

GOAL 8



GLOBAL PARTNERSHIP

“*Botswana will continue to cooperate with other nations for mutual benefit. In particular it will work with its neighbours to increase the degree of regional integration in trade and other policies, with a view to improving the competitiveness of the region as a whole. It will also continue to work with its neighbours and others to promote peace and an equitable international economic order.*”

QUOTE FROM VISION 2016

Targets	Will target be reached?	Conducive Environment?
21. Develop further, an environment conducive for beneficial trade and foreign direct investment	Likely	Strong
22. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies	Likely	Strong

Botswana's policy environment and the state of the economy are both conducive for international development cooperation and private sector development. It has an investor friendly tax regime, no foreign exchange controls, and a high sovereign credit rating, the highest in Africa. Its infrastructure is good and is still getting better. The Ministries of Trade and Industry (MTI), and Communications, Science and Technology (MCST) are overseeing policy and strategy developments that will further enhance Botswana's capacity to expand and sustain international trade and investment.

1. WHAT IS THE SITUATION LIKE?

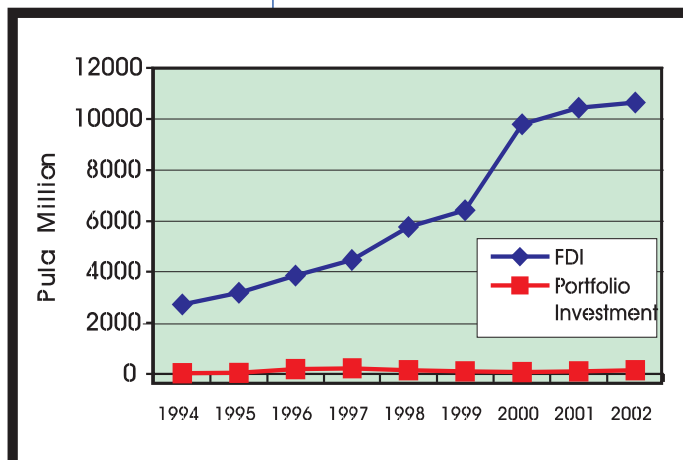
Botswana has benefited handsomely from international development co-operation, trade and investment. It has been privileged to enjoy the sustained goodwill of developed and developing nations across the world, thanks to a good foreign policy, good governance at home and good trade relations with its neighbours and the rest of the world.

EXPANDING TRADE AND FOREIGN DIRECT INVESTMENT

Botswana is a beneficiary of several progressive trade arrangements:

- *The SADC Free Trade Protocol, which effectively establishes a regional free trade zone;*
- *The Southern African Customs Union (SACU), a five nations – Botswana, Lesotho, Namibia, South Africa and Swaziland - customs free zone that establishes a large regional market for each of the member states and provides an optimal structure for collecting and distributing customs revenue;*
- *The Cotonou Agreement, which accords products from African, the Caribbean and Pacific (ACP) countries preferential access to the European Union (EU);*
- *The African Growth and Opportunity Act (AGOA), which accords some Botswana goods duty free and quota free access to the US.*

Foreign Investment
Position



Except for the SADC Free Trade Protocol and SACU, these arrangements are largely discretionary on the part of the conceding parties, and generally promote exports of primary goods and low value manufactures such as textiles and garments.

Over the period 1991-2001, the major destination of Botswana's exports was the European Union, accounting for 82.9 percent of total exports, mainly rough diamonds and beef. Diamonds continue to dominate exports, accounting for about 80% of the country's foreign exchange earnings. Export diversification is thus a strategic goal for Botswana and a matter of national economic security because of the economy's high dependence on mining for foreign exchange.

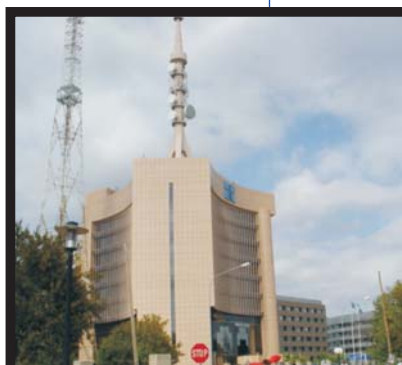
The measure of success achievable in export diversification depends on successful mobilisation of investment and economic diversification. In this regard, the critical imperatives are to accelerate growth in productivity and competitiveness in the non-mining sector and to the extent possible, engage in mineral based value adding activities. Mining accounts for a dominant share of Botswana's FDI stock. Foreign direct investment plays a critical role in both investment and economic diversification, but FDI is itself concentrated in mining.

The mining share of the FDI stock in Botswana was estimated at 79% in 2000. In fact, since the last major mining investment was made in 2000, growth in FDI has been slow. FDI promotion efforts must thus focus more on the non-mining sector.

Botswana offers one of the most secure environments for private investment in the developing world. The fiscal regime is very competitive. The company (profit) tax is only 25%. A select set of priority sectors, e.g., manufacturing and companies affiliated to the International Financial Services Centre (IFSC), are taxed at 15%. The top marginal tax rate on personal income is only 25%. The law defines and protects property rights well. More generally, the regulatory environment is investor friendly.

ENHANCING INFORMATION AND COMMUNICATION TECHNOLOGY CAPABILITY

Though not a leader in innovation, Botswana has the potential to become a decent technological diffuser because of its economic, educational and institutional capabilities. In 2002, it established a Ministry of Communications, Science and Technology (MCST) to oversee the development of its science and technology capabilities. The MCST has already moved to develop an ICT Policy and ICT Legislation, as well as to upgrade and expand communications infrastructure.



Prospects for creating and/or acquiring cutting edge knowledge and technology also rest substantially on the growth and quality of Botswana's trade and investment flows, and close collaboration with research and development institutions in the developed world. These are processes Botswana can facilitate through policy activism and investments in communications infrastructure and skills.

ATTRACTING MORE FOREIGN AID

When Botswana became a middle-income country in the mid 1990s, its aid inflows went down considerably. Whilst the country retained a strong fiscal position, the civil society sector haemorrhaged as external support went down. Donor support returned to Botswana when HIV/AIDS became a national crisis. But Botswana needs aid support beyond HIV/AIDS, especially for the non-Government sector, which contributes to good governance and provides incremental delivery capacity, but has stagnated since donors left in the 1990s.

2. CHALLENGES FOR ACHIEVING THE GOAL

The goal of building a global partnership for development may appear to be exclusively about what developed countries and multilateral agreements ought to accomplish for developing countries. But, from the developing world, the big gainers will be nations that proactively take measures to attract international resource inflows. In this regard, a number of key challenges stand out for Botswana, amongst them the following:

ACCELERATING THE PACE OF EXPORT GROWTH AND DIVERSIFICATION

Botswana needs to develop capacity to manage external trade and investment effectively. Some of the required measures are institutional. Others are of a policy and regulatory nature. Much work has been done on the latter. With regards to the former, Botswana must build adequate capacity in the Department of Trade to manage trade and investment policy reforms and build synergies between the institutions that promote trade and investment. The global trade regime also presents a challenge because it has a number of flaws. For instance:

- *It permits developed countries to protect their manufacturing industries through tariff escalation on value-added products from developing countries, and low tariffs on raw material inputs from developing countries;*
- *It urges high paced trade and investment liberalisation on developing countries, which experience indicate is inimical to the industrialisation process;*
- *It permits a patent and intellectual property regime that denies poor countries access to essential technologies such as life saving drugs and productivity enhancing technologies.*

For Botswana and other developing nations to realise the potential benefits from world trade, the rules of the game must change to improve market access; accord poor countries the policy space to develop their production base; and improve access to new technologies.

Furthermore, the multilateral forums that develop and implement global trade rules, e.g., the World Trade Organisation, must be democratised. At present, there is a pervasive view that they serve the interests of developed nations as opposed to promoting development throughout the world.

CREATING INNOVATIVE AND COMPETITIVE NICHES FOR ATTRACTING FDI

The existing political and policy environments no longer provide a decisive advantage for Botswana in promoting FDI because virtually all developing countries either have or are undertaking liberalising reforms. Therefore different forms of incentives are needed to increase FDI inflows into the country. It has become necessary for Botswana to focus its FDI promotion efforts less on fundamen-

als such as political and policy correctness - reforms at this level are now universal - and more on measures that create competitive niches for FDI.

Three immediate challenges emerge from the required shift. One is deepening the skill base. The other is deepening Botswana's technological capability. Both require increased but focused investment in education and technology and systematic reduction of investor hassle costs to competitive levels. The last is the development of sector specific investment incentives based on discernible and exploitable potential.



IMPROVING THE NATION'S SERVICE ENVIRONMENT

The 2000 Investment Policy Review pointed to the existence of significant “hassle costs” for foreign investors, including unnecessary delays in business licensing, registration and the issuance of work and residence permits for expatriate directors and workers. Another important aspect of the service environment is the creation of a liveable environment – good schools, health facilities, restaurants, recreation facilities etc.

The question is whether taking these and other measures would change the current slow-pace of attracting FDI and promoting trade. There are issues over which Botswana has little or no influence, and yet impact on both the nature and potency of international development cooperation. One such issue is the development of an equitable and rule based system of global trade. As a small developing economy, Botswana shares the disadvantage of so many like her. It has little capacity to influence discussions in multilateral forums such as the WTO.

STRENGTHENING PARTNERSHIPS IN THE FIGHT AGAINST HIV/AIDS

Botswana cannot win the war against HIV/AIDS on its own. Although Botswana funds 60-70% of the cost of its HIV/AIDS programme, the financial contribution of international development partners is significant, as is their expertise and technology.

Development resources for HIV/AIDS programmes help mitigate the diversion of state resources from other development priorities to HIV/AIDS. Development partners also provide technical support for programme design and implementation. Equally important is the foreign expertise going into research towards the development of an HIV/AIDS vaccine or cure.

3. SUPPORT POLICIES AND PROGRAMMES

The Government of Botswana has been proactive in promoting economic diversification, export growth, and foreign direct investment. Its strategy includes tax incentives, a liberal foreign exchange control regime, and special fiscal incentives such as the Citizen Entrepreneurial Development Agency (CEDA). The Ministry of Communications, Science and Technology, established in 2002, will oversee the development of key policies and programmes that aim to propel Botswana towards information and digital inclusion. Botswana is negotiating a number of Bilateral Investment Treaties, which will hopefully improve FDI inflows from the other parties to Botswana on terms that serve Botswana's development interests.

Policies and Programmes

The Instrument	Year	Objectives
Policies and Strategies		
Development Policy [IDP]	1990	To promote and facilitate diversification, export development and employment creation opportunities
Competition Policy	Being finalised	To promote and regulate FDI, business licensing, registration and work and residence permit system
FDI strategy	Being finalised	To promote and regulate FDI
Investment Policy Review	2000	To measure progress made and provide guidance for future action
ICT Policy	Drafting stage	To promote investment in and use of ICT
Legislation and International Agreements		
Competition Law	Being finalised	To promote and regulate FDI, business licensing, registration and work and residence permit system
ICT Legislation	Drafting stage	To promote e-commerce
Cotonou Agreement	...	To allow products from Botswana access to the European Union [EU] market free of customs duties or at preferential rates of duty
AGOA	...	To allow duty-free and quota free access for Botswana products to the US
Norway/Botswana GSP Programme	...	Botswana exports copper and nickel to Norway

4. TO TRACK PROGRESS TOWARDS THE TARGETS

Trade and Foreign Direct Investment are central to Botswana's development strategy and so trends in trade and FDI need to be closely monitored and analysed. Trade statistics are fairly adequate. FDI statistics are not, however. This reflects the absence of a systematic approach to measuring FDI flows. Furthermore, the analysis of both trade and FDI statistics is largely limited to commentary by CSO and Bank of Botswana. Trade and FDI require not only close monitoring but also rigorous analysis to inform policy.

Assessment for Monitoring and Evaluation

Elements of Monitoring Environment	Assessment		
Data gathering capacities	Strong	Fair	Weak
Quality of recent survey information	Strong	Fair	Weak
Statistical tracking capacities	Strong	Fair	Weak
Statistical analysis capacities	Strong	Fair	Weak
Capacity to incorporate statistical analysis into policy	Strong	Fair	Weak
Monitoring and evaluation mechanisms	Strong	Fair	Weak