



**BOTSWANA EXCELLENCE**

**A STRATEGY FOR ECONOMIC DIVERSIFICATION AND  
SUSTAINABLE GROWTH**

**NOVEMBER 2008**

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## Foreword

### **BOTSWANA EXCELLENCE – THE STRATEGY FOR ECONOMIC DIVERSIFICATION AND SUSTAINABLE GROWTH**

Botswana Excellence-The Strategy for Economic Diversification and Sustainable Growth is aimed at addressing the primary challenge of Botswana, which is to diversify the economy to ensure that Botswana continue to enjoy the fruits of sustained economic growth post depletion of minerals, especially diamonds. Minerals are a non-renewable resource and therefore not dependable. His Excellency the former President Festus Gontebanye Mogae established a Business and Economic Advisory Council (BEAC) in August 2005 to address this challenge. The Council, comprised members of high repute from both Government, parastatal and the private sectors. BEAC was mandated to, among others:

- Identify constraints hindering economic diversification;
- Formulate a Strategy and an Action Plan; and
- Identify key projects required for taking Botswana forward.

The work of the Council culminated in two documents: “Botswana Excellence -- A Strategy for Economic Diversification and Sustainable Growth” and the “Action Plan”. The Action Plan details projects aimed at driving implementation of the Economic Diversification and Sustainable Growth Strategy. The Action Plan and the Strategy were approved by Cabinet in December 2006 and November 2008 respectively. The Strategy was presented to both the Parliamentary Caucus and Ntlo Ya Dikgosi in February and June of 2009 respectively.

Amongst the Action Items contained in the Action Plan was establishment of Government Implementation Coordination Office (GICO), which was set up by Government in May 2007. The primary mandate of GICO is to monitor and evaluate implementation of actions and projects flowing from the Strategy, as well as other policies, programmes and projects. Amongst action items contained in the Strategy are implementation of specific projects aimed at promoting diversification and growth. Some of these projects are Diamond, Health, Education, Agriculture, Innovation, and Transport hubs.

At a higher level, the Strategy is monitored by His Excellency the President through bi-annual reviews. In addition to bi-annual reviews, the hubs are monitored through the Cabinet Committee on Economy and Employment chaired by His Honour the Vice President which in turn reports to the Economic Committee of Cabinet chaired by His Excellency the President.

The Office of the President through the Government Implementation Coordination Office (GICO) is pleased to release a Strategy titled “Botswana Excellence – A Strategy for Diversification and Sustainable Growth”. The release of this Strategy to the general public is aimed at ensuring that all Botswana know, understand, and contribute to the efforts of Government in diversifying the economy.

GICO can be contacted for any clarification on the contacts given below.

**Director General**  
**Government Implementation Coordination Office (GICO)**  
**Office of the President**  
**Tel: +267 3906098**  
**Email: [gico@gov.bw](mailto:gico@gov.bw)**  
**Fax: +267 3906105**

## 1.0 SUMMARY AND STATEMENT OF OBJECTIVE

1.1 In August 2005, His Excellency the President of the Republic of Botswana, established the Business and Economic Advisory Council (BEAC) as an advisory body to assist the Government of Botswana (GoB) in achieving its stated objective of accelerating economic diversification and sustainable growth, and in the process reducing Botswana's dependence on mining, especially diamond mining, as the main source of government revenue and export earnings. The Council was charged with the following principal tasks:

- Identifying existing constraints impeding accelerated economic diversification and growth, Foreign Direct Investment (FDI) flows and enterprises development in general terms e.g. regulatory, fiscal, systemic, procedural;
- making recommendations on the steps to be taken (including short-term measures) to overcome such constraints, and to generate a climate of confidence for FDI as well as economic growth and diversification;
- Advising the GoB on policies and support measures required to create the overall enabling framework for achieving economic diversification and sustainable growth. This includes the creation of appropriate structures and mechanisms using mainly existing institutions, some of which may need to be reformed or rationalised;
- Preparing an overarching Strategy for Economic Diversification and Sustainable Growth; and
- Producing a supporting Action Plan.

1.2 The Economic Diversification and Sustainable Growth Strategy had to reflect and build on the objectives of the National Development Plan (NDP), Vision 2016 and other relevant existing reports and studies, and local initiatives of various institutions in Botswana. Success stories and effective practices in other

countries which have pursued similar diversification objectives to Botswana's were to be taken into consideration.

- 1.3 The BEAC put forward a broad, comprehensive Economic Diversification and Sustainable Growth Strategy, supported by a detailed Action Plan, to guide the implementation of the Strategy in an internally consistent and integrated manner.
- 1.4 The implementation of the Strategy and the Action Plan requires Government to recognise the imperative of speedy diversification, as well as an internationally competitive economy. For success to be achieved, Government has to be prepared to amend, or even abandon, those policies that may have proved to be unsuccessful in the past, and to embrace the principle of openness. Openness, as used in this Strategy, relates to two-way flow between Botswana and other countries in the context of: trade; investment; information; technology; and skills flows as Botswana integrates with the international economy. Government will have to take the lead in many aspects of the process of diversification and integration with the global economy, to pave the way for the private sector.
- 1.5 Botswana has substantial financial, human and infrastructural resources, which should be enhanced in order to achieve the objectives of the Strategy. It is recognised that the key elements of the Strategy are interdependent, and its components cannot be separated from one another without undermining its effectiveness. Effective approaches will have to be developed to mobilise resources Botswana already possesses, and to focus them in a co-ordinated and mutually supportive manner. The Strategy makes clear proposals on how this can be done.

## **2.0 BOTSWANA AT 40: OVERVIEW AND PRINCIPAL CHALLENGES**

- 2.1 Botswana's aspirations are well documented in Vision 2016. The Vision includes the following priority objectives: Economic diversification and sustainable growth; the creation of a conducive environment for business and entrepreneurial development; the empowerment of citizens to become the best producers of

goods and services; the pursuit of excellence through a new culture of hard work and discipline; the creation of a vibrant economy able to meet the competitive demands of the 21<sup>st</sup> Century and to attract investors; a significant reduction of the level of unemployment; the generation of new economic activities to fuel future growth; and the change of mindset of every Motswana to learn to compare themselves with the best in the world.

- 2.2 Botswana has made very significant progress in the 40 years since independence in 1966, in terms of: the maturity of its democracy; good governance; strong institutional base; good physical and social infrastructure; consistently sound macro-economic management; and achieving one of the highest economic growth rates in the world over a long period.
- 2.3 The advances achieved in all these areas are the outcome of the very judicious and consistent utilisation of diamond resources for development. Strong and principled government has made it possible for Botswana to use best international practice and standards as its benchmarks, rather than those of its developing country peers.
- 2.4 Government is acutely aware that these past achievements will not automatically translate into future successes, unless the country is able to change dynamically to meet new regional and global challenges. Competitive pressures resulting from globalisation and regional dynamics have increased rapidly, and they will become more severe. In response, Botswana has to rapidly adapt to this quickly changing world, so as not to fall behind in terms of development, competitiveness and its international standing.
- 2.5 The economic and development models used in the past have served Botswana well, even though limitations have become increasingly evident. This is an unavoidable consequence of very significant changes in both the internal and external environments in the recent period. This dictates that Botswana will have to reposition herself for continued success. If Botswana wishes to move to the next higher level of development in line with Vision 2016, and if Government's aspirations for diversifying the economy and making it more sophisticated and private enterprise driven are to succeed, then dynamic

structural and regulatory adjustments are imperative.

2.6 Continued success will also require a significant shift in mindset on the part of Government, business, and the population at large. Government therefore accepts that given the current starting point, the task of making Botswana competitive in the current world environment and elevating it to a higher level of development will require significant adjustments and a consistent commitment to this by all stakeholders.

2.7 Botswana faces both short-term and longer-term challenges, including the following:

- Despite a number of past diversification initiatives, the economy remains substantially dependent on revenues generated by diamond mining, a non-renewable resource;
- The high economic growth rates achieved by Botswana over many years have not translated into a significant broadening of the economic base, specifically one featuring a strong private sector. Much of the country's growth continues to be largely government generated. It is still not driven by the business sector and private investment. This affects the sustainability of the country's economic growth negatively. However, steps are now being taken to create more opportunities for private sector growth and wealth creation, e.g the establishment of Local Enterprise Agency;
- Botswana's narrow economic base continues to be dominated by mining and Government. The private sector remains highly dependent on general public expenditure through government contracts as well as consumption expenditure by civil servants;
- FDI into Botswana has long been relatively low in absolute terms, but it has declined still further in recent years;
- Annual Gross Domestic Product (GDP) growth has slowed in recent years, and achievements in this area now fall short of NDP projections;
- Unemployment remains relatively high in general terms, particularly in non-urban areas;
- The economy's ability to absorb even relatively well educated young people is negatively affected by shortcomings in the quality and relevance of

education and a mismatch between skills development and actual requirements;

- A number of Government programmes have over time succeeded in significantly reducing poverty in absolute terms, but its levels are still relatively high and the income gap remains wide; and
- Efforts to give effect to the Privatisation Policy of 2000 and to implement the desired re-organisation and rationalisation of parastatals have been limited.

2.8 These challenges have been exacerbated by a prevailing mindset, which tends to be inward looking, rather than outward looking and orientated towards coping with meeting international competition.

2.9 Overall, the prevailing mindset in Botswana has not been very conducive for strong private sector development, FDI and hence diversification. Therefore, future diversification efforts should be focused on ensuring effectiveness of policies.

2.10 The realities of an increasingly competitive and global market environment must shape development priorities more so than in the past. Botswana should put more emphasis on self-reliance and wealth creation rather than expecting handouts from Government.

2.11 The prevailing mindset relates most explicitly to the manner in which the nation sees itself relative to non-Batswana stakeholders in different spheres of life. It also relates to the broad area of economic activities in Botswana, as well as their positioning relative to the region and the world at large. Mindset change, including an emphasis within citizen empowerment policies on capacity building, and taking decisive actions to achieve economic openness have thus become essential. These are closely related concepts and require policies designed to ensure success in Botswana's efforts to achieve the next higher stage of development.

2.12 Historically, Government's empowerment policies have been driven principally by a desire to address the prevailing high levels of unemployment and poverty, and a wish to accelerate citizen participation at all levels of the economy. However, some of the current policies have primarily yielded short-term gains for those few who were in a position to take advantage of the privileges derived from these



policies. They revolve principally around the issue of entitlement, rather than self-reliance and wealth creation, and this has encouraged rent-seeking behaviour. The future approach should promote increased local and foreign investment, as well as the growth of joint ventures between local and foreign firms. This will enable Botswana to graduate from small to medium and large scale businesses.

- 2.13 Future policies must aim at fostering more effectively the emergence of competitive, sustainable local enterprise, and the broadly based development of skills required by an open and competitive economy. Equally, these policies must sufficiently empower citizens as entrepreneurs and as producers of goods and services aiming to pursue excellence through a new culture of hard work and discipline. They will also have to deal effectively with structural unemployment. This is a prerequisite for achieving government's key policy objectives of broadly based sustainable development and consistently rapid economic growth.
- 2.14 The fact that some well intended past policies may have fallen short of achieving both their social and economic objectives makes it imperative to address the prevailing structural deficiencies vigorously, in a determined and focussed manner. This must be done with a high degree of urgency, realism and creativity.
- 2.15 Especially important is an effective reorientation of citizen empowerment policies, to make them consistent and compatible with a new approach, whose main thrust is directed at creating an open, outward looking and internationally competitive Botswana.

### **3.0 ANALOGUE COUNTRIES - LESSONS LEARNED**

- 3.1 The diversification and growth efforts of a number of analogue countries are highly relevant to Botswana – for instance Malaysia, Dubai, Costa Rica, Singapore and Mauritius. Their experience confirms that meaningful economic diversification can be achieved within the estimated window of some 10-15 years that is open to Botswana before revenue flows from existing diamond resources may start to diminish. Some of these countries indeed succeeded from an economic starting point significantly less favourable than that of

Botswana.

3.2 The central conclusion in each case was that the respective governments recognised that economic diversification strategies would only succeed once the right kind of enabling framework was put in place. The enabling frameworks in these countries shared many of the following common features:

- Recognition by the respective governments of an absolute and urgent need to diversify. This included a willingness to amend or discard past unsuccessful policies and programmes;
- Embracing the principle of openness. This is a prerequisite for success in today's globalised and highly competitive world;
- A general preparedness by the respective governments to launch not only highly focussed outward looking policies in order to leapfrog other countries in the region, but even more importantly, a firm commitment to translate such policies into action;
- Most of the reference governments' readiness to take a strong, determined, highly visible and even audacious reform measures, and to become lead investors in important projects;
- Making systematic, determined efforts to upgrade the skills and capabilities of their workforces. In most instances this was achieved by forging strong industrial - academic linkages;
- Creativity in exploiting their respective geographical locations;
- Identifying and creating champions for each major project or initiative;
- Creating clear structures for decision-making about what needs to be done, and who should do it;
- Creating an overall business climate highly conducive to private and foreign investment;
- Focussing efforts in areas in which the various countries had created, or could create comparative advantage or niche opportunities;
- Creating a competent, motivated, flexible, responsive, and business-friendly public service; and
- Internationally branding their countries in a highly effective way.

3.3 The Strategy developed for Botswana has drawn from these experiences and adapted them to reflect and accommodate specific situations and special considerations applicable to Botswana.

## **4.0 THE STRATEGY FOR ECONOMIC DIVERSIFICATION AND SUSTAINABLE GROWTH**

### **4.1 General Perspectives**

4.1.1 The Strategy for Economic Diversification and Sustainable Growth contains specific policies and support measures that are required to create an overall enabling framework for both diversification and growth. This includes the creation of specific, appropriate structures and mechanisms to support this process, mainly using existing institutions, reformed or rationalised as necessary. The Action Plan underpinning the Strategy serves as the vehicle for driving and guiding specific efforts required, and it outlines the measures required to give effect to the broad recommendations contained in the Strategy.

4.1.2 The implementation of the Strategy in all its interrelated dimensions requires the entire Nation to accept diversification as an imperative, and to accept that appropriate, significant changes must be made to a number of inhibiting and or demonstrably unsuccessful policies.

4.1.3 To successfully establish the Strategy as a guiding principle, and implementing the derived actions which are required to give effect to it, will critically depend on the effective co-ordination of the roles and contributions of numerous parties in both public and private sectors. This requires the following:

- All participants directly or indirectly involved in the diversification process must fully understand the tasks at hand, and their respective roles; and
- All inputs have to be complementary, mutually supportive, and they must be provided in a transparent fashion.

4.1.4 To facilitate the necessary transformation and the Strategy's underpinning initiatives, a Government Implementation Coordination Office (GICO) has been established within the Office of the President. The principal purpose of the

GICO is to guide, coordinate and support the implementation by Ministries of actions and projects flowing from the Strategy, as well as other policies and projects. The operational responsibility for project activities will rest with the respective line Ministries.

4.1.5 The Strategy identifies - listed under five headings - a number of related actions and instruments to achieve economic diversification and sustainable growth as follows:

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

## **4.2 Creating an Enabling Framework**

4.2.1 Economic diversification and sustainable growth cannot succeed unless an appropriate supportive enabling framework is put in place. At its base, this framework requires, amongst others, the following elements - which government accepts as essential:

- Ensuring continued political stability, internal security, shaping a strong education system to reflect changing needs arising from diversification, extensive skills development, supported by continued sound economic, monetary and fiscal management - augmented by creative new approaches;
- Making decisive efforts to deal firmly with performance impediments, by:
  - Addressing bureaucratic inefficiencies;
  - Rolling back a culture of entitlement;
  - Making concerted efforts to improve work ethics; and
  - Reacting quickly to corruption;
- Creatively addressing the issue of reserved and/or negative attitudes towards foreigners and towards “opening up” the economy;
- Creating a new incentives-based structure (the so-called Diamond Rating System), in order to actively promote citizen economic empowerment. This system focuses mainly on the enhancement of professional and

- entrepreneurial capacity and opportunities for Batswana;
- Opening up to the international economy, by:
    - Ensuring greater openness to labour, capital, skills and providing secure reasonable land to non citizen investors;
    - Adopting an Open Skies policy for air travel so as to lower business costs and favour tourism development; and
    - Taking action to remove restrictions which constrain business and tourism growth, in the form of cumbersome customs procedures, non-tariff barriers and visas.
  - Making clear that Government will decisively lead the economic diversification process, including acting as a lead investor where justified, to pave the way for the private sector. Also, ensuring that this process will be effectively co-ordinated at all levels between the different Ministries most directly associated with the diversification process;
  - Implementing a programme of accelerated, comprehensive deregulation. This is critically important, because without deregulation, other efforts will not generate the required results;
  - Actively encouraging the creation of a new culture of risk taking. This requires important changes in policies, administration and structures;
  - Recognising and accepting the indispensable role of well conceived FDI ventures, and welcoming the accompanying technical skills foreign investors bring to the country. This implies accepting the principle that appropriately structured FDI generates additional capabilities and wealth opportunities;
  - Committing relevant Ministries to provide immediate, dynamic solutions for business, investment and growth inhibiting problem areas, primarily being:
    - Work and residence permits;
    - Licensing and permit procedures at all levels;
    - Company registration processes; and
    - The availability of land and its secure tenure.
  - Progressively shifting the economic balance from the public to the private sector through various kinds of privatisations, and increasing efficiency in the process. In addition, as a high priority, examining the feasibility of rationalising the large number of parastatal institutions that currently deal

relatively inefficiently with economic development and export promotion, and making these efforts cost effective;

- Examining options for making the fiscal/financial management and planning process even more dynamic and flexible, including examining the feasibility of introducing a rolling development plan and multi-year budgeting. The objective of this examination will be to find ways to enhance government's ability to be responsive and adaptable to the country's continuously changing needs, to accommodate Botswana's now more advanced stage of development, as well as its future more private sector orientated character;
- Committing to a gradual transition of government accounts from the current system of cash based accounting, to the more efficient system of accrual accounting, applicable to all aspects and levels of government finance. The advantages of accrual accounting are that it allows Government to control better the efficacy of its expenditure, makes possible the establishment of real time financial positions, accurately tracks the progress of projects, and establishes the full costs of all government actions; and
- Ensuring that Botswana has a state of the art ICT infrastructure that is competitively priced to facilitate private sector growth and transform service delivery through efficient and effective e-Services in government and the private sector.

### **4.3 Mindset Change, Openness and Empowerment**

4.3.1 Government recognises that for the Strategy to be successful, the globalisation process has to be fully embraced by all. Major initiatives are required to educate and inform the population on how these trends will increasingly impact on every aspect of Botswana's economic life. To be able to respond to the globalisation challenge, Botswana collectively and individually will have to develop the capacity to compete on equal terms and succeed in this rapidly changing environment. It is imperative that a creative, forward-looking empowerment policy be launched. Its focus will be on enabling Botswana to obtain not only the skills and enhanced business capacities, but also on facilitating access to appropriate financing to enable them to compete successfully regionally and internationally. Constructive empowerment options must also embrace vehicles

to promote joint venture opportunities with larger existing companies and new FDI ventures.

4.3.2 By adopting this approach, Government intends to lay the foundation for an economy with significantly enhanced capacity, one capable of generating high value added activities and high quality employment. This empowerment policy will be referred to as Citizen Empowerment through Excellence (CEE).

Citizen Empowerment through Excellence will focus on the following:

- Placing significant emphasis on providing structures and incentives that serve to improve the business capacity of Botswana apart from general measures to enhance the international and regional competitiveness of Botswana as a business location and FDI. In addition to systematic training and business development efforts, this entails the provision of incentive structures to promote procurement from small and medium enterprises, and for large domestic and FDI companies to enter into constructive procurement partnerships and joint ventures. The development of new economic activities and infant industries will be promoted, where cost/benefit analyses indicate scope for these becoming competitive ventures;
- Providing measures to systematically improve the business and technical capacity of Botswana to compete in a globalised economy;
- Establishing a broad acceptance that foreigners, investors and professionals can play important roles in empowering citizens, for instance, as sources of technology, links to international markets, risk capital generation, new high-level employment, platforms for joint ventures, etc;
- Explaining to the nation that creating new employment opportunities for Botswana - regardless of whether or not locals or foreigners own an enterprise - is an effective way to a successful, broadly based empowerment of citizens;
- Improving entrepreneurship and business development throughout the population;
- Changing the position of Government within society and its role in the economy by creating space for business through extensive outsourcing,

Public Private Partnerships (PPP) and the outright privatisation of parastatals. This will provide a new framework for an efficiently functioning society and private sector driven economy. Government will thus progressively shift its role over time, to act principally as a facilitator and as an efficient administrator and regulator;

- Changing meaningfully Government's approaches to promoting business and economic activity, shifting it away from acting primarily as protector of local interests, to instead becoming a positive promoter and partner in the creation of new enterprises and private sector projects;
- Providing appropriately creative, flexible, attractive and internationally highly competitive tax structures and incentives, in order to generate local and foreign investment;
- Providing appropriate rewards to companies for creating new employment, promoting innovation and the use of advanced technology, as well as for improving technical skills and staff efficiencies in general; and
- Creating incentive structures that will encourage joint ventures between local and international enterprises. This is intended to open doors for Botswana entrepreneurs into big business, whereas current reservation policies tend to largely channel citizens towards marginal, small business.

4.3.3 Government is aware that the realisation of the new Strategy will require considerable efforts to be made by all concerned. It will necessitate creative decision making and firm follow-up action. As stated in Vision 2016: Botswana needs a bold strategy - the time has come to take calculated risks and aim at high targets.

4.3.4 Government also accepts that a fundamental change in the prevailing and deeply entrenched mindset in Botswana is central to any successful economic diversification effort. To be successful and competitive, Botswana have to change the way they see themselves relative to non-Botswana stakeholders in many spheres of life. This applies particularly in the broad area of economic activities, and the way the country pursues its economic relations with the region, and the world at large.



- 4.3.5 Sustainable success requires a re-orientation of current education policies, in order to ensure that Botswana's educational system will in future deliver the required skills. This requirement includes an even more extensive re-orientation of secondary and tertiary education towards the needs of today's international world than had been sought through previous initiatives.
- 4.3.6 Repositioning the education system to serve a dynamic private sector borne economy also requires a reorientation of admission criteria for universities, as well as dynamic vocational training. Both must be sharply focussed to ensure job ready outcomes.
- 4.3.7 Curricula design, the way courses are structured, and the way subjects are taught all require meaningful adjustments. This is to ensure that graduates will have relevant skills for which there is a real demand.
- 4.3.8 In the most general terms, Government accepts the challenge presented by the changing environment to invest even more heavily in the development of human capital in all sectors (public and private), at all levels, and to the very highest international standards.
- 4.3.9 Citizen Empowerment Through Excellence will best be realised by addressing simultaneously mindset change, reorienting primary, secondary, university and vocational training, as well as creatively incentivising advanced in-service training in the private sector, and by combining this approach with simultaneously creating a genuine openness of the economy.

#### **4.4 Policy and Institutional Matters**

4.4.1 **Macroeconomic and Monetary Matters:** Although the exemplary macro-economic stability of past years has contributed to Botswana's very high sovereign credit rating, there remains scope for improvements in certain respects. Key among further dynamic changes and adaptations required to take Botswana into the future with similarly high ratings are:

- The introduction of measures which will improve the efficiency of spending on development projects, and putting in place appropriate financial controls and tracking mechanisms. Chief among the tools that can help achieve this is

a change from the system of government accounting on a cash flow basis to accrual accounting in line with international trends. In view of the magnitude and complexity of the challenge, it is accepted that this will be a gradual process;

- Ensuring the continued stability of the financial sector. Equally important is the achievement of further improvements in the efficiency of monetary management, including the effective handling of the interplay between inflation, money market and bond interest rates, and the exchange rate;
- Putting in place measures to achieve a deepening of, and increase in, the sophistication of local financial markets; and
- Improving the co-ordination of monetary and fiscal policies between the Ministry of Finance and Development Planning and the Bank of Botswana.

**4.4.2 Taxation:** The Government of Botswana desires to stimulate economic diversification and to gain a more advantageous position in an environment of intense international and regional competition for FDI. To this end, it is intended to subject the tax system to a thorough re-evaluation. Government commits to conducting a comprehensive benchmarking exercise of the Botswana tax and investment incentive structure, in order to make the overall tax system more investment friendly and able to attract meaningful FDI. Government accepts that while Botswana's corporate and personal tax rates are not very high in nominal terms, their relative competitiveness has been eroded by meaningful reductions of company tax rates in competing economies, and by extensive business formation and investment incentives being offered elsewhere. From an administrative and compliance point of view, the current tax structure may be too complex, and it should therefore be possible to improve tax compliance by simplifying the tax system and improving tax administration. Government will undertake a comprehensive review of the tax system in this regard. The focus of this exercise will be on the evaluation of creative alternatives aimed at achieving an optimal balance between tax justice, economic efficiency and compliance by taxpayers. The review will also deal with the specific requirements of "Free Zones" designed to serve as special purpose vehicles to

attract specific FDI and local investment in high technology and high value-added services.

**4.4.3 Work and Residence Permits:** The problems related to securing work and residence permits by non-Batswana, and specifically the waiver and appeal system often resorted to in the past, have been a major obstacle to FDI inflows. This has inhibited the broadening and speeding up of economic development. Potential FDI inflows and the expansion of existing business activities have been held back by inefficient processes and long processing delays. Occasional objectionable treatment of some applicants may have contributed to negative investor perceptions. In terms of the Strategy, Government commits itself to addressing these issues as a matter of urgency, by introducing comprehensive, economy friendly and professional new procedures, including:

- Effective processing of applications and appeals;
- The introduction of a “One Stop Investment Shop” at the Botswana Export Development and Investment Authority (BEDIA) in which other relevant bodies will participate to make the handling of work and residence permit applications by new and existing investors business friendly on a permanent basis;
- A review of applicable Acts and regulations. Resulting legislative amendments will be shaped to reflect latest global economic and investment benchmarks; and
- The creation of a National Skills Register which will define the nature and quality of human resources available in Botswana in order to facilitate the process of balancing social and economic/investor interests.

**4.4.4 Company Formation:** Steps will be taken to immediately and significantly improve the attractiveness of the Business Location Botswana by simplifying and speeding up various processes. This will be done by meaningfully simplifying and reducing the number of bureaucratic steps required for establishing businesses, speeding up processing, and by creating a highly

professional government/business interface. Simplifying company registrations and the re-engineering of other establishment processes, the computerisation of the functions of the Registrar of Companies, and BEDIA becoming an effective “One Stop Investment Shop” will give effect to this.

**4.4.5 Streamlining and Rationalising Business Licensing:** Government accepts that the business licensing and regimes also have to be dynamically adjusted over time, in order to optimise the attractiveness of the business location in Botswana. This adjustment will be initiated by the introduction of a system that features indefinitely valid licences, subject only to payments of annual fees. The reservation of licenses for specific sectors for citizens will be kept to a minimum. Other dynamic adjustments will be made whenever and wherever obstacles to doing business and to investment flows are identified, and when better alternatives can be developed.

**4.4.6 Streamlining Parastatal Institutions:** Botswana has experienced a proliferation of parastatal entities, which were established over time to achieve various economic objectives, ranging from FDI promotion and business facilitation to social development. The new Strategy requires an optimisation of the efficacy of the enterprise development, technical support, investment promotion, and human capacity development that these entities had been set up to achieve. This optimisation requires the identification of public entities with overlapping mandates and/or poor cost/output ratios, leading to a rationalisation and streamlining of their operations, and increasing their effectiveness, and a significantly reduction of costs. A report, titled Strategy for the Rationalisation of Certain Parastatals and Public Entities (2006), will serve as the basis for further detailed work in this field.

**4.4.7 Improving the Land Allocation and Management Processes:** Ready access to land on attractive terms, and with good security of tenure, is essential for both local and foreign investors. Land leases must under all circumstances be bankable. A comprehensive, no-holds-barred examination of land policies will be undertaken. It will seek to achieve an optimum balance between social sensitivities and economic requirements. Any policy emerging from this review will be supported by comprehensive country wide spatial planning. The

following measures will be pursued in order to improve both availability and economic uses of land:

- Future approaches will seek to ensure that sufficient land will be available to those who can make effective use of it, and the current problem of idle land will be addressed by comprehensively applying the concept of use it or lose it; and

6.1.5 Free Zones will be introduced as pivotal instruments that contain special provisions to overcome investors' immediate concerns regarding prevailing shortages of commercial and industrial land.

#### **4.5 Instruments in Support of Diversification**

4.5.1 **Creation of a Coordination Mechanism:** The successful implementation of the Strategy and Action Plan will critically depend on the effective co-ordination and management of the roles and contributions of the numerous different parties in both public and private sector. To this end, Government has established the Government Implementation Coordination Office.

4.5.2 **Establishment of the Botswana Investment Fund:** Flowing from the provisions of the Strategy, Government will consider the feasibility of establishing a pivotal investment entity, the Botswana Investment Fund (BIF), with a wide ranging mandate and providing it with considerable resources. If established, the entity will be equipped to actively help drive the diversification of the economy, and to support Botswana's move to the next stage of development. Subject to approval of the feasibility study:

- The BIF will be created on the platform of the Botswana Development Corporation (BDC);
- It will be mandated to act as the lead investor for Government in commercially driven private sector development projects;
- The BIF will receive an initial meaningful injection of new capital from Government, and the right to raise loans in the domestic and international markets;

- Receipts from privatisation sales may be channelled to the BIF in order to further build up its capital base;
- The capital available to the BIF for new project investment will also be increased by disposing of parcels of mature BDC investments via Initial Public Offerings (IPOs) on the Botswana Stock Exchange (BSE); and
- Consideration will be given to housing Government's commercial interests and parastatals within the BIF, on a ring-fenced basis, for efficient administration, based on commercial principles.

### 4.5.3 Privatisation

Government has initiated a number of projects to privatise publicly owned utilities and parastatals, in line with the Privatisation Policy approved by Parliament in 2000, and further defined in the Privatisation Master Plan, approved in 2005. Apart from privatisation in the form of asset sales or joint ventures, extensive outsourcing - including outsourcing of entire functions - will continue to be pursued. Government seeks to use this option to optimise the cost effectiveness of its expenditure, while simultaneously creating entrepreneurial space, as well as developing private sector capacity.

## 4.5 Projects to drive Diversification

### 4.6.1 General Overview and Selection Criteria

4.6.1.1 A number of specific projects - existing and new - have been identified to promote diversification and growth. Provided these are appropriately shaped, linked with one another, and supported by other elements of the new Strategy, they will act as force multipliers to achieve the critical mass which otherwise may be difficult to achieve in a small country.

4.6.1.2 Because of their very considerable size, some of the new projects underway or under consideration, are capable of achieving significant economic diversification, as well as generating faster and more solid growth.

4.6.1.3 These projects were selected on the basis of several considerations, including:

- Achieving increased efficiencies in existing economic activities, and a better utilisation of existing areas of strength, resources and capacities (e.g. the agricultural sector in general and the livestock industry specifically; minerals/power generation; tourism; specialist services);
- Exploiting regional opportunities in areas where Botswana is well placed geographically, politically, or in terms of specialised knowledge/skills;
- Exploiting Botswana's comparative advantage - existing and potential - mainly in the area of natural and environmental resources;
- Initiating specialised projects well suited to Botswana's human resource base, particularly where special skills have been built up over time;
- Emphasising the development of a number of niche opportunities;
- Creating Areas of Excellence in which Botswana has potential for success; and
- Building on, and further diversifying, already successful economic activities, like the diamond cluster, tourism and high value agriculture through dynamic commercialisation.

## 4.6.2 **Agriculture**

**4.6.2.1 Commercialising, Restructuring/Rebuilding the Livestock Sector:** Deregulation and the commercialisation of the Livestock Sector will be given a high priority, starting with BMC. Concerted efforts will be made to improve the operational and marketing efficiency of the BMC. To achieve the goal of restoring the livestock sector as a main pillar of economic activity and employment, systematically coordinated efforts will be made to convert the cattle industry from traditional farming to a commercially driven, substantially weaner-based production structure. This involves the introduction of appropriate grading and pricing structures, government support in the area of training for commercial farming, making available sufficient breeding stock and start-up financing, and the provision of an improved transport infrastructure. The ultimate objective is to create a livestock sector which significantly contributes to economic activity, and does so in a substantially liberalised environment.

4.6.2.2 **High Value Agricultural Crops:** Experience has been gained in large-scale flower farming and related projects. In the light of its significant employment generating effect and export potential (also, its potential support for a regional transport hub), the future expansion of intensive farming projects will be given high priority and provided with strong support by Government in areas suitable for this.

4.6.2.3 **Agro-industry Projects:** Government supports agro-industry projects as they have potential significant impact on the structure and ethos of agriculture in Botswana, and on the economy more generally. A meaningful diversification of the economy can be achieved, and an important geographical diversification of economic activity within Botswana. It potentially creates an entirely new export platform and it is a potential vehicle for bringing a high quality, quasi-industrial activity to a relatively poor rural area. Every effort will be made to support Agro Industry projects by providing infrastructure support and ancillary facilities, removing regulatory obstacles, and by introducing appropriate incentives.

#### 4.6.3 **Tourism Initiatives**

4.6.3.1 **Diversification** - the tourist sector offers a number of opportunities which can be quickly and cheaply implemented, while holding great potential for generating a considerable impact in terms of geographic diversification of activities, cash flows, employment and ancillary economic activities. In essence, this amounts to a significant broadening of the tourism offering, and a shift towards a carefully controlled higher volume model, but subject to careful, and even increased environmental controls. Specifically, this entails the following:

- Creating a medium cost, higher volume lodge market segment, to be located on the periphery of the most prime “photographic” areas, or in underutilised existing concessions; and
- Opening up/developing additional, currently underutilised tourist areas by granting concessions to capable, professional enterprises.

4.6.3.2 **Access** - making systematic efforts to improve access to Botswana and lower its costs.



4.6.3.3 **Service** - Developing concrete plans as a matter of urgency to significantly improve tourism-specific training structures and programmes.

#### 4.6.4 **Establishing a Transport Hub**

4.6.4.1 Government believes that significant benefits may be derived from positioning Botswana as an air, road and rail traffic, as well as logistics support hub for Southern and Central Africa. A number of research projects are underway to provide the basis for Government to be able to make a decision to establish Botswana as an ancillary regional transport and logistics hub to Gauteng. Various projects, such as commercial flower growing, and the Zambezi/Pandamatenga agro-industry project, the proposed Cargo Hub/Free Zone at Sir Seretse Khama International Airport (SSKIA), as well as significant new activities in diamonds and in mining, can all provide base loads for cargo airlines, as well as a possible business platform for international passenger airlines.

4.6.4.2 The GoB will consider adopting an "Open Skies" policy, combined with the creation of appropriate airport facilities. This is a prerequisite for seeking to attract international passenger and freight airlines to use Gaborone as an alternative regional platform to Johannesburg. The creation of inter-modal transport hub and a cargo village at SSKIA will be supported by new investment in additional road and rail facilities.

#### 4.6.5 **Introducing Free Zones**

4.6.5.1 **The creation of Free Zones:** This is intended as a vehicle for introducing and making viable new activities. Free zones will provide attractive incentives (tax, labour, land, telecommunications costs), but only for highly specific, strictly circumscribed investment ventures. They will not be accessible for general business. Desirable Free Zone activities are still to be defined, but they are likely to include new ventures in the information technology and communications fields, and in the bio-technology and specialist medical fields. Free Zone status is also intended to facilitate expanded diamond polishing processing and creating jewellery, as well as fostering the establishment of transport logistics

and related activities.

4.6.5.2 Free Zones will be utilised to promote investment, especially investment new to Botswana and FDI in general. The creation of Free Zones allows bypassing many limitations imposed by existing regulations, as well as social and political obstacles. It can do so because such zones will be created on a strictly “ring-fenced” basis, to serve as low regulation and tax friendly areas, without this impacting on the rest of the economy. They are designed to attract mainly new business activities, hence there is no significant tax revenue or other income loss to government resulting from providing favourable treatment.

#### 4.6.6 **Establishing the Botswana Innovation Hub**

4.6.6.1 **The Botswana Innovation Hub (BIH):** This is a structure intended to foster the development of a high technology sector. It will provide the infrastructure, space and incentives principally for companies (including start-ups) in the IT, communication, bio-technology fields. Its proposed location is the Gaborone airport area Free Zone. An extensive feasibility study has been concluded, and a project company will be formed to manage the initiative. This concept suggests promising opportunities for combining existing facilities and planned new operations, at a site incorporating the existing Botswana Bureau of Standards (BOBS) technical complex, as well as Debswana, the Diamond Trading Company (DTC) and Diamond Park facilities.

4.6.6.2 Government intends to facilitate the initiation of this project by providing suitable infrastructure and by supporting the creation of an incubation facility for start-up companies. The project will seek to create an enabling environment for companies that could symbolise the Botswana of tomorrow.

4.6.6.3 The GoB also supports the establishment of a privately funded international post graduate business school at the BIH.

4.6.6.4 Establishing HIV/AIDS research facilities and creating a platform for serving the region in this area are promising ancillary opportunities to add critical mass to the BIH.

#### 4.6.7 **Diamond Beneficiation and Related Processing Activities**

4.6.7.1 Certain companies are already in the process of establishing diamond beneficiation operations at the site of the planned BIH/Airport Free Zone. Efforts will be made to entice newly licensed establishments to locate their operations in the proposed Airport Free Zone in order to strengthen their commercial viability. Government will consider making such activities meaningfully more attractive by extending Free Zone privileges to all diamond polishing and other diamond related operations, with special dispensations in the tax, import duty and labour fields.

4.6.7.2 In support of efforts to create a comprehensive downstream diversification of the diamond sector and related activities, the GoB undertakes to create a dedicated, overarching Diamond Office as part of the Diamond Hub. The Office will handle all issues relevant to the broader diamond sector; particularly issues that cut across Ministries. The envisaged Diamond Office will play a much wider role than traditionally structured diamond offices, which tend to have narrow technical objectives. The planned Diamond Office will be a “One-Stop-Shop” for the diamond industry as a whole. It is intended to make the business location Botswana attractive enough to ultimately entice the relocation to Botswana of significant elements of DTC’s international marketing and sight activities, which would result in significant potential ancillary effects in the tourism and business areas.

#### **4.6.8 Enhancing Banking and Financial Services**

4.6.8.1 Government seeks to increase the attractiveness of the International Financial Service Centre (IFSC), by creating a “Financial Service Village”, featuring extended Free Zone privileges. In conjunction with a more focussed mandate, this can be expected to improve the IFSC potential for serving as a sophisticated financial service platform for the region. New structures, such as specialised diamond related banking and finance operations, will be created to provide the requisite resources to allow the IFSC to address and achieve its mandate.

4.6.8.2 An independent Non Bank Financial Institutions Authority was established in April 2008 to regulate and supervise the hitherto inadequately regulated/supervised non-banking financial sector-insurance companies, fund

managers, stock exchange and other intermediaries. Government regards this as a major step forward, particularly once it is effectively and highly professionally staffed. In due course, it may be deemed feasible to expand the scope of this institution to effectively deal with, and prevent abuse of clients by, informal money lenders.

4.6.8.3 A comprehensive review of all banking legislation is also required.

#### 4.6.9 **Building Mining Diversification around Botswana's Coal and Gas Energy Base**

4.6.9.1 The GoB supports two major coal-based power station projects. One involves an expansion of existing capacity at Botswana Power Corporation's (BPC) Morupule power station. The other power project - at Mmamabula - is a green field private sector project.

4.6.9.2 A further energy project involves the possible exploitation of potentially large reserves of coal-bed methane gas deposits, which appear to stretch across much of the central part of Botswana.

4.6.9.3 The scope and size of the projects on hand are very significant, and Government believes they will provide the momentum for a powerful diversification drive away from diamond dependence, based on the exploitation of existing energy resources, together with the creation of a range of support industries and activities.

4.6.9.4 These projects have very significant implications for the labour market and the required skills profile. It is recognised that the professional staff requirements of the two largest projects - Morupule and Mmamabula - are large, and immediate. A major skills planning project and, flowing from this, a very significant, highly focussed training effort to create an artisan base, will be accorded high priority.

4.6.9.5 Government is aware of the political consequences that might arise if developers would have to rely – due to unavailability of suitably skilled and trained Botswana - on an almost exclusively foreign workforce during the construction phase of the two power stations and the establishment of the new

coal mines. The GoB will therefore make every effort jointly with the project entities to maximise the number of jobs filled by Batswana.

4.6.9.6 Government will do everything possible to facilitate the successful establishment of these projects. It will lend strong support to all dimensions of the Mmamabula coal mine and power station cluster. It will simultaneously advance its own Morupule power project, giving due consideration to private sector involvement where feasible.

#### 4.6.10 **Creating Areas of Excellence**

4.6.10.1 Botswana has proven that it has the capacity to develop Areas of Excellence. Historically, diamond mining, high-end lodge tourism, and livestock production (less so recently), have all achieved levels of quality and competitiveness which meet the highest international benchmarks.

4.6.10.2 The Strategy has identified a number of selected other initiatives and projects in which additional Areas of Excellence can be realised. In all cases it is proposed that these initiatives are developed to serve not only Botswana, but also the Southern African region and even countries beyond. The realisation of these initiatives and projects will provide Botswana with numerous economic and other advantages some of which are indicated below:

- Training of Batswana to highest international levels in the areas in question;
- Providing the private sector with the required professionally trained and internationally benchmarked human resources;
- Generating significant amounts of well remunerated employment opportunities in the various institutions or initiatives, potentially attractive and remunerative enough to entice back to Botswana a large number of young professionals from the diaspora;
- Generating a high international profile for Botswana through providing other countries of the region with specialist, internationally competitive, training facilities; and
- Creating additional internal spin-offs related to the above, by providing

additional dimensions for other institutions in Botswana, creating operational links with private enterprise, and by providing its universities with meaningful potential for conducting extensive applied research in different fields, in support of their teaching functions.

4.6.10.3 Government endorses the following selectively identified and assessed initiatives:

- I. **Management Training School:** The Strategy refers throughout to the critical importance of launching appropriate training programmes in support of its new Citizen Empowerment through Excellence policy. At the upper end of the scale, this requires access to first rate training institutions. This will make for private enterprise and the public sector to be able to attain the standards of excellence required to compete internationally. Because of its good infrastructure and central geographic location, Botswana is well placed to develop at least one high quality, regional - even international - post-graduate Management School. Training offered will have to be of the very highest quality and internationally benchmarked. Since Botswana's domestic market for such training products is small, this training facility must be structured to cater for clients from other Southern African countries in order to be commercially successful. Attaining international quality standards necessitates such a school to be established as a joint-venture with one or more well-known international management training schools.
- II. **Practical training for young Batswana to serve in Botswana of tomorrow:** Numerous institutions already exist and it is expected that others will be established in future dominated by the private sector, in line with the new policy of creating room for private growth. Their efforts should be focussed more clearly, through dialogue, on the changed requirements of an economy that seeks to operate at a higher level of sophistication, and which is carried substantially by private sector activities.
- III. **Public Health Management - specifically in the field of HIV/AIDS:** Botswana has successfully established a well-functioning healthcare system in both urban and rural areas. She has earned much recognition for

this. Significant progress has been made in recent years to contain the disruptive effects of the HIV/AIDS pandemic on individuals, the economy and society as a whole. Botswana will build on its considerable experience in public health management by supporting the establishment of a Regional Institute or Specialist Centre, to develop and improve the human resources, organisation structures, as well as systems and management capacity for the Southern African public health sector. Particular emphasis will be placed on the development of appropriate human resources, specifically the highly specialised skills required to deal effectively with the management of HIV/AIDS. The development of areas of excellence in this field may initially have to be extensively supported by foreign expertise. Therefore, systematic efforts will be made to utilise these foreign resources to build local expertise as fast as possible as an integral part of the project. Botswana's particular point of advantage is its effective management of problems associated with HIV/AIDS in the context of a developing country.

**IV. Regional Centre for Training for the Hospitality Sector:** Botswana's hospitality industry provides a good quality product and in certain areas - particularly in high-end lodge tourism - it can compete with the best in the world. As such, this area is genuinely internationally benchmarked.

To maintain these high standards and to extend its competitive edge to other tourism segments, the industry has to create a meaningful layer of specialised staff of the highest calibre. Industry professionals must be able to serve in the sector's different areas of specialisation (general hotel/lodge management, public relations and marketing, research, conservation and wildlife, front desk, general hospitality activities, catering and culinary etc.). To achieve both international quality benchmarks and economies of scale, it is proposed to establish a regional hospitality training school - which is also aimed at serving other Southern African countries - possibly augmented by a specialist training facility to be established in a high level working lodge. Botswana's private operators in the tourist sector will be enticed to play a leading role in both establishing such training facilities, as well as playing the major role in their management. Further, they will be specifically enticed to include Botswana in their global or regional staff and management cadres, in

order to provide international experience and benchmarks.

**V. Regional Centre for Sustainable Development:** Sustainable development, in the broadest sense of the word, remains one of Government's major strategic development objectives. Botswana has an enviable track record in the field, by any standard. This experience will be built on in order to further extend sustainable development efforts. In pursuit of this, a "Regional Centre for Sustainable Development" will be established, to provide an Area of Excellence in the vital field of conservation, which is absolutely critical to Botswana's image and survival as an exceptional destination. The GoB will seek to capitalise on this Centre by making its expertise available to the region and beyond, on a commercial basis. Botswana's best practices and practical experience in this field make it an excellent host country for an international initiative. Work carried out by this Centre will not only revolve around experiences gained in Botswana and Southern Africa. A prime objective will be to create multiplier effects, thus generating impact of lasting consequence over as wide a geographical area spread as possible.

#### **4.7 The Strategy and the Media**

- 4.7.1 The print and electronic media will be engaged to actively publicise the objectives of a new outward looking, globally competitive Strategy. A communications campaign will be launched to reach all Batswana, in order to gain acceptance, and to achieve a meaningful change of the prevailing mindset. Information on international dynamics, and the related need for a comprehensive repositioning of the country, will be designed to reach all parts of society and business.
- 4.7.2 Systematic information campaigns will be launched to create an awareness and understanding of the importance of Botswana taking advantage of opportunities offered by large regional and international markets. Government will support this publicity campaign to promote the new Strategy through all means at its disposal. This will be facilitated by the recent establishment of the Botswana Government Communications and Information System (BGCIS).



4.7.3 This initiative also includes encouraging an active dialogue on all issues arising from the Strategy between the country's political leadership, Parliament, the media, the business community and the population at large.

## **4.8 Branding Botswana**

4.8.1 A major branding project to position and sell Botswana internally and internationally has been undertaken by BEDIA. It is intended to raise Botswana's international profile for each intended market segment as a place to do business, to visit and to live in.

4.8.2 Branding Botswana requires a systematic, sustained effort. It also requires that the promise held out by the Brand Botswana must be given credible substance, including in its economic and business component.

4.8.3 Government will enable the creation of a Brand Management Organisation to carry out the ongoing process of promoting the Botswana Brand.

4.8.4 Appropriate steps will be taken to ensure mutual support between the branding campaign and the economic diversification and sustainable growth strategy campaign.

## **5.0 RELATIONSHIP WITH OTHER POLICIES AND STRATEGIES**

5.1 Economic diversification and sustainable growth are critically important for achieving Botswana's national principles of Democracy, Development, Self-Reliance, Unity and "Botho". Similarly, the planning objectives of rapid economic growth, social justice, economic independence and sustained development cannot be achieved without meaningful economic diversification and sustainable growth. An economy that is able to deliver fast, well balanced growth, will reinforce democracy. It will do so by generating the resources necessary to continue to provide critical amenities and services - on a sustainable basis, without any latent threats of cutbacks - including those needed to satisfy basic human needs of the entire population. When the

benefits of developments are spread equitably throughout the country, appeals for self-reliance and national unity are also more likely to be better heeded.

- 5.2 Vision 2016 and NDP 9 both underline the need for economic diversification and international competitiveness in order to ensure broad based prosperity for Botswana. As a consequence, the theme for NDP 9 was “Towards Realisation of Vision 2016: Sustainable and Diversified Development through Competitiveness in Global Markets.” The Strategy for Economic Diversification and Sustainable Growth is giving concrete expression to the Vision 2016 and NDP 9 goals, and it provides the basis for stepped objectives in NDP 10 in respect of a significantly greater reliance on the private sector as an engine for future growth.
- 5.3 To give effect to this, existing government policies, strategies and programmes will be streamlined and harmonised. They will be sharply focused on making Botswana an attractive destination for FDI, doing business in general, capable of expanding areas of traditional strengths, such as agriculture and mining, as well as receiving more tourists. A well diversified, steadily growing and stable economy will make the country better disposed to be able to address challenges arising from poverty and unemployment. High, well balanced growth will support the objectives of maintaining a sound, conservative national budget, dealing effectively with environmental degradation, and eliminating shortcomings arising from the current narrow economic base.
- 5.4 In support of these objectives, the Strategy actively promotes an increased participation by the private sector in the economy, while simultaneously striving to extend the coverage of Botswana’s physical and social infrastructure. In addition, it provides opportunities for dealing even more effectively with the costs and the challenges associated with the HIV/AIDS pandemic, and with other contemporary and future social issues.
- 5.5 It is recognised that for the Strategy to succeed, the performance of regionally and internationally orientated activities will be crucial, given that Botswana’s own population is very small and the domestic market therefore limited. Because of this, strategies and policies aimed at improving the international

competitiveness of Botswana goods and services will be accorded high priority.

These include:

- A foreign direct investment strategy;
- Creative investment promotion assisted by One-Stop-Shop structures;
- A concerted privatisation effort;
- More business friendly regulations, rules and public service;
- Concerted efforts to improve labour productivity and skills;
- Stable fiscal and monetary policies;
- Supportive exchange rate management; and
- Market responsive human resources development.

5.6 The regimen of laws and practices will be aligned with world class standards, where needed, especially with regard to factors that are key to investment such as labour, business regulation, public procurement, land, fair trade, dispute resolution, company registration, taxation, transparency, effective and impartial judicial system, acquisition of work and residence permits, promotion of entrepreneurship, personal safety and security of assets.

5.7 Compliance with high ethical and professional standards and good governance across the entire nation is paramount.

5.8 Another fundamental prerequisite for the Strategy for Economic Diversification and Sustainable Growth to succeed is the need to embrace positive change, and dealing effectively with short-term negative transition costs that any transformation process inevitably entails. This will require the Nation to make some sacrifices and accepting some political trade-offs.

5.9 Government will provide a set of clear priorities. The need for consistent policies and for strategies that are mutually supportive across all sectors cannot be over-emphasised. Unless all economic agents - the private sector, public enterprises and labour - pull together, the objectives of this Strategy will be difficult to achieve.

## **6.0 STRATEGY IMPLEMENTATION, MONITORING AND REPORTING**

### **6.1 Institutional Roles, Responsibilities, and the Establishment of GICO**

- 6.1.1 The various institutions of Government will continue to operate within their established portfolio responsibilities in terms of sectoral policy formulation and project/programme planning and implementation. This will be done in accordance with the existing national and sectoral planning frameworks - guided by Vision 2016 aspirations and priorities, as determined from time to time through the national development plan processes.
- 6.1.2 To give greater focus and impetus to initiatives aimed at accelerating economic diversification and achieving sustainable economic growth, GICO will provide ongoing guidance to ministries implementing actions and projects derived from the Strategy for Economic Diversification and Sustainable Growth, as well as other strategic initiatives pursued by government.
- 6.1.3 GICO will have sufficient authority not only to provide effective guidance, but also to monitor actions/projects effectively and achieve appropriate coordination during their implementation.
- 6.1.4 The primary purpose of the GICO is to serve as a catalyst for taking timely action intended to facilitate and accelerate implementation of initiatives aimed at promoting diversification and sustainable economic growth. The Office will identify and remove bottlenecks in this respect. In order to achieve this, the GICO will, inter alia, fulfil the following functions:
- Co-ordinating all major Government projects with other initiatives and projects, as well as dealing with the required resources;
  - Providing advice to Cabinet and individual ministries concerning projects being put forward;
  - Assisting ministries with projects from conceptualisation to completion, in conjunction with the Ministry of Finance and Development Planning (MFDP) which deals with the financial dimension;

- Monitoring and guiding project implementation and quality, using appropriate computer and other systems for effective project management and overall coordination of Government efforts.
- Guiding and coordinating a review of existing policies, laws and regulations for compliance with the ethos and approaches inherent in the new Strategy.
- Reviewing, on an ongoing basis, all issues related to the international competitiveness of Botswana and its attractiveness as an investment destination, and to recommend remedial intervention where required;
- Guiding the rationalisation/privatisation of parastatals in terms of the Privatisation Master Plan, in cooperation with the Public Enterprises Evaluation and Privatisation Agency (PEEPA) and the relevant ministries; and
- Acting as a bridge to the private business sector and to international business, in conjunction with BEDIA.

6.1.6 In playing this role, the GICO will work through and with the concerned Ministries, as well as in close liaison with parastatals, the private sector, local authorities and other key stakeholders. The GICO will regularly report the progress and outcomes of ongoing initiatives to the Office of the President and Cabinet.

- In addition, the GICO will, following consultations with relevant authorities, develop and circulate as appropriate its quarterly, yearly and longer term work programmes. These will form a basis for its operations. GICO's plans will be subjected to formal reviews, in line with the provisions of **section III** below:
- **I Financing and Budgeting:** Detailed budgets in respect of the implementation of the Strategy will be integrated in the national development planning process. As a matter of principle, financing and budgeting for key initiatives will continue to be the responsibility of individual ministries, working in close liaison with the Ministry of Finance and Development Planning. Ministries will act within the framework of the existing planning and budgeting processes, as may be agreed from time to time. In line with the broad principles for diversification and growth promotion, the financing of the Strategy and its associated projects will not be confined to Government

funding. Many programmes arising from the Strategy will, in the first instance, seek to mobilise private sector financing, either directly or through PPP arrangements.

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- **II Action Planning and Programming:** A detailed Action Plan to give effect to
- the Strategy has been formulated. This will be expanded in terms of detail, the resources required, and it will be augmented by specific, detailed timelines. The Action Plan serves to translate the broad Strategy into concrete actions. It is a general blueprint to guide all Government entities regarding actions approved by Cabinet, and flowing directly from the Strategy. The main thrust of this approach will be to ensure effective and timely execution of the Action Plan and its alignment, at all times, with existing and emerging requirements arising from acceleration of various diversification and economic growth promotion initiatives.
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- **III Performance Tracking, Measures and Indicators:** To help ensure effective implementation of the Strategy, particular attention will be focused on performance tracking and measurement. Results-based monitoring and evaluation will be introduced in order to permit meaningful assessments at any time to determine whether the Strategy is achieving its objectives. GICO will during reviews track and use as yardsticks the following, and other appropriate measures:
- The rate of GDP growth and its sectoral composition.
- The growth in the share of, and the absolute contribution to, GDP of
  - mining activities other than diamonds.
- Levels of investment (domestic and FDI), and returns from specific new
  - economic activities, such as incremental tourism, power generation, etc.
- The degree of diversification achieved within the mining sector.
- The level of employment, as well as the estimated indirect economic and other effects of changes in the direction of the economy deriving from the new Strategy.
- Any other relevant measurement of performance, or set of criteria as may

- be identified from time to time.
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- The long-term sustainability of new approaches will be continuously assessed;
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- **VI Annual Reports:** Without prejudice to the above, in order to ensure
- accountability and proper coordination and monitoring, the GICO will on yearly basis produce a progress report on its activities and on the overall economic diversification and growth promotion initiatives.