2243 (Dec. 1997 & 1998 respectively). Source: Trade Statistics Unit, Ministry of Finance.

2 - Trade Opportunity: Computers (Hardware and Software)

Due to increased awareness of Y2K and continued efforts to meet international standards, Botswana is upgrading all government computer systems. The Government has approved Pula 112.5 million (\$25 million) for the upgrade of internal systems, and implementation is at an advanced stage. Additional funds have been allocated for new hardware, software and training, including consultancy and support services. Local businesses have also dedicated huge sums to upgrade their systems and make them Y2K compliant.

There has been a significant increase in imports due to continuous invitations to tender for the supply of computers and accessories, and computerized business and accounting systems for government departments and local authorities. Details on tenders will be placed on the Embassy Web Page at the internet address below:

www.usia.gov/abtusia/posts/BC1/wwwwhcomm.html

Computers (Hardware, Parts, Accessories and Software)

	1997 (\$ MILLIONS)	1998	1999
A. Total Market Size	20.9	24.0	26.2
B. Local Production	Negligible		
C. Total Exports	Negligible		
D. Total Imports	20.9	24.0	26.2
E. Imports from the U.S.	1.15	1.08	12.0

The above statistics are unofficial estimates for word processing machines, calculating & accounting machines, automatic data processing machines, other office machines &

parts & accessories only. The great majority of products in the computer industry sold in Botswana are of U.S. origin. Typically, the products are exported to a distributor in South Africa and then sent to an affiliate in Botswana for resale, recorded as a South African export to Botswana. Data are computed at an estimated annual growth rate of 10% and at an average exchange rate of Pula 1 = \$0.2625 & 0.2243 (Dec. 1997 & Dec. 1998 respectively). Source: Trade Statistics Unit, Ministry of Finance.

3 - Trade Opportunity: Mining Equipment

Botswana's development continues to rely on the country's mineral wealth. The mining sector accounts for about a third of Botswana's GDP. Botswana's three diamond mines have extensive reserves with life expectancies well into the 21st century. The demand for mining equipment, particularly forklifts, earth moving trucks, bulldozers, graders, scrapers, derricks and cranes, remains inevitable. Data provided by the Botswana Trade Statistics Unit indicate that there has been a significant increase in imports over the 1997/98 period.

Heavy Duty Machinery

	1997	1998	1999
	(\$ MILLIONS)		
A. Total Market Size	66.902	64.745	71.249
B. Local Production	.002	0.045	0.049
C. Total Exports	2.48 4.3	4.73	
D. Total Imports	66.9	64.7	71.2
E. Imports from the U.S.	2.45	1.92 2.11	

The above statistics are unofficial estimates. Figures cover heavy-duty equipment only and exclude dump trucks. Data are computed at an estimated annual growth rate of 10% and at an average exchange rate of Pula 1 = \$0.2625 & 0.2243 (Dec. 1997 & 1998 respectively) Source: Trade Statistics Unit, Ministry of Finance.

The expansion of the Orapa Mine to double its production capacity by 2000 remains on schedule. Similarly, continuous operations at all three mines (Jwaneng, Orapa and Letlhakane) involving a seven-day production week as opposed to a six-day production week have been introduced. Such developments will create increased and consistent demand for off-highway mechanical trucks to sustain these projects.

U.S. equipment is not new in this field, with Caterpillar capturing a sizable portion (65%) of the market. Equipment is supplied by distributors, and recorded as imports from the country of supply and not as imports from the country of origin, hence the understated value of U.S. imports. Other competitors are Euclid, Dresser and Komatsu. All heavy equipment and

machinery is imported, as there is no local production or assembly.

4 - Trade Opportunity: Telecommunications Equipment & Supplies

Botswana's telecommunications infrastructure is one of the most modern in Africa. Increasing customer connections and expanding the network rate high on the development plan of the Botswana Telecommunications Corporation (BTC). The Corporation intends to increase the number of direct exchange lines from 97,000 lines to 214,000 by the end of 2003. With the introduction of two cellular phone operators, cellular phones represent sales prospects. Direct exchange lines will be augmented by about 60,000 cellular numbers. BTC is also expected to double the existing network to 130,000 new lines in the next three years, and the first phase of the project includes the installation of 10 new exchanges every year.

Details of tender invitations for these projects are made available on the internet at:

www.usia.gov/abtusia/posts/BC1/wwwwhcomm.html

The telecommunications industry also has a potential to purchase telecommunications products such as feature and cordless phones, car phones, and pocket service phones.

U.S. businesses normally access the market through joint ventures with either the Botswana Telecommunication Corporation or local investors, although this route is by no means mandatory. Sales to the Botswana Telecommunications Corporation (BTC) have been dominated by European firms due to European Government assistance and Botswana's technical standards.

Electrical Apparatus for line telephony & telecommunications equipment

	1997	1998	1999
	(\$ MILLIONS)		
A. Total Market Size	6.15	15.39	16.93
B. Local Production		Negligible	
C. Total Exports	0.16	0.23	0.25
D. Total Imports	6.15	15.39	16.93
E. Imports from the U.S.	0.126	0.18	0.2

The above statistics are unofficial estimates. Data are computed at an estimated annual growth rate of 7% and at an average exchange rate of Pula 1 = \$0.2625 & 0.2243 (Dec. 1997 & 1998 respectively). Source: Trade Statistics Unit, Ministry of Finance.

5 - Investment Opportunity: International Financial Services

Botswana is in a position to expand its financial sector and develop an International Financial Services Center (IFSC), as a result of progressive economic liberalization, the complete abolition of exchange controls, high foreign exchange reserves, and the maintenance of a favorable macroeconomic environment. The review of statutory, fiscal and regulatory structures to facilitate the establishment of an IFSC is on schedule. The required legal framework and amendments to existing legislation will be presented at the next sitting of Parliament this year. The Collective Investment Undertakings legislation has been enacted and several unit trusts have been launched to encourage savings.

IFSC operators will be granted a certificate from the Bank of Botswana, which has been appointed the regulator of the IFSC, entitling them to certain tax benefits, notably a 15% (as opposed to the normal 25%) corporate tax and relief from withholding tax. To qualify for the special tax benefits, IFSC operators would be required to obtain a tax certificate by a Certification Committee after being granted licenses from the regulator. Expected services to be provided by an IFSC in Botswana would include collective investment undertakings, corporate treasury operations, captive insurance business and international holding company administration.

After all the necessary policy reforms and regulatory framework have been set up, Botswana will present a potentially lucrative business opportunity for U.S. companies interested in operating off-shore banking, insurance and accounting facilities in Southern Africa.

6 - Trade Opportunity: Equipment for Water Supply

Botswana has developed a National Water Master Plan, encompassing a compilation of all known water resources with estimated water demand over a 30 year planning period. The North South Water Carrier Project (NSWCP) is ongoing with contracts for its 9 components generally on schedule and should be completed by July 1999. It is classified as the biggest single construction project ever undertaken in Botswana at an estimated cost of Pula 1.4 billion (\$304.3 million). This is the first phase of the project, and projections indicate that it should meet the country's demand until the year 2010.

For further augmentation beyond this period, construction of the Lower Shashe Dam is planned as Phase 2 of the project, aimed at ensuring supplies up to and beyond the year 2020. In addition to the NSWCP, the Government has embarked on a number of other water development projects around the country. During the 1999/2000 financial year, \$1.51 million has been made available for dam designs at Ntimbale, Polometsi, Thune and Lotsan. A further \$1.5 million has been set aside for ground water studies and surveys. This should generate opportunities for the supply

of pipelines, construction, and/or provision of materials for pumping stations and dams.

7 - Trade and Investment Opportunity: Solar Energy Equipment

Botswana has abundant renewable energy resources, mainly in the form of solar energy. The Government is looking into how to increase the contribution of solar energy to the national energy balance. The Government has developed the National Rural Photo-Voltaic Electrification Program to assist communities with loans repayable over four years, to purchase and install quality photo-voltaic (PV) systems for household use. The demand for solar energy equipment including PV components is rising. Imports are mainly from the U.S., Europe and South Africa.

Botswana is also seeking joint ventures or licensing agreements between U.S. and Botswana companies for the manufacture and or assembly of PV components.

8 - Trade Opportunity: Consulting, Resource Management and Design Engineering Services

Provision of design and consultancy services, including feasibility and impact studies, and the sale of follow-on project management skills, remains an area of great potential in Botswana for U.S. firms. Ongoing and planned infrastructure development projects in the areas of water resources, roads and power generation are likely to proceed even if economic growth becomes flat. A reputation for quality, international experience, and cutting edge technology are the U.S. design and consulting firms' biggest advantages in bidding on major infrastructure development projects in Botswana.

European, particularly British, and South African design and consulting firms with long established ties to the market through Botswana-based affiliate offices can have a strong advantage over U.S.-based competitors. A U.S. firm may find it useful to enter into partnership with a locally based firm.

9 - Investment Opportunity: Tourism

The development of tourism remains one of the country's priorities. Tourism is a relatively new sector with considerable investment potential. The Government has adopted a policy of providing relatively high-value, low-volume facilities for tourism. 17% of the country has been allocated to National Parks and Game Reserves and a further 21% of land surrounding these areas is devoted to wildlife management areas which provide additional sanctuary to animal populations. Botswana affords many possibilities for tourism investment and, while there is a push for more ownership and investment by local people, foreigners are welcome, especially those with experience and the ability to provide employment and ecologically sustainable development of Botswana's natural resources.

Providing facilities such as mobile safaris, elephant safaris, horseback safaris, hunting and fishing safaris and photographic safaris are areas with potential.

From 1992 to 1997, the number of holiday visitors grew nearly 14% per annum. The National Development Plan 8 (NDP 8), the five-year plan for the economy (1997-2003), has identified wildlife and tourism as a key sector for economic growth. The Minister for Commerce and Industry predicts tourism will be a one billion Pula (\$250 million) industry within five years. The Government makes funds available through the Financial Assistance Policy (FAP) for tourism development. In addition to FAP financing, the Government is embarking on a Tourism Development Program during NDP 8.

At present, joint venture partners are being sought for hotel expansions and start-ups along the Trans-Kgalagadi Highway joining Botswana and Namibia. Dynamic growth sectors with unique areas for multipurpose use are in areas such as the Kgalagadi Desert, the Nxai and Makgadikgadi Pans, the Okavango Delta and Chobe National Park.

10 - Investment Opportunity: Motor Vehicle Assembly

The automobile industry remains a priority sector through which the Government hopes to intensify its economic diversification efforts. Vehicle assembly is now the country's second most important industry, and in 1997, contributed more than Pula 1 billion (\$250 million) to the country's export earnings. The growth of the vehicle assembly industry is also stimulating significant spin-off business. Opportunities identified include (a) automobile assembly, (b) brake linings, pads, pressure and clutch plates, (c) car batteries, and (d) tire manufacturing.

11 - Other Investment Opportunities

Botswana welcomes investors who provide foreign direct investment for industries that offer prospects for import substitution and export potential. The 1999 Official SADC Trade, Industry and Investment Review presents the following sectors as having potential for foreign investment:

Technology:

Electronics components supply and product manufacture;
 engineering plastics and packaging industry; food processing;
 water conservation, waste water rehabilitation and re-use;
 building materials and affordable housing;

Manufacturing:

Garments and textiles, consumer products, pharmaceutical,
 leather and leather related products and ostrich farming.

Agro-industry: Opportunities in this sector include: (a) the processing of hides and skins into finished products. The annual stock of raw skins from the Botswana Meat Commission (BMC) is about 250,000. Skins are processed up to the wet blue stage and then exported for final processing; (b) processing of edible vegetable oil; (c) manufacturing of livestock feed for poultry and cattle. Botswana's cattle population is about 2.5 million; (d) cattle by-products from the BMC.

Due to the small domestic size of the economy, export-led industries are a must. The southern Africa region constitutes an immediate export market. The move towards freer trade among the 14 member states of the Southern African Development Community (SADC) supports the ability of investors to utilize this wider market. Several firms -- Owens-Corning (water pipes), Hyundai (mainly responsible for Botswana's substantial export figure for vehicles and parts in 1997) and numerous apparel firms -- have been successful in penetrating into the regional export market.

The Government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60% of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as the Overseas Private Investment Corporation (OPIC) programs, investment treaty negotiations, and Business Facilitation Programs that support U.S. investors.

12 - Agriculture: Trade Opportunity - Corn, Sorghum, Wheat, Rice

Rainfall has been low, poorly distributed and erratic with prolonged dry spells. Drought coupled with high temperatures has adversely affected the growing season, and has contributed to low crop yields. This has led to a decline in the amount of land under cultivation. Only 88,154 hectares of land (52%) was cultivated in 1998 compared to 170,610 hectares the previous year. The total area planted was only 18% of cultivatable land in a normal year. The publicity given to the El Nino phenomenon

is partly responsible for discouraging many farmers from planting.

The total crop production forecast, for both the communal and commercial sectors for 1998, was estimated at 13,009 tons, which is only 38% of last year's production, registering a severe shortfall, as the country's total cereal requirements for the 1998/99 fiscal year are 302,154 tons. The Early Warning Report of August 1998 indicates that the country will require 300,105 tons in cereal imports. This is detailed as follows:

- 110 000 tons of maize
- 82 100 tons of sorghum
- 80 005 tons of wheat
- 28 000 tons of rice

As large importers of cereals (maize, sorghum, wheat and rice), Botswana grain dealers (Botswana Agricultural Marketing Board, BAMB and Food Relief Services, FRS) have invited tenders for the importation of sorghum and maize.

Local importers have expressed interest in diversifying supply and seeking U.S.-sourced products. Trade statistics show that, last year, cereal imports (wheat, meslin and grain sorghum) from the U.S. amounted to \$51 million. South African suppliers have traditionally dominated supply of foodstuffs to Botswana, either with South African produced goods or through re-exports of imported goods.

Although agriculture contributes only 4% to Botswana's GDP, it is an important source of food, income, employment and capital for the population. The Ministry of Agriculture is preparing a National Master Plan for Agricultural Development (NAMPAD) which will be used to guide investments and increase productivity.

CHAPTER VI: TRADE REGULATIONS AND STANDARDS

Southern African Customs Union (SACU)

The Southern African Customs Union (SACU) is composed of South Africa, Botswana, Namibia, Lesotho, and Swaziland. The members have eliminated duties on goods moving between each other with certain strategic exceptions and have imposed a common external tariff on all goods entering the Union. With the exception of certain foodstuffs, import permits are not required for goods entering Botswana from SACU. Duties collected are placed in a common pot and split among member states. The current formula was derived during the apartheid era and ensures that Botswana, Namibia, Swaziland and Lesotho collect far more than is due them based on trade volumes. In essence, South Africa is subsidizing the other members, a situation acceptable for political reasons under apartheid but now unacceptable given its domestic financial problems. Projections show that if a new revenue

sharing formula is not adopted South Africa may end up paying out more to the other members than is collected.

SACU renegotiations have been going on for several years. In the last 12 months, the talks have developed a new momentum, and there appears to be broad agreement that the revenue sharing formula has to change. South Africa has proposed a formula which guarantees the other members' revenues remain the same for a year and then slowly taper off. Lesotho and Swaziland, whose national budgets are largely dependent on SACU revenue, are deeply concerned about what this may mean for the future. Before agreeing to changes in the revenue sharing formula, all states except South Africa are demanding creation of an accountable SACU Secretariat. Currently, SACU is controlled by the South African Revenue Service (SARS), an arm of the South African government, which sets tariff rates and oversees disbursements. The other members are demanding that a secretariat with an elected president take over SARS' functions. Agreement on restructuring is probably several months away, but a formula whereby South Africa exchanges control over policy for more equitable revenue sharing seems the most likely.

Value Added Tax (VAT)

South Africa may have given new life to accusations of its non-collegial method of managing SACU when it unilaterally announced collection of its VAT at land borders with SACU partners. Previously goods destined for export to SACU were zero rated, as were goods in transit through South Africa. Goods imported from SACU members had their VAT paid by the South African importer following arrival. SARS announced the cessation of all zero rating as of January 1, 1999, with the exception of those goods consigned for transport on VAT registered carriers. The remaining SACU members claimed the action was taken without adequate consultation, planning, or consideration for the move's effects on their economies. South Africa claimed the move was necessary to eliminate pervasive VAT evasion fraud.

The effect has been that importers and exporters of goods to, from or through South Africa must pay 14% VAT upon the goods entry or departure from South Africa. The VAT can be refunded on export minus a one-and-a-half percent processing fee. Implementation at Botswana's borders has been especially problematic with delayed refund checks, improperly collected processing fees, and long border delays the norm especially at the main Botswana - South Africa border post. While refund issues have been addressed, border delays are likely to remain a serious and costly problem until SARS upgrades its facilities and trains additional personnel or until agreement on longer border operating hours can be reached between Botswana and South Africa.

Southern African Development Community (SADC)

Botswana along with 13 other southern African states (Angola, Democratic Republic of the Congo (DROC), Lesotho, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe) is a member of the Southern African Development Community (SADC). SADC was established to promote closer economic, social and political integration in the region. At present, SADC sets policy through protocols which must be ratified by two-thirds of member states to bring them into effect. SADC has, thus far, ratified four protocols dealing with Immunities and Privileges; Transport, Communications and Metrology; Shared Watercourse Systems; and Energy. SADC's most ambitious protocol to date is its Trade Protocol signed in August 1996 by eleven member states (Angola was absent, DROC and Seychelles joined SADC later). The Trade Protocol calls for the reduction and elimination of tariff and non-tariff barriers between member states eight years from its ratification by two-thirds (eight) of the members. To date, five countries have ratified. Other members have delayed ratification pending the design of a Trade Protocol implementation plan by the Trade Negotiating Forum (TNF).

The TNF functions under the auspices of the Secretariat through monthly negotiating sessions at which member states have been asked to provide proposals for tariff reduction schedules and elimination of non-tariff barriers. The TNF has attempted to negotiate modifications to the rules of origin set in the Trade Protocol and to identify agreed upon sensitive product lists for each member state which will be subject to less rapid tariff reduction schedules. Following the July 1999 TNF meeting in Gaborone, there is a new optimism in SADC that an implementation agreement may be in sight. Outstanding issues have been reduced to tariffs, subsidies and quotas on sugar; sensitive product-specific rules of origin; final agreement on sensitive product lists; and non-tariff barriers. Most important for Botswana is a new SACU proposal to have two separate sets of tariff reduction schedules between SACU and other SADC members, a fast track for Botswana, Namibia, Lesotho and Swaziland and a slow track for South Africa. This would allow SADC members to reduce tariffs with Botswana more quickly than previously envisioned. At any rate, there is a definite possibility that Trade Protocol ratification will take place by year's end with implementation some time relatively soon after that.

World Trade Organization

Following its accession to GATT, Botswana became a member of the World Trade Organization (WTO), which was launched as the official successor to GATT in January 1995. The WTO is responsible for the implementation of the Uruguay Round Trade Agreement. With regard to tariffs and quotas, WTO seeks to: (a) create a market-oriented agricultural trading system - (Botswana and its SACU partners will have to decrease tariffs by 24% over 10 years) and (b) phase out quota restrictions on developing

countries' textile exports (which will ultimately benefit Botswana).

Botswana recognizes that SACU's high tariffs are a barrier to manufacturing and investment in the country, although its overarching interest in maintaining duty-free access for its products to South Africa precludes it leaving the organization. Botswana is hopeful, however, that the stipulations of the WTO, coupled with the interest of some SACU members in seeing trade barriers reduced, should translate into a steady decline in tariff rates.

Sales Tax

A 10% sales tax is imposed on items such as fuel, liquor, cigarettes, motor vehicles, computers, domestic electrical appliances and most consumer goods. Importers of such goods are responsible for the collection of the sales tax. Most items of food, construction materials, capital goods, medicines, books and stationery are exempted. Certain services such as hotels, dry cleaning and hair dressing, also attract sales tax. In April 1997, sales tax coverage was extended to selected professional services. In the 1999 Budget Speech, the Government underscored its intention to replace the existing regime with a VAT by 2001.

Trade Regulations: - Import Licenses, Exchange Controls, Documentation

Import permits for goods entering Botswana directly from outside SACU are obtainable from the Department of Commerce and Consumer Affairs in the Ministry of Commerce and Industry. The import permits are not transferable. Permits are usually granted upon request, and Botswana's abolition of foreign exchange controls in February 1999 mean there is little difficulty in obtaining sufficient foreign currency to cover transactions. The local importer must prove the goods have been received in Botswana (the exchange control portion of the Customs Entry Certificate is sufficient evidence) and present evidence regarding the amount due (the supplier's invoice).

Prohibited imports include habit-forming drugs and objectionable literature (pornographic magazines and videotapes).

There is no tax on exports. Exports from Botswana generally do not require permits. Export controls are however assessed on the following restricted items, which require export permits: radioactive materials, unpolished diamonds, gold, wildlife and wildlife trophies, plants, hides and skins, and agricultural products. An Export Declaration Form (Form CD) must be filed for all goods exceeding approximately \$370 in value.

Botswana has a "duty drawback" arrangement for the import of goods for processing or assembly followed by re-export.

Documentation required for external trade are: (a) Form CCA I for imports and exports within SACU; (b) Form CE 500 (Bill of Entry) for imports outside of SACU; (c) Form CE 24 (Bill of Entry) of exports of local products and (d) Form CE 23 (Bill of Entry) for exports of imported products.

Customs Officials may be reached at:

Department of Customs & Excise
Private Bag 0041
Gaborone
Tel: (267) 322-855
Fax: (267) 322-781
Contact: Mr. Ken Morris, Director

CHAPTER VII: INVESTMENT CLIMATE STATEMENT

Openness to Foreign Investment

Botswana is widely regarded as an attractive place to do profitable business. The 1998 Africa Competitiveness Report produced by the World Economic Forum places Botswana third in Africa behind Mauritius and Tunisia in terms of overall competitiveness. The prudent economic management of the Botswana Government coupled with good fortune--an oasis of diamonds--has resulted in many years of sustained economic growth under conditions of macroeconomic and financial stability. While GDP growth in 1998 remained an impressive 8.3%, the economy is not without problems. The Asian economic crisis resulted in a fall in demand for diamonds, which resulted in a decision to hold back diamond production from the market. This has led to a decline in diamond exports by 12% from 1997 and the country's first predicted budget deficit since 1990 estimated at \$325 million. While better than expected diamond sales in the first half of 1999 have improved government revenue forecasts for this year, the 1998 shortfall has given new impetus to the Government's attempts to diversify Botswana's economy.

In addition to this "diamond dependence", the country faces a continuing high rate of unemployment of about 21%. The Botswana Government is giving this problem high profile as is evidenced by the theme of the 1999 Budget Speech, "Creating an Enabling Environment for Sustainable Employment Creation and Poverty Reduction." The Government's employment creation strategy has included instituting measures that are conducive to private sector growth. The need for foreign direct investment to achieve full growth potential and for the alleviation of unemployment is recognized by both government and private sector as critical.

The Botswana Government has been committed to creating a regulatory framework favorable to investors. Its strategy has

focused on the liberalization of exchange controls, a process concluded with the complete abolition of all exchange controls in February 1999. In addition the Government has reaffirmed its commitment to combating crime, including corruption, and to improving the delivery of the judicial system. It has also attempted to provide assistance to investors through general investment incentive schemes, including Botswana Government grants and tax relief. Foreign investors are given equal access to general incentive schemes in all economic sectors, save those reserved for Botswana citizen investors. Investment of foreign capital in job-creating industrial projects, particularly in import substitution and exports is strongly encouraged.

The Botswana government attempts to assist investors through its various parastatal development entities which provide assistance and/or financing to potential foreign or domestic investors. Botswana's former Trade and Investment Promotion Agency (TIPA) under the Ministry of Commerce has been reorganized into an independent parastatal, the Botswana Export Development and Investment Agency (BEDIA). Whereas TIPA's role was primarily informing foreign investors of the possibility of investment opportunities, BEDIA will attempt to actively assist investors. BEDIA is designed to act as a "one-stop shop" to minimize bureaucratic delays and costs. BEDIA will assist investors in pre-investment support services including purchasing or leasing property, obtaining work and residence permits, obtaining necessary licenses and other regulatory authorizations, and providing initial start-up grants. While creating BEDIA, the Government was also reorganizing the Botswana Development Corporation (BDC), its development financing parastatal. BDC had previously provided loans and equity capital to virtually any project presented to it which could be seen as having a loosely-defined "development" component. This resulted in significant monetary losses which the Botswana Government had to cover. The revised BDC is examining proposed projects based not only on "development" grounds but also on their economic viability, loan repayment ability and the likelihood of return on its investment. In addition, the new BDC is actively seeking out possible investments and investor partners, rather than awaiting projects. The National Development Bank (NDB) completes the triumvirate of investment assistance agencies. A parastatal, NDB offers competitive long-term loans to finance development projects. NDB is active primarily in certain targeted areas designated by its board of directors on a semi-annual basis.

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

certain areas, such as gas stations, through franchising to Botswana citizens. The Ministry of Commerce which has responsibility for licensing businesses, has generally issued licenses to foreigners to operate businesses related to these areas whenever there has been any ambiguity as to whether the licensing prohibition applied. At present, the law prohibits foreign participation in school furniture manufacturing, and the welding and bricklaying trades. The law also states "licenses shall only be issued to citizens of Botswana or companies wholly owned by citizens of Botswana to carry on the following trades or businesses -

- A) hawkers and vendors
- B) butchery and fresh produce
- C) general trading
- D) petrol filling station
- E) bottle stores (*liquor stores*)
- F) bars other than those related to hotel establishments
- G) chibuku (*traditional beer*) bar
- H) village type restaurant take away including restaurant liquor license
- I) supermarkets, but excluding chainstores and franchise operations,
- J) simple specialty operations such as clothing boutique, footwear, etc."

The Ministry of Commerce has taken an expansive interpretation of "chainstores" concluding it means any store with more than one outlet and has allowed the exemption to apply not only to supermarkets, but also to simple specialty operations and general trading stores. Hence, large general merchandise markets, restaurants and the dominant grocery network, all owned by foreigners, operate without restriction. Foreign investors are allowed to participate in all other sectors. Foreign firms are accorded national treatment and there are no formal or informal policies that are discriminatory to foreign owned firms. There are no stringent screening mechanisms for licensing that could cause an impediment to investment, limit competition, or protect domestic interests at the expense of foreign investment. Both BDC and NDB now carefully screen potential projects prior to involvement for commercial viability, but there has been no evidence that domestic investors have been favored over foreign ones in the process.

The Botswana Government in the early 1990's embarked on a plan to privatize most state enterprises. They have already made impressive progress in this regard and have sold off most commercial enterprises. Remaining parastatals in the electricity, telecommunications, transportation, water, real estate, cattle and mining sectors have been "commercialized." This is a term used by the Government to describe a process by which all government subsidies have been eliminated and the enterprises told to run as if they were private businesses with the Government treated as a shareholder. In the Government's

view, this process has been highly successful as, with the exception of the Selebi-Phikwe copper/nickel mine, all remaining parastatals are returning money to government coffers. The Government has previously indicated that with the exceptions of Debswana (diamond mines) and the Diamond Valuing Agency, it ultimately intends to privatize all parastatals. This process, however, has been slowed due to the enterprises' commercial success. A high-level task force established to examine the potential advantages and disadvantages of privatization submitted its report to the government at the end of July 1998. The Government claims to be studying the recommendations outlined in the report, and holding further consultations, but no mention was made of the process in this year's budget speech. The reality may be that future privatizations are on hold as long as the enterprises concerned remain profitable.

In previous privatizations, the Government has highlighted promoting efficiency and growth as its ultimate objective. In practice, however, it also wanted to create new opportunities for citizen businesses. Foreign investors have always been allowed to participate in the country's privatization programs from the initial stage at which companies are advertised. However, the Government has on some occasions given preference to domestic investors even when foreign bids were higher. In addition, to outright privatization, the Government has at times sold off a portion of its equity in parastatals to private investors. Limited domestic capital means that foreign investors have been welcomed in most instances. Botswana citizens, however, are often given exclusive first rights to purchase this equity. "Contracting out" services to the private sector by the Botswana Government or parastatals has not been widely done. However, there exists a wide range of functions and services within the public sector, which could potentially be provided to government or to parastatals by the private sector. In instances where "contracting out" has been used citizen owned companies have not been given preferential treatment.

Conversion and Transfer Policies

Botswana is the second country in the Southern African Development Community (SADC) to abolish exchange controls. The complete elimination of controls on current and capital accounts is expected to enhance Botswana's competitive position for investment flows destined for the region. However, with this new change in policy, it has become necessary for the Government to develop the capacity to monitor data on capital flows to provide early warning signals of potentially destabilizing activity. Commercial banks are now required by regulation to have investors fill out basic forms (Form A and Form S for outward and inward transactions respectively) indicating name, address, identity, purpose and details of beneficiary prior to processing investors' transfer requests or loan applications. Other government agencies also monitor large international capital

inflows so that appropriate policies can be implemented to reduce any destabilizing effects on the economy.

There are no restrictions on converting or transferring funds associated with an investment into a freely convertible currency and at a legal clearing rate. Investors are allowed to remit funds through a legal parallel market. Non-residents can trade in and issue Pula-denominated bonds, provided such instruments are listed on the Botswana Stock Exchange and are long term. They can also hold stakes in Botswana companies. Residents are permitted to invest overseas and borrow offshore. Travelers are no longer restricted on how much currency they may carry on their person or in their baggage, but they are required to declare to the customs and excise officials at the port of departure any cash amount in excess of Pula 10,000 (approx. \$2200). All quantitative limits on foreign currency access for current account transactions; both for businesses incorporated locally and for permanent residents of the country have been removed. Dual listings are permitted on the Botswana Stock Exchange. Non-residents are able to hold bonds with maturity periods of over one year. Participation in any bond issued by non-residents will no longer be restricted by exchange controls. This is a move to encourage inward portfolio investments deemed beneficial to Botswana, to develop domestic capital markets, to diversify investment instruments, and to increase the potential demand for domestic bonds. Botswana's new "Letlole Saving Certificate" (the equivalent of a U.S. treasury bond) can be purchased only by Botswana citizens.

Efforts to promote the development of a deeper private/parastatal bond market is evident by the floating of the following bonds on the Botswana Stock Exchange:

A 14 % fixed interest bond amounting to Pula 50 million (approx. \$11.3 million) for a period of seven years issued by the Botswana Development Corporation;

A Pula 50 million (approx. \$11.3 million) bond floated by the Botswana Telecommunications Corporation, redeemable in the year 2008; and

An authorized limit of Pula 500 million (approx. \$113 million) issued at a floating rate by Investec Overseas Finance Ltd.

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

Upon disinvestment by a non-resident, the person is allowed immediate repatriation of all proceeds. Investment returns such as profits and dividends, debt service, capital gains, returns on intellectual property, royalties, franchise fees and service fees can all be repatriated without any quantum limit. There is no difficulty in obtaining foreign exchange. The occurrence of severe shortages of foreign exchange that would lead banks to block transactions is highly unlikely. With international reserves of approximately \$5.96 billion, Botswana will not experience foreign exchange difficulties in the foreseeable future. The Botswana Pula is, for all intents and purposes, freely convertible.

Expropriation and Compensation

The Constitution of Botswana prohibits nationalization of private property. The Government of Botswana has never pursued a policy of forced nationalization, and we have no reason to believe that it would consider expropriatory actions.

Dispute Settlement

The Botswana Constitution provides for a judiciary, which is independent of both the executive and legislative powers. Civil law is based on Roman-Dutch law while criminal law is built on familiar tenets of the English legal system. The legal system is sufficient to conduct secure commercial dealings. Secured and unsecured creditors enjoy the same rights under bankruptcy proceedings as they would in the United States, and foreign and domestic parties have equal recourse to the judicial system. A proven judicial and legal structure is in place. Botswana is a member of the International Center for the Settlement of Investment Disputes (ICSID) and the Multilateral Investment Guarantee Agency (MIGA).

Performance Requirements/Incentives

The Government of Botswana does not impose any performance requirements on foreign investors. Partnership with a local investor has occasionally been given as an unwritten requirement for success in government tenders, particularly in sectors officially reserved for nationals. For general investments in unreserved sectors, however, there are no requirements for equity participation by Botswana nationals. Technology transfer is not required of foreign investors. Investors are encouraged, but not required, to purchase from local sources. Foreign exchange is available to all investors, domestic or foreign, irrespective of export volumes. There are no government-imposed conditions on permission to invest, location in specific geographical area, specific percentage of local content, local equity, substitution for imports, export requirements or targets, or local source of financing.

It is the official policy of the Government to encourage foreign firms to hire qualified Botswana nationals rather than expatriates, and the granting of Work Permits to expatriates can in some instances be made contingent upon establishment of demonstrable "localization" efforts. The application for and issuance of Work Permits for expatriate workers are cumbersome, but generally not an impediment to doing business in the country. The Government recognizes that the shortage of technical and managerial job skills among the general population necessitates the import of expatriate labor and generally grants Work Permits for positions which cannot be filled by an appropriately trained Botswana citizen or for which the company requires job-specific training. After the start-up period, however, the Government will often require evidence that a citizen is being trained to assume some of the expatriate positions, particularly at the middle-management level. The issuance of Work Permits to nationals of South Asian and West African countries, as well as Zimbabwe, China and South Africa has become a political issue. Obtaining Work Permits for nationals of these countries or renewing their existing permits can be particularly difficult.

The Government of Botswana offers foreign investors equal access to export and investment incentives. Incentives are categorized as follows:

(I) Export Incentives:

A duty drawback facility available for investors when purchasing raw materials to be used for the production of exportable merchandise.

Exemption from sales tax when importing machinery and equipment required in production of exports.

With the establishment of the Botswana Export Credit Insurance and Guarantee Ltd (BECI), investors are now able to purchase coverage against (a) the insolvency and inability of buyers to pay for purchases and (b) political risks, such as losses caused by import restriction, war, and, more commonly, the prevention of foreign exchange transfer for payment by the buyer's country. Policy holders benefit from protection against trade losses and an assessment of the creditworthiness of trading partners.

(II) Investment Incentives:

Under the Financial Assistance Policy (FAP), assistance is provided by specific grants to employment generating projects. FAP incentives are granted to productive projects that aim at expanding the economy beyond the cattle and mining (diamond) sectors. Qualifying activities include manufacturing, small-scale mining, some mineral processing, agriculture other than cattle, tourism and selected industries that service the manufacturing sector. As the emphasis of FAP is on job

creation, labor intensive enterprises are favored. Potential assistance under the FAP includes capital grants, unskilled labor grants, and training grants.

Capital grants are issued to medium and large-scale projects. Non-refundable grants are awarded to expanding and some new productive businesses with a minimum economic rate of return of six percent. Unskilled labor grants are provided for citizens earning wages close to the statutory minimum. Reimbursements are made at three-month intervals. A training grant of 50% for citizens off-the-job training costs is reimbursed during the first five years of the project.

The Local Procurement Program (LPP) channels a proportion of the Central Government's supplies procurement to locally based small, medium, and large-scale manufacturers. This program envisages giving up to 30% of the Government's annual budget for supplies to qualifying firms. Beneficiaries must be licensed, employ not more than 200 persons and/or have an annual turn over of between Pula 200,000 (\$50,000) and Pula 5,000,000 (\$1,250,000), and have an investment in productive machinery of between Pula 50,000 (\$12,500) and Pula 5,000,000 (\$1,250,000 million).

(III) Other:

Other forms of direct and indirect assistance may be identified and requested by the potential investor as an alternative. This is done through a Development Approval Order. The Order would include the types and rates of additional tax relief, which are granted to an investment, deemed as beneficial to the development of the economy of Botswana. An Education and Training Expenditure Approval is also available, and provides for a training incentive.

Right to Private Ownership and Establishment

There are no restrictions on ownership, size of investment, sources of funds, marketing products, source of technology, or method of training in Botswana. Foreign and domestic private entities may freely establish, acquire, and dispose of interests in business enterprises. As previously discussed, there is a brief list of enterprises reserved for ownership by citizens, but these restrictions are not a meaningful impediment to foreign investment. Competitive equality is the standard applied to private enterprises in competition with public enterprises with respect to access to markets, credit, and other business operations.

Protection of Property Rights

Botswana is expected to introduce new legislation including the development of a Competition Policy, Consumer Protection Act, Trade and Liquor Act and Copyright Act. The Ministry of Commerce and Industry is currently preparing the final draft of the copyright legislation, which will be presented at the sitting of Parliament in November 1999. The new legislation will protect the rights of creators of literary, artistic, dramatic, cinematography works, and computer programs, as well as broadcasting organizations. This is an effort to bring the country into conformity with TRIPS provisions on copyright, the layout design of integrated circuits, and geographical indicators by 2005. Government officials, recognizing that the lack of copyright protection is a negative element in their investment climate, understand that the provisions of TRIPS and of the Uruguay Round require substantial improvement.

The Botswana Bureau of Standards is a member of the International Organization for Standardization (ISO). The function of the Bureau is to assist with standardization, testing of goods, metrology/industrial calibration and quality management. A Standards Council to control the implementation of the Standards Act has been established and various national committees are being established. The office has been established to ensure that domestic manufacturers produce quality goods that can penetrate the international market.

The legal environment for science and technology in Botswana needs to be raised to modern international standards. Current legislation is insufficient and does not provide adequate protection for new kinds of intellectual property such as computer programs, music discs, and tapes. An Industrial Property Act (IPA) was enacted in 1997 to replace the old Trademarks Act, and the Patents and Designs Protection Act, which protected only items registered in the United Kingdom or South Africa. It provides better protection for both foreign and domestic innovators through patents on inventions and trademarks. IPA fully complies with the Trade Related Aspects of Intellectual Property (TRIPS). Under the new Act, Botswana is supposed to have its own registry with a Commissioner of Patents. Implementing regulations for the Act have not yet been issued. IPA does not cover layout design or plant varieties, which will have to be the subject of separate legislation.

Chapter 33 of the Deeds Registry Act regulates and protects the recording of secured interests in property. The Attorney General's chambers is responsible for administering the registration of mortgage bonds and deeds of transfer for the acquisition and disposition of property respectively. The legal system in place is non-discriminatory and applies equally to both domestic and foreign investors.

Botswana is a member of the African Regional Industrial Property Organization (ARIPO) which is headquartered in Harare, Zimbabwe. Botswana became a member of the Berne and Paris Conventions and the World Intellectual Property Organization (WIPO) in 1998.

Transparency of the Regulatory System

The regulatory system in Botswana is transparent. Bureaucratic procedures are streamlined and open, although somewhat slow, and not excessively overbearing compared to other African countries.

The Central Tender Board (CTB), an independent and autonomous body, is composed of representatives of various government ministries, and located within the Ministry of Finance and Development Planning. The CTB is responsible for the award of all government tenders. The tender process is open and lobbying of the CTB or its members is strictly prohibited. In general, the CTB bases its award of government tenders on cost and technical merit, although at times other considerations including citizen participation undoubtedly come in to play. A Central Tender Board decision is an exclusive prerogative and not a public forum. The appeal of a CTB decision is possible only when evidence of irregularities in the tender process can be produced.

All labor laws are continually being reviewed to ensure that development of harmonious labor relations is not impeded. The recent establishment of an industrial court further enhances and strengthens impartiality in labor disputes. The Employment Act

of 1992 provides basic guidelines for employment in Botswana. This labor legislation controls minimum wages, length of the workweek, annual and maternity leave, hiring and termination.

The Regulation of Minimum Wages Order provides for minimum wage rates. Work Permits regulate employment of non-citizens in Botswana in any occupation for reward. Non-resident consultant and supervising engineers or directors of companies registered in Botswana, however, are exempt from obtaining Work Permits. Every private company should have at least one director resident in the country. Health and safety laws, embodied in the Factories Act of 1973, are designed to provide basic protection for workers from unsafe working conditions. Minimum working conditions required on work premises include cleanliness of the premises, adequate ventilation and sanitation, sufficient lighting and provision of safety precautions. Health inspectors carry out periodic checks at both new and operating factories. Neither law represents an impediment to investment.

Botswana tax policies and laws are favorable. Botswana is considered one of the lowest tax jurisdictions in southern Africa. Corporate tax rates remain unchanged in 1999 at 15% company tax and 10% additional company tax. Manufacturing enterprises, as defined by the Manufacturing Development Approval Order of 1996 now amended to include milling and bricklaying, and companies engaged in financial services pay a single concessionary tax of 15%. For the year 1999-2000, the maximum marginal rate of income tax remains at 25%.

Efficient Capital Markets and Portfolio Investment

The banking system in Botswana is sound. The confidence of investors in the country was demonstrated by the licensing of Investec Bank Botswana in 1998 to fill the gap in long-term investment lending. Investec is to provide investment and merchant banking services including underwriting and brokerage, financial solutions to selected market problems, investment advisory services, select deposit taking and trade finance.

Commercial banks are well capitalized, and solvent. 1998 was a competitive year as they introduced new products and undertook vigorous marketing campaigns, reflected in the increasing number of short-term personal loan products extended to the public. The country's policies support the free flow of financial resources. Credit is allocated on market terms and foreign investors have access to credit on the local market. They generally enjoy much better access to credit than do local firms, which is the result of the often limited capital base of the local entrepreneur, conservative lending policies by commercial banks, and the variety of strengths (personnel, technological, logistical) adhering to the bigger foreign investors.

Non residents are no longer restricted from participating in the issue of bonds on the stock market by exchange controls. This is a step to encourage inward portfolio investments deemed beneficial to Botswana. The removal of exchange controls has also made it possible to invest pension funds offshore. In the last few years there has been a net out flow of portfolio investment from Botswana. This is due in part to Botswana's financial surplus and the limited range and number of domestic financial instruments available to investors.

The central bank - Bank of Botswana - has an impressive track record for managing both the commercial banking sector and the country's monetary policies. There are four commercial banks in Botswana -- Barclays Bank of Botswana Ltd., First National Bank of Botswana Ltd., Standard Chartered Bank of Botswana Ltd., and Stanbic Bank Botswana Ltd. All have correspondent relationships with U.S. banks. Total assets of the banks amounted to approximately Pula 6,534.9 million (\$14 million) at the end of January 1999, an increase of 31.5% since January 1998.

Total lending extended by commercial banks and a leasing company increased rapidly by 54.5% in December 1998 in nominal terms compared to 5.91% a year ago. In real terms, the growth rate of credit extended to private businesses remained positive at 36.6% reflecting the increasing strength of the private sector. Foreign investors may obtain credit on the local market and have good access to existing credit facilities. Botswana banks may lend to non-resident controlled companies and other non-resident owned business entities in Botswana without referral from the Bank of Botswana. A debt/equity ratio of 4:1 is generally applied.

Authorized dealers and credit institutions licensed by the Bank of Botswana are allowed to make foreign currency denominated loans, financial leases and other forms of financial support to their customers in Botswana whether they have onshore accounts or not.

Botswana has a stock market now trading 14 publicly held companies, of which five are financial (including three banks), with a current market capitalization of Pula 3.22 billion (\$700 million), up from Pula 2.33 billion in December 1997. The relaxation of exchange controls in 1997 saw the dual listings of foreign stocks on the Botswana Stock Exchange, (BSE). So far, nine companies have dual listed. BSE continued to perform well in 1998 with the domestic companies index, which measures how well domestic company share prices have performed on average, rising from 708.5 in December 1997 to 946.7 at the end of December 1998. The foreign companies index, which consists of a capitalization-weighted average of the prices of the dual listed stocks, fell from 258.8 in December 1997 to 219.0 in December 1998, partly due to the weakness of the shares of the diamond company, De Beers, which continued to suffer from the slow down in global diamond sales. The BSE index expressed in dollar

terms recorded a growth rate of 14% by the end of 1998, much lower than the 92% recorded the previous year. As mentioned earlier, two bonds were issued during 1998, bringing to three, the number of bonds that are trading on the market.

Botswana has established development financial institutions that supplement the role of commercial banks, offering specialized services, which are targeted at certain economic sectors and activity. Of particular interest to the foreign investor will be the Botswana Development Corporation (BDC) and the National Development Bank (NDB).

There are no known practices by private firms to restrict foreign investment participation or control in domestic enterprises. There are no known laws or regulations specifically authorizing private firms to adopt articles of incorporation or association, which limit or prohibit foreign investment, participation or control.

Political Violence

There is no political violence in Botswana, nor is there likely to be.

Corruption

The Government of Botswana has declared war on corruption and economic crime. The Directorate on Corruption and Economic Crime (DCEC) has been working with various departments on their administration procedures. Since its inception in 1994, DCEC (which was established with the objective of policing the country's regulatory system, and increasing security of investment, both foreign and domestic) has undertaken 1,313 investigations. By 1998, 788 investigations had been completed, resulting in 180 persons being charged with offences. In addition, the Directorate has embarked on an education campaign to educate the public on the evils of corruption.

A few cases of substantial misappropriation of money and land have been exposed in recent years by the press. Although government workers may occasionally ask for a tip or a gift, they will generally perform their service even when refused. The government bureaucracy is paid on time and is provided a living wage. Investors with experience in other developing nations describe the lack of obstruction or interference by government as among the country's most important assets. Although local businessmen will frequently lament the rise in corruption in Botswana from past levels, more complaints focus on the reputed inefficiency, unresponsiveness, and even arrogance of mid to low-level bureaucrats in government. Ad hoc efforts have been undertaken to promote greater competence in the civil service, but a systematic reform effort has yet to be launched.

Bilateral Investment Agreements

Botswana and the United States entered into an Investment Guarantee Treaty soon after the country's independence. Botswana has bilateral trade agreements governing the duty-free entry of goods with Malawi and Zimbabwe, in addition to membership, along with South Africa, Namibia, Swaziland and Lesotho, in the Southern African Customs Union (SACU). Other countries with bilateral trade agreements with Botswana based on most favored nation include China, Czech Republic, Korea, Romania, Russia, Slovakia, South Korea and Zambia. None of these agreements are specifically "investment" agreements. Botswana is a signatory to the Lome Convention and participates in the Generalized System of Preferences.

OPIC and Other Investment Insurance Programs

OPIC insurance is available to U.S. investors in Botswana. Botswana is a member of the Multilateral Investment Guarantee Agency (MIGA).

Labor

With high levels of unemployment and underemployment, Botswana suffers no shortage of potential workers. The skill base is still limited, and employers may have to engage in significant training efforts depending on the industry. Retention of workers and absenteeism can be problems, while managers often cite productivity of the workforce as a point of frustration. The lack of trained Botswana professionals is generally resolved by the use of expatriates.

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

Botswana law protects worker rights in a number of commonly defined areas, and, in the formal employment sector, standards for length of workweek (48 hour maximum), minimum wage, and prohibition of child labor are almost universally upheld.

Free Trade Zones/Free Ports

Botswana is a member of the Southern African Customs Union, (SACU), which unites it with South Africa, Lesotho, Namibia, and Swaziland in a customs free zone. With the exception of certain foodstuffs, import permits are not required for goods entering Botswana from the common customs area. SACU applies a common external tariff against goods entering from outside the customs union. Foreign-owned firms have the same investment

opportunities as host country entities. Botswana has signed and ratified the SADC Trade Protocol which calls for the establishment of a free trade zone among the 14 member states. Along with 10 other member states, Botswana is engaged in negotiations intended to finalize implementation of the protocol by year end 1999.

Foreign Direct Investment Statistics

Foreign direct investment trends show that FDI forms a major portion of capital flows into Botswana, followed by portfolio investments, which have shown considerable increase since the establishment of the Botswana Stock Exchange in the 1990's. Private capital flows in Botswana have primarily gone into the development of infrastructure involving major mining projects, and in recent years, have extended to the manufacturing sectors.

Botswana has recorded a net inflow of foreign direct investment in recent years. This has however been partly offset by net outflows of portfolio investments (in the form of tradable securities) and other investments. The Bank of Botswana has derived country and industry classification of investment data from the results of the most recent balance of payments survey. Tables in Appendix D show the trends and patterns of foreign investment. The most recent data is for December 1997.

Estimates obtained from the survey indicated that most foreign equity and non-equity investments have come from South Africa (80%). The remaining 20% is from the European Union (12.7%), most notably the U.K. and Luxembourg, the United States (3.3%), other European countries (2.6%) and others (1.4%). Investment from South Africa is concentrated in the mining, trading and transport sector, while investment from the United States was mainly in the service, manufacturing and tourism sectors. The sectoral breakdown of foreign direct investment is not surprising, the majority of which was channeled into the mining sector.

Major U.S./Foreign Investors

- The United States Group, St. Paul Fire and Marine of Minnesota bought out Botswana General Insurance, a short term insurer in November 1997. The St. Paul group bought 100% of the Botswana company for \$3.6 million and has agreed to invest a further \$2.82 million.

- Owens-Corning has invested heavily in a local production facility (Flowtite Botswana) currently producing fiber glass-reinforced plastic (GRP) pipe for water transfer projects. Owens Corning holds a 49% interest in the Botswana company and is in partnership with the Botswana Development Corporation and a consortium of local investors.

- H.J. Heinz, Inc., owns 80% of Kgalagadi Soap Industries, representing assets of well over \$5 million.
- Caltex Oil (Pty) Ltd., a marketing company jointly-owned by U.S. companies Chevron and Texaco, has an estimated total asset value of \$1.5 million.
- Interkiln Corporation of America (Houston, TX) has a 17.5% interest in the Lobatse Clay Works, a brick-making factory in Lobatse.
- Among non-U.S. investors, by far the largest is the Anglo-American Corporation (De Beer's), which has a multi-million dollar stake, along with the Government of Botswana, in the country's dominant diamond mining industry.

CHAPTER VIII. TRADE AND PROJECT FINANCING

The central bank, Bank of Botswana, was established in 1975 and is responsible for monetary policies, central banking services, supervision of financial institutions, issuing of bank notes, implementing exchange rate policies, administering exchange controls and foreign exchange reserves management. The bank's financial statements are in compliance with international standards and audits are performed by Price Waterhouse Coopers and KPMG, both internationally recognized accounting firms. There are four major commercial banks operating in Botswana: Barclays Bank of Botswana, Standard Chartered Bank, First National Bank, and Stanbic Bank, and recently, an investment bank, Investec Group. All are geared to arrange finance for new businesses. Development Financial Institutions, six in number, offer specialized services to specific economic sectors.

Short-term finance, including pre-and-post-shipment credit, is readily available through the commercial banking system at market rates of interest. Export credit insurance is available through local insurance companies. Foreign exchange is available to local importers upon proof of receipt of the goods and the amount of payment due.

The provisions for U.S. and other foreign firms borrowing in Botswana are liberal while local banks remain highly liquid. The country's commercial banks, however, have difficulty making long-term credit available due to the short maturity nature of their deposits and small capital bases. At present, commercial banks finance only about one-third of the annual investment taking place in Botswana.

Botswana has kept its external borrowing to a minimum. Outstanding public debt reached approximately \$447.9 million in March 1999 while the debt to GDP ratio was about 10% (down from 15.5% in 1989). Moreover, the country's favorable balance of payments situation has meant that -- with one or two exceptions

-- it has not been forced to borrow externally on commercial terms.

OPIC's finance and insurance programs are operable in Botswana, and it has provided finance for U.S. tourism companies' investments and expansions. Eximbank financing is available to exporters for exports to Botswana. Eximbank has not, however, been active in Botswana in recent years.

All four major commercial banks operating in Botswana have correspondent relationships with U.S. banks.

IX. BUSINESS TRAVEL

Business Customs: Although friendly and well disposed toward Americans, Botswana business and government counterparts tend to be more reserved and formal than in the U.S. business world. The use of first names generally takes longer, and it is a good idea to wait until your Botswana contact initiates the practice.

Travel Advisory and Visas: No visa is required for U.S. citizens for stays up to 90 days. Petty crime and crimes of opportunity, such as pick pocketing and stealing of personal possessions, remain the most common forms of crime in Botswana. It is dangerous for visitors to travel alone at night on foot in unfamiliar places. It would be wise to exercise the same level of caution one would employ in a major U.S. city. The loss or theft of a U.S. passport should be reported immediately to local police and to the U.S. Embassy.

Holidays: For 1999, businesses will be closed in Botswana on January 1-2 (New Year's Day & Public Holiday), April 2-5 (Good Friday & Easter Monday), May 13 (Ascension Day), July 1, (Sir Seretse Khama Day), July 19 & 20, (President's Day & Public Holiday), September 30 (Botswana Day), and December 25-26 (Christmas & Boxing Day).

Business Infrastructure:

Sir Seretse Khama Airport, located 10 miles from downtown Gaborone, is served by hotel vans. Request the hotel van service when you make your room reservation. A valid U.S. passport is required for entry into Botswana. No visa is required for temporary business visits of less than 90 days.

Transportation: Taxis are generally available. Gaborone has several new 24-hour door-to-door chauffeur services. Major hotels provide periodic shuttle bus service to the downtown area, but arranging transfers between business appointments is often difficult. Renting a car is recommended if you have a busy appointment schedule in Gaborone (see "Important Addresses" for car rental agencies). The rental agencies will provide a driver for an additional charge, an option some may wish to consider in a country where traffic moves on the left.

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

Conversation Gambits: Botswana is a rapidly urbanizing society with strong rural roots. Many mid and upper-level business and government people leave Gaborone on the weekends to retire to their rural family homesteads. Batswana like to talk about their special attachment to their "cattle post" (although it is considered rude to ask how many head of cattle one owns). Many government officials and business people have visited or studied in the U.S. and enjoy discussing the experience. Conversation about family is much less common than among Americans.

Hotels: First class business hotels in Gaborone include the Gaborone Sun and the Grand Palm Hotel (formerly Sheraton). Mid-range hotels include the centrally located Cresta President (Best Western) and the Cresta Lodge (see "Important Telephone Numbers").

The Business Meeting: Reconfirm your meeting twenty-four hours beforehand directly with the person you are to meet, if possible. Even carefully arranged meetings may sometimes start late. Business meetings may be interrupted by telephone conversations. Although odd for an American businessperson, these occurrences are not indications of a lack of respect or interest in your business offer.

Dress: Women may wear business attire appropriate to the U.S., although jackets will be uncomfortably hot during much of the year (October-April). Shirtsleeves and ties are appropriate for men for some business meetings during the hot summer months. However, suits should be worn during the short winter (May-August) or in meetings with senior government officials or business leaders.

Health: Inoculations are not required for visitors to Botswana. Malaria prophylaxis is necessary only for those traveling north of Francistown, especially in the northern game parks and reserves. Tap water in the major towns is safe to drink. Good primary health care is available at the Gaborone Private Hospital ("Important Numbers").

International Courier Service: DHL and Federal Express, TNT and MDS provide services in Gaborone, Francistown and other cities.

Video Format: Promotional videotapes should be in the PAL-I format.

Important Telephone Numbers

Hotels

Gaborone:

Gaborone Sun International
Telephone: [267] 351-111
Fax: [267] 302-555

Grand Palm Hotel
Telephone: [267] 312-999
Fax: [267] 312-989

Best Western President Hotel
Telephone: [267] 353-631
Fax: [267] 351-840

Cresta Lodge Hotel
Telephone: [267] 375-375
Fax: [267] 300-635

Francistown:

Best Western Thapama Hotel and Casino (Francistown)
Telephone: [267] 213-872
Fax: [267] 213-766

Marang Hotel
Telephone: [267] 213-991
Fax: [267] 212-130

Transportation

AVIS Rent-a-Car
Telephone: [267] 313-093
Fax: [267] 312-205

Holiday Car Rentals
Telephone: [267] 353-970
Fax: [267] 314-894

Imperial Car Rental
Telephone: [267] 302-280
Fax: [267] 304-460

Hospitals

Gaborone Private Hospital
Telephone: [267] 301-999
Fax: [267] 301-998

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402; Tel. (202) 512-1800; Fax (202) 512-2250. Business travelers to Botswana seeking appointments with U.S. Embassy

Gaborone officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at 267-353982 ext. 5323, fax at 267-356947, or e-mail at uscomm1@mega.bw

CHAPTER X: APPENDICES

APPENDIX A: COUNTRY DATA

Population (1998 Estimate)	1.572 million
Population Growth Rate (1998 Estimate)	2.4%
Religions	Christianity, Islam, Traditional Beliefs
Government System	Multi-Party Democracy
Languages	English (Official) Setswana
Work Week	The Government operates on weekdays, Monday to Friday on a 40 hour work week, from 7:30am - 4:30pm with a lunch break of about an hour. Most retail operations are open on Saturdays and Sundays till midday

APPENDIX B: DOMESTIC ECONOMY

	1997	1998	1999
GDP (\$ Million) (1)	4,871	4,719	5,000
GDP Growth Rate (%)	6.9	8.3	8.0
GDP Per Capita \$(1)	3,189	3,014	3,100
Government Spending as Percent Of GDP(2)	34.8	36.2	44.1
Average Annual Inflation (%)	8.9	6.5	7.0
Unemployment (%)	21.5	22.0	22.0
ForEx Reserves (\$)	5,675	5,741	6,000
Avg. Exchange Rate For \$	4.0	4.22	4.6
Foreign Debt \$(2)	505.6	503.7	433.6
Debt Service Ratio	data not available		

APPENDIX C: TRADE

TRADE \$ MILLIONS

	1997	1998	1999
Total Country Exports (fob)(3)	2,768	2069	2275
Total Country Imports (cif)(3)	2,141	2272	2500
U.S. Exports (i.e. Botswana imports from U.S.)(3)	23.1	31.1	34.2
U.S. Imports (i.e. Botswana Exports to U.S.)(3)	27.1	21.4	23.5

Notes:

- (1) Year runs from June to July
- (2) Year ending March
- (3) Year runs from Jan. - Dec.

(a) Dollar estimates are derived by converting data at an appropriate rate of exchange operating at March, June or December as indicated. A further devaluation of the Botswana Pula in mid 1998 caused by a fall in the regionally dominant South African Rand means Botswana's economic indicators calculated in dollars in 1998 may actually fall below the 1997 figure. This will not mean the economy shrank but will stem from flaws in this simplistic method of comparison. In Pula terms, there was an increase in GDP and other economic indicators with a favorable growth rate.

(b) With the exception of 1997 & 1998 figures for inflation, unemployment, foreign exchange reserves, foreign debt, external trade and average exchange rate, all other figures are provisional and must be treated with appropriate caution.

Principal U.S. Exports: Manufactured goods, including heavy machinery, electrical appliances, data processing machines, radar appliances, communication and electrical equipment

Principal U.S. Imports: Textiles, clothing and handicrafts.

SOURCES:

 1998 Bank of Botswana Annual Report; Botswana Financial Statistics; Trade Statistics Unit, Department of Customs, Central Statistics Office, Ministry of Finance, 1999 Budget Speech, 1999 Annual Economic Report.

APPENDIX D: INVESTMENT STATISTICS

LEVELS OF DIRECT INVESTMENT IN BOTSWANA BY INDUSTRY
 \$ Thousands as of 31 December 1997

Direct Investment Industry	Total	Percentage
Mining	709 947.0	76.6
Manufacturing	64 551.37	7.0

Finance	59 885.70	6.5
Retail & Wholesale	41 136.11	4.4
Electricity, Gas, Water	1 806.52	0.2
Real Estate & Business Services	17 083.5	1.8
Transport, Storage & Communication	8 050.08	0.9
Construction	8 110.98	0.9
Hospitality	11 550.0	1.2
Other	4 359.9	0.5
Total	926 480.9	100

Levels Of Foreign Direct Investment In Botswana By Country
\$ Thousands as of December 31, 1997

Direct Investment	Total	Percentage
North America	30 424.54	3.3
European Union		
United Kingdom	27 718.69	3.0
Germany	3.1	0
Luxembourg	80 942.4	8.7
Other	8 923.95	0.8
Other Europe	24 472.88	2.6
Asia Pacific	7 920.15	0.9
South Africa	740 986.05	80.0
Other Africa	4 237.27	0.4
Other	851.29	0.1
Total	926 480.9	100.0

Source: Bank Of Botswana Annual Report, 1998
(Data Has Been Converted Using Exchange Rate as of Dec. 31,
1997, Pula 1 = \$ 0.2625. The most current data available is for
Dec. 1997)

APPENDIX E: U.S. AND COUNTRY CONTACTS

U.S. EMBASSY TRADE RELATED CONTACTS

Organization: Embassy of the United States of America
Contact Name and Title: Mr. Bryan David Hunt, Commercial
Officer; Ms. Gifty Oduro, Commercial Assistant
Address: P.O. Box 90, Gaborone, Botswana
Phone: (267) 353-982 ext. 5323 or 5321
Fax: (267) 356-947
E-Mail address: uscomml@mega.bw

AMERICAN CHAMBER AND/OR BUSINESS COUNCILS

Organization: American Business Council In Botswana
Contact Name and Title: Mr. Bill Scott
Address: Problem Solvers (Pty) Ltd, Private Bag BR 53, Gaborone,
Botswana

Phone: (267) 374-134
Fax: (267) 357-433
Email:problem.solvers@info.bw

COUNTRY TRADE ASSOCIATION/CHAMBERS OF COMMERCE

Organization: Botswana Confederation of Commerce
Industry and Manpower (BOCCIM)
Contact Name and Title: Mr. Elias Dewah, Director
Address: P.O. Box 432, Gaborone, Botswana
Phone: (267) 353-459
Fax: (267) 373-142
Email: boccim@info.bw

Organization: Botswana Chamber of Commerce and Industry
Contact Name and Title: Mr. Raphael Sikwane
Address: P.O. Box 1402, Gaborone, Botswana
Phone: (267) 300-893
Fax: (267) 359-683

Organization: Exporters Association of Botswana
Contact Name and Title: Ms. Eithopia Constance Mosinyi,
President
Address: Bag 00167, Gaborone, Botswana
Phone: (267) 311-883
Fax: (267) 311-001
Email: eaob@exporters.bw

COUNTRY GOVERNMENT AGENCIES

Organization: Ministry of Agriculture
Contact Name and Title: Dr. Lucas Phirie Gakale, Permanent
Secretary
Address: Private Bag 003, Gaborone, Botswana
Phone: (267) 350-603
Fax: (267) 356-027

Organization: Botswana Agricultural Marketing Board
Contact Name and Title: Mr. K. Garebamoto, Acting General
Manager
Address: Private Bag 0053, Gaborone, Botswana
Phone: (267) 351-341
Fax: (267) 352-926

Organization: Ministry of Commerce and Industry
Contact Name and Title: Ms Connie Moremi, Permanent Secretary
Address: Private Bag 004, Gaborone, Botswana
Phone: (267) 3601-251
Fax: (267) 371-539

Organization: Ministry of Finance and Development Planning
Contact Name and Title: Mr. Serwalo Tumelo, Permanent Secretary
Address: Private Bag 008, Gaborone, Botswana
Phone: (267) 359-841 or 350-100
Fax: (267) 356-086

Organization: Botswana Exporter Development and Investment Authority (BEDIA)
 Contact Name and Title: Mr. Chad Bhadain, Chief Executive
 Address: P.O. Box 3122, Gaborone
 Phone: (267) 581-931
 Fax: (267) 581-941
 Email: bedia@bedia.bw

Organization: Botswana Development Corporation
 Contact Name and Title: Mr. O.K. Matambo, Managing Director; Mr. B.G. Mmualefe, Head of Marketing
 Address: Bag 160, Gaborone, Botswana
 Phone: (267) 351-811; 3651-300
 Fax: (267) 303-105
 Email: bdc@bdc.bw

Organization: National Development Bank
 Contact Name and Title: Mr. Thuli Johnson, General Manager
 Address: P.O. Box 225, Gaborone, Botswana
 Phone: (267) 352-801
 Fax: (267) 374-446

Organization: Enterprise Botswana
 Contact Name and Title: Mrs. Tebogo Kesupile, Managing Director
 Address: Bag 032, Gaborone, Botswana
 Phone: (267) 356-044
 Fax: (267) 356-045
 Email: information@entbot.bw

COUNTRY COMMERCIAL BANKS

Organization: Barclays Bank of Botswana Ltd
 Contact Name and Title: Chris Lowe, Managing Director
 Address: P.O. Box 478, Gaborone, Botswana
 Phone: (267) 352-041
 Fax: (267) 313-672

Organization: First National Bank of Botswana Ltd
 Contact Name and Title: Mr. John Macaskill, Managing Director
 Address: P.O. Box 1552, Gaborone, Botswana
 Phone: (267) 311-669
 Fax: (267) 306-130
 Email: jmacskill@fnbbotswana.co.bw

Organization: Standard Chartered Bank Botswana Ltd
 Contact Name and Title: Mr. David Kuwana, Managing Director; Mr. Catherine Njoronga, Marketing Manager
 Address: P.O.496, Gaborone, Botswana
 Phone: (267) 360-1500
 Fax: (267) 351-545

Organization: Stanbic Bank Botswana Ltd
 Contact Name and Title: Mr. Walter Price, Managing Director

Address: Private Bag 00168, Gaborone, Botswana
Phone: (267) 301-600
Fax: (267) 300-171

WASHINGTON-BASED USG COUNTRY CONTACTS

Organization: TPCC Trade Information Center, Washington, D.C.
Tel: 1-800-USA-TRADE

Organization: U.S. Department of State, Coordinator for Business Affairs
Address: 2201 C St., NW Washington, DC 20520
Phone: 202-746-1625
Fax: 202-647-3953

Organization: U.S. Department of State, Office of Southern African Affairs
Contact Name and Title: Mr. Charles Gurney, Botswana Desk Officer
Phone: 202-647-9862
Fax: 202-647-5007

Organization: Department of Commerce, Office of Africa, (MAC)
Contact Name and Title: Ms. Debra Henke Rogers, Southern Africa Desk Officer
Address: 14th Street & Constitution Ave., N.W. Washington D.C. 20230
Phone: 202-482-4228
Fax: 202-482-5198
E-Mail Address: droggers@usita.gov

Organization: US Department of Agriculture, Foreign Agricultural Service, Trade Assistance and Promotion Office
Tel: 202-720-2944
Fax: 202-720-0920
E-Mail: fashelp@sas.usda.gov

Organization: Overseas Private Investment Corporation (OPIC)
Address: 1100 New York Avenue, N.W., Washington D.C. 20527
Phone: 202-336-8799
Fax: 202-336-8700
E-Mail Address: info@opic.gov

Organization: Trade and Development Agency
Contact Name and Title: Mr. J. Michael Newell, Country Manager Africa
Address: 1621 North Kent St., Suite 300 Arlington, VA 22209-2131
Phone: 703-875-4357
Fax: 703-875-4009
E-Mail: mnewell@TDA.GOV

Organization: Export Import Bank of the United States (EXIM)
Contact Name and Title: Mr. Tarek Kholoussy, Sales Assistant Africa

Address: 811 Vermont Ave., NW Washington, DC 20571
 Phone: 1-800-565-EXIM ext. 3919
 Fax: 1-202-565-3931
 E-Mail: tarek.kholoussy@exim.gov

Organization: The Advocacy Center, U.S. Department of Commerce
 Contact Name: Ms. Shannon S. Ballard
 Phone: 202-482-3896
 Fax: 202-501-2895
 E-Mail: Shannon_Ballard@ita.doc.gov

Foreign Based USG Country Contacts

Organization: U.S. and Foreign Commercial Service
 Name and Title: Mr. Bheki Ndiamnde, Commercial Specialist
 Address: Ronald H. Brown Commercial Center 15 Chaplin Rd.,
 Ilovo, Johannesburg 2196 South Africa
 Phone: 27-11-442-3571
 Fax: 27-11-442-3770
 E-Mail: BNdimand@doc.gov

Organization: Foreign Agricultural Service
 Name and Title: Dr. Besa Kotati, Agricultural Counselor
 Street Address: 877 Pretorius St. Acadia Pretoria South Africa
 Mailing Address: Box 9536 Pretoria 001 South Africa
 Phone: 27-12-242-1048 ext. 2235
 Fax: 27-12-242-2264
 E-mail: agpretoria@fas.usda.gov

APPENDIX F: MARKET RESEARCH

Export opportunities for telecommunications equipment;
 investment opportunities in tourism, export opportunities for
 heavy machinery, export opportunities for maize grains,
 opportunities in computer sector, financial services and
 manufacturing/assembly. Reports will be available on the
 National Trade Data Bank.

APPENDIX G: TRADE EVENT SCHEDULE

Botswana International Trade Fair. To be held in Gaborone, 24-
 28 August 1999.

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