



BOTSWANA

TRADE POLICY FRAMEWORK





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ABBREVIATIONS

AGOA	African Growth and Opportunity Act
AR	Assessment Report
AVE	Ad Valorem Equivalent
BAMB	Botswana Agricultural Marketing Board
BB	Business Botswana
BECI	Botswana Export Credit Insurance
BEMA	Botswana Exporters and Manufacturers Association
BITC	Botswana Investment and Trade Centre
BMC	Botswana Meat Commission
BNPC	Botswana National Productivity Centre
BOBS	Botswana Bureau of Standards
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
BOTA	Botswana Training Authority
BOTEC	Botswana Technology Centre
CEDA	Citizen Entrepreneurship Development Agency
CEE	Citizen Economic Empowerment
COMESA	Common Market for Eastern and Southern Africa
CTE	Committee on Trade and Environment
DFQF	Duty Free, Quota Free
DSB	WTO Dispute Settlement Body
EDD	Economic Diversification Drive
EFTA	European Free Trade Association
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
HLCC	High Level Consultative Council
HS	Harmonised System
IDP	Industrial Development Policy
IEA	International Environmental Agreement
IFSC	International Financial Services Centre
IPR	Intellectual Property Rights
ITAC	International Trade Administration Commission
ITC	International Trade Centre
LDC	Least Developed Country
LEA	Local Enterprise Authority
LLDC	Land-Locked Developing Country
LPI	Logistics Performance Index

MERCOSUR	Southern Common Market (Mercado Común del Sur)
MFN	Most Favoured Nation
MST	Ministry of Science and Technology
MTI	Ministry of Trade and Industry
NAV	Non-Ad Valorem
NCTPN	National Committee on Trade Policy Negotiations
NDBC	National Doing Business Committee
NDP 10	National Development Plan 10
NES	National Export Strategy
NFTRC	National Food Technology Research Centre
NGO	Non-Governmental Organisation
NTB	Non-Tariff Barrier
NTP	National Trade Policy
OECD	Organisation for Economic Cooperation and Development
PPADB	Public Procurement and Asset Disposal Board
PPP	Public Private Partnership
PTA	Preferential Trade Agreement
QRs	Quantitative Restrictions
RoO	Rules of Origin
RTA	Regional Trade Agreement
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDT	Special and Differential Treatment
SEZ	Special Economic Zone
SIIR	Standards Import Inspection Regulations
SNC	SADC National Committee
SOE	State-Owned Enterprise
SPS	Sanitary and Phyto-Sanitary
STRI	Services Trade Restrictiveness Index
TBT	Technical Barriers to Trade
TFA	WTO Agreement on Trade Facilitation
TIN	Trader Identification Number
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
US\$	United States Dollar
VAT	Value-Added Tax
WB	World Bank
WIBA	Women in Business Association
WTO	World Trade Organisation

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EXECUTIVE SUMMARY

The current National Trade Policy for Botswana (NTP) envisages its review to take place every five years from its first implementation, which took place in 2010. Therefore, in line with this provision, the Government of Botswana, in collaboration with the United Nations Conference on Trade and Development (UNCTAD), commissioned a review of the current NTP with a view to develop a *zero draft* of the NTP for the period 2016-2020.

This review consists of two parts: the first report, the “Assessment Report”, presents the different developments of the trade policy framework since 2010, evaluating its contribution to Botswana’s trade performance. A second report, the “National Trade Policy 2016-2020”, will be an update of the current trade policy, incorporating proposals for the realignment of objectives, instruments and guidelines to be adopted by the Government of Botswana.

The two main objectives of this Assessment Report are: (i) to provide an in-depth assessment of Botswana’s trade performance and its engagement in the world trading system at the bilateral, regional and multilateral level, taking into account policies and economic developments that have occurred since the adoption of the NTP; and (ii) to identify the economic, policy and institutional constraints and opportunities faced by Botswana. The aim of the report is to serve as the basis for the development of the NTP 2016-2020.

Economic performance since the adoption of the National Trade Policy

Botswana has experienced impressive levels of economic growth since 1970, although growth has slowed down since 2000 in comparison to other developing countries. The policies and strategies adopted by the Government have promoted trade and economic diversification. Nevertheless, the economy of Botswana continues to be driven by a narrow range of products and services, as well as limited to a small number of markets.

Over the last decade Botswana has experienced a notable increase in exports, moving from just over US\$ 4 billion in 2005, to close to US\$ 8 billion in 2014. Imports have realised a much larger increase over the same period, moving from around US\$ 3 billion in 2005 to US\$ 8 billion in 2014 (ITC). After 2008, the trade surplus turned into a deficit, reaching a record US\$ 2 billion in 2012 before becoming balanced in 2014. Overall, the current account balance is in surplus, as a result of a surplus in trade in services, which also experienced a strong downturn as a result of the global financial crisis, but has since recovered.

Botswana has ratified bilateral agreements with SACU, SADC, MERCOSUR, EFTA, Malawi and Zimbabwe. In addition, in July 2014 it concluded negotiations with the EU on an Economic Partnership Agreement, and enjoys preferential market access to the United States under AGOA. Botswana is also an active party in the current negotiations on the COMESA-EAC-SADC Tripartite FTA. Botswana is committed to the Doha Development Agenda and recently signed the Agreement on Trade Facilitation.

One of the ambitions of the National Trade Policy is to increase Botswana’s participation in the world trading system. As seen above, Botswana has actively pursued a market access agenda and successfully met this objective. However, it does not appear that Botswana has enjoyed a commensurate increase in its share of world exports. More generally, Botswana’s share in world exports experienced a gradual decline prior to the NTP, and experienced a resurgence back to 2005 levels by 2014. However, when precious stones are excluded from the analysis, the share in world trade has followed a steady downward trend since the NTP.

The NTP sets a number of objectives and guidelines. These are high level objectives and are quite difficult to measure since they are open to interpretation and appear indefinite. This makes it difficult to provide a clear-cut *yes-or-no* answer as to whether the objectives have been achieved. Overall, there were twelve objectives in the NTP 2009, and the consultant finds that two have been clearly achieved, six were partially achieved and four were not achieved.

The country’s imports are still directed and regulated by quantitative restrictions applied through import licensing requirements. The report has identified a series of institutional concerns. Although most of the different trade-related institutions and committees, such as the National Committee on Trade Policy Negotiations, National

Doing Business Committee, SADC National Committee and the High Level Consultative Council, are formally linked or fall within the competence of the Ministry of Trade and Industry, there is no evidence of a *de facto* coordinating or communication mechanism between them.

In addition, those committees and institutions face considerable capacity constraints and are eroded by the low continuity of membership attendance to the various committees and delegation to lower level staff. Moreover, implementation of trade policies could be strengthened as could monitoring mechanisms and surveillance of trade flows.

Table 1 . Botswana's 2009 NTP objectives

OBJECTIVES REACHED	OBJECTIVES PARTIALLY REACHED	OBJECTIVES NOT REACHED
Ensure that trade activities contribute towards poverty reduction	Develop strategies that will make trade the main engine of growth for Botswana	Diversify the export sector and the Botswana economy in general
Ensure that Botswana trade rules and practices support regional integration and are WTO compatible	Increase and improve market access and international competitiveness for Botswana's goods and services	Develop a viable and vibrant private sector that will be able to exploit the emerging export opportunities availed by the trade policy
	Support/advocate for carefully planned liberalization, restructuring and simplification of both tariffs and non-tariff barriers	Improve trade facilitation processes and procedures between Botswana and her trading partners
	Mainstream all relevant citizen economic empowerment strategies and initiatives into the trade policy	Ensure that natural resources are sustainably used in trade activities
	Integrate Botswana into the world economy	
	Harmonize cross-cutting issues with Botswana's trade policy initiative	

Source: Author; Botswana (2009), National Trade Policy.

A number of key messages emerge from the Assessment Report:

- **Botswana has experienced difficulties in achieving the level of diversification expected from the various trade-related policies adopted.** The economy continues to be driven by the mining sector in general, and the extraction of diamonds in particular, whose importance in the economy has increased over the years. A key challenge facing the authorities will be to leverage trade – both domestically and internationally – to diversify the economic structure, moving away from a mineral-based economy. Special Economic Zones (SEZs) will play a critical role in achieving this objective. The Government should also promote those sectors with more effective competitive advantage, transforming those emerging sectors that are shielded from competition into internationally competitive sectors by building a culture of clustering and value retention.
 - **The institutional framework and regulatory environment need to be strengthened.** Whether a trade policy fails or succeeds depends to a large extent on the institutions dealing with the formulation, implementation and evaluation of the policy. The institutions in Botswana dealing with trade-related matters are numerous and complex, with overlapping functions and responsibilities. In addition, implementation commitments and policy measures sometimes face difficulties. Botswana needs to rationalise and reinforce its institutional mechanisms to ensure a successful and timely implementation of the adopted policy. At the same time, Botswana should use the Aid for Trade Facilities to its advantage to build stronger institutions.
 - **Botswana enjoys enviable preferential market access provisions to the world's main markets.** Botswana benefits from preferential market access to the European Union (EU), through the recently concluded Economic Partnership Agreement (EPA), and to the United States (US), through the African Growth and Opportunity Act (AGOA). It has also ratified Regional Trade Agreements (RTAs) with MERCOSUR and EFTA, and is currently in negotiations with India. Botswana also enjoys preferential market access to Southern Africa's markets through SACU and SADC. However, traders are facing major constraints, with importers subject to a series of conditions and license requirements which impede the importation of certain products, affording protectionism to the domestic industry. Also, exporters may not be able to export their products because of their inability to comply with the different technical requirements or sanitary and phyto-sanitary measures imposed by the receiving country. Another general concern is that some products may be unable to qualify as Botswana-originated under the individual Rules of Origin (RoO), and therefore do not benefit from preferential market access.
 - **Addressing the private sector's competitive environment can be a key instrument to realise the objectives of the NTP.** Policies on unfair competition, environment and labour, among others, play a critical role in the development of the competitiveness of the private sector, and, therefore, in its trade performance. Botswana needs to consider the sequencing, duration and effects that its trade policy instruments have on the private sector's capacity to export to foreign markets at competitive prices.
 - **Monitoring agreements and trade flows is essential in a proactive trade policy.** There is currently very little monitoring of trade indicators, regional integration indicators or trade flows in order to gauge the success of agreements and to seek new opportunities. Equally, trade defence instruments are difficult to introduce in the absence of such monitoring to identify surges. A proactive trade policy framework should be assessing the benefits derived from agreements and propose measures to remedy any constraints to those benefits.
-



INTRODUCTION



The National Trade Policy (NTP) is the essential framework for linking world markets and the national economy. “An open trade and investment regime encourages integration into the global trading environment and the import of diverse and modern technologies that are important for productivity improvements.”

It is essential that the country implementing a trade policy adopts complementary policies in order to adapt domestic institutions, create the stable macroeconomic environment necessary to promote growth, and facilitate any adjustment costs arising from the adoption of new trade policies.

The revision of Botswana’s NTP arrives at an opportune time for two reasons. The first relates to the opportunity for reviewing the country’s policies, which have been implemented since 2010 under the country’s first NTP, to assess their effects on Botswana’s economy. The second is that the trade environment has changed since the first NTP was adopted, particularly in view of Botswana’s regional integration efforts and bilateral agreements. In this light, this review takes stock of the current situation and identifies orientations that the country could explore in its future trade policy.

There is a preponderance of cross-country evidence showing that “trade does seem to create, even sustain higher growth”. Thus, international trade is generally viewed as a key contributor to economic development. Nevertheless, trade can generate important distributional effects arising from the different policy levers at a government’s disposal, which can potentially lead to adjustment costs. Therefore, the sequencing, choice of policy levers and safety nets at a government’s disposal and within its policy space should be studied carefully.

Botswana has elaborated a series of trade-related policies with a common vision: “foster economic growth, job creation and contribute to the alleviation of poverty.” The cover of the NTP 2009 carries the motto “Industrialisation, Diversification and Export Development for Global Competitiveness”. Whilst these policies show a common coherence, the possibility exists that alongside the benefits arising from the synergies and complementarities between the policies, there may be some form of duplication of efforts and, therefore, inefficiency in the use of resources. Additionally, the Government might need to strengthen its role in the implementation and monitoring of policies, as it appears that, despite the

bona fide and effective principles behind the policies, they are not always translated into specific actions.

The different policy choices are quite complex and have many indirect effects on other spheres of government policy. An example concerns food security. As highlighted by an UNCTAD report, a key preoccupation of most countries is achieving the objective of food security. “Realisation of this objective requires access on an assured basis to world markets, as well as to agricultural raw materials for encouraging light manufacturing in rural areas. Most countries in Africa, and Botswana in particular, have a stake in building an efficient food system and maintaining market stability.”

While this reasoning makes economic sense, it presumes that global supply is always readily available, that trade frictions are stable (such as prices of transportation and energy prices) and that there are no export restrictions on exports in third countries. This was not the case in 2012 when there were food supply concerns, spikes in energy prices and the price of food rose rapidly. As a result of this experience, there are growing demands from countries to protect domestic production in order to ensure national subsistence levels, as well as increase food stockpiles. This simple example illustrates some of the complexities linked to analysing a country’s trade regime.

The consultancy led by the government, and funded and supported by UNCTAD, is developing a zero draft of Botswana’s NTP, consisting of two parts. A first report, an Assessment Report, reviews the existing trade-related policies, laws and regulations, and assesses their contribution to Botswana’s trade performance. The second report, the National Trade Policy, is an update of the existing trade policy and identifies the main objectives pursued, principles followed and measures to be applied.

The Assessment Report takes stock of the progress in implementing the different trade-related policies and reviews their performance with regard to achieving their objectives. The report focuses on tariff policies, regulatory issues impacting on trade, trade facilitation and policies affecting both trade in goods and trade in services. In addition, it identifies the main competitiveness constraints facing Botswana in regional and international markets, as the basis for developing a streamlined and updated NTP.

Botswana’s economic performance has been impressive, particularly its fast growth, its raising of per

capita income, and its broad-based growth enabled by strong governance structures and government reforms. Nevertheless, there has been a distinct lack of diversification since NTP 2009, strong reliance on the mining sector and low levels of export survival. The economy is heavily dependent on the exportation of diamonds (with minimal transformation), such that their weight in the economy has increased significantly during the last few years. In light of the mixed results that have arisen from almost all the policies and strategies adopted to diversify the economy and export base, this study focuses on specific trade-related policies and regulatory issues within the mandate and policy space of the Ministry of Trade and Industry (MTI), and takes a wider look at other areas which affect competitiveness more generally.

The remaining chapters of the study are presented as follows:

Chapter II outlines the methodology used to carry out this report. The approach followed has been a mix of statistical analysis (where evidence has been available) and stakeholder analysis developed from the results of a series of consultations.

Chapter III presents a macroeconomic overview of Botswana and analyses the country's economic and trade performance before and after the adoption of the NTP in 2009.

Chapter IV describes Botswana's current institutional framework, analysing the main existing trade-supporting institutions to identify the constraints and limitations they face.

Chapter V addresses Botswana's current trade policy regime, with a detailed review of existing trade-related policies and trade policy instruments. These are analysed in the context of a desire to move towards export growth and improvement in variety and quality of services and products exported.

Chapter VI considers new-generation trade issues in the context of Botswana's interests, such as environmental regulations and competition law, amongst others.

Finally, chapter VII provides overall conclusions and recommendations for drafting the NTP.



METHODOLOGY



A. OVERVIEW

The review of the existing National Trade Policy for Botswana began in September 2015, and will be carried out in three phases: situation analysis, policy design, and validation.

1. Situation analysis

The situation analysis, or Assessment Report, has been carried out by taking into account existing trade-related policies and by taking stock of the economic performance of the country. The research aspects of the assignment were conducted over a period of six weeks of desk research. During the research, the experts examined the economic, institutional and legal aspects of the NTP 2009. The economic analysis consisted of using classical trade indicators and economic performance indicators to identify the progress made under the NTP 2009 in terms of reaching its objectives. Data was obtained from international databases such as WITS, COMTRADE and Trade Map, whilst domestic data was used for aggregated flows when available. Data up to 2014 was available at the time of the study. The assessment study also identifies the policy space and options available to Botswana, according to its multilateral and regional commitments, and raises areas where special attention in existing policies and regulations might be required in order to achieve competitiveness and other objectives. The report outlines the main objectives of the assignment, the main constraints faced by Botswana's trading environment, and a set of recommendations to be followed by the Government of Botswana.

In mid-September 2015, a series of bilateral meetings and a multi-stakeholder consultative workshop on Botswana's trade policy framework took place in Gaborone, Botswana. The country visit consisted of meetings with stakeholders from the public sector (line ministries and direct ministries engaged in the formulation and application of trade policies), the private sector (those industries benefiting from, and affected by, trade policy reform) and, where possible, civil society (such as consumer associations, environmental groups and academics). The opinions, remarks and views were used as a basis for formulating the qualitative analysis in the study.

A preliminary draft assessment report was submitted on October 13, 2015.

In mid-October 2015, a second multi-stakeholders' consultation with the Reference Group in Botswana took place, with the objective of: (1) obtaining the necessary information from the private sector; (2) understanding the needs of the private stakeholders; and (3) discussing and presenting proposals to address those needs. However, there was little or no representation from the private sector in attendance at the consultations. Nevertheless, useful inputs were achieved during the development of the second consultation process.

A final draft of the Assessment Report, incorporating the views of stakeholders, was submitted on November 10, 2015. The list of stakeholders consulted is provided in Annex 2.

2. Policy design

The NTP 2016-2020 has been developed in light of the results of the assessment report and the discussions on policy options undertaken during the workshops. The proposal sets out the NTP vision, issues, objectives and main measures to address them. The first draft was sent to the Ministry of Trade and Industry and UNCTAD for comments on November 13, 2015.

3. Validation

The second draft of the National Trade Policy was submitted on January 22, 2016. It will be presented for validation in a workshop held in Gaborone, Botswana, on February 16-17, 2016.

B. ECONOMIC ANALYSIS

Three main elements are considered when describing a country's foreign trade, namely: (1) the level of trade openness; (2) the products exported; and (3) the main markets for exports.

Closely related to the level of liberalisation of the country, the how much question elaborates on the country's capacity and ability to integrate into world trade circuits and global value chains. The openness of a country is decided by its government. Thus, the amount of trade that a country has, in addition to its exposure and influence from external factors, such as geography, sea access and remoteness of the country, is an indicator of the government's policy performance, and a consequence of the policy choices adopted by the government.

The characteristics of the product traded are determined by the country's endowment of productive factors and the technology available. Certain factors, such as land and natural resources, are given by nature, whilst others, such as physical and human capital, are a consequence of past and current policies.

In addition to the level of openness and kind of products exported, depending on the country's trading partners, the gain from trade will be higher or lower. For example, trade links with highly developed technological markets can increase the growth of domestic production in such product lines, as the supplying country will need to innovate in its goods in order to maintain its market share in the importing country, while trade with raw-material consumers will require little additional innovation. Also, geography and other links, such as historical relationships, help to determine a country's natural trading partners.

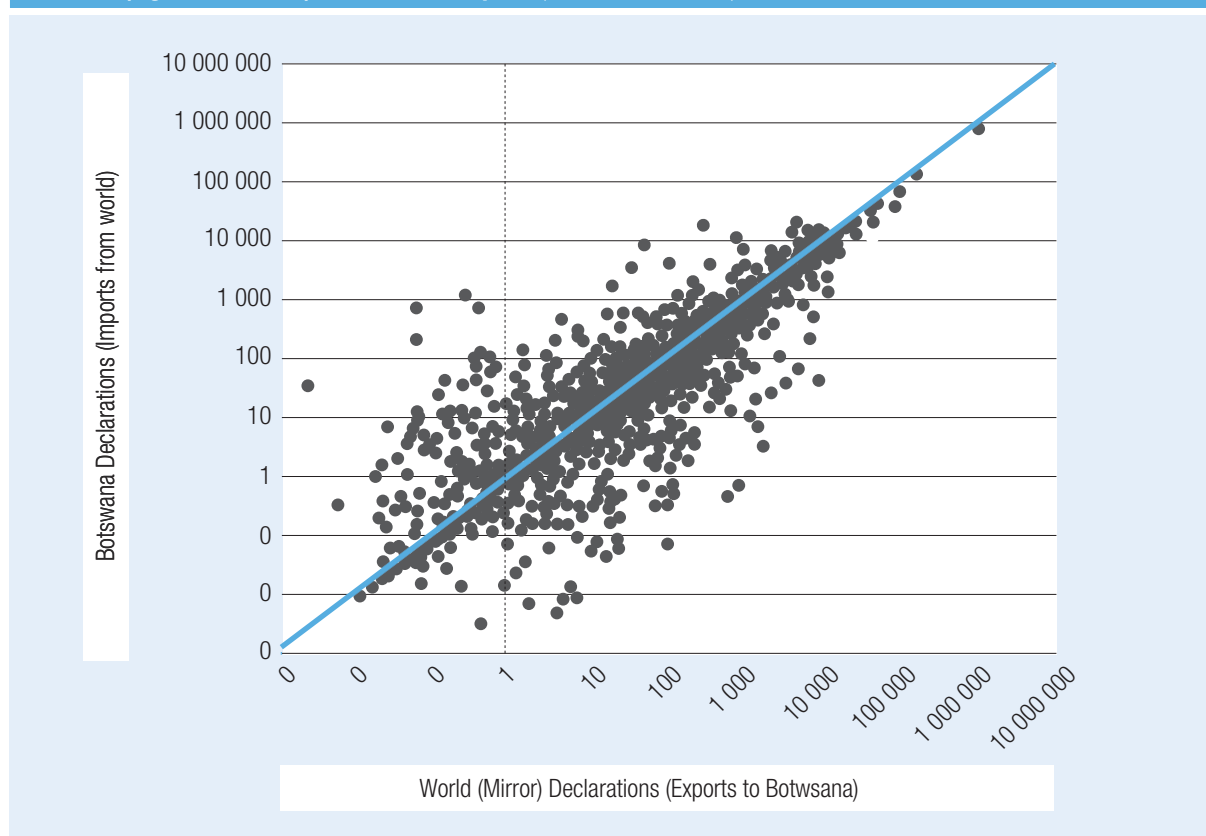
The development of those three elements has been compared with the data available in 2005, 2009 and 2014, in order to obtain a full picture of Botswana's

economy before the inception of the NTP, at the moment of adoption, and after its implementation.

A critical element in conducting the economic analysis is the existence of timely, reliable and accurate data. Data on the current tariff rates, the volume of exports and imports, main products exported and services imported and exported (this one being extremely difficult to obtain) are key elements of the analysis. It was stated during the development of the different workshops that the different findings needed to be based on both international and domestic data, which, in certain cases, can substantially differ, as is shown in figures 1a and 1b.

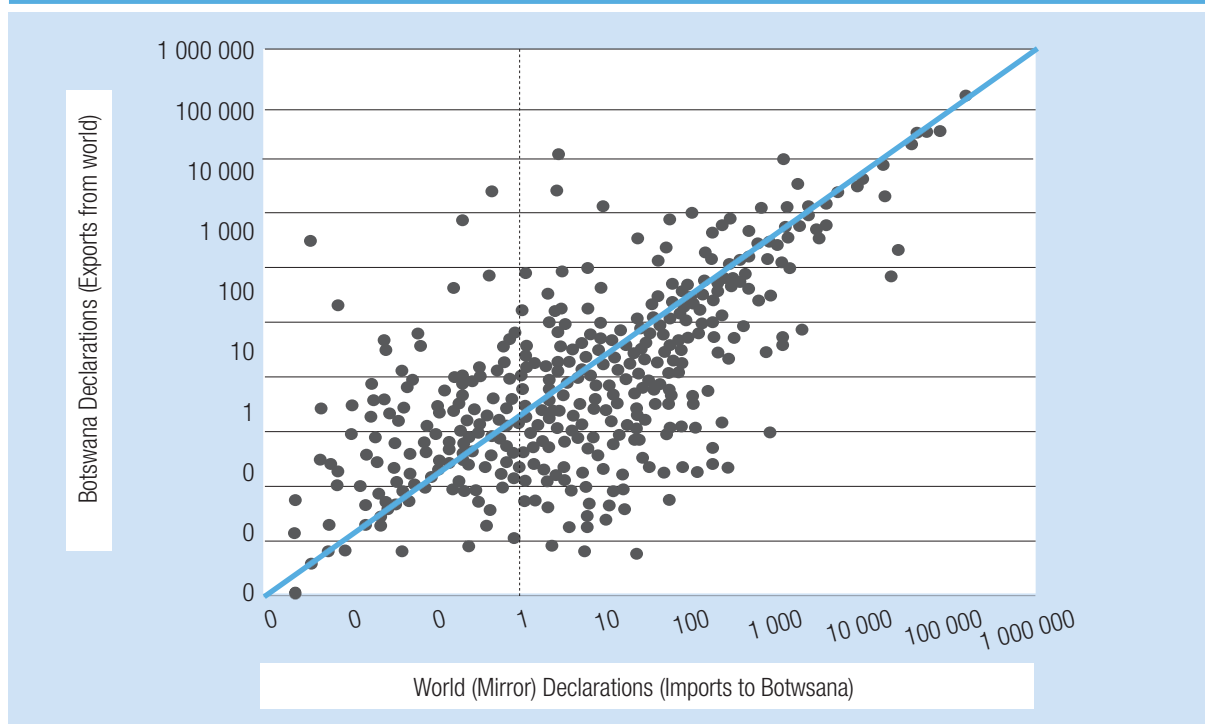
The distortion between data declared by the Government and that provided by the trading partner are illustrated by these variations in reporting. The distortion is quite significant in the case of exports from Botswana, and so requires a careful comparison between international and domestic data to ensure the accuracy of the analysis.

Figure 1a. Variations in the declarations of Botswana and its partners in trade statistics: export/import data (logarithmic scale) - Botswana's imports (Thousands of dollars)



Source: Author calculations based on UNSD COMTRADE.

Figure 1b. Variations in the declarations of Botswana and its partners in trade statistics: export/import data (logarithmic scale) - Botswana's exports (Thousands of dollars)



Source: Author calculations based on UNSD COMTRADE.

C. INSTITUTIONAL ANALYSIS

The institutional analysis aims to determine the existing links between the different institutions and committees in charge of implementing the NTP, in order to develop a useful implementation framework which maps the different players and their role.

This section's analysis was performed through private and public stakeholder consultations and a literature review. The latter step included analysing minutes of various National Committees, documents proceeding from the Government of Botswana such as policies and strategies, and articles and position papers elaborated by key private sector players. Several National Trade Policies and approaches from elsewhere were also examined.

D. LEGAL AND POLICY ANALYSIS

In addition to the economic and institutional analysis, a revision of the legal and regulatory frameworks was carried out, looking at substantive elements of the actual trade policy and current trends at the regional and multilateral level.

In order to develop this section, the consultants analysed, in the first instance, Botswana's national framework, looking at the impact that different policies such as the EDD, IDP and CEE have had on Botswana's trade policy. The policy framework was classified depending on whether those policies include measures affecting trade at the border, behind the border, or beyond the border.

Secondly, the trade policy space was examined, assessing whether or not the objectives and principles contained in the 2009 NTP were effectively implemented. Looking at the specific trade performance, the consultants analysed the tariff concessions, the current non-tariff barriers and the existing services commitments, both at the multilateral and regional level. In order to do so, the WTO's "Tariff Analysis Online" was used as the main source for tariffs, whilst for services the main source was the World Bank's Service Trade Restrictiveness Index.

Finally, the consultants identified a series of policies that might affect the competitiveness of Botswanan producers, and therefore have an impact on their capacity to export. Competition policy, environmental law and the effect of state-owned enterprises, amongst others, have been the main elements analysed.



MACROECONOMIC OVERVIEW



This section presents an empirical review of recent trade and economic performance based on macroeconomic and development indicators, and those on trade in goods and services by product, sector, and market, to complete a diagnostic overview of the trade policy environment.

A. MACROECONOMIC OVERVIEW

Botswana has experienced impressive levels of GDP growth in terms of per capita purchasing power parity (PPP), which have followed an exponential trend. This growth path is forecast to continue up to 2020, according to the IMF (Figure 2).

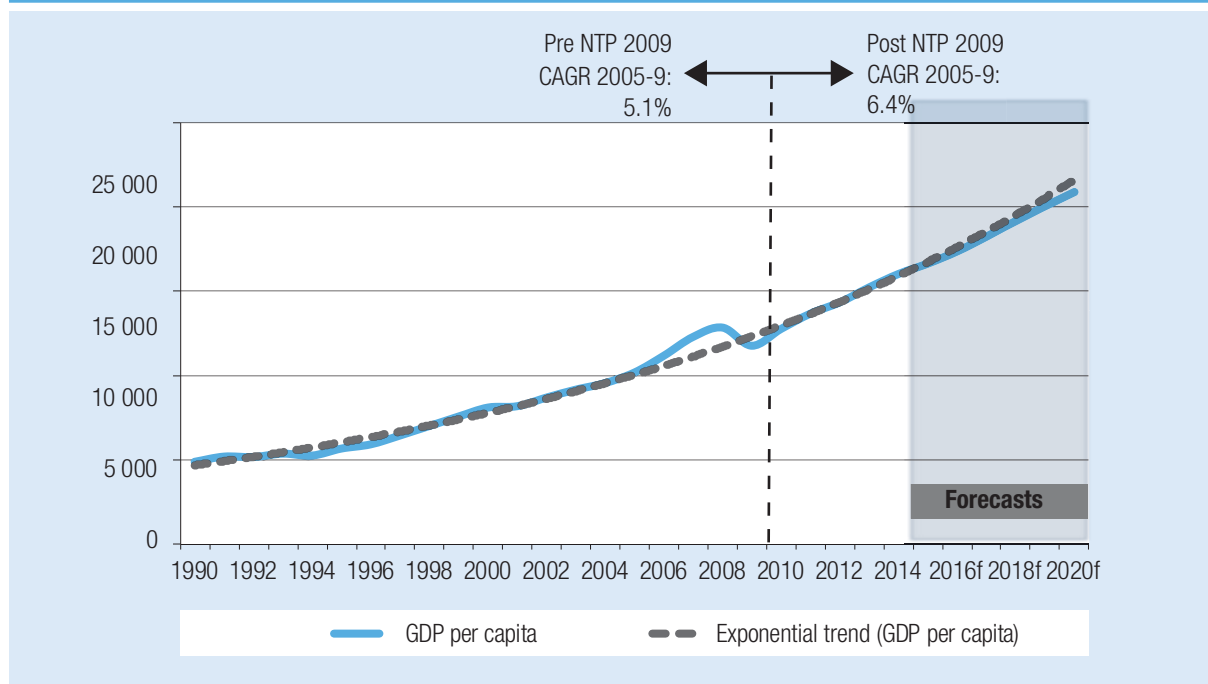
In spite of four decades of rapid economic growth, the economy of Botswana continues to be driven by primary products, namely diamonds, copper/nickel and beef. Despite a number of initiatives to diversify away from minerals, there appears to have been relatively little actual diversification, especially in terms of GDP composition. Despite the upward trend in growth for over three decades, there have been minor deviations from the trend, notably around the financial crises of 1998

(Black Monday) and 2008 (global financial crisis, which severely hit the Eurozone). Outside of these turbulent international economic episodes, Botswana has followed its trend line.

Botswana's GDP per capita, which reached US\$ 7,500 in 2014 (Figure 3), is the highest in the Southern Africa region.

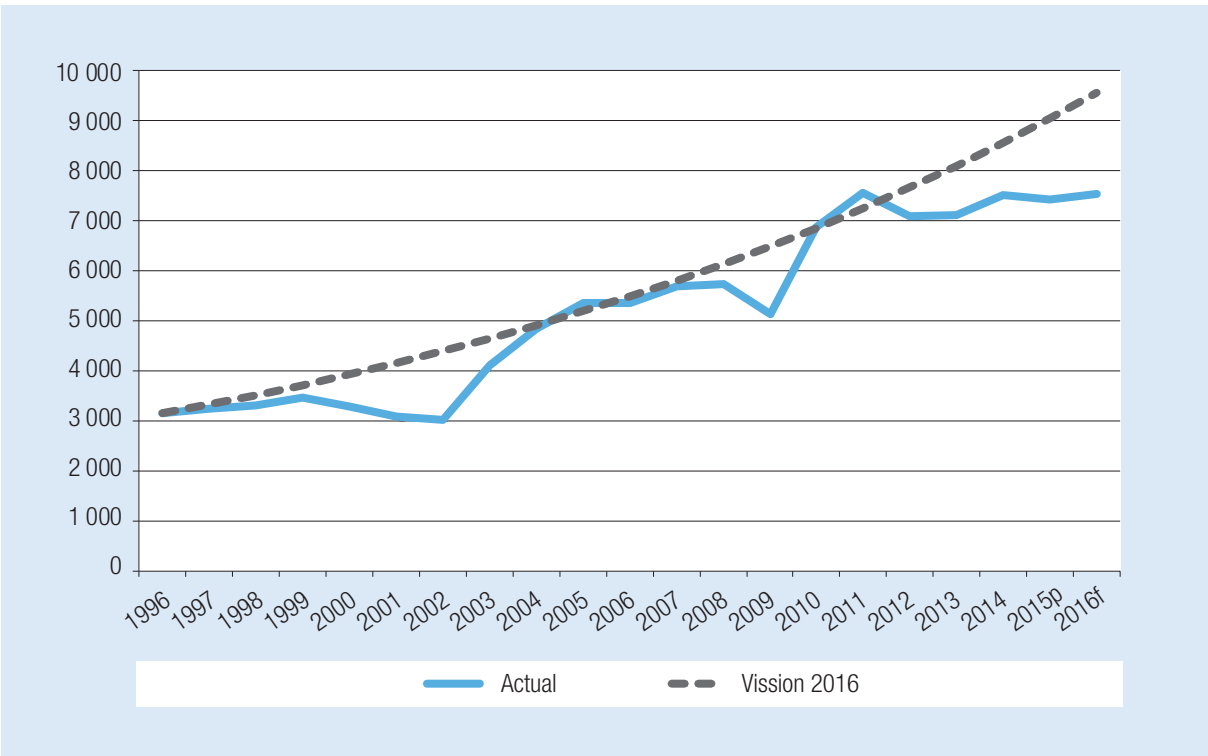
A closer observation of real economic growth over a longer period of four decades reveals a number of interesting stylised facts. Botswana's GDP growth in each decade was persistently above average for developing countries prior to the millennium, by around eight percentage points more on a yearly basis in the 1980s, and just below three percentage points in the 1990s. This lead over other developing countries ceased to exist, with Botswana growing by close to three percentage points less on a yearly basis in the 2000s, and quarter of a point less in the 2010s (Figure 4). The amplitude of growth cycles have been dampened significantly since the 1980s, which has been facilitated by the Government's efforts to channel revenues from windfall earnings from minerals and the introduction of good governance structures to manage mineral earnings.

Figure 2. Growth in income, 1990-2020 (Dollars at PPP)



Source: IMF (2015), World Economic Outlook Database, April.
Note: "f" = forecast.

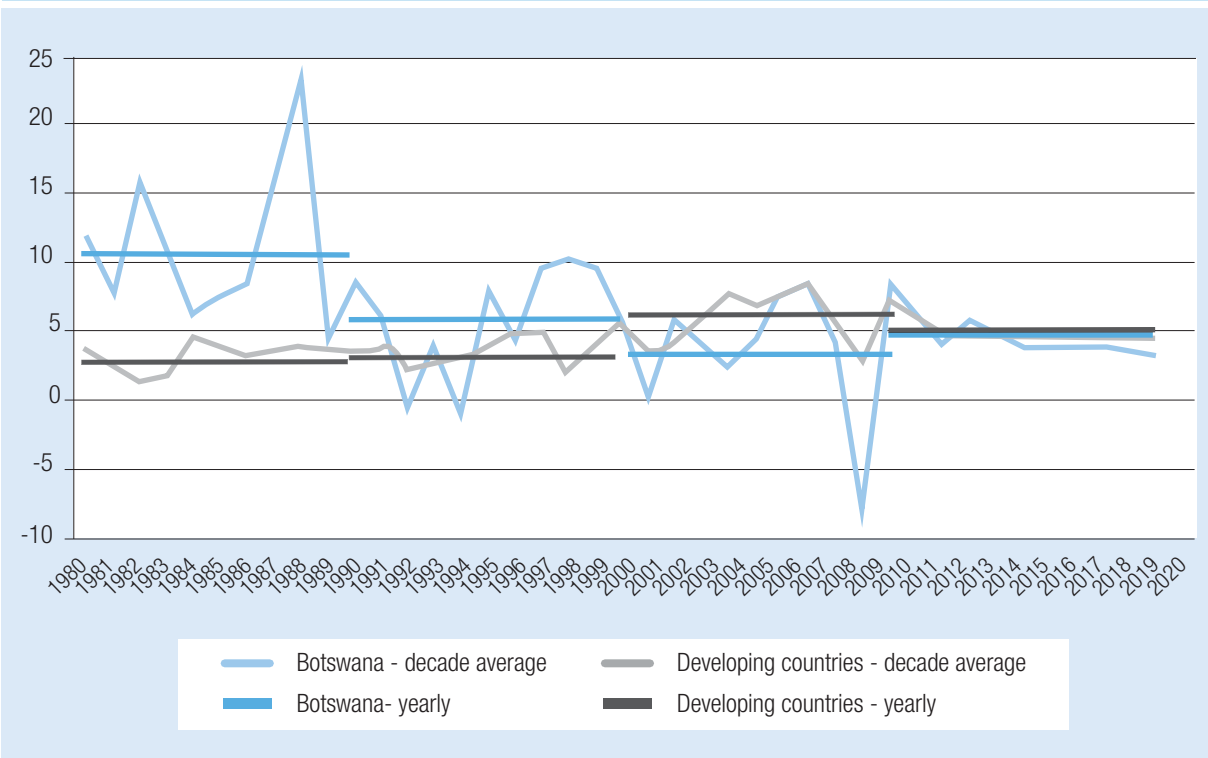
Figure 3. GDP per capita (Dollars per capita)



Source: Author; IMF.

Note: "p" = projections; "f" = forecast.

Figure 4. GDP growth in comparison to average developing countries



Source: Author calculations based on IMF World Economic Outlook, April 2015.

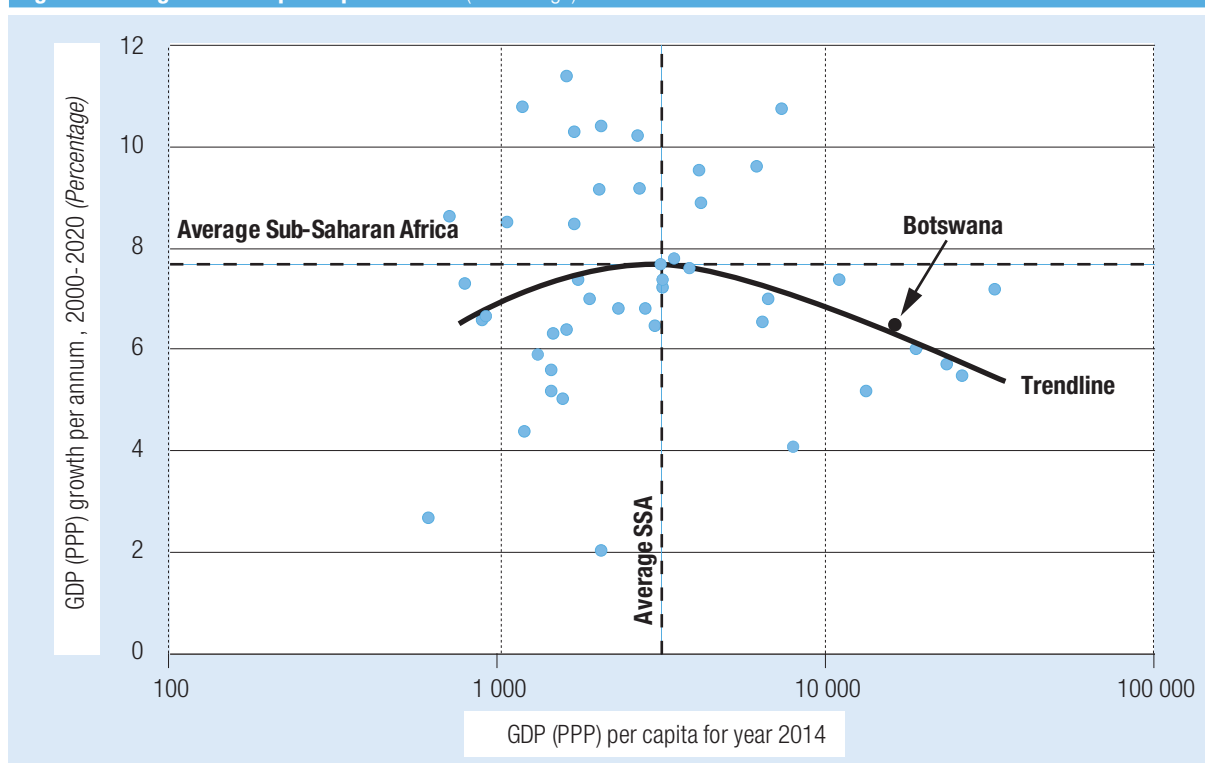
Since 2000, Botswana has experienced slower growth than average for Sub-Saharan Africa (Figure 5). Nevertheless, its GDP per capita is one of the highest in Sub-Saharan Africa, with much of the higher levels of growth experienced in the rest of Sub-Saharan Africa reflecting a convergence of smaller economies.

Whilst GDP has been growing, and mainly as a result of the extractive industries and the re-investment of those rents into other spheres of economic activity, there has been limited transformation of the economy into a more diversified industrial or service-based economy. Despite the implementation of a number of policies aiming to broaden the industrial base, such as the National Trade Policy and the National Industrial Policy and Economic Diversification Drive, Botswana has not witnessed any degree of diversification. The composition of the economy appears to indicate a narrowing of the agricultural, industrial and services sectors in favour of mining (Figure 6). Whilst the share of services has shrunk in the last five years, mining has increased its share from 15.3 per cent of GDP in 2009 to 22.9 per cent in 2014. It must also be noted that government services have shrunk from 23 per cent in 2009 to 20 per cent in 2010 (Figure 7).

External imbalances have been relatively contained for Botswana, although there was a period of large current imbalance after the global financial crisis of 2008. The significant reversal in the long-term growth in FDI flows affected Botswana as much as the rest of both the developing and developed world. Nevertheless, there appear to be important structural weaknesses in the level of the current account balance, particularly in relation to the savings–investment gap.

The level of investment has been consistently driven by the public sector and represents close to 30 per cent of GDP. Moreover, in 2014 for example, only one quarter of the gross fixed capital formation (GFCF) was targeted towards machinery and equipment, which has the potential to industrialise Botswana. The vast majority went to construction.¹ The Government ensured that Botswana was one of the few countries that led an expansionary fiscal programme during the global financial crisis to counter the effects of the downturn in demand. This led to a situation where investment expenditures were greater than savings. This policy helped dampen any large economic turbulence.

Figure 5. GDP growth and per capita income (Percentage)



Source: Author; World Bank (2015); IMF (2015).

Figure 6. Sector composition of GDP, 2009 and 2014 (Percentage)

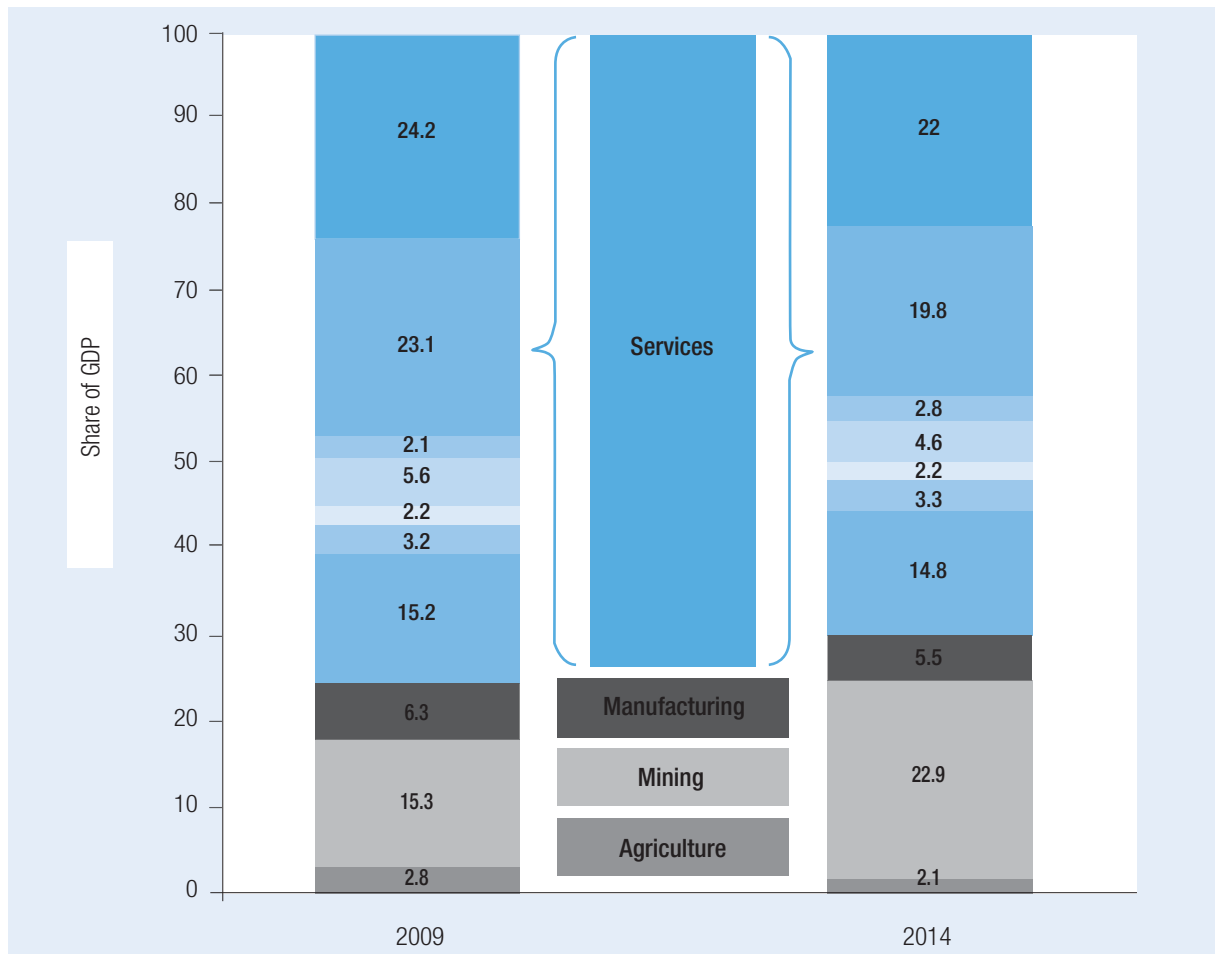
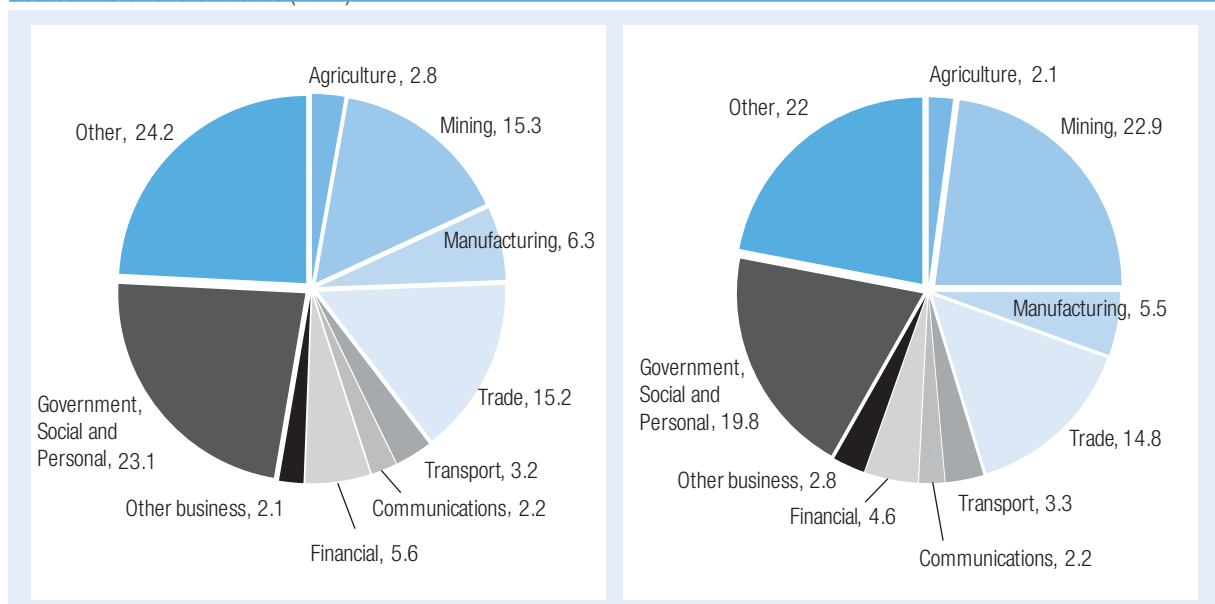


Figure 7. GDP composition, 2009 (LHS) and 2014 (RHS)



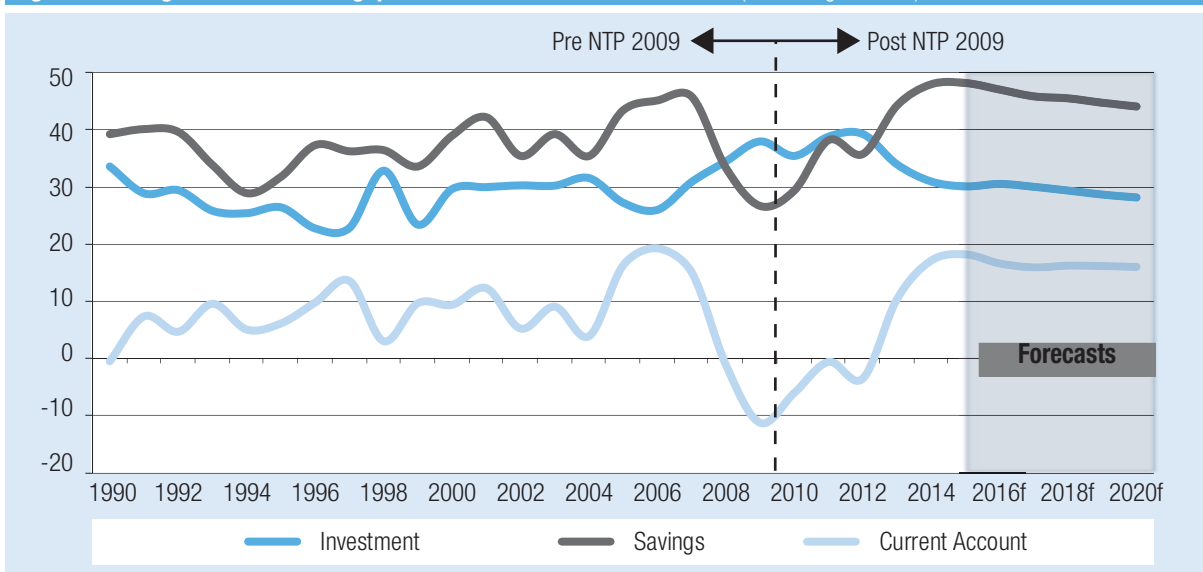
Source: Botswana Statistics (2015).

Overall however, the savings rates are very high in comparison to investment, and higher levels of investment, particularly from the private sector, are required to build long-term productive capacity (Figure 8). The gap between savings and investment is forecast to increase up to 2020.

Botswana's external competitiveness appears to be improving both in real and nominal terms, according to the IMF. The real effective exchange rate (REER),

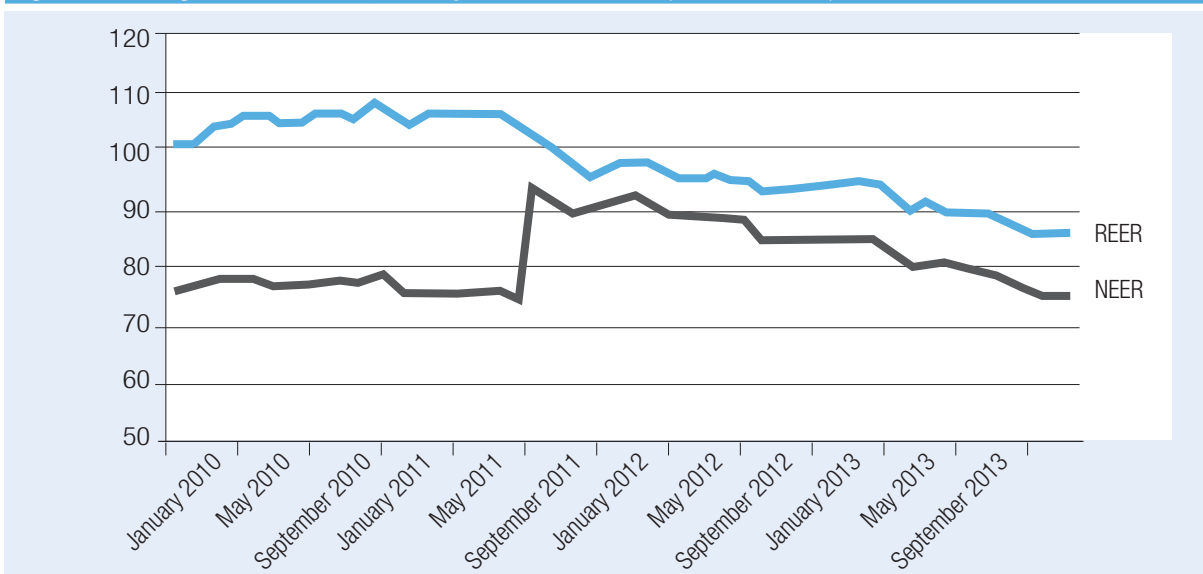
which measures movements of the Botswana Pula against the currencies of its principal trading partners, corrected for price differentials, indicates that there has been a slight improvement in the last decade, and particularly since the NTP 2009 came into effect (Figure 9). However, the favourable exchange rate has not translated into any increase in exports, and has not helped in supporting the diversification expected through the Export Diversification Drive and the National Export Strategy.

Figure 8. Savings and investment gaps and the current account balance (Percentage of GDP)



Source: IMF (2015), World Economic Outlook Database, April.
 Note: "f" = forecast.

Figure 9. Exchange rate movements, January 2009 - March 2014 (Index, 2005=100)



Source: IMF (2014).

The following section presents a SWOT analysis developed in accordance with the findings and concerns raised by the consulted stakeholders.

1. Strengths and opportunities

- **Privileged preferential market access** to regional and major international markets: SACU, SADC, EU, United States, EFTA, MERCOSUR. Preferential market access is a strength, since it provides the country's exporters with a competitive advantage over third country competitors. Nevertheless, in the long term it may produce a certain dependence on specific goods in those markets. Moreover, when unilateral preferences are granted, they can be unilaterally withdrawn.
- **Low tariff rates.** The effects of low tariff rates can have different interpretations: on the one hand, those manufacturers that depend on imports benefit from lower prices. Nevertheless, the domestic producers of final goods may face higher competition.
- **Land-connectedness:** Botswana is connected by land with a considerable number of markets bordering it. The fact that Botswana is land-connected can be a positive factor. Nevertheless, it also raises the challenge of being land-locked and being dependent on neighbouring countries to transit cargo.
- Botswana enjoys a **stable political environment, good governance** and low perception of corruption.
- The **business environment**, lack of foreign exchange control and relative costs of manufacturing have the potential to attract FDI. Compared to SADC peers, the cost of production and labour, banking sector rates and the corporate tax structure make Botswana's business environment competitive. Nevertheless, this might be undermined by the difficulty of obtaining investment permits and business visas.
- Botswana has adopted a range of **trade facilitation** measures, such as the single window

and has ratified the WTO Trade Facilitation Agreement.

2. Weaknesses and threats

- The heavy reliance on SOEs, currently numbering 55, by the government has created a dependency culture, leading to a **low productivity rate**. The private sector also indicates that there is a **lack of skills** amongst the workforce.
- Complaints from the private sector have been voiced regarding the difficulties in obtaining **import/export permits**.
- Some producers are not capable of **implementing international standards** and SPS measures.
- Botswana faces strict **Rules of Preferential Origin**, thereby preventing its exporters from benefiting from certain preferential market access arrangements.
- Certain **sectors**, such as small-scale manufacturing and establishments that sell liquor other than bars linked to hotels, among others, **are closed to foreign investors**, requiring national ownership and management.
- Domestic companies face **restrictions on hiring foreign qualified workers**, constraining the transfer of know-how. Reducing constraints on hiring foreign highly qualified workers would alleviate the problem of lack of skills amongst the workforce.
- Fully functioning **Special Economic Zones** need to be established in Botswana.
- Botswana faces serious **water and electricity shortages**, which increase production costs for manufacturers.
- Despite several government initiatives, **small and medium enterprises** lack proper access to finance, according to private sector stakeholders.
- Botswana is not making use of its available **trade defence instruments** in order to protect industry from damaging import surges.

B. TRADE ANALYTICS

Botswana is a highly outward-oriented economy, with a trade-to-GDP ratio of just over 100 per cent. This is in line with other Southern African countries, though significantly lower than South Africa (Figure 10). Botswana's GDP per capita, which reached US\$ 7,500 in 2014, is the highest in Southern Africa, although the country remains a small economy which relies heavily on imports to satisfy its domestic demand. Nevertheless, in comparison to other countries, it trades less than would be expected for a country with its level of development, represented by the fact that Botswana is situated just below the trend line.

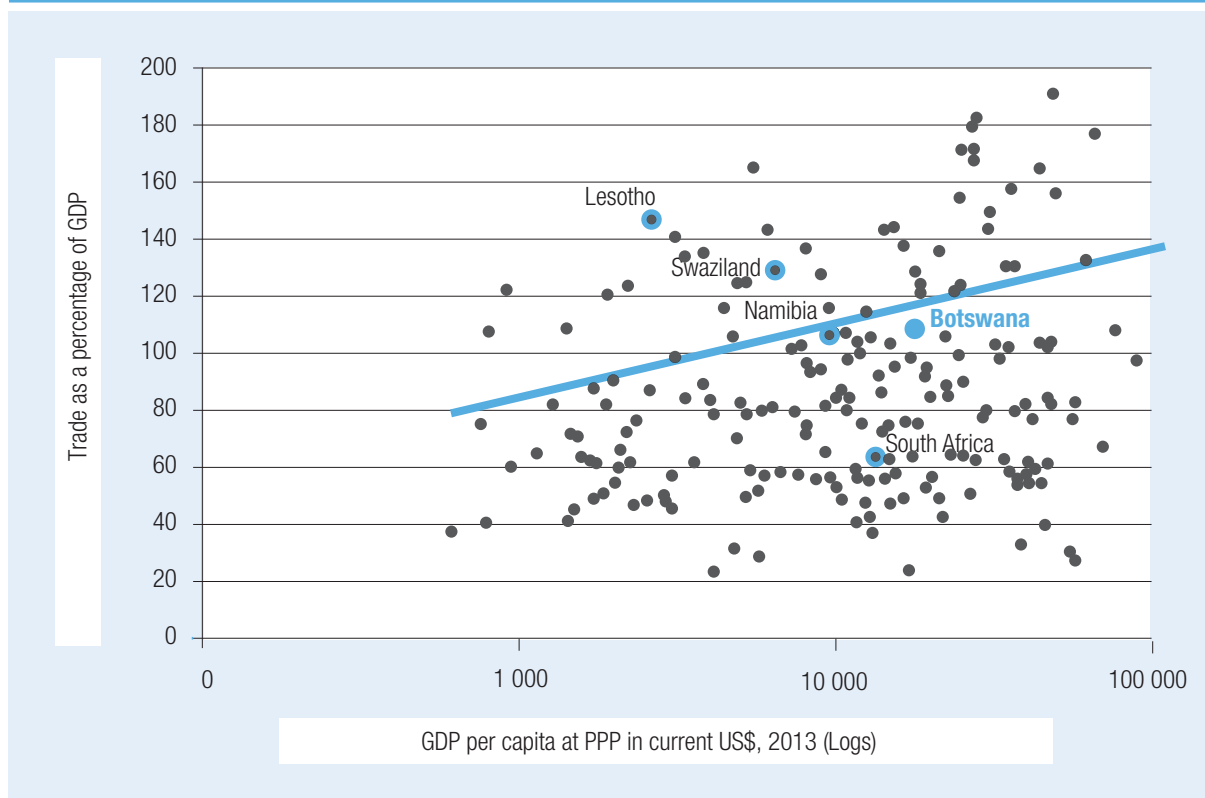
Over the last decade there has been a notable increase in exports from just over US\$ 4 billion in 2005, to close to US\$ 8 billion in 2014. Imports have realised a much larger increase over the same period, moving from around US\$ 3 billion in 2005, to US\$ 8 billion in 2014. In 2008, the trade surplus turned into a deficit, reaching a record US\$ 2 billion in 2012, before

becoming balanced in 2014 (Figure 11). The trade balance is expected to remain neutral in the medium term.

In terms of Botswana's product positioning, with the exception of diamonds, most of its products have revealed to be in slow growth segments of international trade, with only a few products, such as beef, experiencing strong growth in international markets. Precious metals, nickel and ores have all experienced levels of growth below the world average for all goods. Whilst Botswana managed to increase its world market share in diamonds and ores, it lost market share in beef, nickel and precious metals (Figure 12).

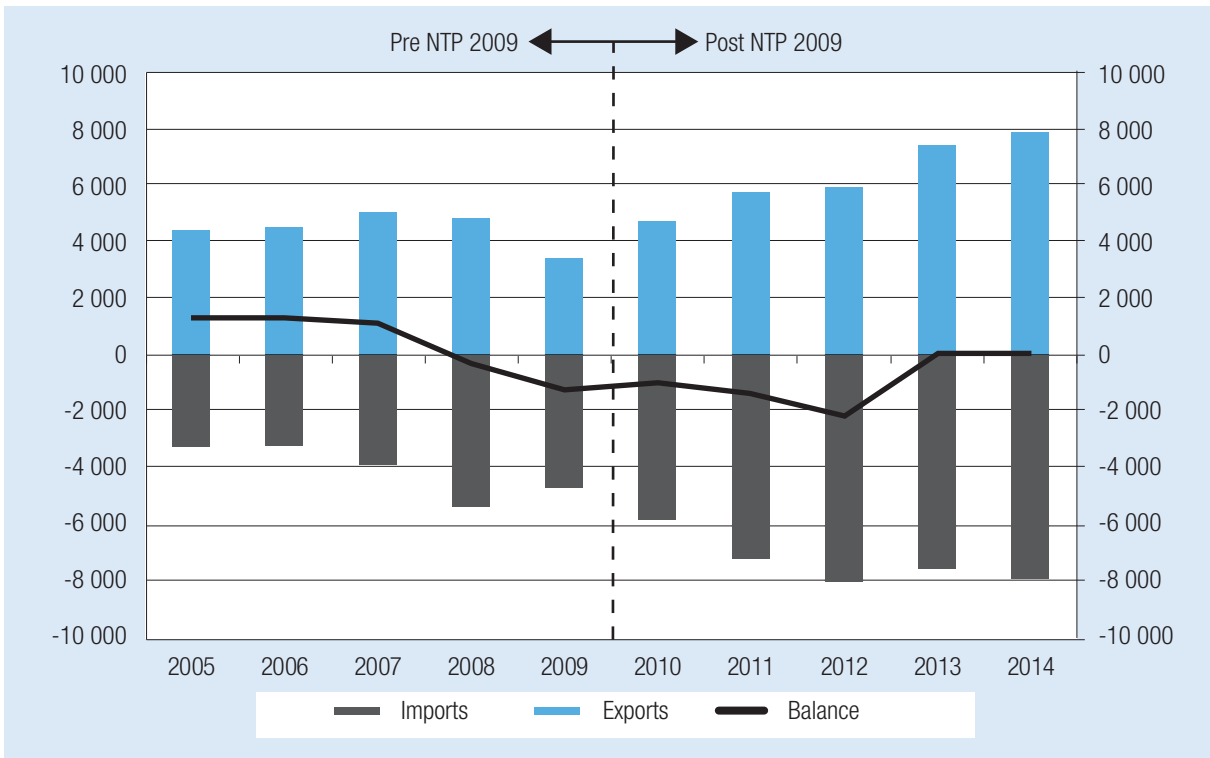
The markets to which Botswana mainly exports are low growth markets, such as Belgium, which accounts for over one quarter of its exports but grew by only 3 per cent yearly (Figure 13). Meanwhile markets which represent a small share of its exports appear more dynamic.

Figure 10. Trade openness and GDP per capita, 2013



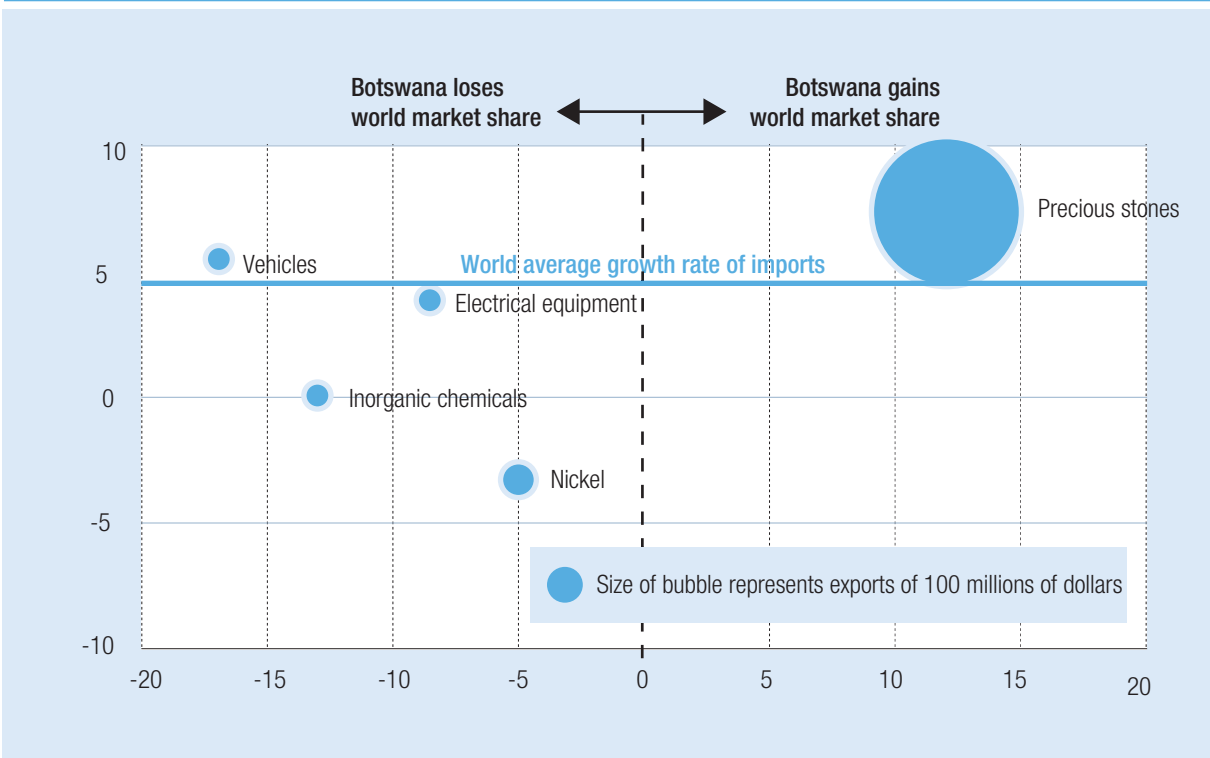
Source: World Bank World Development Indicators.

Figure 11. Trade in goods, 2005-2014 (Millions of dollars)



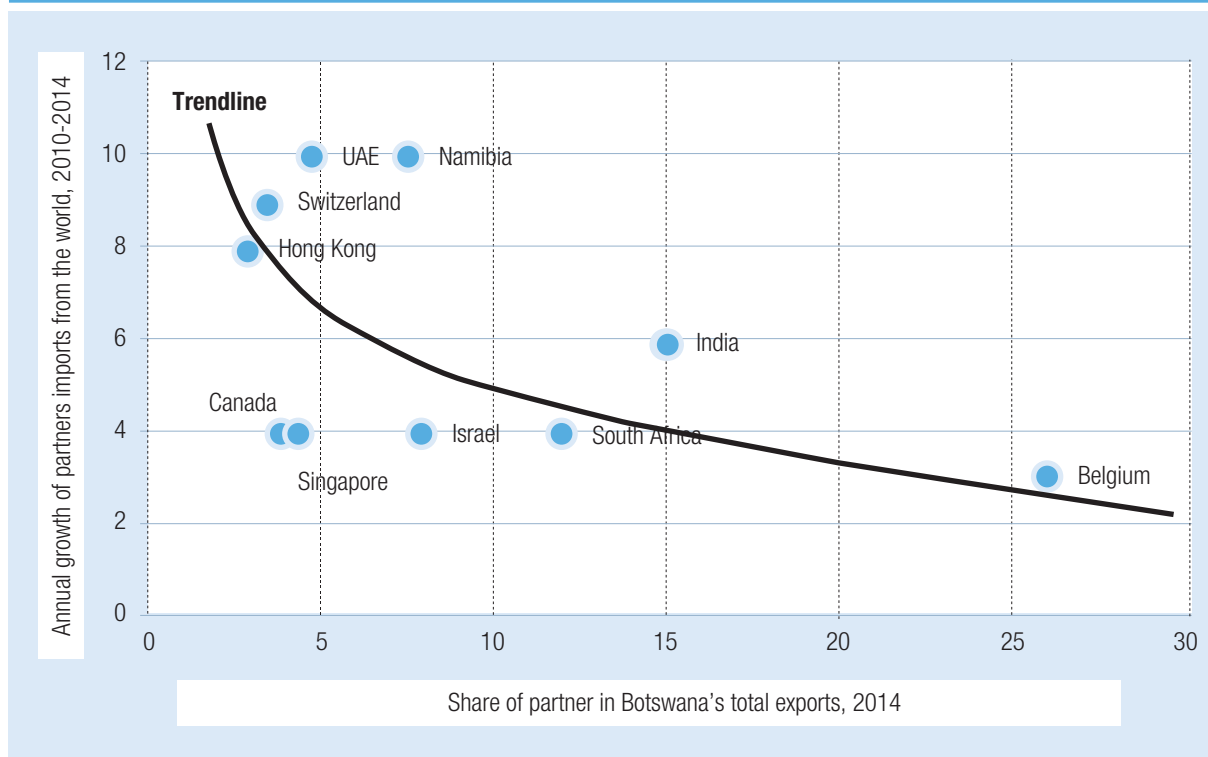
Source: ITC Trade Map.

Figure 12. Botswana's export portfolio performance, 2010-2014 (Percentage)



Source: Author; ITC Trade Map.

Figure 13. Export portfolio performance in terms of markets, 2010-2014



Source: Author; ITC Trade Map.

An analysis of the exports which performed the best over the last decade is presented in Figure 14. The analysis reveals the outstanding performance of minerals in the export basket. Diamonds were deliberately not included in the figure owing to their large share on the horizontal axis. Outside of minerals, there has been substantial growth in woven fabrics, although their share remains very small.

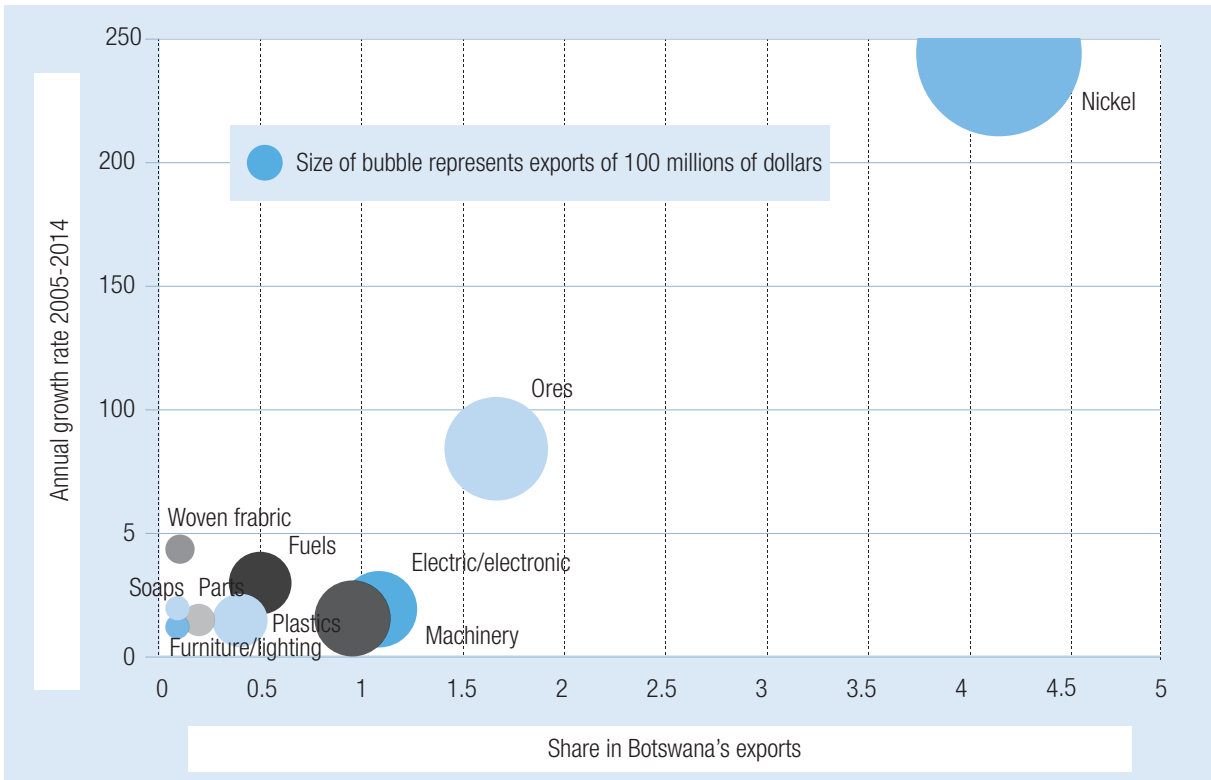
An analysis of those exports which performed the worst in the last decade is presented in Figure 15. The analysis reveals strong declines for a number of products, with the most dramatic being copper, which disappeared from the export basket by 2008. Likewise, many apparel items also disappeared over the period.

Botswana's exports are highly concentrated on primary products, especially diamonds, gold and copper/nickel, and to a lesser extent meat and meat products, textiles and clothing. Botswana has a very narrow range of products which have a comparative advantage (RCA) (Figure 16). Stones (diamonds) have the highest degree of RCA, followed by metals (copper ores and nickel), minerals (coal, petroleum oils) and animal products (meat).

Identifying the sources of export growth is important, not only to recognise innovation taking place in a country's export basket, but also to give an indication of the degree of diversification taking place in terms of moving into new markets and/or into new products. The data analysis performed for the period since the implementation of the NTP reveals that growth has originated from the increasing intensity of traditional products in traditional markets. In other words, growth has not come from market diversification, nor from innovating into new products. As a matter of fact, new products represented just 0.05 per cent of the growth in exports and these new products were exported to traditional markets. Less than 1 per cent of the growth was from exporting traditional products to new markets (Figure 17).

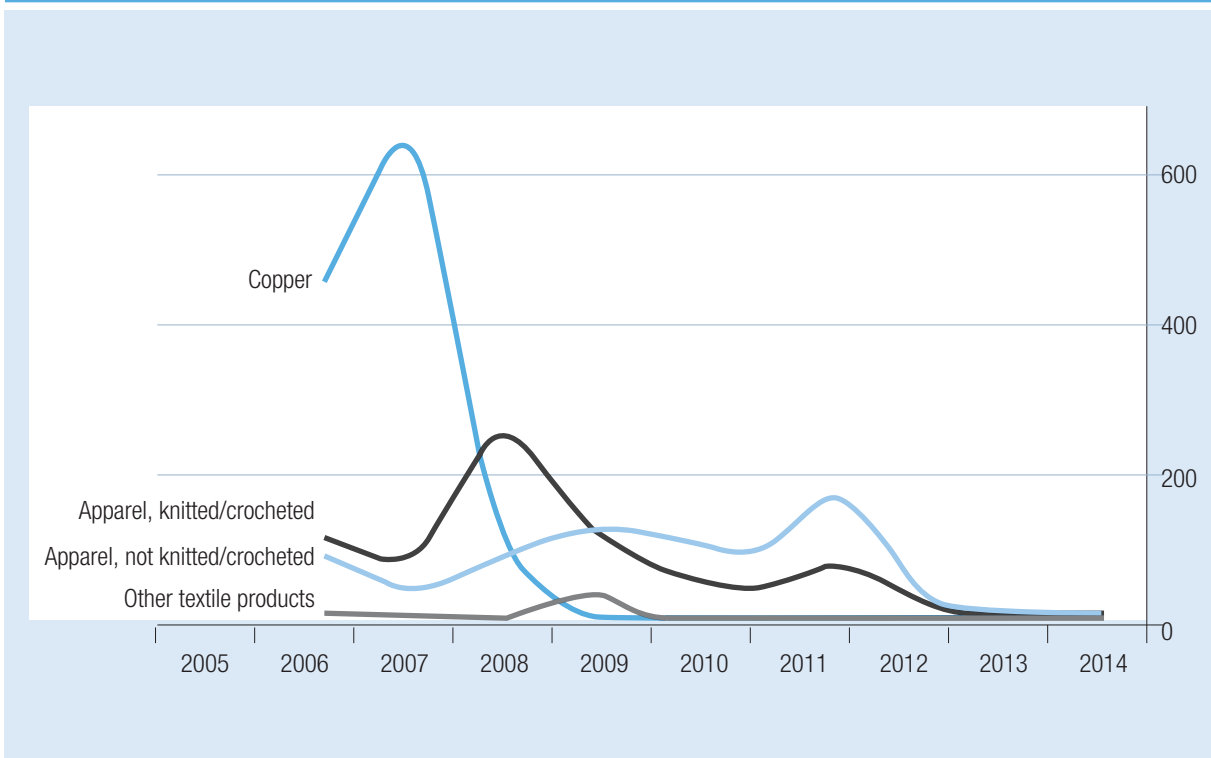
It is also important to investigate the degree of diversification which has taken place in Botswana's export basket since the NTP came into existence. Another interest in calculating the degree of diversification is to determine the vulnerability of an economy to any exogenous shocks in its markets. The analysis of the concentration of exports is carried out using two simple metrics. The first is the

Figure 14. Ten best performing products above US\$ 1 million, 2005-2014 (Percentage)



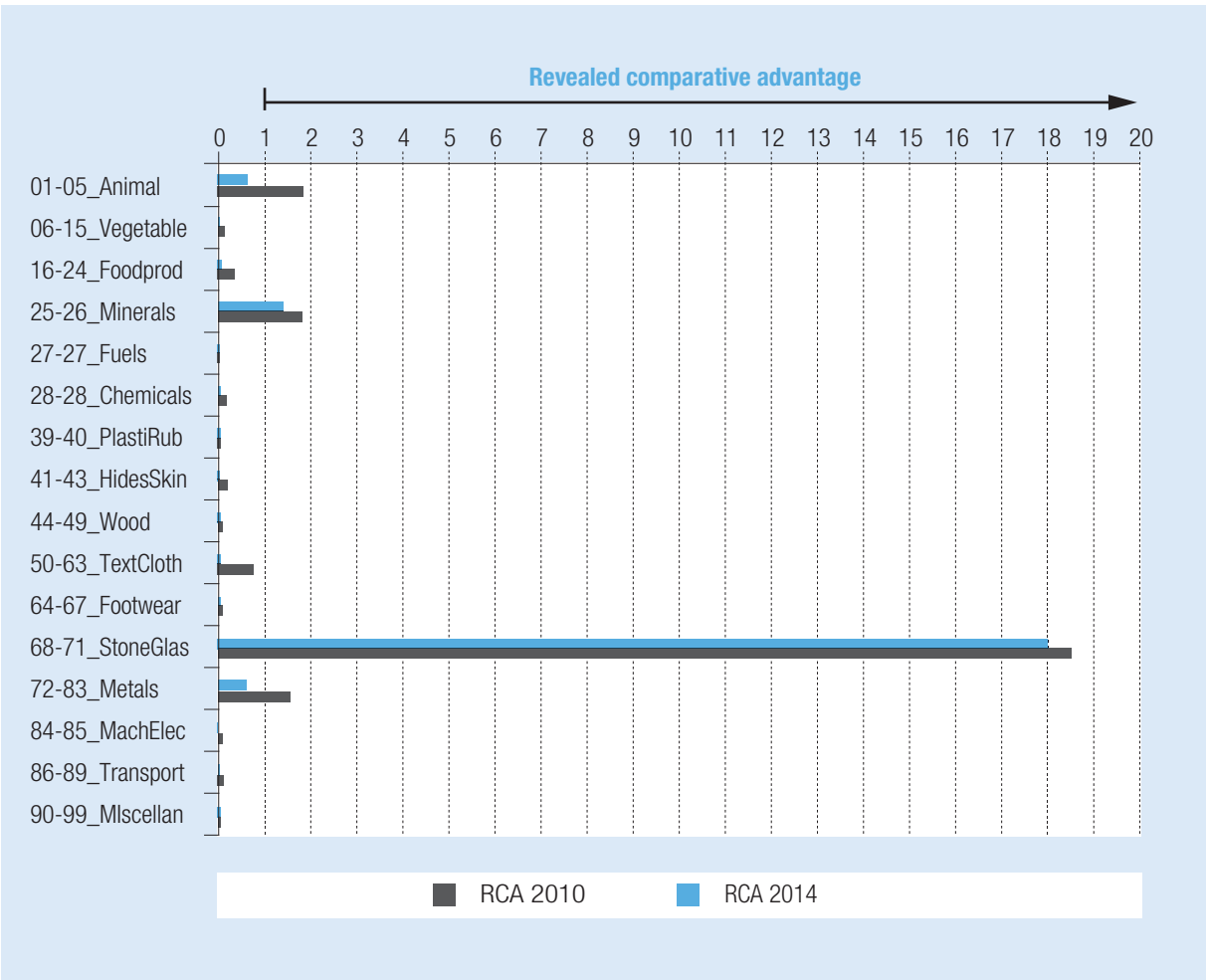
Source: Author calculations based on UNSD COMTRADE; excludes diamonds which are off the scale.

Figure 15. Worst performers for exports greater than US\$ 1 million in 2005, 2005-2014 (Millions of dollars)



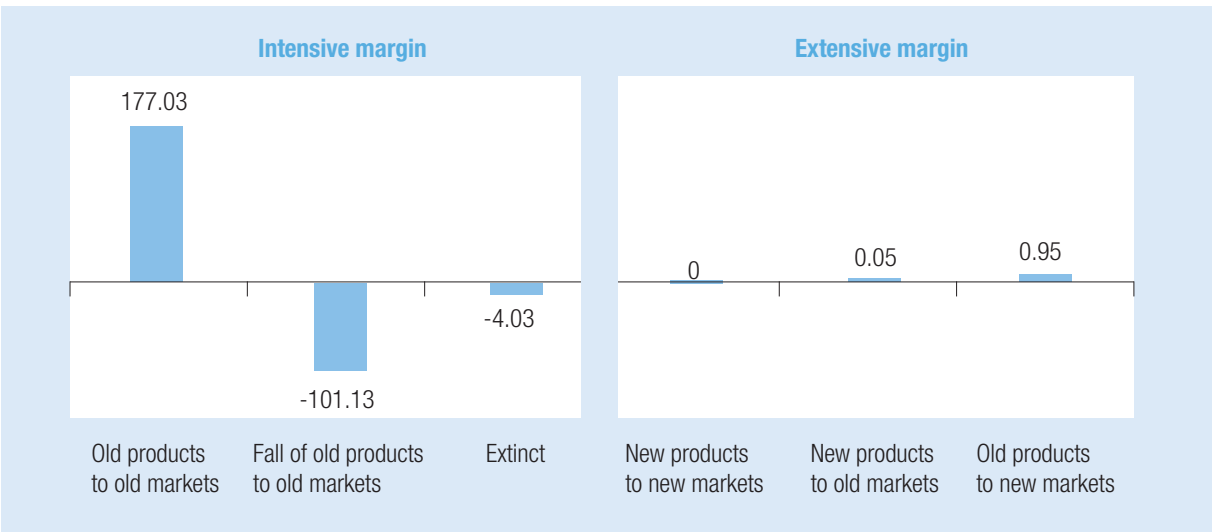
Source: Author calculations based on UNSD COMTRADE.

Figure 16. Revealed comparative advantage of Botswana's export basket, 2010-2014



Source: Author calculations; UNSD; World Bank.

Figure 17. Export growth breakdown



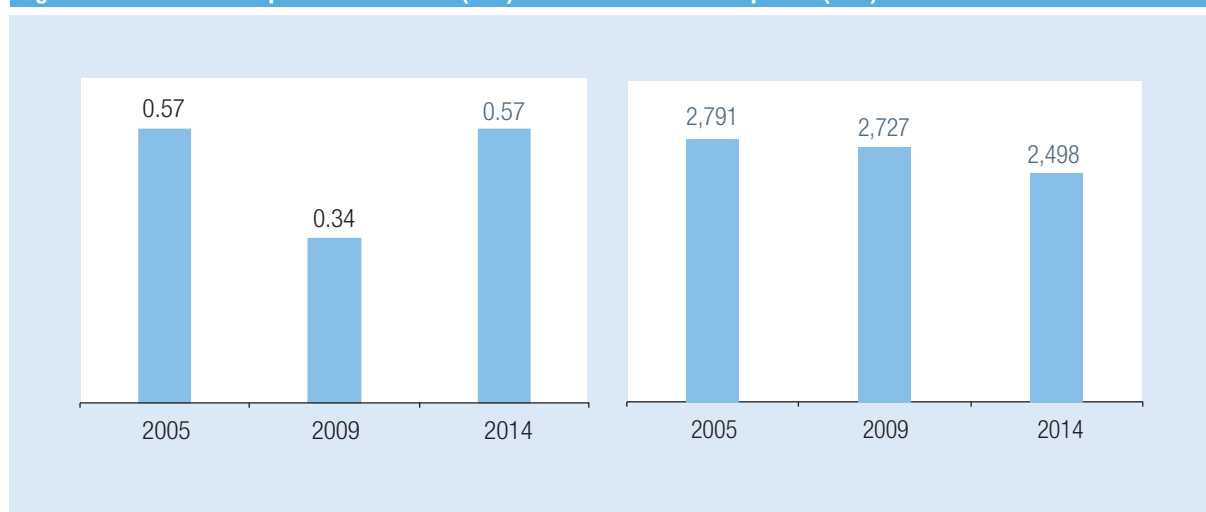
Source: Author calculations; UNSD; World Bank.

Herfindahl-Hirschman index,² which measures the relative shares of different products in Botswana's export basket, which when normalised, gives a value between 0 (highly diversified) and 1 (highly concentrated). The second measure is simply to count the number of lines according to the 6 HS digit code that Botswana exports. Comparing the values over time gives an indication of whether the export basket has become more or less diversified. The results are presented in Figure 18. They indicate that the level of concentration has increased quite dramatically since the existence of the National Trade Policy, simply owing to the increased activity surrounding diamonds

(albeit polished and worked), which indicates that its objective of diversification has not yet been achieved.

During the past five years, there have been significant changes in the source of imports. Although South Africa remains the historical single largest source for imports, its share has decreased while Namibia and Canada have achieved a substantial increase in market share. South Africa and Namibia are the biggest markets for Botswanan importers, accounting for 75.3 per cent of Botswana's total imports. The European Union (EU), and specifically the United Kingdom, has lost importance behind Namibia, Canada and India as an import market. The reasons for changes in the

Figure 18. Botswana's export concentration (LHS) and number of lines exported (RHS)



Source: Author calculations; UNSD; World Bank.

Note: LHS is calculated using the HH index where a score of close to 0 indicates full diversification and 1 concentration.

Table 2. Botswana imports by country of origin and exports by destination (Percentage)

Origin	Imports			Destination	Exports		
	2005	2009	2014		2005	2009	2014
South Africa	84.1	76.1	63.2	Belgium	0.2	3.2	25.8
Namibia	0.5	0.6	12.1	India	0.1	0.1	14.9
Canada	0.5	0.2	10.0	South Africa	8.8	14.7	11.8
Belgium	0.1	1.1	4.0	Israel	0.2	3.2	8.4
Israel	0.4	1.2	1.5	Namibia	0.3	0.5	7.4
United States	1.3	2.2	1.4	United Arab Emirates	0.1	0.0	4.7
China	1.1	3.3	1.1	Singapore	0.1	0.0	4.4
India	0.7	0.6	1.1	Canada	0.0	0.3	4.1
Germany	0.9	1.2	1.0	Switzerland	0.0	0.9	3.6
United Kingdom	1.3	6.1	0.8	Hong Kong SAR	0.0	0.1	3.0

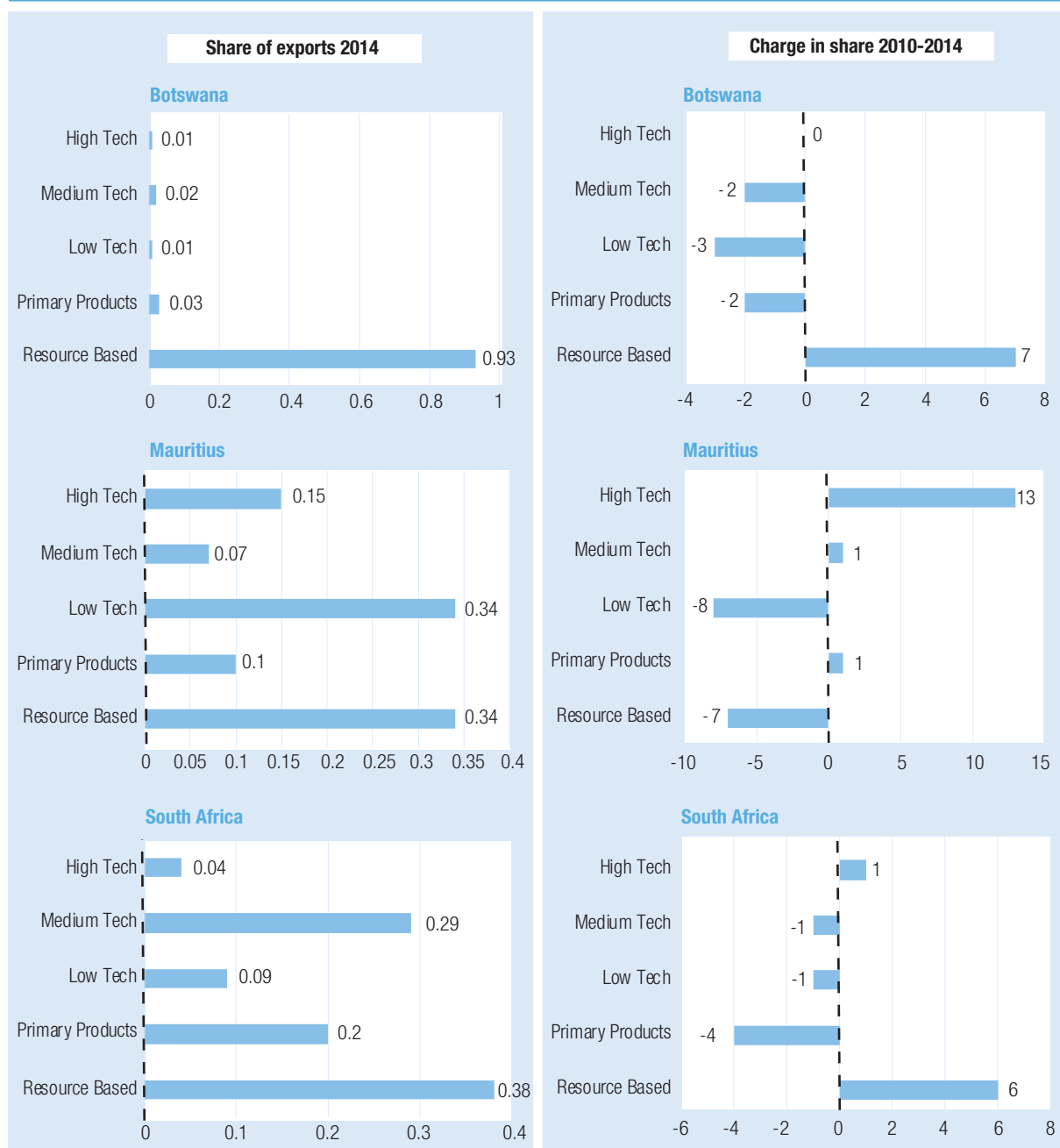
Source: ITC Trade Map.

direction of trade include the ban introduced by the EU on the exportation of beef to the EU, as well as the significance of polished diamonds in the export basket.

An assessment of the growth in exports, categorised by the technological level of products, is presented in Figure 19. A comparison is made between

Botswana and some of its peers, namely Mauritius and South Africa. The structures of exports according to technological level is presented in the left-hand graphic; the growth rates according to the same classification is presented on the right-hand side. The case of Botswana differs from others not only in terms of the massive share of resource-based materials, but also in terms of the low-level of growth of exports with

Figure 19. Growth according to the technological classification of exports (Percentage)



Source: World Bank WITS.

some degree of technology embodiment. A country like Mauritius has managed to move into higher levels of manufacturing for high precision instruments, such as medical devices, which have been absent from Botswana’s export basket. Research and development, protection of intellectual property rights, the business environment and foreign direct investment are important triggers for moving into higher levels of manufacturing value addition.

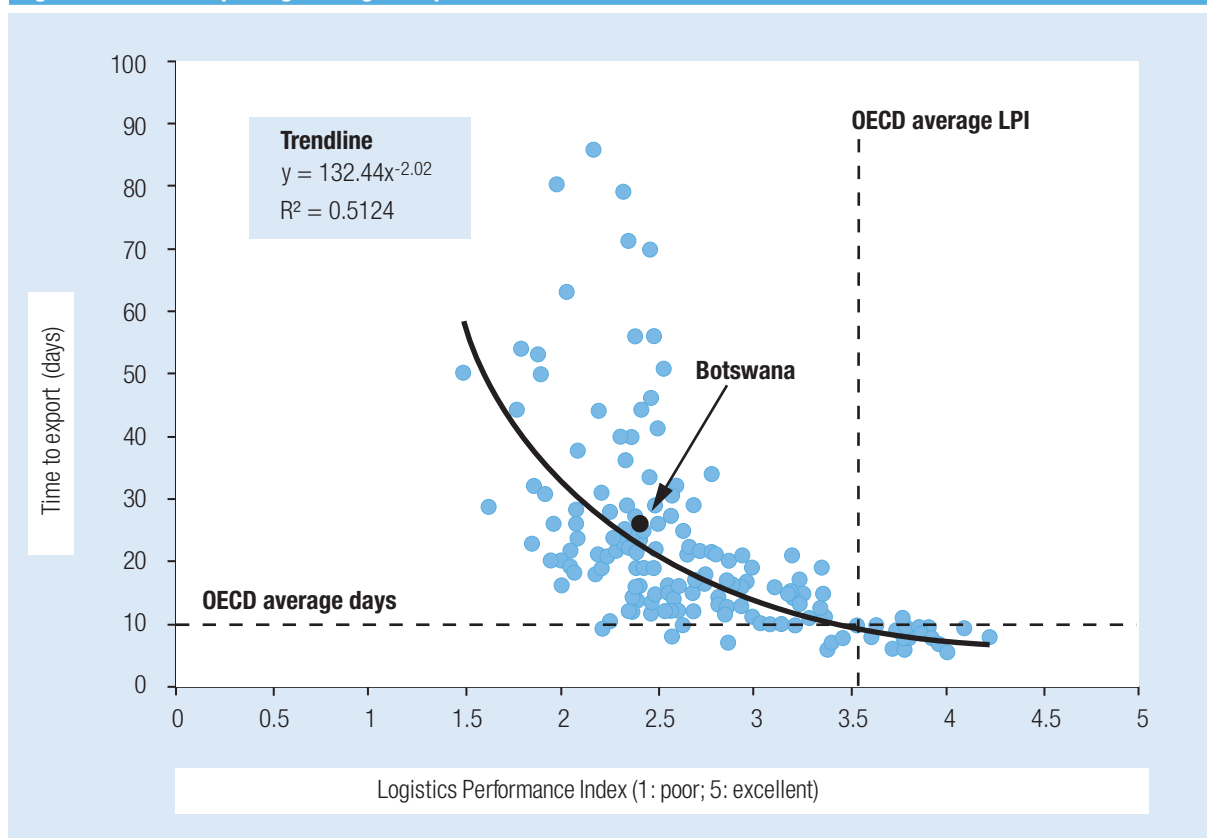
The share of exports from Botswana to the EU, which in 2013 reached 62.6 per cent of Botswana’s total exports, fell to just 28.1 per cent in 2014 due to the reduction in trade in diamonds with the EU, trade that has been diverted to new markets. In 2014, the United Kingdom accounted for 0.9 per cent of Botswana’s total exports, down from a 49 per cent share in 2013 and a 60.7 per cent share in 2012. Part of the United Kingdom’s exports were diverted towards Belgium, with a 25.8 per cent share in 2014, up from 12.9 per cent in 2013 and 4.3 per cent in 2012; and to India, which accounted for 14.9 per cent of exports in 2014, up from 3.8 per cent in 2013. The Southern Africa

Customs Union (SACU) has gained some importance for Botswana’s exports, in particular as a result of an increase in exports to Namibia.

A strong correlation exists between the logistics performance of a country and the time to export. This relationship is illustrated in Figure 20. There is a downward sloping relationship between the time it takes to export and the logistics performance index (LPI). Botswana is positioned above the trend line, indicating longer times to export than would be expected given its LPI, suggesting other underlying factors for the poor performance.

Landlockedness poses additional costs and explains why Botswana is positioned above the trend line in terms of being relatively expensive, given the performance of its logistics sector. Subsidies for freight costs have been implemented by a number of countries in order to help the private sector overcome natural barriers to trade, such as those experienced by Botswana.

Figure 20. Cost of exporting and logistics performance index



Source: Author; World Bank World Development Indicators.

Finally, with respect to trade in goods, Botswana's share in world exports experienced a gradual decline prior to the NTP, before experiencing a resurgence back to 2005 levels by 2014. However, when we exclude precious stones from the analysis, we note that the share in world trade has followed a steady downward trend since the NTP (Figure 21).

Trade in commercial services remains quite significant for Botswana, even though it has shrunk in value over the last decade. Exports of services in particular experienced a sharp downturn, with a second dip in 2012, and are now around half the levels of a decade ago (Figure 22). The trade balance for trade in services turned into a deficit and reached a peak in 2010, although the deficit has recently turned into a surplus, mainly as a result of a decline in imports of services.

The breakdown of services by type reveals quite different levels of performance over the last decade. In particular, other business services increased by 10 per cent yearly between 2003 and 2012. Telecommunications, information and computer services increased by 5 per cent annually over the same period. All other service sectors registered negative growth over the same period, including

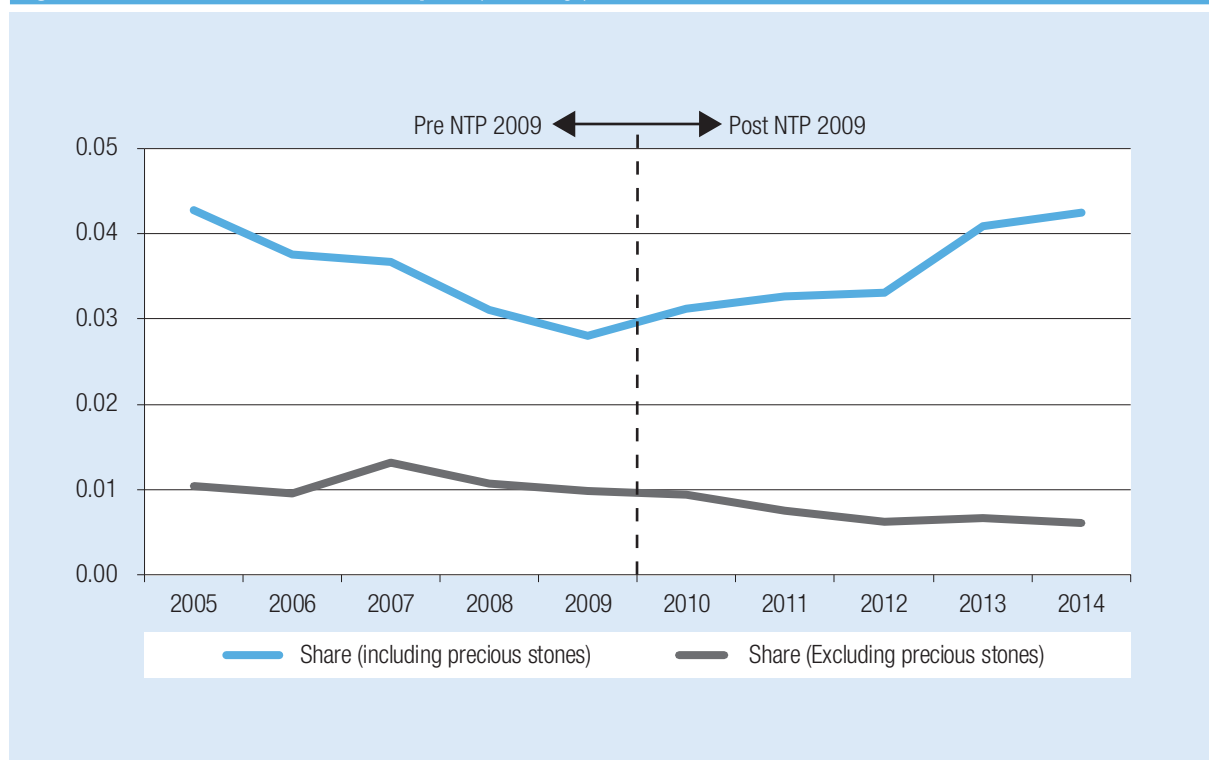
financial services, travel, transport, insurance and construction services. In all service sectors, Botswana systematically underperformed in comparison to the rest of the world (Figure 23). The performance of services, in a country where services are likely to represent a strong competitive advantage, raises significant policy questions.

The revealed factor intensities of different products are approximates of the mix of labour and capital required for the production of those products. Some products, such as textiles and garments have a high revealed factor intensity in labour, whilst other products such as semiconductors have a high revealed factor intensity in capital.

The analysis conducted for Botswana and presented in Figures 24 and 25 reveals the constellation of points representing each product in the HS system according to the factors of production employed using worldwide surveys. The size of each point represents the proportion of that product in Botswana's basket, with the smaller points representing a zero share.

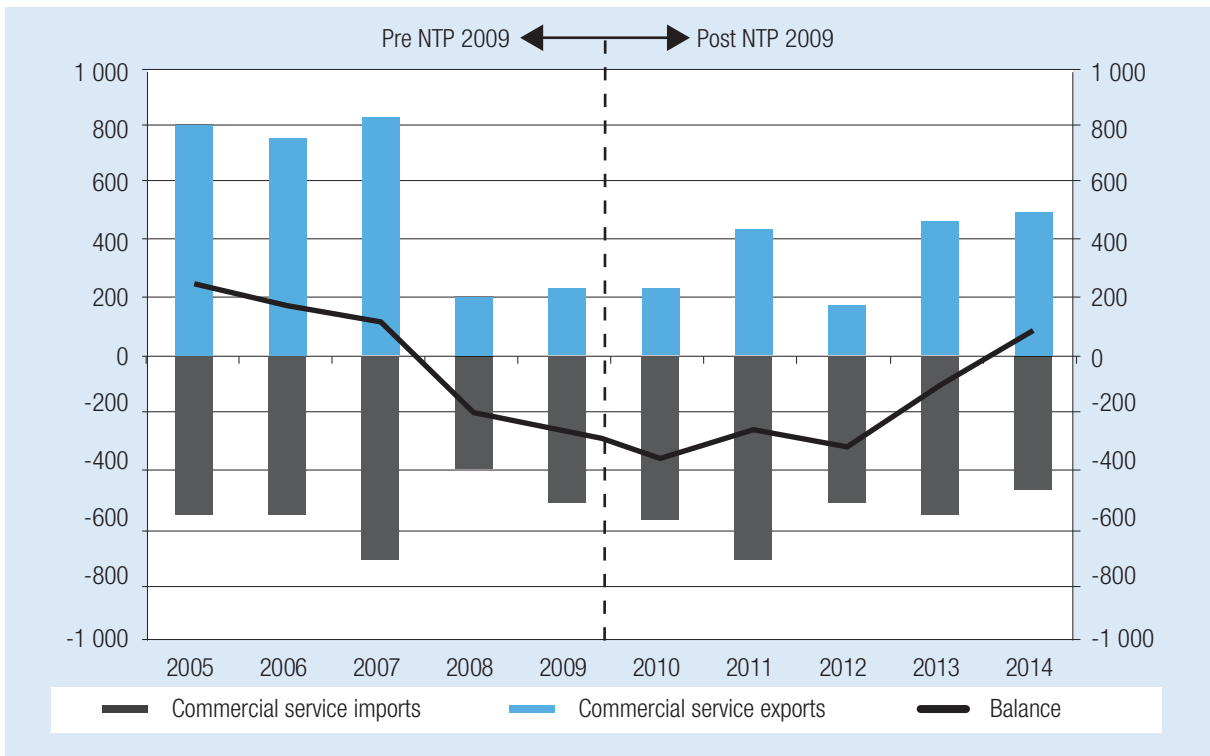
A first observation relates to how few products are included in its export basket. A second observation is that Botswana exports relatively low levels of factor

Figure 21. Botswana's share in world exports (Percentage)



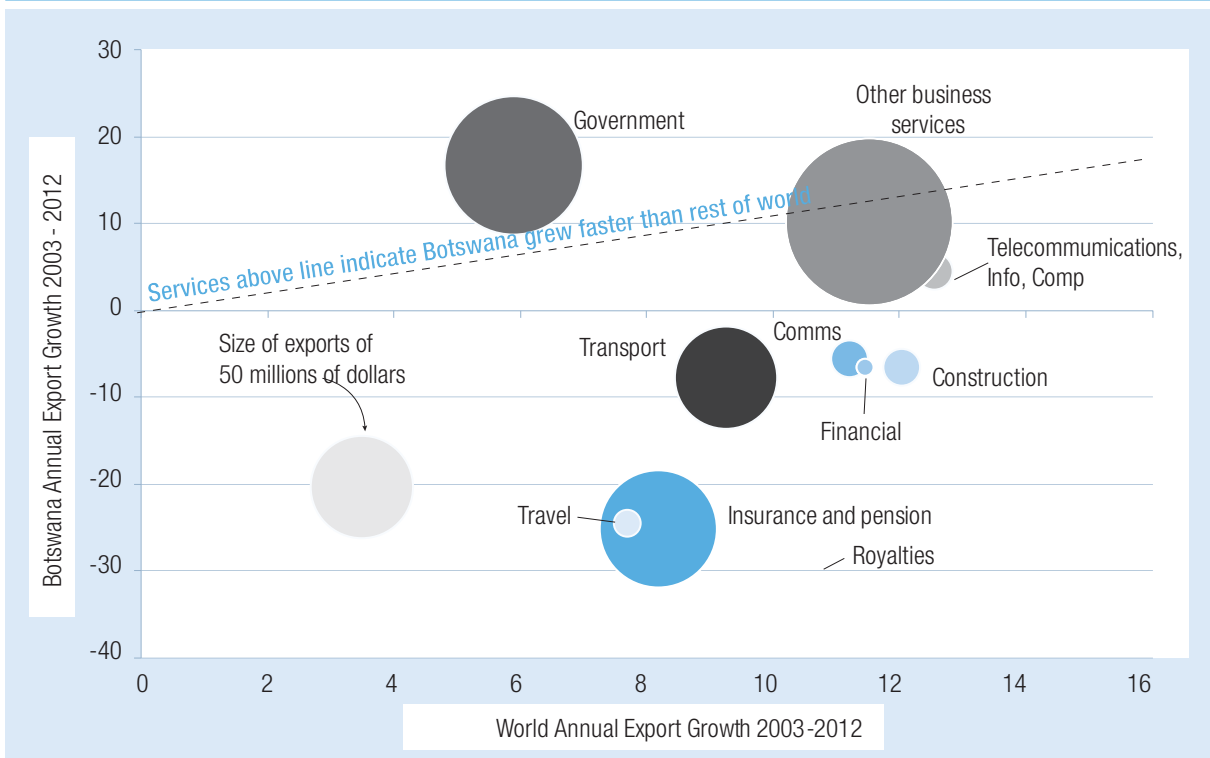
Source: Author calculations based on USND Comtrade.

Figure 22. Trade in commercial services, 2005-2014 (Millions of dollars)



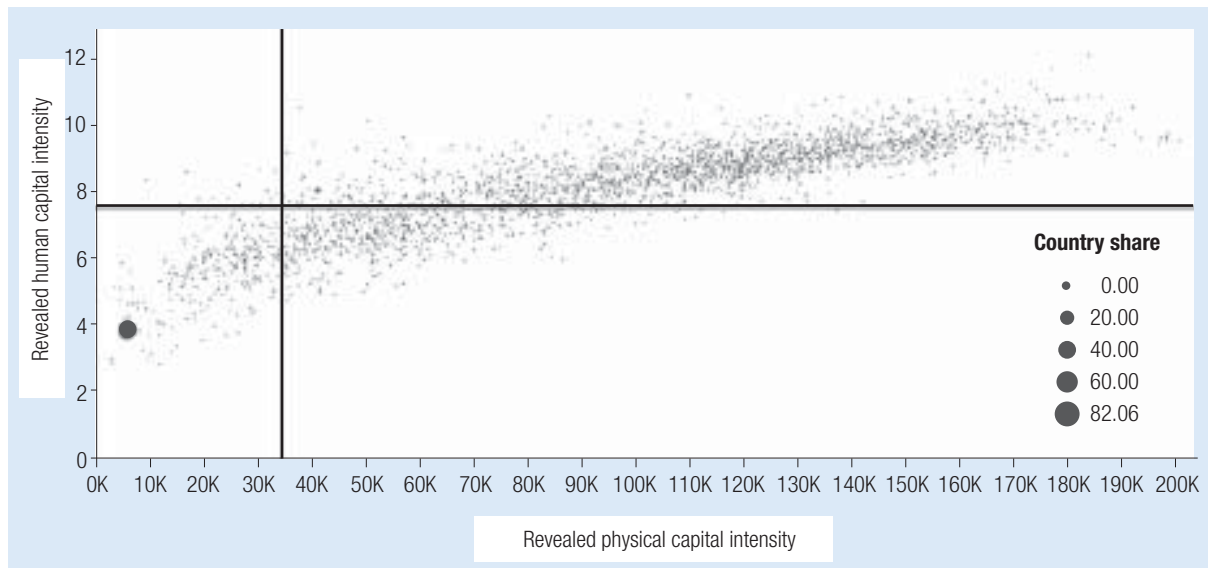
Source: World Bank World Development Indicators.

Figure 23. Performance of trade in services (Percentage)



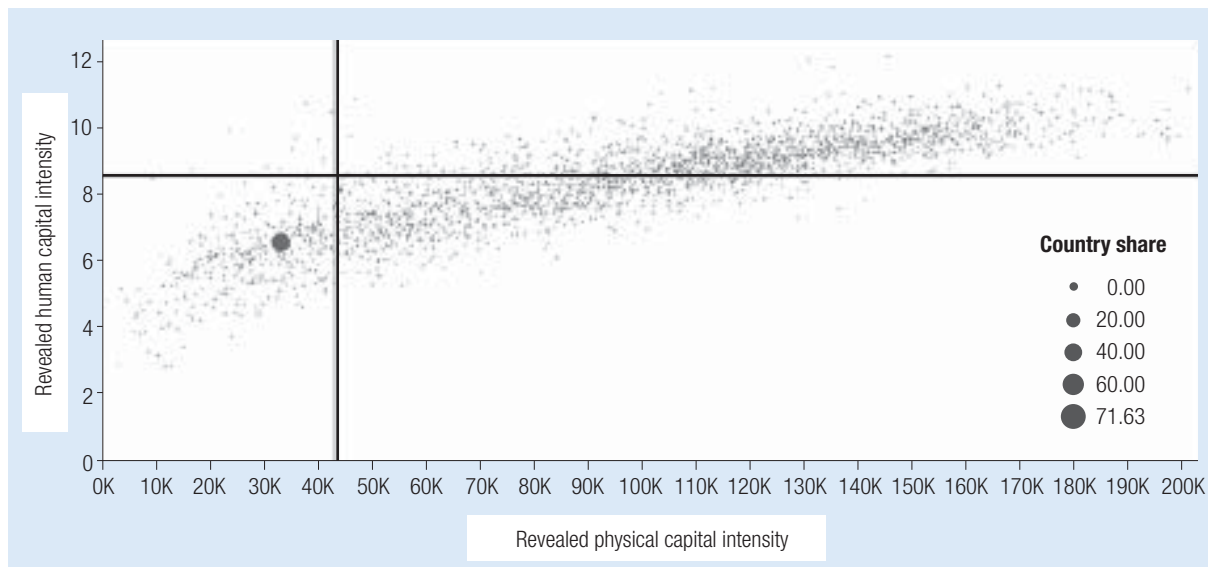
Source: Author calculations based on IMF BOPS.

Figure 24. Revealed factor intensities, 2000



Source: UNCTAD; World Bank (2015).

Figure 25. Revealed factor intensities, 2013








Source: UNCTAD; World Bank (2015).

intensities in the production of its exports. In particular, one would expect it to specialise in the production of goods which are aligned to its factor endowments in capital and labour (where the vertical and horizontal lines meet). In 2000, it was relatively far from this intersection, owing to the export of diamonds. In 2013, its endowment of labour and capital was much higher, and exports appear to match such endowments more closely, although it still exports products which are

less production-intensive than would be expected. This raises questions regarding the effectiveness of its industrial policy to facilitate the utilisation of its resources and specialise in products with higher revealed factor intensities.

The NTP 2009 established a series of objectives to be achieved. These objectives are high level and are quite difficult to measure since they are quite vague and indefinite. This makes it difficult to provide a clear-

Table 3. Performance of National Trade Policy		
NTP 2009 Objectives	Evaluation	Comment
i. to develop strategies that will make trade the main engine of growth for Botswana;		NES was developed but not implemented successfully; IDP Trade elements
ii. to diversify the export sector and the Botswana economy in general;		No evidence of market or product diversification
iii. to develop a viable and vibrant private sector that will be able to exploit the emerging export opportunities availed by the trade policy;		No indication of market diversification; varieties exported
iv. to increase and improve market access and international competitiveness for Botswana's goods and services;		Measure share in world markets including diamonds and excluding diamond; Average tariff analysis faced in world markets; negotiated trade agreements; Market access for services unchanged
v. to support/advocate for carefully planned liberalization, restructuring and simplification of both tariffs and non-tariff barriers;		Factored into its trade agreements; licencing and other NTBs may have increased or the same?
vi. to improve trade facilitation processes and procedures between Botswana and her trading partners;		Cost to export has fallen; cost to import has increased. No of documents has hardly changed; Rank 158 in world
vii. to ensure that natural resources are sustainably used in trade activities;		Export taxes introduced but limited reduction in utilisation of natural resources
viii. to mainstream all relevant citizen economic empowerment strategies and initiatives into the trade policy;		Gender, environment, HIV & AIDS not explicitly tackled. How to measure?
ix. to ensure that trade activities contribute towards poverty reduction;		What measurements? Not explicit analysis on trade related poverty strategies to our knowledge; re-investment of diamonds in social programmes indirectly; re-investment into infrastructure coming from diamond exports
x. to ensure that Botswana trade rules and practices support regional integration and are WTO compatible;		Some deviations from bound rates; notification process not up to date; Strong regional integration drive
xi. to integrate Botswana into the world trading economy;		Although share in world exports increased since 2009 but back to 2005 level. Diven by diamond exports
xii. To harmonize cross-cutting issues with Botswana's trade policy initiatives.	?	Is this energy, transport.. Evidence of harmonization? Any policy changes?

Source: Author; Botswana (2009), National Trade Policy.

IV

INSTITUTIONAL FRAMEWORK



A. OVERVIEW

1. Introduction

Trade policy effectiveness depends to a large extent on the various institutions that play specific roles in its implementation, monitoring and evaluation. It also relies on an effective decision-making structure that ensures, firstly, that decisions are taken in a timely manner and at the right stakeholder level at each implementation stage, and, secondly, that there is current data available to support those decisions. Robust and well-resourced institutions anchor a more effective, policy-supportive environment.

Botswana's NTP is being implemented in an environment where both external and internal structures influence its implementation. Some of these structures are acknowledged in the NTP.

The current NTP envisaged an institutional framework whose main expected results included:

- Coordination of the development of the policy
- Implementation of the policy
- Monitoring the implementation of the policy
- Evaluation and review
- Regulatory framework
- Continuous consultations among stakeholders
- Collaborations necessary for critical support and resource mobilisation for the NTP

2. Success factors

During the assessment of the NTP, different trade-related policies were examined. From this desk review, several factors were identified as affecting the implementation and, subsequently, the success of the NTP. They are listed and detailed in Table 4.

B. METHODOLOGY

This assessment included interviews and a literature review of minutes from various National Committees, Government of Botswana documents (including policies and strategies) and its website, and key private sector actors' documents/position papers. Several National Trade Policies and approaches from elsewhere were also examined. Most importantly,

several interviews were held with key stakeholders, and various views/inputs and recommendations from two stakeholder workshops, organised under this assignment (23 September and 19-20 October 2015), were taken on board.

C. LIMITATIONS

Several stakeholders seemed to demonstrate interview and workshop fatigue, in particular those who did not turn up for consultations after confirming their willingness to participate. It is, however, expected that ongoing requests for information will result in broadened consultations towards the development of the NTP 2016-2020. It should also be noted that although the key private sector organisations met with the consultant, their participation in the two consultative workshops was minimal.

D. FINDINGS

1. National Trade Policy 2009 institutional framework

Tables 5 and 6 illustrate the institutional framework set out in the NTP 2009.

2. Stakeholder/institutional mapping

- **Identification:** Is this institution in any way linked to trade?
- **Analysis:** What is its mandate/purpose in relation to trade?
- **Mapping:** How does this institution relate to the NTP, and how does it relate to other NTP institutions?
- **Prioritising:** How relevant is this institution to the NTP (ranking the institutions using a simple criterion of critical, important and supportive; with critical being the highest)?

The mapping exercise resulted in the summary table in Annex 1. Four main categories emerged in relation to the identified institutions. These are:

- (1) Government ministries and agencies
- (2) NGO bodies
- (3) Private sector
- (4) External organisations

Success criteria	Comment
Legally compliant	The NTP must be coherent with the country's body of legislation. This includes internal, regional and international legislation to which the country is legally bound.
Proactive and responsive	The trade environment is dynamic. The NTP must have the ability to position the country ahead of foreseeable developments, just as much as it should respond swiftly to a changing trading environment.
Clarity of roles	An NTP is implemented through a multi-stakeholder arrangement. In particular there is a need to spell out the roles of the government and private sector, and other agencies that influence or impact the policy. The role definition should, among others, be linked to a target group, accountability, deliverables and a reporting arrangement. All these roles would then be coordinated through a committee or unit, which is empowered to facilitate and/or direct performance, and which ensures an effective communication/information exchange across the network of players.
Timely decision-making	Decision-making is backed by well-researched positions and data, but it is also swift and timely.
Monitoring, evaluation and reporting	There is a functioning internal monitoring, evaluation and reporting mechanism, which is answerable to the stakeholders.
Resources to support implementation are available	There is a well-resourced driving and coordinating unit with clear authority and transparency to report results. Equally, all stakeholders involved in the implementation of the policy have adequate resources to carry out their task.
Implementation plan	An NTP needs to be well-resourced. This should include a strong senior-level policy committee and an effective coordinating unit that drives implementation. It may also need special funding, in particular to bolster the capacity of key institutions.
Ownership	The NTP is owned, and its implementation systematically supported, by the stakeholders.
A champion	The stakeholders must identify a strong champion and advocate of the NTP. Such a champion may be an individual or an institution, and is often from the private sector.

Source: Author.

Institutional arrangement	Findings/observation
10.1 The [MTI] is tasked with coordinating the development and implementation of trade policy in consultation with key stakeholders. These include Government ministries and departments, local authorities, parastatals, the private sector and civil society.	The MTI has delegated to the NCTPN to carry out this task. However, stakeholders consider this committee to be unwieldy, lacking in stakeholder representatives and having a more junior-level representation than was expected.

Table 5. NTP 2009 institutional arrangements: stipulations (Continued)

<p>10.2 The Parliamentary Committee on Foreign Affairs, Trade and Security (PCFATS) acts as a link between the [MTI] and parliament on Botswana's trade agenda. The PCFATS closely follows and contributes to trade and development issues. Once completed, the policy is submitted to Cabinet and Parliament for endorsement and ratification.</p>	<p>PCFATS plays a pivotal role in ensuring that decisions are implemented. It is unclear how decisions taken by NCTPN are adopted or rejected by PCFATS.</p>
<p>10.3 The National Committee on Trade Policy and Negotiations (NCTPN) serves as the main consultative forum in the development and execution of trade policy, and provides guidance and advice on the ensuing trade negotiating mandate.</p>	<p>While this is the case, other committees are also acting as key consultative forums.</p>
<p>10.4 On the international scene, the Ministry collaborates closely with international development partners to ensure that Botswana accesses Aid for Trade (Aft) and other critical support to implement the policy.</p>	<p>This has been the case and the MTI is currently seeking assistance from the Commonwealth Secretariat to review the Aft strategy for Botswana.</p>

Table 6. NTP 2009 institutional arrangements: implementation

Task	Anticipated role players/stakeholders
Development of policy	MTI in consultation with stakeholders through the NCTPN, Cabinet
Implementation of policy	Ministries Parastatals [BITC] Private sector
Monitoring implementation of policy	<u>State Actors</u> Ministries Parastatals PCFATS <u>Non-State Actors</u> Academia Business Botswana BEMA BAU BOCONGO WIBA
Regulatory framework	Ministries Regulatory bodies Attorney General's chambers BOCCIM BEMA
Evaluation and review	NCTPN GICO PCFATS MTI

Source: Author.

The institutions are further clustered depending on their mandate in relation to the NTP. The clustering will, to some extent, influence capacity-building and resource allocation for the effective execution of the NTP. The clusters are described below:

- **Primary:** These are institutions whose key mandate is trade. Implementation of the NTP is therefore a key mandate to them.
- **Secondary:** These are institutions whose mandate includes trade. The NTP would therefore form only a part of their total mandate.
- **Supplementary:** These are institutions which may support or execute programmes that promote trade, but whose service delivery/bottom line is not measured by the successes or failures in trade or the implementation of the NTP.

Trade support institutions

In addition to the institutions mentioned above, the Government of Botswana has a network of institutions and agencies covering all relevant aspects of trade operations. The review identified the following clusters:

Market promotion and access: Ministry of Trade and Industry (MTI); National Committee for Trade Policy Negotiations (NCTPN); Botswana Investment and Trade Centre (BITC); Business Botswana (formerly BOCCIM); Botswana Exporters and Manufacturers Association (BEMA); National Doing Business Committee; International Financial Services Centre (IFSC); Botswana Agricultural Marketing Board (BAMB); and Women in Business Association (WIBA).

Quality control, standards and production: Botswana Bureau of Standards (BOBS); Ministry of Agriculture (MOA); Botswana Unified Revenue Service, in particular the Customs Division; Botswana National Productivity Centre (BNPC); National Food Technology Research Centre (NFTRC); Botswana Meat Commission (BMC); and National Vet Laboratory.

Technology transfer: Botswana Technology Centre (BOTECH); Botswana Training Authority (BOTA); Ministry of Science and Technology; and NFTRC.

Financing: Citizen Entrepreneurship Development Agency (CEDA); National Development Bank; CEDA-Venture Capital Fund; Botswana Export Credit Insurance (BECI); Private Commercial Banks; and the Women's Finance House.

Entrepreneurial development: Local Enterprise Authority (LEA); BOCCIM; CEDA; Small Business Council; USAID and UNDP; WIBA; BEMA; and the Women's Finance House.

3. Stakeholder analysis

Annex 1 briefly analyses a number of key local and international institutions and committees to which the NTP does, or might be expected to, relate. In this analysis a number of factors are examined as listed below:

- Overall mandate
- Relevance to trade
- Their objective vis-à-vis trade
- Their view of the NTP
- Their influence/importance
- Their effectiveness

3.1. Institutions and committees

The NTP is driven largely by the MTI. Its structures ensure the negotiation, development and implementation of agreements, and the development and enforcement of regulations in domestic trade. The MTI spearheads the preparation of national positions in trade negotiations through the NCTPN.³ The NCTPN is the highest national body on trade policy and negotiating positions. The MTI also initiates reviews of local trade regimes and supports access to the local market, in particular government tenders, through the EDD.

The Ministry of Agriculture (MOA) plays a critical role in the enforcement of SPS measures and the protection of local horticultural producers through permit allocations and/or temporary bans. At the domestic level, the MOA controls the movement of livestock as a disease control measure.

The Ministry of Finance and Development Planning is responsible for ensuring that a national position is communicated to SADC through the SADC National Committee (SNC). The SNC brings together all national stakeholders, including ministries, non-governmental organisations and business representatives such as BOCCIM (now renamed Business Botswana) and BEMA.

Other bodies that influence trade policy and trade include BOBS, PPADB and BITC, as shown in the mapping. These bodies play an implementing role as

far as policy is concerned, although they are keenly consulted by the MTI during policy formulation.

Three key committees emerged in this review that influence or implement the National Trade Policy, and need further elaboration. These are the:

- High Level Consultative Council (HLCC)
- NCTPN
- National Doing Business Committee (NDBC)

High Level Consultative Council

The High Level Consultative Council (HLCC) represents the partnership between government, the private sector and civil society. Through the HLCC, the different stakeholders cooperate and coordinate all matters related to economic development. The membership of the council includes all cabinet ministers and industrial stakeholders. One of its main duties is to “monitor the implementation and effectiveness of current national economic policies and development strategies.”⁴

Through the Sectoral HLCC (HLCC subcommittee) on Trade, HLCC deliberates on matters of trade. The committee is chaired by the Minister of the MTI and is answerable to the HLCC, which is chaired by the Head of State.

National Committee on Trade Policy Negotiations

The National Committee on Trade Policy Negotiations (NCTPN) serves as the main consultative forum for the development and execution of trade policy, and provides guidance and advice on the ensuing trade negotiating mandate. It is in charge of informing negotiating positions in all trade negotiations, and is responsible for planning future trade negotiations with all relevant ministries and government departments, public institutions, private-sector organisations, NGOs and academic and research institutions.

The NCTPN is made up of twelve technical committees that are expected to perform analytical work on various sectoral issues, namely: (1) Agriculture; (2) Industrial Products; (3) Services; (4) Intellectual Property Rights; (5) Investment; (6) Competition Policy; (7) Government Procurement; (8) Capacity Building; (9) Environment; (10) Labour Standards; (11) Export Development; and (12) E-Commerce.

This committee reports to the Minister of the MTI and is chaired by the Permanent Secretary of the MTI.

National Doing Business Committee

The Ministry of Trade and Industry in collaboration with the National Strategy Office established the National Doing Business Committee (NDBC) in May 2011, to improve the ease of doing business in light of Botswana’s declining rankings in the World Bank’s 2011 report. The Committee is composed of public and private sector representatives and is charged with improving Botswana’s business climate.

The committee deals with reforms in respect of ten Doing Business indicators: Starting a Business; Dealing with Construction Permits; Getting Electricity; Registering Property; Getting Credit; Protecting Investors; Paying Taxes; Trading Across Borders; Enforcing Contracts; and Resolving Insolvency.

The NDBC is answerable to a Cabinet sub-committee, and chaired by the PS of the MTI.

3.2. Capacity

The trade agreements and arrangements that Botswana has at multilateral, regional and bilateral levels define, to a large extent, the capacities and expertise the country will need in its institutions.

Nearly all of the institutions consulted, and the outputs from the initial workshop, point to major capacity constraints in their organisations. Furthermore, capacity seems to be eroded by low continuity of members in the various committees, and sometimes by delegation to lower level staff. However, this concern needs further investigation through an in-depth capacity assessment.

3.3. Private sector

Private sector capacity in policy formulation and implementation is paramount. Such capacity would be expected to be found in the business associations. As stated above, however, these institutions generally lack capacity both in terms of skills and the number of people available. This is further influenced by a focus on production for local consumption, rather than for export.

4. Policies and strategies

Various strategies and policies are in place to support economic growth. These include the recently launched Private Sector Development Strategy and Programme, intended as a major drive towards economic diversification, exports and employment

generation. These are expected to be complemented by the 2014 Industrial Development Policy. For further detail, please see Chapter V of this report.

5. Analysis of the institutional framework

The NTP 2009 was the first National Trade Policy for Botswana. Its first implementation period coincided with various economic and trade developments. A survey of the institutional environment reveals challenges and gaps, and opportunities and drivers, with respect to the revised NTP.

5.1. Challenges and gaps

Overarching policy

There seems to be no prioritisation of the NTP as an overarching policy in the drive to diversify the economy. Hence its implementation has been low, and there is no formal recognition of the linkages. Professional guidance on trade, as envisaged by the NTP, needs to be strengthened and can be mainstreamed into many other economic policies and development strategies.

Implementation

While a draft implementation framework was prepared for the NTP, it did not get endorsed and its content was not implemented. This may also explain why attempts to harmonise discussion on trade issues among institutions and committees has not been effective. Accountability for implementation has remained largely with MTI, where without the indicators that should be found in an implementation framework, delivery is difficult to measure. Other institutions, such as the Ministry of Agriculture and BITC, which could be utilised more efficiently in NTP implementation lack the necessary guidelines in terms of direction, deliverables and timelines.

Capacity

Capacities and expertise will be needed for effective implementation, internal monitoring and regular review, as well as for ensuring that the NTP is a living and agile document that facilitates compliance with all relevant trade agreements, whilst ensuring at the same time that the country takes full advantage of these agreements.

The lack of capacity at both institutional and committee levels has been raised as an area of concern. Moreover,

there is no clear resourcing plan due to the absence of an implementation plan. Further issues include the adequacy of existing institutions and how well-placed they are to implement the NTP, and the question of whether there is a need to streamline the decision-making process and whether the country need a well-resourced coordinating unit.

Stakeholder participation

Botswana has a strong culture of engaging stakeholders in national development agendas and policy formulation. There is, however, concern that the number of committees – including those addressing economic, business and trade issues – need to be rationalised to provide meaningful linkages in the decision-making process and to allow time for implementation.

Communication and awareness

Communication to stakeholders needs significant strengthening. There is no integrated information system available to all stakeholders to track what may be happening in relation to trade issues or implementation of the NTP. The focal point for coordination and information dissemination seems to be the MTI, which faces difficulties in managing this across the broad spectrum of stakeholders, in particular organised business (BB, BEMA and WIBA) and informal cross-border operators. Furthermore, further efforts seem to be needed to adequately promote the NTP to raise awareness among stakeholders through their organisations.

Monitoring and evaluation

It seems that the MTI as implementer of the NTP is expected to also monitor and evaluate the implementation of this policy. Furthermore, the NCTPN, while better placed to carry out this role due to its constitution and ability to track progress, is not currently suited to carrying out monitoring and evaluation. In order to ensure that implementation is enforced, there is a need for a robust internal monitoring and evaluation mechanism.

Organisation culture

The focus on seniority was raised as a matter of concern. This seems to affect participation in key meetings by the correct level of officials, thereby eroding the decision-making capacity of the committees. Furthermore, there were calls for higher

ranking officials to participate in meetings to add gravitas to the proceedings. In this regard, committees are not operating as task teams with a team leader (chair) and focusing on delivering on the task at hand.

Accountability

The MTI is accountable for the implementation of the NTP due to its core trade mandate. However, the MTI is in no official position to hold other Government ministries and agencies, with the exception of those that fall directly under it, to account for not delivering on the NTP. The concept of joint accountability was proposed by various stakeholders.

Linkages and coordination

Aside from most of the institutions being linked to, or falling under the MTI, the linkages between them seem unclear and require further investigation. There is no evidence of an elaborate coordinating mechanism to avoid, for example, the possibility of duplicating committee efforts. There is also no evidence of information-sharing between similar committees.

5.2. Opportunities and drivers

NCTPN

The NCTPN has provided an opportunity for constructive and broad stakeholder engagement on trade issues, country positions in trade negotiations and policy reviews, amongst others. The NCTPN, although considered unwieldy by some key stakeholders, potentially provides a robust committee which, backed by technical subcommittees, could make informed decisions on trade policy. It remains unclear as to how effectively the revised committee, which has a much broader mandate, will deliver on this task.

Private sector agenda

Although there is no clear and actionable advocacy agenda linked to the NTP from the private sector, there is a clear drive for enhanced market access at both domestic and foreign trade levels. Trade is discussed in a number of key national committees, in particular the NCTPN, the NDBC, the SNC and the HLCC. Furthermore, through the National Customs to Business and SACU Customs to Business Forum, matters concerning barriers to trade and trade facilitation are actively pursued. The existence of BEMA and the trade agenda under the BB offer an opportunity to support the implementation of the NTP.

Complementary policies, strategies and programmes

There are various policies, strategies and programmes which have inadvertently implemented or are implementing the NTP. These include:

- The Industrial Development Policy
- The Agricultural Development Policy
- The Economic Diversification Drive
- The Private Sector Development Strategy and Programme
- The National Export Strategy

These, among others, offer the opportunity for the implementation of the NTP.

6. Summary observations, conclusions and recommendations

6.1. NTP implementation issues

6.2. Linkages and coordination

Although most of the aforementioned institutions and committees are effectively linked, or fall under the competency of the MTI, the linkages between the committees seem unclear and require further investigation. There is no evidence of a coordinating mechanism. Furthermore, there is no evidence of the existence of any communication tool between the committees.

In the case of the three key committees outlined above, and the SADC National Committee, it is unclear where the coordination on trade-related matters takes place.

However, it seems that in practice no role conflict is felt between the various committees. In the words of one senior official, "it is all fluid and somehow seems to work. We have never really thought about it." There are nevertheless a number of committees which did not meet, and therefore did not contribute toward the holistic approach to trade policy-making which is required.

6.3. Capacity

The majority of the institutions consulted, and the outputs of the initial workshop in this review, point to major capacity constraints in their organisations. Furthermore, capacities seem to be eroded by the low

continuity of membership attendance in the various committees, and sometimes delegation to lower-level staff. However this concern needs further investigation through an in-depth capacity assessment in order to clearly define the areas of need, together with appropriate actions.

Despite capacity constraints at both government and private sector level, Botswana is making efforts to implement its multilateral agreements, such as the TFA, and bilateral agreements and protocols, like the SADC-EU EPA.

6.4. Trade support

Although capacity exists to provide support to export development, a lack of coordination and collaboration between the various institutions, the private sector and civil society would seem to hinder effective delivery. It is therefore strongly recommended that the NTP 2016-2020 Implementation Matrix clearly defines the responsibilities and collaboration networks and mechanisms for all trade support institutions.

Table 7. NTP implementation issue

Issue	Current situation	Recommendation for NTP 2016-2020
NTP implementation framework	<ul style="list-style-type: none"> • Drafted by MTI but never completed due to stakeholder apathy (zero draft by BDIPA in 2006 made a concerted attempt to achieve this) • Roles envisaged in the current NTP? • Funding? 	<ul style="list-style-type: none"> • Ensure that an implementation framework with responsibilities and indicators accompanies the NTP • Ensure MoU or mandates given to line ministries to adopt NTP • Ensure adequate resourcing is made available and incorporated into the yearly public budget
Processes and systems	<ul style="list-style-type: none"> • Constructive engagements • Involvement of all stakeholders, in particular the private sector • Accountability needs better defining 	<ul style="list-style-type: none"> • Ensure the public sector disseminates results clearly • Ensure that the private sector plays a more active role in leading change to the NTP • Make results available online in a transparent and timely fashion
Implementation	<ul style="list-style-type: none"> • Delivery through various institutions and committees • Many institutions required to implement NTP 2009 do not have trade as their mandate and thus it is considered a low priority 	<ul style="list-style-type: none"> • Streamline the committees and ensure coherence between them • Assign key responsibilities and supporting roles
Monitoring and evaluation	<ul style="list-style-type: none"> • No clear M&E system in place, with no transparent publication of indicators of performance and accountability 	<ul style="list-style-type: none"> • Introduce an M&E system to report on a quarterly, six-monthly and yearly basis. Annual reports for trade should go into greater depth than trade statistics and be produced jointly by government and the private sector

V

TRADE POLICY FRAMEWORK



A. TRADE POLICY PURPOSES: RATIONALE FOR PROTECTIONISM

Botswana's National Trade Policy is defined by Botswana as the "complete framework of laws, regulations, international agreements and negotiating positions as well as Government's guidelines and pronouncements on trade which define how the country will conduct its trade with bilateral, regional and multilateral trading partners."⁵

Trade-related policies do not just refer to policies that deal with physical trade, but include a huge range and variety of economic and legal instruments which provide the framework for engaging in domestic and international trade. In other words, trade policy encompasses "any policy directed primarily at the level or pattern of trade."⁶

In addition to different political economy considerations, governments employ trade policy instruments as a tool for revenue collection, as a way to improve the terms of trade and as a mechanism to reduce imports. Tariff revenues, although decreasing in importance as a source of fiscal revenue, are still an important source of income for many countries, including Botswana.

Trade policies are also employed as a strategic tool to improve the terms of trade, i.e. the ratio of the price of exports to the price of imports. However, this objective requires a substantial weight and influence on world markets, something that a small country may find difficult to achieve. Without that weight, protectionist policies generate production and consumption distortions: where producers enjoy high prices, inflated by protectionism, encouraging them to produce more, consumers, due to those high prices, reduce their expenditure.⁷ With 0.041 per cent of global imports, and 0.042 per cent of global exports, it is difficult to conclude that Botswana has the necessary economic weight to alter its terms of trade. Even just taking into account the global diamond market (HS Chapter 71), Botswana only represents 0.97 per cent of global exports and 0.43 per cent of the global import of diamonds (ITC).

The third motivation is mercantilist in thought, and is linked to the belief that imports are a drain on domestic resources, while exports are intrinsically a positive outcome for countries. This thinking tends to promote exports and restrict imports through tariffs, quotas, prohibitions or state monopolies. However, imports

can be desirable and exports "are simply a way to pay for imports".⁸ In this regard, "trade surpluses and associated inflow of specie would drive up prices and result in a loss of export competitiveness".⁹ Imports can provide domestic producers with the inputs necessary to boost their production both in qualitative and quantitative terms, which they would otherwise be unable to find in the domestic market. Imports also improve consumer welfare since they lead to a greater choice and variety of goods for consumers. Imports are also a channel for adopting knowledge, technology and know-how and can increase the production possibility frontier.

However, not all measures have a restrictive purpose in mind. Certainly the Government, through the imposition of tariffs, might be seeking to protect its infant industry. In some cases, sufficient scale, productivity and investment is required before enterprises can compete internationally. This requires a specific lapse of time and protection before opening up markets. In addition, certain non-tariff barriers, such as technical barriers to trade and sanitary measures, are applied in order to ensure the quality and security of imported products.

B. NATIONAL TRADE FRAMEWORK

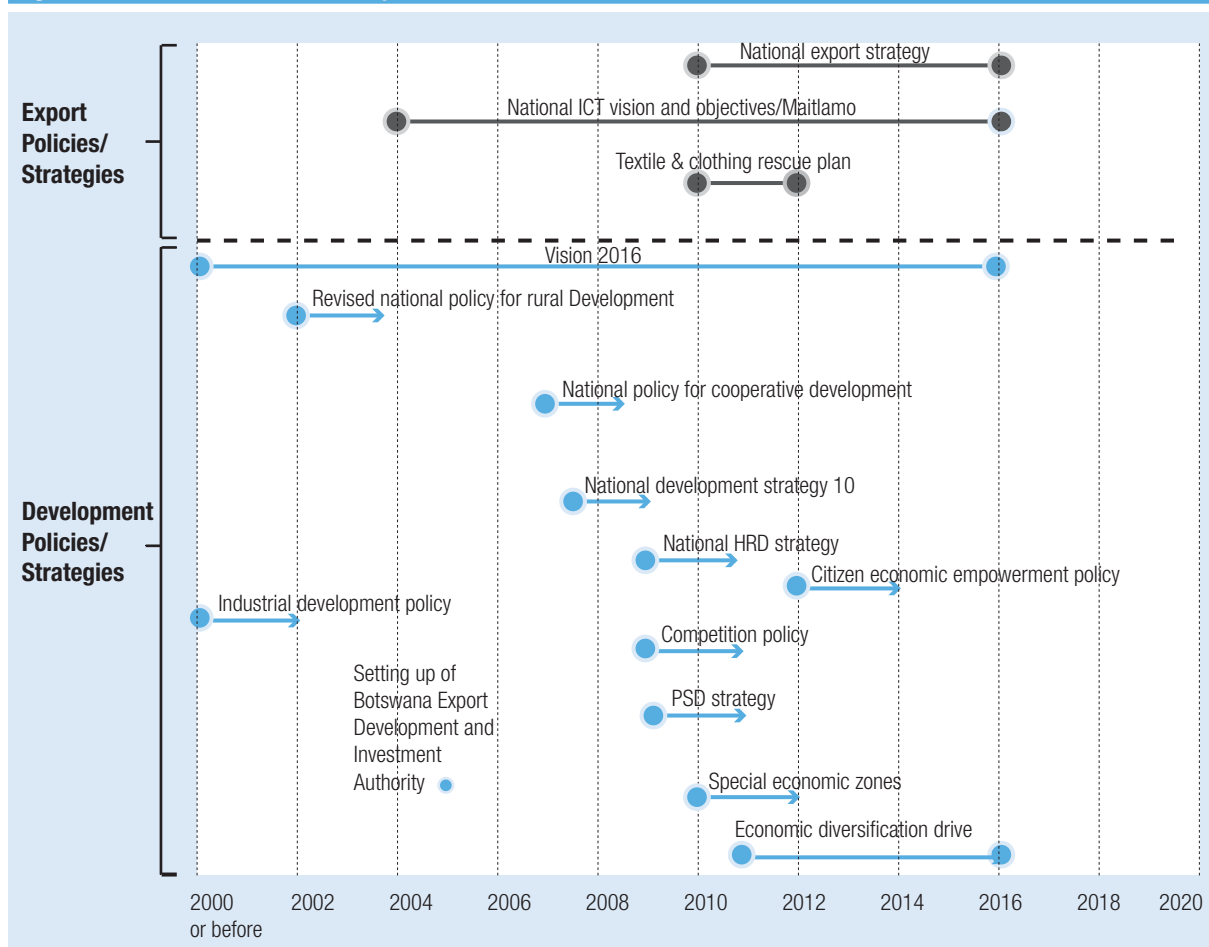
1. Overview

Botswana has focused on the development of policies for the achievement of global competitiveness and economic diversification. Pursuing those objectives, the Government adopted a series of policies and regulations, including the recently launched Private Sector Development Strategy Programme, and Industrial Development Policy, intended to drive the country through economic diversification, export growth and employment generation. Figure 26 illustrates the different trade-related policies and strategies adopted by Botswana since 2000.

Governments can use different trade policy instruments to target specific areas of the supply chain to boost private sector competitiveness. Some instruments are cross-cutting and affect multiple areas of the supply chain, through policies that shape the country's trading and economic landscape.

Figure 27 details the typical trade policy instruments that governments can use to support the

Figure 26. Botswana's trade-related policies over time



Source: Baker, P. (2014).

competitiveness of their national firms at each stage of the supply chain, i.e. 'at the border', 'behind the border' and 'beyond the border'.

Following this framework, Botswana's laws, regulations and policies can be identified and classified according to the following stages of the trade process; at the border; behind the border; and beyond the border. The policies are presented in Figure 28, according to these stages.

As mentioned earlier, Botswana's national legislation is a set of policies, strategies and regulations implemented to promote Botswana's global competitiveness and economic diversification. The main policies analysed in this assessment report are: the Vision 2016 and the National Development Plan 10 (NDP 10); the Industrial Development (IDP); the National Export Strategy (NES); the Economic Diversification Drive (EDD); and the Private Sector Development Strategy (PSDS).

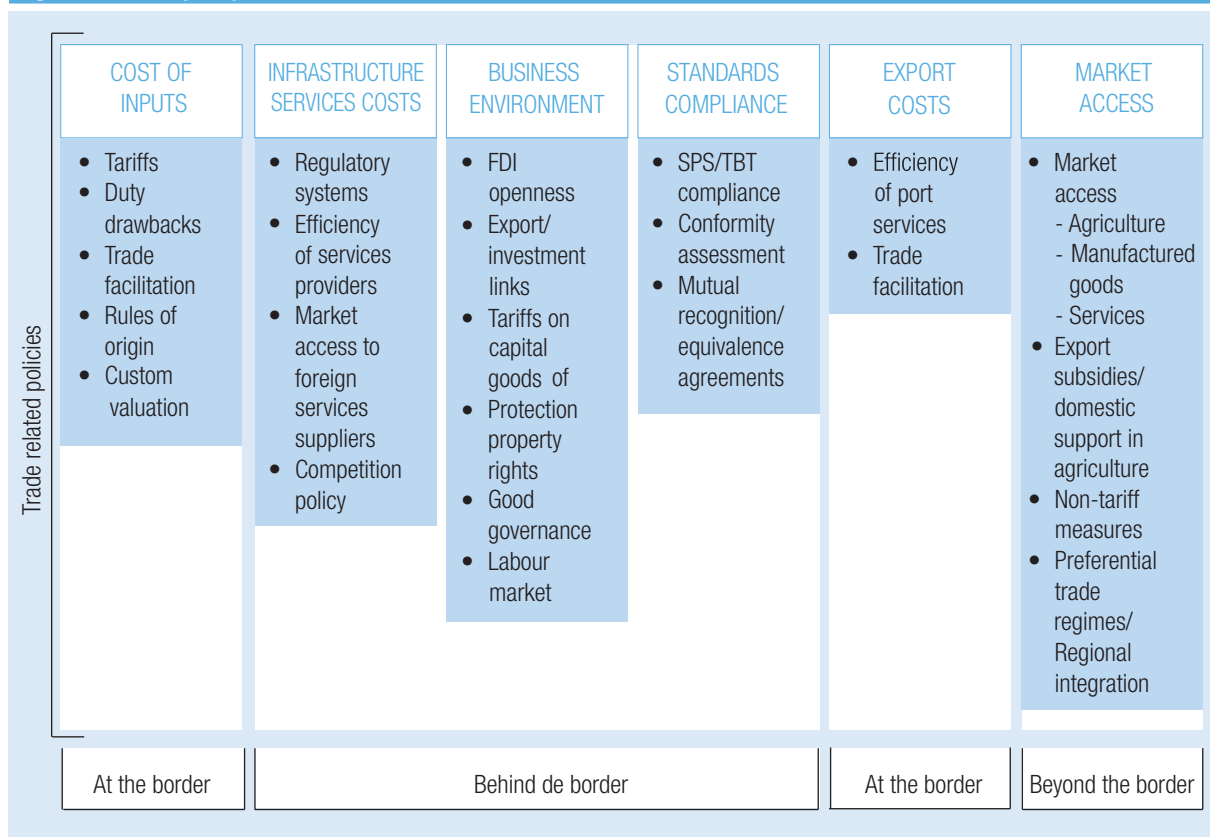
2. Vision 2016 and National Development Plan (NDP 10)

Botswana's Vision 2016 was developed as a blueprint for the development and adoption of future laws and regulations. It embraces democracy, development, self-reliance, unity and *botho*¹⁰ as the pillars for the development of its policies.

Vision 2016 has been updated and actualised through different National Development Plans, which have implemented it in a way that adapts the objectives, projects and principles stated in the Vision to the different circumstances faced by Botswana at the time.

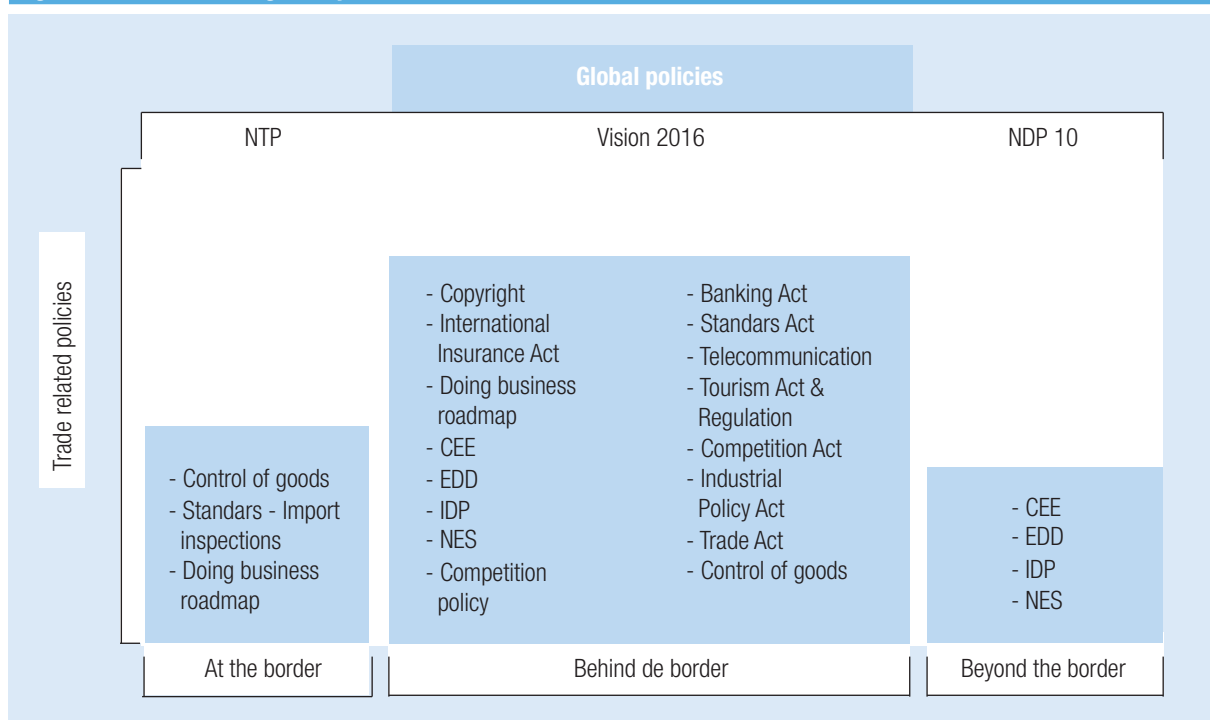
Developed in 1996, the Vision anticipated that by 2016, Botswana would have trebled its then GDP per-capita, achieving a level equivalent to US\$ 12,050 (2014 prices). However, this objective is far from being

Figure 27. Trade policy instruments



Source: ITC (2011) – National Trade Policy for Export Success.

Figure 28. Botswana’s regulatory framework



Source: Author.

achieved. In 2014, Botswana's GDP per capita was equivalent to US\$ 7,500 (Figure 7). In order to do have achieved the Vision's objective of trebling 1996 GDP per-capita by 2016, the GDP per-capita would have required a compounded annual growth rate of 6 per cent. Instead, it grew by 4.7 per cent.

Botswana's Vision 2016, amongst others, recognises the value and efficiency of regional agreements as a way to improve the competitiveness of the region, and foresaw, at the time of its adoption, that further WTO Rounds would lead to a reduction in tariffs, discouraging their use to protect domestic industries.

[...] Botswana will continue to co-operate 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.¹¹

In addition, it also foresaw that:

Future negotiations within the World Trade Organisation are likely to lead to a further reduction of tariffs worldwide. Protection of local industries through tariff barriers is not likely to be a long term option for Botswana. Botswana should examine the advantages and disadvantages of establishing itself as an export processing zone, free of tariffs and taxes. This should be done in the context of seeking to improve the usefulness of the customs union to Botswana's situation.¹²

This policy recognises free trade, export promotion and trade facilitation as ways to achieve the desired level of development. Related to this, Vision 2016 also initiates the discussion of whether or not Botswana should become an export processing zone, free of tariffs and taxes.

3. Industrial Development Policy

The Industrial Development Policy (IDP) 2014 "aims at promoting the development of diversified and viable industries as well as commercial sectors, using skilled personnel and appropriate technology, whilst leveraging active private sector collaboration and participation."¹³

The NTP 2009 also addresses the issue of workers' skills, stating, in the first point of paragraph 9.6, that:

[The] Government ensures that human skills are developed to meet the needs of all industries and that such personnel is appropriately placed. Government collaborates with relevant stakeholders to formulate policies and programmes that ensure that the education system is orientated to produce graduates with the professional and skill capacities for trade development.

The IDP recognises the need to adapt its content to the rapidly changing landscape, taking into account developments at the regional and multilateral level. In addition, in reference to the NTP, it states that:

Botswana's external policy environment will affect the country's industrial policy space as it regulates export subsidies, quantitative restrictions and other industrial and trade policy measures which have over the years been used to promote industrial development. This means that the success of the Industrial Development Policy under the prevailing circumstances would require creativity and deftness.

Furthermore, trade liberalisation is erected as one of the main drivers to competitiveness for the industry.¹⁴

4. National Export Strategy

The National Export Strategy (NES) provides a strategy for Botswana and its private sector to get maximum benefit out of its trading arrangements. Botswana's Export Strategy states that "[b]y 2016 Botswana shall be classified as a developed economy built upon a sustainable, diversified, competitive export base."¹⁵

While the NTP deals with the general framework of trade (imports, exports, market access), the major aim of Botswana's NES is to make "Botswana globally competitive with a view to expanding current levels of exports and placing new ones in the international markets, as well as diversifying the country's export base."¹⁶

In order to do so, the NES analyses Botswana's policy framework, together with the export development situation, stressing the achievements, opportunities and challenges. In addition, the NES reviews and analyses the competitive situation that Botswana's exporters face whenever they intend to export their products abroad. Botswana has pursued an active

negotiation agenda with international partners, as illustrated in Figure 29.

Therefore, whilst trade policy refers to laws, regulations and guidelines regarding export development, market access and customs procedures, amongst others, the NES provides a strategy that Botswana and its private sector need to apply in order to get maximum benefit out of its trading arrangements. The NES was never effectively implemented.

5. Economic Diversification Drive

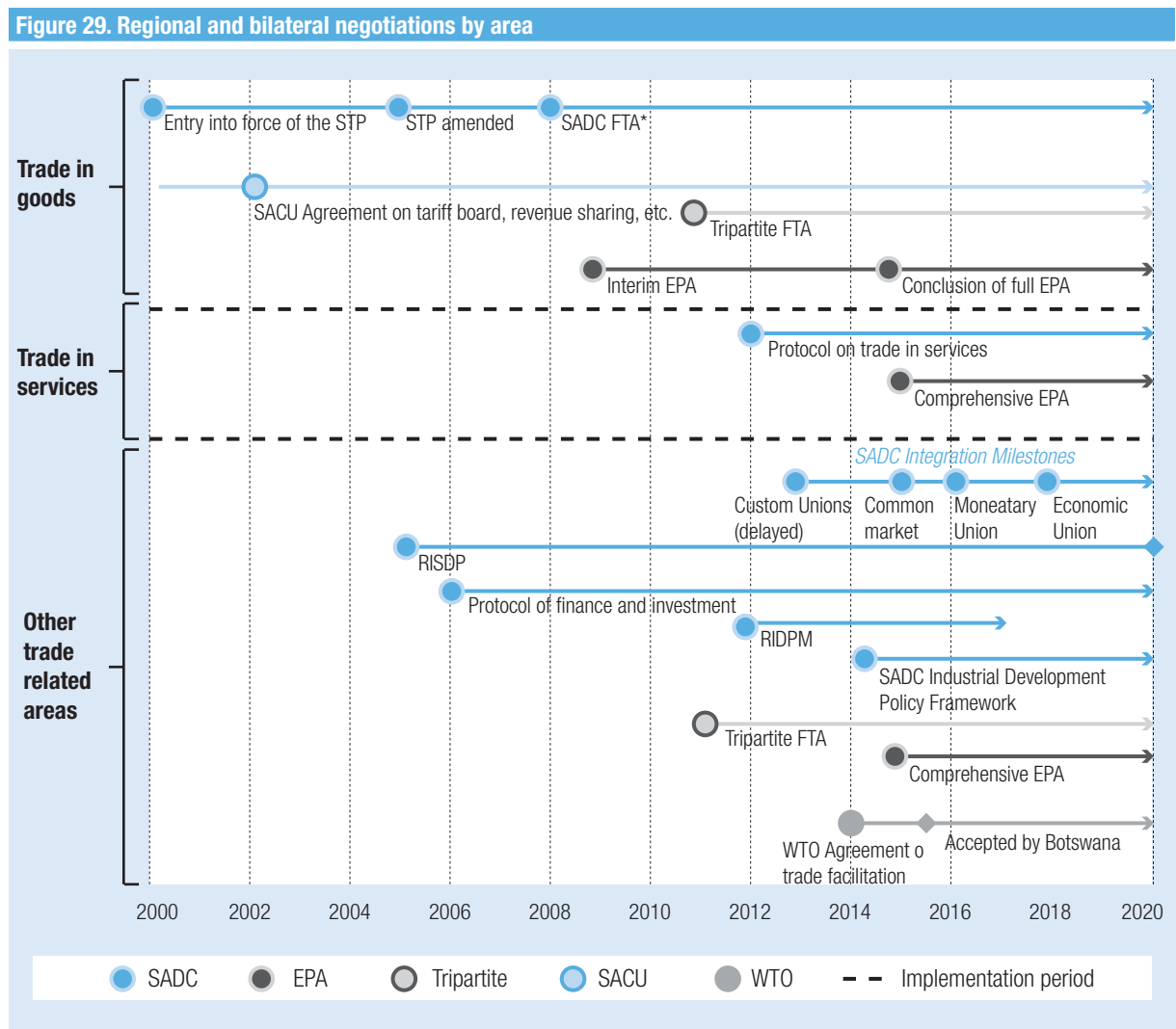
Economic diversification is considered by the Government of Botswana as “key to sustainable economic growth and a vibrant globally competitive private sector.”

As defined by the EDD 2011-2016, economic diversification means diversifying a country’s sources of economic growth and income in such a way that the country becomes more or less equally dependent on all sectors of the economy.

The policy has two major components: a short-term strategy and a medium- to long-term strategy.

In the short-term, firms rely heavily on governmental intervention and support, such as local procurement, the use of preference margins and citizen economic empowerment strategies, to promote local production and consumption.

The Government recognises that these measures are not sustainable in the long-term; thus, the medium- to long-term policy is based on the development of



Source: Updated by author based on Baker (2014).

strategies leading to a globally competitive private sector which will no longer need government support and intervention.

The main objective pursued is the diversification of the economic and export base of the country into sectors that will continue to grow long after diamonds have run out. Specific objectives include export diversification and compliance with international standards. Those two objectives are also explicitly mentioned in the NTP 2009.

As the EDD and the NTP share common objectives, it is necessary to stress the need for proper and effective coordination between those two main policies, in order to avoid duplication of efforts. The proposed unification of the NCTPN and the National Economic Diversification Council (NEDC) in October 2015 is one mechanism for ensuring coherence between both policies.

6. Private Sector Development Strategy

The vision of the Private Sector Development Strategy (PSDS) is to create “[a] competitive and vibrant private sector driving a prosperous Botswana”, while “spearheading diversification, growth and development of the economy through increased investment and productivity for the prosperity of the people of Botswana.” It aims to create the business environment necessary to promote private sector development and growth, at the same time as addressing the impediments faced by the sector.

The PSDS identifies four key pillars to enable development and growth of the private sector: (i) an enabling business climate; (ii) effective trade support institutions; (iii) trade expansion opportunities; and (iv) high productivity.

The relation with the NTP extends to the modification and upgrading of trade support institutions, through the implementation of the WTO Trade Facilitation Agreement, at the same time as it promotes the access of Botswana’s producers to international markets.

C. MARKET ACCESS

1. Market access agreements

Under the heading “Effective Negotiations of Trade Agreements”, Botswana’s NTP 2009 establishes that:

Botswana is committed to the creation of market access opportunities for her existing and new

export products, increasing trade in services as well as access to a variety of imported goods and services at affordable prices for the country as a whole. To this end, Botswana will pursue trade policy negotiations with strategic bilateral, regional and multilateral trading partners. Botswana’s trade negotiations are guided by the parameters and obligations set out in the country’s domestic and international trade obligations.¹⁷

Botswana is a member of the WTO and a contracting party to different regional and bilateral agreements. The WTO and its Agreements contain a series of principles which members are legally obliged to follow. Non-discrimination rules, i.e. the Most-Favoured Nation (MFN) and National Treatment principles, are the cornerstones of the multilateral trading system, being of general application amongst all WTO members. However, Article XXIV of the GATT, Article V of the GATS, and the Enabling Clause allow members to deviate from those obligations, enabling them to provide preferential treatment to their trading partners amongst which a Free Trade Agreement (FTA), a Custom Union (CU) or an interim agreement has been established.

Such multiple memberships require that traders navigate a web of different schedules of concessions. The different tariffs’ schedules through which an exporter may access markets are:

- General for the non-WTO countries
- Most-Favoured Nation (MFN) for all WTO members
- Preferential for:
 - (i) SACU Members
 - (ii) SADC Members
 - (iii) European Union
 - (iv) MERCOSUR
 - (v) EFTA
 - (vi) Malawi
 - (vii) Zimbabwe

In addition, Botswana’s exporters benefit from preferential access to the United States market through the AGOA programme. Botswana also ratified a Trade, Investment and Development Cooperative Agreement (TIDCA) with the United States.

Until December 2007, Botswana enjoyed unilateral and preferential market access to the EU under the Cotonou Agreement. However, and in order to keep the level of preferences according to Regulation (EC) No. 527/2013, Botswana entered into negotiations on, and concluded, an Economic Partnership Agreement (EPA) with the EU. The EPA does not currently include services and investment chapters, which are still under negotiation.

On the African stage, in June 2015 African Leaders concluded the seven year-long negotiations on the Tripartite Free Trade Area (TFTA). The agreement aims to integrate Africa's three larger regional blocks, namely the Common Market for Eastern and Southern Africa (COMESA), the East Africa Community (EAC) and the Southern African Development Community (SADC). After ratification by the Parliaments of every contracting party, the TFTA will become Africa's largest free-trade zone, encompassing 26 countries and representing a market of 632 million people, with a total GDP of US\$ 1.3 trillion, corresponding to 58 per cent of Africa's GDP.

The agreement will affect each country in a different way, depending on which trading block they are already members of. For Botswana, which is a member of SADC, it will open trade to COMESA and EAC members that are not members themselves to SADC. It will not have any effect on members already in the same groupings, except to the extent that full tariff liberalisation is achieved, a single body of Rules of Origin (RoO) is adopted, and non-tariff barriers are abolished.

In addition, in 2008 SACU started negotiations on a preferential trade agreement (PTA) with India.

Trade in services is specified by the NTP 2009 as an area in which negotiations should be promoted. Botswana is negotiating services commitments in the framework of the EPA with the EU. In addition, the SADC Protocol of Trade in Services was agreed in 2012, although it has not yet entered into force. This protocol will apply to all measures of SADC Members affecting trade in services,¹⁸ with the exception of traffic rights and related services.¹⁹ It also seeks to establish a mechanism providing for the mutual recognition of requirements, qualifications, licenses and other regulations.²⁰

2. Tariffs

A custom duty, or tariff, on imports is "a financial charge or tax on imported goods, due because of

their importation".²¹ Products from foreign countries can usually enter another country's domestic market upon payment of the custom duty.

As stated in the Preamble of the WTO Agreement, WTO members recognise that their relations and arrangements in the field of trade should be directed towards raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of, and trade in, goods and services. These objectives should be achieved through the conclusion of reciprocal and mutually advantageous arrangements, directed to the substantial reduction of tariffs and other barriers to trade, as well as to the elimination of discriminatory treatment in international trade relations.

The NTP 2009 foresees tariff measures to be used, on the one hand, as a tool supporting industrial development objectives, and, on the other hand, as a trade defence mechanism:

Botswana uses tariff-based measures as key trade policy instruments to support industrial development objectives, achieve balance of payments objectives and protect domestic producers from unfair external competition. Government engages stakeholders as well as major trading partners in the use of these instruments.²²

The NTP 2009 also foresees tariffs being used to pursue balance of payments objectives, which are treated in GATT Article XII, which states that:

Notwithstanding the provisions of paragraph 1 of Article XI [General Elimination of Quantitative Restrictions], any contracting party, in order to safeguard its external financial position and its balance of payments, may restrict the quantity or value of merchandise permitted to be imported.

On the specific use of tariffs, the NTP 2009 proposes that:

Botswana's tariff structure is influenced by her regional and multilateral trading arrangements. Botswana's trade with non-SACU countries is administered through the SACU common external tariff; intra-SADC trade is based on the SADC Protocol on Trade while extra-regional trade is based on both the WTO negotiated tariff liberalisation process as well as bilateral and/or

inter-regional trade arrangements. *Government supports a carefully planned tariff liberalisation process, restructuring and simplification with a view to achieving the country's objective of moving away from the use of the tariff as a source of revenue to a tool for industrialisation.* Notwithstanding this, where feasible and necessary, *Government maintains the use of tariffs for infant industry protection purposes.*²³ (Emphasis added)

Despite this best endeavour, fiscal receipts remain heavily dependent on trade taxes, whether customs duties or value-added and sales tax. The breakdown of taxes by main sources related to trade is given in Figure 30. The sales and value-added tax refers to receipts from both imported and domestically produced items.

2.1. Most Favoured Nation

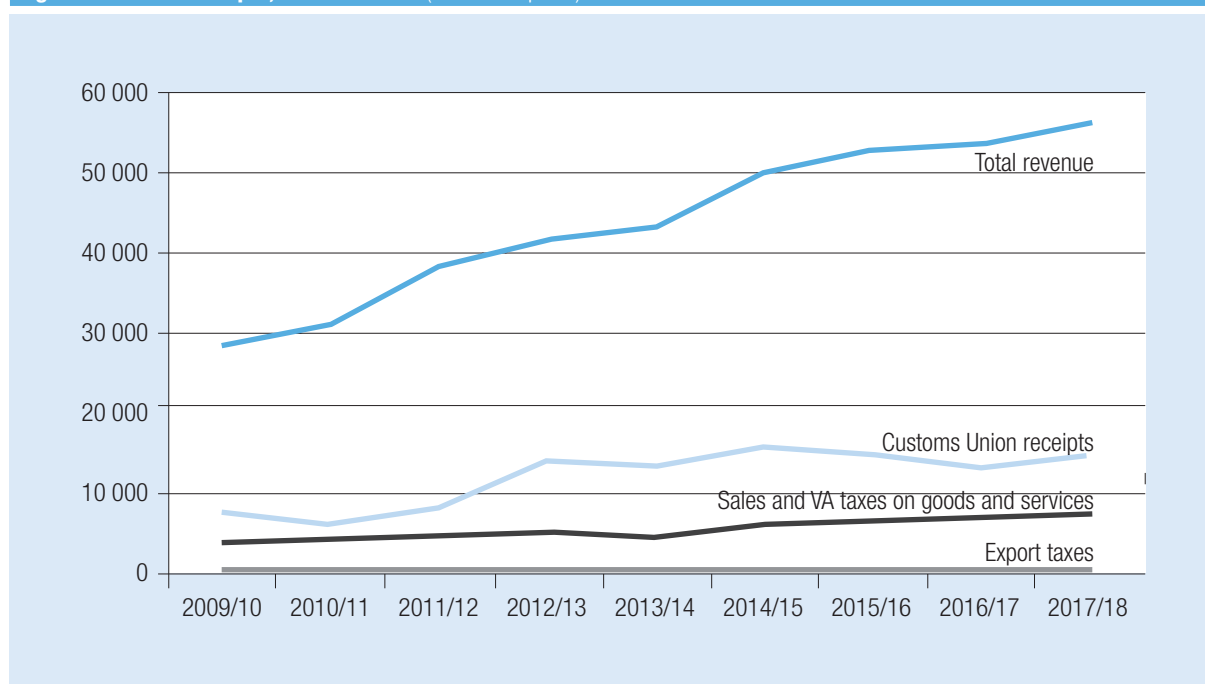
The current NTP plants the seed of tariff liberalisation as Botswana's guideline on tariffs, enabling their use to protect an infant industry. However, the average MFN tariff has slightly increased since the adoption of the NTP, rising from 6.1 per cent in 2009 to 6.9 per

cent in 2015 (Figure 31). More in-depth analysis of the data reveals that, even though the average for non-agricultural products remains stable, the tariffs applied to agricultural products have notably increased, from 10.5 per cent in 2009, to 18.3 per cent in 2015. Specifically, since 2014, certain cuts of poultry receive a protection equivalent to 82 per cent *ad valorem* tariff, from 37.7 per cent in 2013.

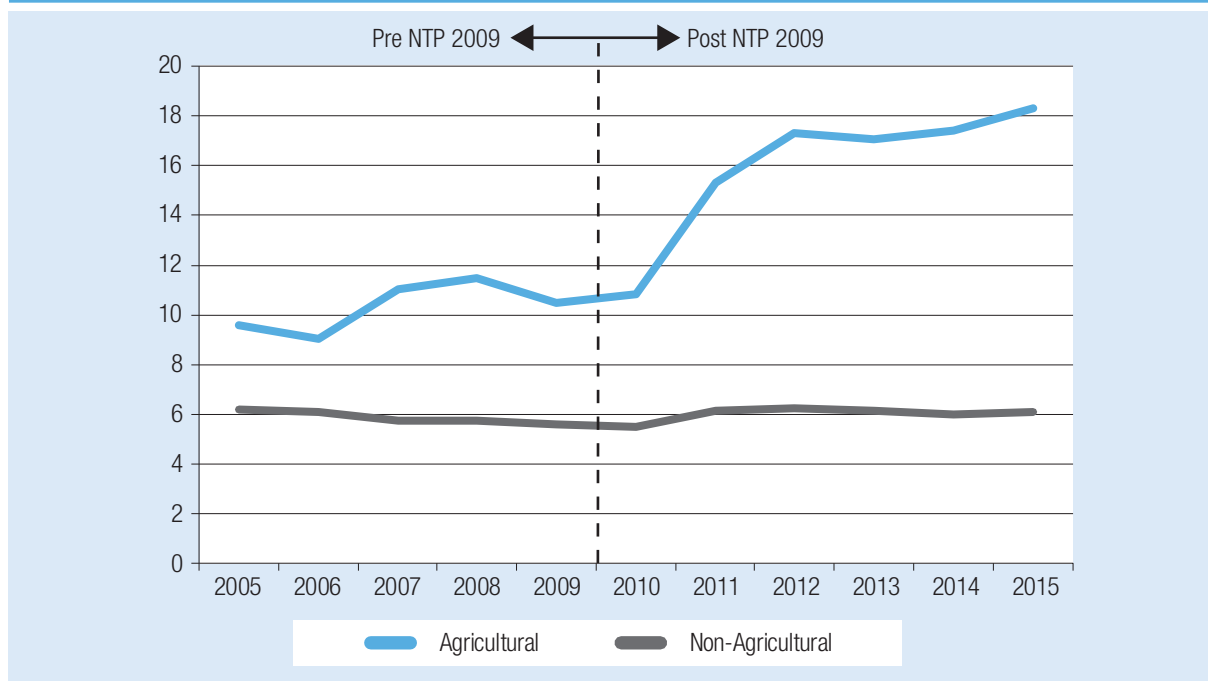
Botswana's average bound tariff rate is currently 18.7 per cent. However, the rate effectively applied is 7.6 per cent, providing a substantive margin of policy space.²⁴ In addition, in 2014, 58 per cent of all MFN tariff lines were zero-rated,²⁵ including live animals, products of animal origin, ores, fertilisers, cork, wood pulp, silk, nickel, lead, zinc, tin, other base metals, aircraft and spacecraft, clocks and watches, musical instruments and works of art.

The tariff overhang, i.e. the difference between the bound and applied tariffs, allows Botswana to increase the tariff rates whenever it considers necessary to do so, without having to use trade defence instruments, such as safeguard measures or anti-dumping duties, and without having to seek permission to do so or enter into renegotiations of its tariff concessions.

Figure 30. Fiscal receipts, 2009-2017/18 (Millions of pulas)



Source: IMF (2014), Staff Report for the 2014 Article IV consultation, Country Report 14/204.

Figure 31. Botswana's average applied simple MFN tariffs on agricultural and non-agricultural products (Percentage)

Source: Author; ITC (2015) MacMap.

During the negotiations of the Uruguay Round, Botswana bound most of its tariff lines. However, certain lines, as shown in Figure 32, were not bound.

All bound tariffs were stated in *ad valorem* terms. Nevertheless, Botswana applies a number of tariffs which are found to be in breach of its bound rates.

Currently, Botswana applies 166 specific duties, of which 127 correspond to agricultural products. The rest are applied to fish and fish products, coal, chemical products and textiles.

In 2009, specific duties were applied to 109 lines, mainly affecting agricultural products (94 tariffs), coal, and textiles.²⁶

Figure 33 shows a comparison of the number of tariff lines with specific duties in 2009 and in 2014. The use of specific tariffs have increased, especially in HS Chapter 3 (Fish and crustaceans, molluscs and other aquatic invertebrates), Chapter 16 (Preparation of meats, fish, crustaceans, molluscs or other aquatic invertebrates) and Chapter 17 (Sugars and sugar confectionery).

Article 32 of the 2002 SACU Agreement establishes that “[all] customs, excise and additional duties collected in the Common Customs Area shall be paid

into the Common Revenue Pool in accordance with Article 33, within three (3) months of the end of the quarter of a financial year.”

SACU’s revenue pool continues to represent an important source of revenue for the Government. Botswana’s share of the pool during the period 2013/2014 stood at P13.2 billion.²⁷

For the period 2005/2006, the amount of revenue collected from the pool was equivalent to P3.3 billion, representing 17.7 per cent of the Government’s revenue.²⁸ This amount climbed to P 7.9 billion for the period 2009/2010,²⁹ accounting for 27 per cent of the Government’s revenue. By 2014/15, it reached 32 per cent of total revenue.

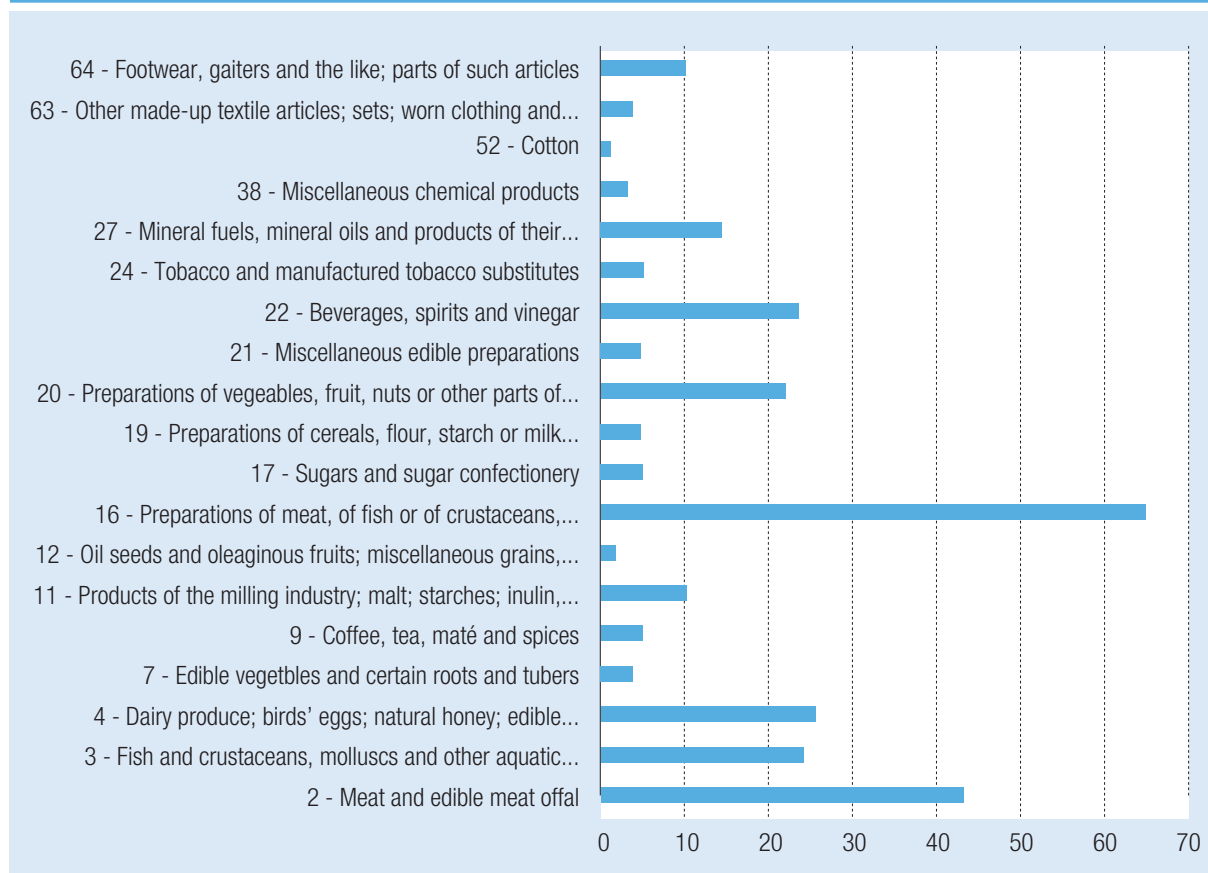
2.2. Preferential access

SACU and SADC

Botswana has been a member of SACU since its foundation in 1969,³⁰ which provides duty-free access to all products with SACU origin. Botswana is also a member of SADC.

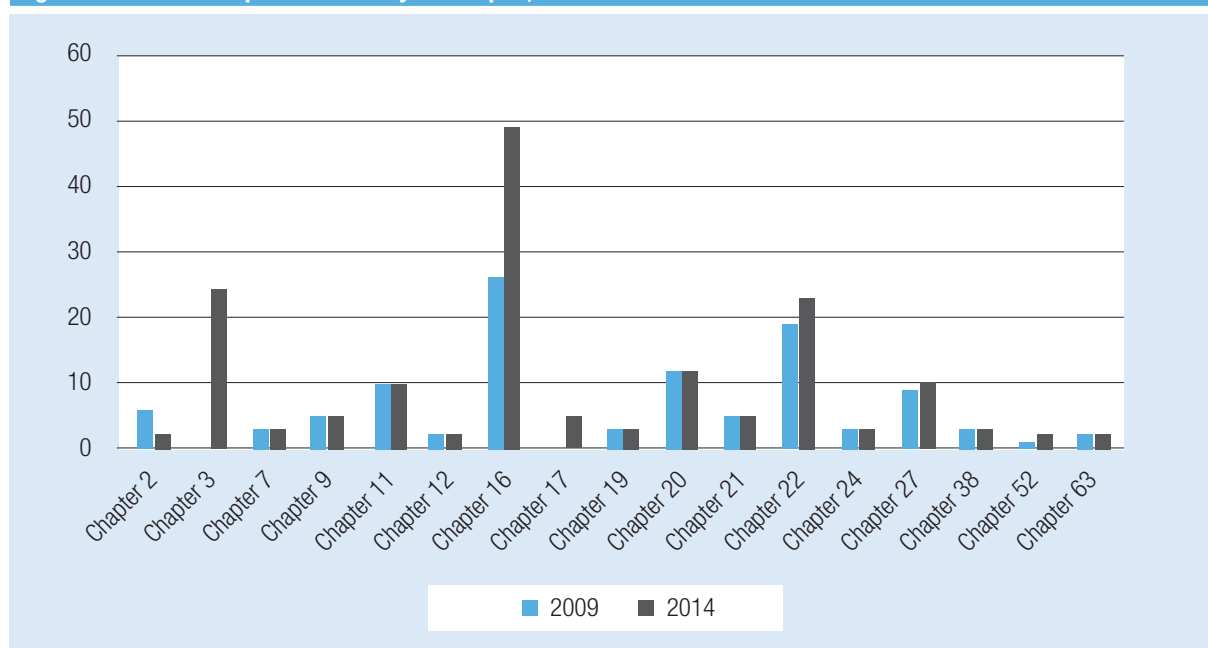
In 2014, SACU represented 75.3 per cent of Botswana’s total imports, up from 74.1 per cent in 2010. Currently, South Africa and Namibia account for

Figure 32. Number of non-bound lines by Chapter



Source: WTO (2015), Tariff Analysis On-line.

Figure 33. Number of specific duties by HS Chapter, 2009-2014



Source: Author based on WTO (2015), Tariff Analysis On-line.

Box 1. Types of customs duties

In their WTO schedules, Members use a variety of formats to specify individual tariff commitments. In most cases, Members specify tariffs in ad valorem terms, which is a simple percentage of the value of the imported product. However, some countries choose to specify some or all tariffs in specific or other non-ad valorem (NAV) formats, particularly on the imports of agricultural products. NAV tariffs can be classified in the following categories:

- **Specific tariff rates:** The customs duty is not related to the value of the imported goods but to the weight, volume, surface, etc. of the goods. The specific duty stipulates how many units of currency are to be levied per unit of quantity (e.g. 2.00 Swiss Francs per kg);
- **Compound rates:** The customs duty is a tariff comprising an ad valorem duty to which is added or subtracted a specific duty (e.g. 10 per cent plus US\$ 2.00/kg; 20 per cent less US\$ 2.00/kg);
- **Mixed duty rates:** In general, this type of duty ensures a minimum or maximum level of protection through a choice between an ad valorem duty and a specific duty (e.g. 10 per cent minimum US\$ 2.00/kg; 10 per cent or US\$ 2.00/kg, whichever is less);
- **Technical duty rates:** The customs duty is determined by complex technical factors such as alcohol content, sugar content or the value of the imported product (e.g. 8.2 per cent + T1, where T1 refers to a specific formula duty based on the agricultural component of the product).

Source: WTO (2003), Incidence of Non-Ad Valorem Tariffs in Members' Tariff Schedules and Possible Approaches to the Estimation of Ad Valorem Equivalents. TN/MS/S/10.

63.2 per cent and 12.1 per cent of Botswana's imports, respectively. However, in 2010, Namibia had a minimal share, with 1.2 per cent of imports, whilst South Africa represented 72.8 per cent. Swaziland accounted for 0.1 per cent of imports. This exclusiveness of trade between South Africa, Namibia and Botswana has been enhanced through the Trans-Kalahari Corridor, a transit corridor linking Botswana with South Africa and the maritime port of Walvis Bay in Namibia. However, SACU only represented 19.2 per cent of Botswana's total exports in 2014 (ITC).

Each SACU member is also a member of SADC in its individual capacity. Established in 1992, its aim is to create a development community that would achieve economic integration in the whole of Southern Africa, at the same time as intra-trade is expanded. SADC members signed a Protocol on Goods in 1996, with the intention of further liberalising intra-regional trade by creating mutually beneficial trade arrangements, thereby improving investment and productivity in the region. It advocates that member states eliminate barriers to trade, ease customs procedures, harmonise trade policies based on international standards and prohibit unfair business practices. SADC adopted a Protocol on Trade in Services in 2012, which has not yet been implemented.

Excluding South Africa and Namibia, SADC represented 1.1 per cent of total imports to Botswana

in 2014, and 2.1 per cent of Botswana's exports, with Zimbabwe its major market for both imports and exports. However, Zimbabwe currently accounts for only 1.4 per cent of Botswana's exports, down from a 7.3 per cent share in 2007, when it was the second largest SADC export market for Botswana, behind South Africa (ITC).

European Union

In its relationship with the EU, Botswana, together with the so-called SADC-EPA Group,³¹ signed an EPA in 2014, granting duty-free and quota-free (DFQF) market access to the EU for all the parties' products. In addition, the EPA provides: (i) an asymmetric and gradual opening of SADC-EPA markets to EU goods; (ii) bilateral safeguards allowing each party to reintroduce duties or quotas if imports from the other party disturb or threaten to disturb their economy; (iii) a chapter on Technical Barriers to Trade (TBT) as well as Sanitary and Phyto-Sanitary (SPS) measures; and (iv) a chapter aiming at facilitating trade through measures such as more efficient customs procedures and better cooperation between administrations. It is too soon to observe any substantial changes in trade between the parties due to the EPA. In 2015, Botswana and selected SADC member successfully concluded negotiations for an EPA.³² The services and investment chapters are still in on-going negotiations.

Box 2. Ad valorem vs. non-ad valorem: advantages and disadvantages

Ad valorem custom duties are by far the most common type of customs duties. They are preferable to non-ad valorem duties for several reasons.

First, *ad valorem* duties are more transparent than non-ad valorem duties. The protectionist impact and the negative effect on prices for consumers are easier to assess for ad valorem duties than for non-ad valorem duties. The lack of transparency of non-ad valorem duties makes it easier for special interest groups to obtain government support for high levels of protection.

Secondly, by definition, ad valorem customs duties are index-linked. In times of inflation, the government's tariff revenue will keep up with price increases and the level of protection will remain the same. By contrast, non-ad valorem duties will constantly have to be changed to maintain the same real tariff revenue or maintain the same level of protection.

Thirdly, non-ad valorem duties hit hardest on those products which are produced most efficiently, because cheaper like products are subject to a higher duty in ad valorem terms. Overall, with respect to industrial products, non-ad valorem duties, and in particular compound duties, are still common.

Source: Peter Van den Bossche and Werner Zdouc (2013), *The Law and Policy of the World Trade Organization*, 3rd Edition, Cambridge University Press, pp. 420-421.

Malawi and Zimbabwe

In addition, Botswana has ratified bilateral agreements with Zimbabwe and Malawi, both signed in 1956³³ by the then Federation of Rhodesia and Nyasaland. Zimbabwe's trade agreement provides duty-free access for wholly originated products from Zimbabwe, or for those that meet a 25 per cent local content requirement. It allows for cumulation to confer origin, recognising waste and scrap as inputs in the manufacturing processes. The Botswana-Malawi Customs Agreement grants duty-free access to goods grown, produced and manufactured in Botswana and Malawi. There is an evident overlap and duplication of concessions, as preferences in the Zimbabwe and Malawi Agreements are very similar to the preferences granted under SADC.

Summary conditions of applied Botswana rates

A summary of the tariffs applied by Botswana, by product classifications and according to preferences granted to various partners, is presented in Figure 34. The bound rate, the average unweighted MFN applied rate and the preferential rate (at zero) are presented. The greatest degree of policy space can be observed for consumer goods, although all categories of products enjoy large tariff overhangs.

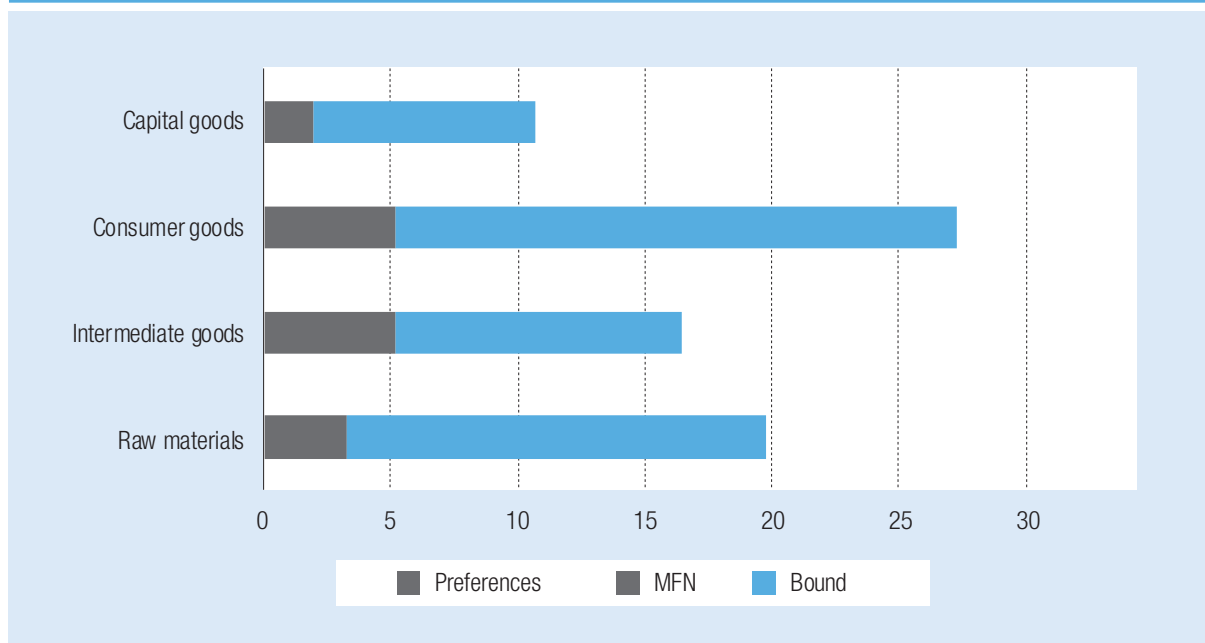
3. Quantitative restrictions and licensing

The concept of quantitative restriction refers to “[specific] limits on the quantity or value of goods that can be imported (or exported) during a specific time period.”³⁴ These usually take the form of quotas, licenses or voluntary export restraints. Although the majority of Botswana's quantitative restrictions (QRs) are applied through import licensing procedures, no reference is made to any of them in the NTP 2009.

Import licensing procedures are defined as “any administrative procedure used for the operation of import licensing regimes requiring the submission of an application or other documentation (other than that required for customs purposes) to the relevant administrative body as a prior condition for importation.”³⁵ Import licenses can be automatic if they are granted in all cases, or non-automatic where approval is not always granted. By definition, import-licensing procedures for quotas and tariff quotas are non-automatic. No major difference has been made in the imposition of quantitative restrictions or licensing requirements since the application of the NTP 2009.

Botswana prohibits the importation of narcotic drugs, obscene material, semi-precious stones, certain plants and environmentally hazardous products, such as toxic or radioactive waste. It also applies import

Figure 34. Tariffs applied by Botswana by product classification, as at September 2015



Source: World Bank WITS.

licensing procedures to restrict agricultural products, with the main intention of encouraging domestic production. The products affected include: animal feed for poultry and livestock, bananas, beetroot, butternuts, cabbage, carrots, fresh milk, green pepper, maize, maize products, mangoes, onions, oranges, potatoes, pulses, pumpkin, sorghum, sorghum products, sweet potatoes, tomatoes, watermelon, wheat and wheat flour. Import restrictions also apply to eggs and poultry meat, sugar, pre-packed refined sugar, bread loaves and pie pastries. Licenses for the importation of horticultural products are not granted when the domestic industry is able to satisfy the market's demand.

The MTI is in charge of issuing the different licenses, with the exception of agricultural-related licenses, which are issued by the Ministry of Agriculture. To apply for a permit, the person needs to hold a valid traders licence, be a citizen of Botswana or hold a residency permit authorising him or her to carry out business in Botswana, or be a company registered and carrying out business in Botswana. The application must be accompanied by proof of payment of the required fee.

Import permits for certain goods are only authorised if the applicant certifies that a certain amount has already been locally purchased. This applies for imports of

maize grain, for which 30 per cent must be purchased locally; maize meal, samp, maize rice or animal feed for poultry and livestock, for which 70 per cent must be purchased locally; 50 per cent for sorghum grains; and 70 per cent for sorghum meal, sorghum rice or any other processed sorghum products.

Exporters need an export permit issued by the Ministry of Agriculture for exports exceeding a minimum threshold of animal feed for poultry and livestock, sorghum grains and sorghum products, maize grain and maize products, millet grains and millet products, wheat grain and wheat products, pulses (castor beans and groundnuts), sunflower seed and basic foods and vegetables.

Specifically, and until recently, sugar exports exceeding 25kg a month required an export license, which allowed sugar trade of up to 100kg a month. The sugar sector has since been liberalised.

In addition, rough diamonds need a Kimberley Process Certificate issued by the Ministry of Energy and Minerals in order to be exported.

In order to promote the development of high value-added activities in the diamond sector, such as polishing and crafting, the exports of unprocessed semi-precious stones are prohibited.

In addition to the trade restrictive effect, there are other contentious issues surrounding the application of licenses, such as the lack of transparency and excessive formalities and requirements. Botswana should aim to eliminate those import licenses that respond to economic reason, facilitating and simplifying the procedures, by introducing, for example, the “single window”, through which a trader can submit all the required data to a single agency in question.³⁶ The single window was approved in January 2015 and is in the process of implementation.³⁷

4. Export taxes, charges and levies

Botswana’s NTP 2009 defines export taxes, charges and levies as:

[instruments] for promoting value addition to raw materials to stimulate the export of value added products. Where WTO regulations and other trade arrangements permit, Botswana maintains export levies and taxes on certain commodities in order to achieve the country’s objectives of food security and domestic industry access to essential raw materials.³⁸

This objective is fulfilled through the Cattle Export and Slaughter Levy Act of 2005, which provides for the imposition of a levy on cattle exported from Botswana or slaughtered at the Botswana Meat Corporation, municipal abattoirs, private abattoirs and butchers.³⁹ Various other taxes related to trade and mining are highlighted in Table 8.

5. Trade defence measures

The term “trade defence” refers to the provision that allows the Government to withdraw or suspend its obligations in order to protect crucial interests. Trade defence measures can consist of antidumping measures, countervailing duties, measures to safeguard the balances of payments and protection to infant industries. They are adopted to protect national security interests, pursue non-economic goals or “re-negotiate a deal ex-post”.⁴⁰ Usually, as safeguards are applied in a moment of a high import demand, they are the most efficient way to raise tariffs.

According to the NTP 2009:

Trade Remedies refer to emergency measures a country may apply to protect its industries from unexpected surges in imports, which have the potential to cause material or serious injury to domestic industries. Government recognises the importance of using anti-dumping measures, safeguard measures and countervailing measures to ensure development and protection of domestic industries. Government will establish a National Body to administer tariffs and institute appropriate remedial measures on dumped, subsidised or damaging import surges.⁴¹

As a result of its SACU membership, Botswana must apply trade defence measures adopted by South Africa’s International Trade Administration Commission

Table 8. Taxes linked to exports and mining

Mineral rights tax	Higher of BWP40 per km ² of land or part thereof or 10 per cent of the value of the mineral rights held
Mining royalties	10 per cent, 5 per cent and 3 per cent of gross market value of precious stones, precious metals and other minerals and mineral products, respectively
Prospecting licence fees	BWP5 per km ² subject to a minimum of BWP500 for industrial minerals and BWP1,000 for other minerals
Retention licence fees	BWP5,000 for the first year increasing by BWP5,000 for the second and subsequent years
Mining licence or mineral permit fees	BWP100 per square kilometre or part thereof
Cattle export tax	BWP2.25 on each head exported from Botswana
Export duty	Duty at various rates, payable by the exporter, is levied on the export of hides and skins, bonemeal, bloodmeal and carcass meal and animals, trophies and meat exports

(ITAC) on behalf of SACU, and Botswana in particular. In 2013 Botswana issued the Botswana Trade Commission Act, which aims to create an organisation responsible for trade remedies, the Botswana Trade Commission. At the time of this report, the Botswana Trade Commission is still in the process of being established.

The MTI can impose additional duties on a country that has: (a) imposed on any goods originating in Botswana any duty, charge or restriction which is not imposed upon like goods produced or manufactured in other countries; or (b) discriminated against goods originating in Botswana in such a manner as to place them at a disadvantage in comparison with goods that originate in a third territory.

During 2013-2014, ITAC recommended the application of safeguards on imports of frozen potato chips, and recommended applying anti-dumping duties to hand tools originating or imported from China, and to frozen potato chips from Belgium and the Netherlands, amongst others.

Import surges

Import surges are often held responsible for disrupting local markets, with negative effects on prices, production and food security. Although there is no formal definition of an import surge, or what amount can constitute one, a brief description of the latter would consist of an increase in the quantity of imports, bringing serious injury to the domestic industry. To be considered an import surge, the increase should be: (1) recent; (2) sudden; (3) sharp; and (4) significant. In the analysis presented below we consider a surge as an increase of over 30 per cent above the average of the three preceding years.⁴²

WTO members are able to use safeguard measures whenever an import surge causes damage to the domestic industry. Article XIX of the GATT and WTO Agreement on Safeguards establishes that, to use safeguard measures, the necessary conditions shall apply: (1) unforeseen developments; (2) resulting from the effects of obligations incurred by a Member; (3) leading to increased imports; and (4) that cause or threaten serious injury to domestic producers.

Between 2005 and 2015, a total of 142 import surges were detected, especially between 2007 and 2012, when an average of approximately 20 import surges a year were detected. In that period, the most affected sectors were diamond and mining, energy, tobacco

and construction machinery, although a wide range of sectors were affected by import surges during the studied period.⁴³ Annex 3 provides a list of all the import surges detected by Botswana.

Safeguards allow WTO Members, when trade is liberalised, to resort to an effective remedy in an extraordinary emergency situation that, in the judgment of that Member, makes it necessary to protect a domestic industry temporarily.⁴⁴ Their purpose is to give breathing space to the domestic industry, allowing it to adapt to the new market situation by temporarily restricting trade.

Safeguards can take the form of customs duties above the bound rates or quantitative restrictions. Both measures, without the safeguards mechanism, would be inconsistent with the country's obligations in the WTO and GATT. No safeguard has ever been invoked by Botswana and such an instrument should be introduced by the soon-to-be established Botswana Trade Commission.

6. Other duties and charges on imports

In addition to customs duties, tariff barriers also take the form of "other duties and charges", defined as financial charges or taxes other than ordinary customs duties.

Botswana's imports are subject to the excise duties and levies imposed as a result of being party to SACU. These include specific excise duties on locally manufactured or imported goods; *ad valorem* excise duties on locally manufactured or imported goods; environmental levies; a fuel levy; a road accident fund levy; and an ordinary levy.

In addition, Botswana charges internal taxes on both imported and domestic goods, including value-added tax (VAT) and specific levies on fuel, alcohol, copyright and tobacco.

D. OTHER NON-TARIFF MEASURES

1. Customs procedures

Customs procedures are governed by Botswana's Customs and Excise Duty Act, which is currently under review.

The NTP 2009 establishes, on customs procedures, that:

These will be administered in a way which ensures that the clearance and physical movement of goods across the nation's borders is smooth, timely, transparent and not onerous on traders. Appropriate mechanisms to address challenges associated with customs related activities such as border opening times, fees and formalities, transportation corridors, paperwork and other procedures will be developed. Efforts will be made to ensure that there is a coordinated approach between Ministries in developing and implementing import and export procedures; and that controls that are necessary to ensure health and safety are executed in a transparent manner.

This commitment to greater trade facilitation is extended to regional and international trading partners. As such, Botswana will continue to work closely with other members of SACU and SADC to reduce border transaction costs. Further, Government negotiates with other trading partners on the same with a view to achieving simplified customs procedures and facilitating timely clearance of goods.⁴⁵

For imports, the documents required for customs clearance are: (1) customs declaration; (2) commercial invoice; (3) bill of lading; (4) certificate of origin, for those goods claiming preferential market access or subject to trade defence mechanisms; and (5) packing list. As mentioned in the previous section, certain products require a technical conformity, health or veterinary certificate, or an import permit.

For exports, an electronic export declaration form together with the invoice, bill of lading, packing list and insurance documents are required for all commercial exports.

According to the Trade Act, traders need to be registered as an undertaking under the Companies Act in order to obtain a trading license. In addition to the license, all importers are required to be registered within BURS' Customs and Excise Division. Importers with revenues equivalent or higher to P30,000 need to obtain a Trader Identification Number (TIN).

Customs authorities are entitled to enforce Botswana's TBT and SPS requirements, and intellectual property rights. Products violating those regulations face an

embargo and later destruction. Products found in conformity with Botswana's regulations are delivered back to the importer. The decisions from the authority can be appealed within three months of their adoption.

The losses that traders suffer due to border delays, unnecessary documentation and lack of automation are estimated to exceed, in many cases, the costs of custom duties.⁴⁶ In order to mitigate those negative effects, in July 2015 Botswana ratified the Agreement on Trade Facilitation (TFA), the first multilateral agreement achieved since the conclusion of the Uruguay Round. It will enter into force when two thirds of the Members have ratified it.

The TFA has two sections. The first section clarifies Articles V (Freedom of Transit); Article VIII (Fees and Formalities connected with Importation and Exportation); and Article X (Publication and Administration of Trade Regulations). It contains provisions for expediting the movement, release and clearance of goods, including goods in transit. The second section contains "special and differential treatment" provisions that allow developing countries and Least Developed Countries (LDCs) to determine when they will implement individual provisions of the Agreement, and to identify provisions that they will only be able to implement upon the receipt of technical assistance and support for capacity building.⁴⁷

According to the OECD,⁴⁸ the implementation of the TFA could reduce trade costs by between 12.5 per cent and 17.5 per cent. For countries like Botswana, a full implementation of the TFA would represent a trade cost reduction equivalent to 14.6 per cent.⁴⁹

According to the "Doing Business" report, the cost that Botswana's companies face to export is equivalent to US\$ 3,145 per container, as well as having to complete six administrative documents, and taking 27 days to complete the exportation. On the other hand, the cost of import is equivalent to US\$ 3,710, with six documents to be completed and 35 days to complete the importation. In 2009, the cost to export was equivalent to US\$ 2,508 per container, taking 31 days, whilst to import it cost US\$ 3,064 per container and 42 days.⁵⁰ Thus, the cost of exporting has decreased, while the cost of importing increased between the two periods. The time to export decreased by four days, while the time to import decreased by seven days.

The implementation of the TFA is expected to ease the practice of importing and exporting in Botswana.

2. Technical barriers to trade and sanitary and phyto-sanitary measures

TBT are omnipresent in today's society. Computer sets, toys, medicines, food and other products are subject to requirements related to their characteristics and the manner in which they are produced. TBT measures include technical regulations, standards and conformity assessment procedures.⁵¹ SPS measures are defined as any law, decree, regulation, requirement and procedure directly related to food safety.⁵²

Botswana's NTP 2009 states that:

Technical Standards and Regulations are developed in accordance with the domestic regulatory framework and policies as well as internationally accepted standards and quality. The standards and regulations are applied in a manner which ensures the protection of human, animal and plant life and health through the use of appropriate sanitary and phyto-sanitary measures. Government continues advocating

for a balanced application of such measures, ensuring that the technical standards and regulations are not overly burdensome and do not restrict trade more than is necessary.⁵³

Botswana's technical regulations, standards and conformity assessment procedures are developed according to the 1995 Standards Act No. 16, which includes specific labelling on food products and cigarettes.

As per the WTO TBT Agreement, the Botswana Bureau of Standards (BOBS) is the national enquiry point under the WTO TBT Agreement. While the MTI is the national notification authority, BOBS is in charge of the development of national standards.

BOBS is in charge of implementing the Standards Import Inspection Regulations (SIIR) of 2008, last amended in 2013. Its main purpose is to control the quality of the prescribed imports, as listed in the regulations. Imports of all products listed in the SIIR, referred to as regulated products, have to comply with the required specifications and require certificates of compliance from the country of origin.

Box 3. Botswana's "Category A" provisions

Botswana's "Category A" provisions

Article 2.1 Opportunity to Comment and receive Information before Entry into Force

Article 2.2 Consultations

Article 5.1 Notifications for enhanced controls or inspections

Article 5.2 Detention

Article 7.1 Pre-arrival Processing

Article 7.2 Electronic Payment

Article 7.3 Separation of Release from Final Determination of Customs Duties, Taxes, Fees and Charges

Article 7.4 Risk Management

Article 7.5 Post-clearance Audit

Article 7.6 Establishment and Publication of Average Release Times

Article 7.8 Expedited Shipments

Article 7.9 Perishable Goods

Article 9 Movement of goods intended for import under customs control

Article 10.3 Use of International Standards

Article 10.5 Pre-shipment Inspection

Article 10.6 Use of Customs Brokers

Article 10.7 Common Border Procedures and Uniform Documentation Requirements

Article 10.8 Rejected Goods

Article 10.9 Temporary Admission of Goods and Inward and Outward Processing

Source: WTO.

On conformity assessment, there are only five accredited laboratories for testing in Botswana. BOBS has submitted an application for the accreditation of 17 test methods. Botswana recognises foreign test results from accredited testing laboratories.

Regarding the SPS measures, the Ministry of Agriculture is the national enquiry point and notification authority. In addition, it is responsible for the adoption and implementation of SPS requirements. The Ministry of Health is responsible for food safety and is advised by the National Food Control Board. However, Botswana has recognised a lack of capacity in this area.

TBT and SPS measures may be used as disguised forms of domestic industry protection, by unnecessarily restricting market access for imports beyond what is justified by their public policy objectives.⁵⁴ In order to avoid such a situation, there is a stipulation that technical regulations shall not be “more trade restrictive than necessary to fulfil a legitimate objective, taking account of the risks non-fulfilment would create”.⁵⁵

Therefore, even though *prima facie* some countries have granted preferential market access to Botswana’s producers, they may be unable to access those markets because they cannot meet the strict requirements established by the country granting the preferential treatment.

The private sector should be aware of the need to comply with the different TBT and SPS requirements. In order to promote the adoption and application of international standards, the EPA, for example, contains a number of provisions in order to assist Botswana’s producers to meet the standards and therefore be able to export the EU. These provisions are related to the intensification of collaboration, exchange of information, the development of cooperation activities with a view to supporting the implementation of the rights and obligations under the TBT Agreement and the promotion of harmonisation. In addition, the Agreement recognises the importance of cooperating in the areas of technical regulations, standards, metrology and accreditation and conformity assessment in order to achieve the objectives of the agreement. On the SPS measures, “[the] Parties agree to facilitate trade and investment within the SADC EPA States and between the Parties while ensuring that measures adopted shall apply only to the extent necessary to protect human, animal or plant health or life in accordance with the provisions of the SPS Agreement.”

In addition, Botswana recently drafted its National Quality Policy, with the objective of ensuring its internal standards are WTO and SADC compatible. This will align Botswana’s national quality infrastructure to best practices and ensure it is in line with its international and regional obligations regarding standardisation and technical barriers to trade. The net result is that local manufacturers as well as importers will be able to meet the fundamental objectives for technical regulations, namely to ensure the health and safety of society and the health of the environment, amongst others.

3. Rules of origin

Whenever a country grants preferential market access to another country, it is necessary and mandatory to ensure that the products to which that preferential treatment is granted do in fact originate in the preferential country. In order to do so, countries, in their bilateral agreements and negotiations, establish the Rules of Origin (RoO) that will be applicable between them.

For primary products, such as agricultural and mineral products, the concept of origin is direct: if it was extracted from the territory of the preferential country, it will be considered to have originated there and therefore preferential access will be granted. However, for internationally manufactured goods, it is almost impossible to characterise them as originating in only one specific country.

According to what is established at the NTP 2009:

RoO relate to the laws, regulations and administrative determinants applied by countries to determine the economic origin of goods, services and investment as well as subsequent treatment in the context of a PTA. RoO are also used as a tool to prevent the trans-shipment of goods. SACU has no commonly agreed set of RoO. Instead, RoO are negotiated with each trading partner(s) through a collaborative process involving all SACU Member States. For SADC, RoO are negotiated in accordance with the SADC Protocol on Trade Annex on Rules of Origin. RoO serve to strike a balance between encouraging domestic producers to utilise locally available raw materials while simultaneously allowing access to third country input materials. Products are designated as “originating” according to the RoO negotiated with each respective trading

partner(s). *Government aims to attain simple, flexible and transparent RoO with a view to fostering exports of originating products and importing affordable input materials for producers as well as importing more affordable goods for consumers.*⁵⁶

There are two risks that should be taken into consideration whenever a country negotiates RoO. If those rules are too soft, there is the risk that the country with preferential access may become a hub for non-originated products. On the other hand, if the rules are too strict, they may discourage the use of the preferential market, preventing investors from using it.

Botswana applies non-preferential and preferential RoO.

According to the non-preferential RoO, goods have their origin in a particular territory if:

- at least 25 per cent of the production cost of the good is accounted for by materials originating, and labour performed in that territory
- the last process in the production or manufacturing has taken place in that territory
- any other process as prescribed by the Minister of Industry and Trade has taken place in that territory.

Preferential RoO are determined by parties to RTA (i.e. EPA, SADC with Malawi and Zimbabwe, etc). The general criteria to confer origin under SADC are: complete production, change in tariff heading, regional value content and substantial transformation. It also provides specific RoO applicable to certain textiles and garment products produced in LDCs Members of SADC⁵⁷ and shipped to SACU.

On the other hand, some Landlocked Developing Countries (LLDCs), Botswana amongst them, have difficulties in qualifying for origin status owing to the restrictive criteria applied and the complex reporting required by the RoO. For example, the fact that non-originating materials on a finished product should

not exceed a stipulated percentage of the value of a product, or that the value addition in the country of manufacture should not be below a prescribed threshold, is difficult to attain for those countries with few natural resources, and with primarily light manufacturing operations. This is a key area to solve, especially when Botswana wants to be further integrated into the global value chain structure. The negotiation of comprehensive and fair RoO is essential for Botswana's exporters to qualify their products as originated in Botswana, in order to benefit from preferential market access.

In addition, a possible contradiction has been identified. While, on the one hand, the NTP 2009 aims to boost the addition of value to those products through the imposition of export quotas to raw materials, it promotes the adoption of "simple, flexible and transparent RoO". Those kind of RoO enable the exportation of products as Botswana-originated, with a minimal requirement of transformation. Thus, the consultant considers that these principles should be re-addressed in the NTP 2016.

4. Services

Services can have a huge impact on the competitiveness of developing countries. "Low-cost, high-quality, reliable services are key to developing countries' connectivity to the global economy because they are inputs in the production of many goods and services."⁵⁸

Openness in trade in services is critical for the development of factors such as labour productivity and total factor productivity, because input services facilitate transactions, *inter alia*, through space, information and communications technologies, logistical services and financial services.⁵⁹

Due to the deep linkages of services with the manufacturing sector, efficiency in one sector leads

Box 4. Types of rules of origin

Non-Preferential rules of origin apply to most-favoured-nation (MFN) trade as a means to determine the origin of goods within the framework of WTO trade policy instruments, such as anti-dumping proceedings, quantitative restrictions, Agreement on Textiles and Clothing and quotas that do not include preferential treatment.

Preferential rules of origin apply in the context of preferential tariff regimes such as the GSP, Free Trade Areas (FTAs), and regional integration. The purpose of preferential rules of origin is to confer preferential treatment such as preferential duties, special quotas, etc.

Source: UNCTAD (1999), *Future Multilateral Trade Negotiations: Handbook for Trade Negotiators from Least Developed Countries*.

to efficiency in others. Studies have shown that the importation of services has a positive effect on the skill and technology mix of exports.⁶⁰

Policy-makers may adopt different policy instruments to promote certain behaviour amongst citizens. In addition to the policy goal pursued, regulators may also take into consideration the level of capacity and resources to develop, implement and monitor. The economic, institutional and legal background must be taken into account for the development of effective instruments.

The economic, regulatory and institutional context will condition which instrument is most appropriate for

achieving the desired regulatory goals. It is useful to propose alternative regulatory strategies and instruments specific to a country's needs. Table 6 shows some key regulatory issues in different services sectors.

The services sector is the bigger contributor to Botswana's GDP, accounting for approximately 60 per cent of the GDP.⁶¹ However, available data on services, and especially on trade in services, is very weak compared to the data available on merchandise trade, due to the nature of services, i.e. their intangibility, non-storability and heterogeneity. Due to the scarce variety of industries in Botswana, the services sector has the potential to become a great source of economic growth.

Table 9. Key regulatory issues affecting services

Type of services	Key regulatory Issues	Modes of supply
Business	<ul style="list-style-type: none"> • Human capital and skills • Telecommunications infrastructure • Institutions that affect contract enforcement • Labour mobility and foreign direct investments regulations and outward policies • Trading partners policies 	Mode 1, 3 & 4
Financial	<ul style="list-style-type: none"> • Prudential regulations and regulations affecting board members and management • Electronic infrastructure and regulations on personal data protection and transfer • Innovation of new products, access to payment system • Effect on social security through links to health insurance and pension assets management • Regulations that limit scope of services 	Mode 1, 2, 3 & 4
Professional	<ul style="list-style-type: none"> • Nationality and residency requirements that limit access to market • Labour laws and regulations affecting professionals • Differential treatment of applications from foreign and domestic • Suppliers, including criteria relating to education, experience • Examinations, and ethics; competence of applicants; and the need for in-country experience examination 	Mode 1 & 4
Telecommunication	<ul style="list-style-type: none"> • Electronic (virtual) delivery of services, especially on a cross-border basis • Terms, conditions, quality, and reliability of physical infrastructure • Absence of which limits electronic delivery of services • Barriers to new entrants by incumbents and other limitations to competition 	Mode 1 & 3
Transportation	<ul style="list-style-type: none"> • Intensive use of physical infrastructure • Customs and border management • Regulations dealing with international cargo and passengers, sabotage, and non-discriminatory access to and use of basic infrastructure • Regulations on drivers, pilots, and crew 	Mode 1 & 3
Travel	<ul style="list-style-type: none"> • Physical infrastructures and natural endowments • Customs and border management (border requirements) • Other services, such as transportation and health and security standards 	Mode 2 & 3

Source: Molinuevo, M. & Saez, S. (2014).

On Trade in Services, Botswana's NTP establishes that:

Government recognises the need to liberalise the services sector and ensure that the level and pace of liberalisation is commensurate with the level of development and the needs of the sector. Government also recognises that certain requirements such as licensing and certification are important for securing conformity with the required standards for quality service delivery. While these requirements vary according to the peculiarities of industries, they are administered in a transparent, equitable and non-discriminatory manner.

The removal of impediments is carefully balanced with the right to regulate. Government recognises the need to ensure effectively functioning regulatory mechanisms and ensures adequate co-ordination and collaboration across the relevant Ministries. Openness, coupled with transparent and non-discriminatory regulations, is encouraged as the basis of Botswana's approach to liberalising the service sector.

In order to expand trade in services, Government will deliberately adopt sector-specific strategies as well as negotiating Mutual Recognition Agreements to provide more opportunities for Botswana to participate in supplying their skills and services in other countries.⁶²

Under the GATS, Botswana entered the following horizontal restrictions relevant to the covered services:⁶³

Modes 1 and 2 – National Treatment:

- Capital remittances and transfer of funds require approval of the Bank of Botswana (Central Bank).
- Fees payable to the Bank of Botswana (Central Bank).
- Fees payable to non-resident service suppliers are subject to approval of the Bank of Botswana.

Mode 3 – Market Access:

- All juridical persons must be registered with the Registrar of Companies.
- All juridical persons are required to have a licence issued by the relevant authorities.

- Investors are required to conform to the requirements of the localisation policy. Investors are required to train citizens in order to enable them to assume senior management positions over time. **Mode 3 – National Treatment:**
- Foreign investors are encouraged to enter into joint ventures with local investors.
- Juridical persons who specialise in providing services should be registered in their countries of origin.
- When foreign investors sell their interests in resident companies, locals should be given priority to purchase such interests.

Mode 4 – Market Access:

- For a foreign natural person to work in Botswana a residence and work permit is required.
- Foreign natural persons can be employed by companies that provide services within Botswana only as managers, executives, special technicians and highly qualified professionals.

Mode 4 – National Treatment:

- Natural persons providing professional services should have the rights to practice in their countries of origin.

According to a World Bank report,⁶⁴ many LLDCs, including Botswana, implement restrictive policies in the trade in services, reducing the competitiveness of their economy. In the case of Botswana, these restrictions particularly affect air transport and telecommunications.

It has been assessed that Botswana applies its main restrictions on mode 3, commercial presence, by limiting the presence of foreign capital, allowing it to hold a maximum percentage of a domestic company. These constraints affect all sectors except professional firms, through which foreign presence is allowed, excluding a possible limit on the use of a foreign brand name.

Figure 35 compares the average overall Services Trade Restrictiveness Index (STRI)⁶⁵ of 22 landlocked countries to the average STRI of non-landlocked countries in the areas of air transportation and telecommunication.

Within air transport, the difference is mainly due to tougher policies on cross-border trade of air transport services in landlocked countries. Botswana limits the foreign ownership of international air passenger companies to 50 per cent. For entry through acquisition and/or a joint venture, the limit on foreign ownership is 49 per cent. The holding of a controlling stake is not allowed.

Within the telecom sector, LLDCs apply more restrictive measures to the fixed line segment than to mobile telephony. Botswana limits the ownership for local fixed lines to 49 per cent, and international lines to 50 per cent. For acquisition, there is no limit on foreign ownership. There is also a limit of four licenses to be allocated through a competitive tender. Botswana Telecommunications has a de facto monopoly on the provision of international infrastructure.

As concluded by the World Bank report, a country's own policy reform can contribute to a more competitive market structure. Taking the STRI as a benchmark, moving from the level of a median country with a STRI of 50, like Botswana, to an STRI of 25 would represent, in the telecommunication sector, an increase in cellular subscription by 7 percentage points and an increase in main landlines by 4 per cent. The very same STRI reduction would provoke a 20 per cent increase in the number of flights. The effect of aviation policies works mainly through reducing the average number of flights per airline, rather than reducing the number of airlines flying to and from a country. Countries with highly restrictive aviation policies have on average 39 per cent fewer flights per airline than liberal countries. (Figure 35).

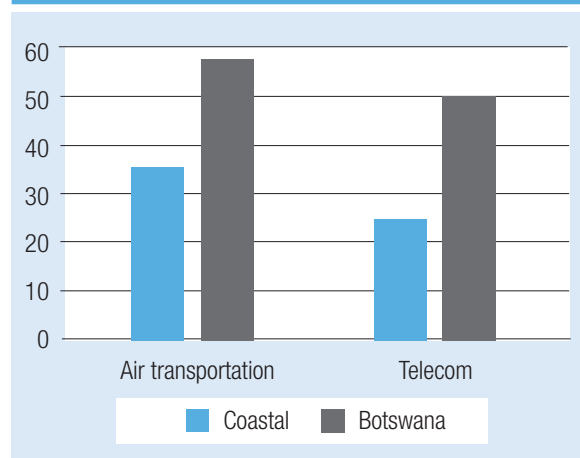
Trade in services commitments and negotiations affect the tourism sector in various ways. The country has made commitments under the GATS covering two tourism sub-sectors, namely hotels and restaurants, and travel agencies and tour operators. The sector and its licenses are regulated by the Tourism Regulation of 2010, which revokes the former Tourism Order and Tourism Regulations.

In the former Tourism Regulations, it was stated that “[Botswanan] citizens will have exclusive rights to the operation of several types of small and medium tourism enterprises, such as guest houses, motor boat safaris, camping and caravan sites, mekoro, mobile safaris and tourism transfers and transportation.”⁶⁶ However, those regulations may have directly affected Botswana's commitments under the GATS. A recent

regulatory review of trade restrictions⁶⁷ further identifies as market access restrictions: professional guides requiring citizenship or permanent residency; assistant guides requiring citizenship; specialist guides (Mokoro Polers) requiring citizenship; takeaway licenses being reserved to citizens; and alcoholic beverage-serving services being reserved for citizens of Botswana or to companies wholly owned by citizens of Botswana. The same study identifies discrimination under national treatment, such that wholly citizen-owned tourist enterprises of five bedrooms or less are exempted from the licensing requirement.

Botswana should consider gradually making further commitments to opening up some critical service sectors, without of course losing its right to regulate. Botswana, as mentioned before, is negotiating the openness of services and investment to the EU under the EPA. This example should be followed and also be extended to those WTO Members that may offer competitive services to Botswana.

Figure 35. Overall STRI for air transportation and telecommunications



Source: World Bank (2012), *Landlocked or Policy-Locked? How Services Trade Protection Deepens Economic Isolation*

VI

OTHER TRADE-RELATED AREAS AND COMPETITIVENESS



A. ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Trade and the environment, and environmental policies which affect the competitiveness of the private sector, are concerns that have been discussed since the 1960s. However, there is much controversy regarding evidence and causality.

First, it has been argued that an expansion of trade will increase production and therefore potentially increase externalities such as pollution. Another argument states that trade liberalisation would allow firms to reallocate in countries with laxer regulatory environment policies. However, whilst trade liberalisation can produce such results, they only appear when inappropriate environmental policies are adopted.

Secondly, domestic environmental regulations, especially on industrial processes, may be seen to put national firms at a disadvantage in international competition. This might occur whenever the competition faces laxer environmental policies, or they receive incentives to comply with them.

Evidence shows that environmental regulations can affect employment and productivity, especially in pollution- and energy-intensive sectors. In some cases, the adoption of high environmental standards can represent a competitive advantage. “First, compliance with higher standards can sometimes lead to process improvements that increase manufacturing efficiency.”⁶⁸ Second, higher standards can put the domestic firms in the lead for technology that meets those standards in the region. In addition, “if there is preference for more environmentally-friendly goods on the part of consumers, there should be willingness to pay for them.”⁶⁹

Furthermore, there is now ample evidence that environmental regulations incentivise innovation in clean technologies, whilst discouraging research and development in conventional and polluting technologies, “offering some support for the idea that directed technological change can help offset the costs of environmental regulations or even encourage economic growth.”⁷⁰

At the multilateral level, the 2001 Doha Ministerial Declaration, Paragraph 31 (iii) called for negotiations on “the reduction or, as appropriate, elimination of tariffs and non-tariff barriers to environmental goods and services”, to enhance the mutual supportiveness of trade, environment and development.

Although trade policy instruments may not be the most relevant or effective tools to address environmental issues, there can be positive contributions made by removing trade restrictions on environmental quality,⁷¹ through:

- more efficient factor-use and consumption patterns
- poverty reduction through trade expansion, and encouragement of a sustainable rate of natural resource exploitation
- an increase in the availability of environment-related goods and services through market liberalisation
- better conditions for international cooperation through a continuing process of multilateral negotiations.⁷²

In 2002, the Keynote Paper developed for the National Development Plan 9, stated the need to adopt environmental quality and emission standards.⁷³ Botswana recently adopted environmental standards on ambient air quality, as a limit for common pollutants.⁷⁴ It also adopted maximum permissible limits for environmental noise.⁷⁵

Botswana’s National Trade Policy does not address the issue of trade and environment. Thus, a reference should be included in order to strengthen the linkages between the MTI and Ministry of Environment, Wildlife and Tourism, in order to promote the adoption of policies that, on the one hand, are compatible with the objective of boosting Botswana’s trade, and, on the other hand, are environmentally sustainable.

In addition, Botswana should further develop and implement environmental standards as a way to increase investment in less-pollutant technologies, while adopting measures to alleviate the possible negative effects. The environmental goods and services market was estimated at US\$ 866 billion in 2011,⁷⁶ with some analysts expecting it to rise to US\$ 1.9 trillion by 2020,⁷⁷ with Africa being one of the regions where the fastest growth is expected. Thus, in addition to the adoption of environmental standards, Botswana should also consider reducing or eliminating tariffs on environmental goods.

B. STATE-OWNED ENTERPRISES

Historically, the Government has played an important role in the economy through different State-Owned Enterprises (SOEs). Botswana has 55 operational SOEs, of which 19 are commercial entities operating in a wide sphere of activities ranging from utilities

including telecommunications to meat-processing.⁷⁸ The role of SOEs in Botswana's trade is not addressed in the NTP 2009.

There are many arguments defending the existence of SOEs in the economy. State ownership is seen as a way of correcting market failures, "particularly in the context of countries with weaker regulatory frameworks or where outsourcing of state activities to the private sector is difficult, [...] where the private capital base is deemed insufficient or where SOEs can be a more reliable way of generating government revenue."⁷⁹ In addition, SOEs can be considered desirable or natural by offering a venue for the provision of public and merit goods, and used as a way to promote industries that are considered economically desirable, but which otherwise would not be developed through private investment.⁸⁰

However, state ownership has often entailed less efficient business performance compared to privately-owned firms. It might be due to the lack of specificity in the objectives pursued by the SOE, lesser budget constraints, or labour inputs being politically guided. "When state ownership is dominant in a particular sector, ineffective and poor performance can carry significant costs to the entire economy."⁸¹ For example, an inefficient allocation of capital and poor management in the banking sector of a country can make it difficult for the private sector to gain access to capital, thereby increasing start-up costs and stifling entrepreneurship.⁸² This concern was shared during the consultations, where it was argued that SOEs create a culture of dependency. In addition, it was suggested that Botswana's SOEs are operating in certain sectors where no market failures exist or where the private sector is able to satisfy the domestic demand.

The promotion of a competitive market does not aim to reduce SOEs *per se*, but instead to eliminate the unfair benefits attached to them, which may result in the anti-competitive behaviours of state-owned (or private) firms.

At the multilateral level, SOEs may be used by governments to implement measures that otherwise would be considered WTO-inconsistent, such as market access restrictions or export subsidies.

Botswana is currently in the process of privatising public enterprises. Privatisation, as defined by the Privatisation Policy of 2000, refers to "all measures and

policies aimed at strengthening the role of the private sector in the economy".⁸³ Privatisation is seen as a way to enforce market discipline and promote efficient allocation and use of economic resources, at the same time as competition is promoted, the participation of the private sector in the economy increased and the rate of economic growth accelerated by stimulating entrepreneurship and investment.

C. GOVERNMENT PROCUREMENT

Amongst the typical forms of non-tariff barriers, government procurement is one of the ways in which governments can favour domestic producers, as government procurement falls outside the scope of application of the General Agreement on Tariffs and Trade 1994 (GATT 1994).⁸⁴ Governments can systematically discriminate in favour of domestic producers over foreign ones when buying goods and services.

The main rationale for discriminating in public procurement is the fact that "buying national shifts profits from foreign firms to domestic ones."⁸⁵

The reservation and price preference scheme for citizen companies was introduced by the Government in 2001, through the Public Procurement and Asset Disposal Act and the 2006 Public Procurement and Asset Disposal Regulations, as a way to empower Botswana's citizens. It encourages government suppliers to work in partnership with local business to impart skills, in order to help citizens achieve quality standards.

The Government uses seven methods of tender: (i) open domestic bidding; (ii) open international bidding; (iii) restricted domestic bidding; (iv) restricted international bidding; (v) quotation proposal procurement; (vi) micro procurement; and (vii) direct procurement. Participation of foreign companies registered in Botswana is allowed in open domestic tenders, but reservation/preferences are provided to Botswanan nationals.

However, during consultations strong criticisms were received from the private sector regarding the functioning of the tendering process, where awarded tenders do not supply the Government with goods produced and manufactured in Botswana, but rather they distribute imported goods, distorting the objective of the tender and of the EDD and Citizen

Economic Empowerment (CEE). The EDD establishes that the Government, local authorities and parastatal organisations should acquire all their products and services from domestic manufacturers and service providers, provided that the goods and services are competitively priced and meet tender specifications in terms of quality standards, as certified by BOBS or other recognised certifying bodies.

Botswana's NTP states that:

To enhance effective participation of nationals in the economy, more especially in large and mega government projects, Government will continue to uphold the reservation and preference schemes for citizens while simultaneously encouraging active participation of foreign firms in Government projects through a competitive, transparent and legitimate tendering process.⁸⁶

The NTP 2009 makes specific reference to the participation of Botswana's citizens in "large and mega government projects". However, it has been noted that these projects are usually the ones opened to international competition, while small and medium projects are those offered exclusively to domestic tenders. In addition, there are concerns over whether national industry has the financial, human and technical capacity to attend to these tenders and supply the Government with the quality required.

It is therefore suggested that a review of the Public Procurement and Asset Disposal Act be carried out with a view to establishing its impact on creating jobs, generating value addition and in fostering small and medium enterprise development. The review should also consider the qualitative issues related to the restrictive tendering procedures, and whether the services rendered are commensurate with the needs of the government.

D. COMPETITION POLICY

Having adopted its Competition Policy in 2005, it was not until 2009 and 2011, when Botswana adopted its Competition Act and Competition Regulations, respectively, that a competition policy entered into force.

"[N]otwithstanding their distinct legal traditions, trade policy and competition policy, properly applied, are mutually reinforcing methods for promoting welfare."

⁸⁷ Reductions on national trade barriers promote welfare-enhancing contractual relations that expand trade and increase aggregate welfare in liberalising nations.⁸⁸ "The benefits of trade liberalisation are magnified by competition law rules that lower the incidence of consumer welfare-reducing restrictions on the competitive process."⁸⁹ Although competition law is not directly covered by the WTO in one specific agreement, it is indirectly covered by certain provisions scattered amongst the different agreements, such as the General Agreement on Trade in Services (GATS).⁹⁰

The rationale of the 2005 Botswana Competition Policy is "the need to maximise the benefits for trade and investment liberalisation, deregulation, privatisation and to protect the benefits generated by competition from erosion by anticompetitive practices in a deregulated environment." It also aims to address problems related to the globalisation of cartels, abuse of market dominance and monopolisation of key sectors following the opening up of markets and the increase in cross-border trade.

It was elaborated as a strategy for enhancing Botswana's ability to promote free entry into the marketplace by investors and all firms, irrespective of their size, and to attract both domestic and foreign investment flows, innovation and transfer of technology from IPR holders, amongst others.

The National Trade Policy refers to competition but does not explicitly address competition policies, and instead delegates these issues to the Competition Policy, which is standard practice. Botswana's MTI is in charge of monitoring the implementation of Botswana's Competition Act. The implementation and enforcement of the law is made through the Competition Authority and the Commission. The Authority is also in charge of enforcing the Consumer Protection Act.

The law prohibits vertical and horizontal agreements, such as directly or indirectly fixing a purchase or selling price, dividing markets, bid-rigging, constraints on production or sale, concerted practice and agreements that involve resale price maintenance. In addition, abuse of a dominant position is also prohibited, whenever that abuse is likely to *damage* the market or harm consumers' welfare.

The Competition Authority is responsible for the implementation of the Competition Act, through "smart enforcement" and "smart advocacy". The first, "smart

enforcement”, relates to the need to use the Authority’s scarce human and capital resources on those cases that will have the greatest effect on consumer’s welfare. The second, “smart advocacy”, is a tool to raise awareness of the need for effective competition law amongst the private sector.⁹¹ Competition law has to be seen as a tool to protect the market from unfair practices, benefiting the economy as a whole.

E. SPECIAL ECONOMIC ZONES

Special Economic Zones (SEZs) are created as geographically distinct economic areas inside Botswana with their own administrative SEZs Authority, which provides an investor-friendly business environment that will increase Botswana’s attractiveness for both domestic and foreign investment. “The main objective of the 2010 SEZs Policy is to diversify the economy and Botswana’s export base into sectors that will continue to grow long after diamonds have run out.”⁹² The policy provides for the development of public sector, private sector and public-private sector partnership SEZs, across the country and the sectors.

The NTP 2009, under the chapter “Economic Incentives”, states that:

These are usually used to address supply-side constraints, reduce the cost of production and thus increase firms’ international competitiveness. Economic incentives may take the form of an attractive tax system, tax holidays, loan guarantees, duty drawback facilities and allocation of serviced land and other forms of subsidies. Government will explore innovative ways of using economic incentives through the development of a two-tier incentive system: one set of incentives applicable to export firms located inside the special economic zones (SEZs) and a general set of incentives applicable to firms located outside the SEZs and the “hubs” operating outside the SEZs. Further, Government will continue with the rationalisation and targeted provision of economic incentives to encourage domestic production, export development,

as well as both domestic and foreign direct investment. Government will continue to develop economic incentive packages that are in line with her bilateral, regional and multilateral trade arrangements and commitments.⁹³

The aim is to attract domestic and foreign investors through the provision of fiscal incentives and to minimise red tape for enterprises located within these zones. The fiscal incentives include: exemption or reduction of corporate tax and exemptions from all other local taxes; duty-free importation of raw materials, capital goods and intermediate inputs; no restrictions on capital and profit repatriation; exemption from foreign exchange controls; and no export charges.

SEZs are considered areas outside the customs territory. As a result, goods produced within the SEZs will be subject to import duties, taxes and other charges paid by importers into the domestic and regional markets. Goods entering the SEZs from domestic and regional customs areas will be treated as exports. Likewise, goods exported from the SEZs into the domestic and regional customs areas will be treated as imports.

According to the private sector, the Special Economic Zones Bill is currently lacking in the level of detail and policy coherence needed in a Special Economic Zone regime.⁹⁴ It is therefore felt that it will not be a very effective tool for the establishment of the modern SEZ regime, but can be used as a transitional tool. It provides a framework through which foreign and domestic investors can operate, sending a clear message to the market that Botswana will finally create its SEZs.

There has been very limited uptake of industries in the SEZs. It was noted by stakeholders during consultations that while some industries do set up within the SEZ to take advantage of tax breaks, once these are phased out the industries tend to relocate elsewhere. As such the SEZ policy does not appear to have yielded the expected results and a thorough overhaul of the policy is required.

VIII

CONCLUSIONS AND INITIAL POLICY RECOMMENDATIONS



The National Trade Policy 2010-2014 focused on achieving openness and economic diversification. Nevertheless, a series of impediments, some internal, some external, affected its success. The NTP 2010-2014 is a document that provides substantial discretionary powers, thereby leaving significant policy space for the government. This was a judicious crafting of the trade policy, particularly since it was the first national trade policy for Botswana. Nevertheless, the NTP provided a number of useful proposals that could have been implemented and were not. During the consultation process, a series of changes to the NTP were recommended in order to provide more specific guidance on the policy stance, as well as a detailed implementation matrix. In contrast, the Reference Group felt that policy space should be maintained, such that the NTP should retain a vision of trade openness but be couched in non-committal language in some areas, which are still being deliberated nationally to find common ground.

Arguably, the single most important expected outcome from Botswana's National Trade Policy is its ability to diversify Botswana's economy and generate growth. Different sectors of the economy, such as minerals, textiles, beef's value chains and services, have the potential to make a considerable contribution to the economy. Export markets will play a crucial role in achieving such diversification. In order to achieve economic transformation, many policy changes will be necessary to achieve comprehensive support for creating the necessary competitive environment for sectors to flourish.

First, at the institutional level, the web of committees and institutions should be rationalised in order to be effective. A reduction in the number of committees will also improve communication with the private sector, as the high number of meetings is seen as one of the major constraints on its effective involvement in the process. The success of Botswana's National Trade Policy depends on fluid collaboration between the public and the private sector, promoting dialogue and exchanges of information between them.

Second, the regulatory framework should be clarified: many policies and laws legislate on trade policy instruments, duplicating efforts by adopting the same measure twice. The National Trade Policy should be the main, if not single, policy serving as a framework for the adoption of trade policy instruments. It would ensure a more efficient allocation of resources and a

better understanding of, and therefore application, by the private sector.

Third, on the specific trade policy instruments, during consultations complaints were expressed on certain measures that, rather than promoting industry, have frustrated access to certain inputs crucial for the development of industry. Thus, the Government should promote and facilitate access to those imported raw materials, heavily used by the manufacturing sector, which would facilitate an increase in the quality and quantity of Botswana's production. This can be done by lowering or eliminating tariffs on those products, abolishing import licenses, or by providing incentives.

Fourth, Botswana should promote, through BOBS, the MTI and the Ministry of Agriculture, the adoption and implementation of international standards on TBT and SPS matters. The private sector should be informed about the need to comply with these standards in order to guarantee its access to world's markets. Specifically on SPS measures, it has been recognised that the Government needs further technical capacity. This can be solved by using the mechanism foreseen in certain RTAs, such as the EPA, which includes provisions to enhance Botswana's technical capacity to implement and monitor SPS measures, including promoting greater use of international standards and other matters concerning SPS.⁹⁵ It might be also strengthened with the adoption of the National Quality Policy, as an instrument to ensure the WTO and SADC compatibility of its internal standards and helping local manufacturers as well as importers to meet the fundamental objectives for technical regulations, namely ensuring the health and safety of society and the health of the environment.

Fifth, Botswana should make sure that its products can qualify as Botswana-originated and therefore benefit from preferential market access. One of the instruments would be the re-establishment of the SACU Certificate of Origin. The alternative would involve renegotiating those rules with too-strict definitions of "origin".

Sixth, regarding services, Botswana should aim to open its markets, both at the regional and multilateral level. At the regional level, it should seek the conclusion of negotiations between the SADC countries with the EU, within the framework of the EPA. In addition, it should seek the implementation of an annex on services and investment to the 2002 SADC Agreement, with the objective of liberalising services between them. At the

multilateral level, rather than adopting measures and policies that increase its landlockedness, Botswana should open the key services that connect it with the rest of the world, particularly telecommunications and air transportation. Botswana should consider its interests in joining the trade in services agreement (TiSA).

Seventh, there are a series of elements affecting the competitiveness of industry, and, subsequently, affecting its capacity to export and trade. They relate to environmental regulations, government procurement, competition policies and SOEs regulations, amongst others. Those policies, despite not directly relating to trade nor trade policy instruments, have an effect on the private sector. The coherence of trade policies with other policies is critical in ensuring the successful achievement of objectives to broaden the economic base, and improve the quality of exports.

The government should critically review the policies in place, both for their coherence, but also their effectiveness to date.

Eight, a supply chain approach to trade policy formulation is recommended in order to not only foster better private sector participation and understanding of the interaction of trade policy instruments on the competitiveness of industries, but also to better articulate the needs of the private sector across upstream and downstream industries.

Finally, monitoring and evaluation of trade flows and agreements in force are an essential part of proactive trade policies. Botswana should establish the institutional framework to ensure that such mechanisms exist, and that the trade policy framework is a dynamic and adaptable environment for a changing international context.

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ENDNOTES

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$$HHI = \sum_{i=1}^n \left(100 \frac{S_i}{\sum_{i=1}^n S_i} \right)^2$$
 where S_i is the share of product i in the export basket.

³ The NCTPN, along with all committees in MTI, have recently been reviewed and rationalised. The NCTPN will be merged with the National Economic Diversification Council to form a new committee – the Economic Diversification and Trade Council, answerable to cabinet and co-chaired by the MTI Minister and the Business Botswana (former BOCCIM) president.

⁴ A. Land, “Case Study on Structured Public-Private Sector Dialogue – The Experience from Botswana”, ACP Business Forum, May 2002, p. 9.

⁵ Paragraph 1.1 of the National Trade Policy for Botswana, Ministry of Trade and Industry (Gaborone, Botswana: July 2009).

⁶ B. Spencer and J. A. Brander, “Strategic Trade Policy” in *The New Palgrave Dictionary of Economics*, Durlauf and Blume eds. (Basingstoke, United Kingdom: Palgrave Macmillan, 2008).

⁷ B. M. Hoekman and M. M. Kostecki, *The Political Economy of the World Trading System*, third edition (Oxford University Press, 2012), p. 32.

⁸ *Ibid.*, p. 30.

⁹ *Ibid.*, footnote 10.

¹⁰ Defined as “the concept of a person who has a well-rounded character, who is well-mannered, courteous and disciplined, and realises his or her full potential both as an individual and as a part of the community to which he or she belongs”, Government of Botswana, *Vision 2016* (1996), p. 5.

¹¹ Government of Botswana, *Vision 2016* (1996), p. 5.

¹² *Ibid.*, p. 34.

¹³ Ministry of Trade and Industry, Government of Botswana, *Industrial Development Policy* (2014), Paragraph 4, p. 16.

¹⁴ *Ibid.*, Paragraph 2.2, p. 7.

¹⁵ Government of Botswana, *National Export Strategy 2010-2016* (Gaborone, Botswana, 2010), p. 2.

¹⁶ *Ibid.*

¹⁷ Ministry of Trade and Industry, *National Trade Policy for Botswana* (Gaborone, Botswana, 2009), Paragraph 8.1.1.

¹⁸ SADC Protocol on Trade in Services, Article 3.1.

¹⁹ *Ibid.*, Article 3.3.a.

²⁰ *Ibid.*, Article 7.

²¹ P. Van den Bossche and W. Zdouc, *The Law and Policy of the World Trade Organization*, third edition (Cambridge, United Kingdom: Cambridge University Press, 2013), pp. 420-421.

²² Botswana’s NTP 2009, Paragraph 8.2.1.

²³ *Ibid.*, Paragraph 8.2.2.

²⁴ WTO Statistics, “Botswana’s Trade Profile”. Available from <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=BW>

- ²⁵ WTO Tariff Analysis On-line.
- ²⁶ WTO, Trade Policy Review: SACU, WT/TPR/S/222, p. 17.
- ²⁷ Botswana Unified Revenue Service (BURS), Annual Report 2014 (2014), p.22.
- ²⁸ BURS, Annual Report 2006 (2006), p. 25.
- ²⁹ BURS, Annual Report 2010 (2010), p. 25.
- ³⁰ The Southern African Customs Union dates back to the 1889 Customs Union Convention between the British Colony of Cape of Good Hope and the Orange Free State Boer Republic.
- ³¹ SADC-EPA Group consists of seven SADC Members States out of the total of fifteen. Basically it is constituted of the five Southern Africa Customs Union (SACU) members plus Angola and Mozambique.
- ³² For further information, please see: <http://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc/>.
- ³³ The Agreement between Botswana and Zimbabwe was updated in 1988 and 2010.
- ³⁴ OECD, "Quantitative Restriction". Available from <https://stats.oecd.org/glossary/detail.asp?ID=4991> (Last accessed: 12 October 2015).
- ³⁵ WTO, Agreement on Import Licensing Procedures, Article 1.
- ³⁶ OECD, "Looking beyond Tariffs: The Role of Non-tariff Barriers in World Trade", OECD Trade Policy Studies (2005), p. 121.
- ³⁷ Southern Africa Trade Hub, "Botswana Country Profile". Available from <http://www.satradehub.org/country-profiles/22-botswana-country-profile> (last accessed: 12 October 2015).
- ³⁸ Botswana's NTP 2009, Paragraph 8.2.3.
- ³⁹ WTO, Trade Policy Review: SACU, Annex 1 – Botswana, WT/TPR/S/222/BWA, p. 91.
- ⁴⁰ Ibid., p. 415.
- ⁴¹ Botswana's NTP 2009, Paragraph 8.2.5.
- ⁴² The FAO definition proposed for agricultural products is that a 20-30 per cent increase above a three year moving average can be considered a surge. FAO, Agricultural Import Surges in Developing Countries: Analytical Framework and Insights from Case Studies (Rome, 2011).
- ⁴³ Some surges reflect a large increase in domestic production and therefore are not indicative of posing an injury or threat to industry, such as when cement or diamonds surged.
- ⁴⁴ WTO Appellate Body, "Argentina – Footwear (EC)" (2000), para. 94.
- ⁴⁵ Botswana's NTP 2009, Paragraph 8.3.2.
- ⁴⁶ OECD, "The Economic Impact of Trade Facilitation", Working Party of the Trade Committee, OECD Trade Policy Working Paper No. 21 (2005), p. 6.
- ⁴⁷ WTO, "Trade Facilitation". Available from https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm.
- ⁴⁸ OECD Trade and Agriculture Directorate, "Implementation of the WTO Trade Facilitation Agreement: The Potential Impact on Trade Costs" (June 2015), p. 1.
- ⁴⁹ If members just implement the mandatory provisions of the agreement, the trade cost reduction falls to 12.8 per cent (upper middle income developing countries).
- ⁵⁰ World Bank, "Doing Business: Trading Across Borders". Available from <http://www.doingbusiness.org/ExploreTopics/TradingAcrossBorders/>.
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- ⁵¹ WTO, Agreement on Technical Barriers to Trade, Annex 1, defines: (1) Technical regulation as a “[document] which lays down product characteristics of their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory”; (2) Standard refers to a “[document] approved by a recognised body, that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory.”; and (3) Conformity Assessment Procedures are defined as “[any] procedure used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled.”
- ⁵² WTO, Agreement on the Application of Sanitary and Phytosanitary Measures, Annex 1, defines SPS measures as any measure applied: “(a) to protect animal or plant life or health within the territory of the Member from risks arising from the entry, establishment or spread of pests, diseases, disease-carrying organisms or disease-causing organisms; (b) to protect human or animal life or health within the territory of the Member from risks arising from additives, contaminants, toxins or disease-causing organisms in foods, beverages or feedstuffs; (c) to protect human life or health within the territory of the Member from risks arising from diseases carried by animals, plants or products thereof, or from the entry, establishment or spread of pests; or (d) to prevent or limit other damage within the territory of the Member from the entry, establishment or spread of pests.”
- ⁵³ Botswana’s NTP 2009, Paragraph 8.3.4.
- ⁵⁴ Denise Prevost, “Sanitary, Phytosanitary and Technical Barriers to Trade in the Economic Partnership Agreements between the European Union and the ACP Countries”, ICTSD EPAs and Regionalism Series (2010), p. 56.
- ⁵⁵ WTO, Agreement on Technical Barriers to Trade, Article 2.2.
- ⁵⁶ Botswana’s NTP 2009, Paragraph 8.3.3.
- ⁵⁷ Malawi, Mozambique, Tanzania and Zambia.
- ⁵⁸ M. Molinuevo and S. Saez, Regulatory Assessment Toolkit: A Practical Methodology for Assessing Regulation on Trade and Investment in Services (Washington D. C.: International Bank for Reconstruction and Development /The World Bank, 2014), p. 2.
- ⁵⁹ Ibid.
- ⁶⁰ See J. Francois and J. Woerz, “Producer Services, Manufacturing Linkages, and Trade”, Journal of Industry, Competition and Trade 8 (2008).
- ⁶¹ G. J. Honde and F. G. Abraha, “Botswana”, African Economic Outlook (AfDB, OECD, UNDP, 2015).
- ⁶² Botswana’s NTP 2009, Paragraph 8.5.
- ⁶³ Taken from A. Lakatos, Regulatory Audit for Participating SADC EPA States in the Business and Tourism Services Sectors (Equinoccio and IBF, 2015).
- ⁶⁴ Ingo Borchert, and others, “LandLocked or Policy-Locked? How Services Trade Protection Deepens Economic Isolation”, Policy Research Working Paper 5942 (Washington D. C.: World Bank, 2010).
- ⁶⁵ The STRI ranges from 0 -fully open- to 100 -sector closed to foreign entry-.
- ⁶⁶ Honourable Baledzi Gaolathe, Minister of Finance and Development Planning, Budget Speech 2006, Paragraph 6.1.
- ⁶⁷ A. Lakatos (2015).
- ⁶⁸ Office of Technology Assessment, Trade and Environment, United States Congress, “Conflicts and Opportunities”, OTA-BP-ITE-94 (Washington, DC: United States Government Printing Office, May 1992), p. 65.
- ⁶⁹ Ibid., p. 616.
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- ⁷⁰ A. Dechezleprêtre and M. Sato, “The Impacts of Environmental Regulations on Competitiveness”, Policy Brief (London: Grantham Research Institute on Climate Change and the Environment, LSE, 2014), p. 18.
- ⁷¹ See WTO Secretariat, Committee on Trade and Environment, “Environmental Benefits of Removing Trade Restrictions and Distortions”, WT/CTE/W/67 (1997).
- ⁷² See WTO, Trade and Environment Division, “Trade and Environment at the WTO” (2004).
- ⁷³ R. Jansen and J. W. Arntzen (eds.), “Environmental Keynote Paper for National Development Plan IX” (Gaborone: National Conservation Strategy Agency, Government of Botswana, 2002).
- ⁷⁴ BOS 498:2012, Ambient Air Quality – Limits for Common Pollutants.
- ⁷⁵ BOS 575:2013, Maximum Permissible Limits for Environmental Noise.
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- ⁸⁵ S. J. Rickard and D. Y. Kono, “Think Globally, Buy Locally: International Agreements and Government Procurement”, Springer Science + Business Media (2013), p. 3.
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- ⁸⁸ Ibid.
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ANNEXES



Annex 1a. Institutions relevant to trade/NTP identified					
Category	Institution	Purpose/mandate	Linkages	Cluster (Primary, Secondary, Supplementary)	Modes of supply (Critical, Important, Supportive, CIS)
Government ministries	MFD	National Finance & Development Planning	Macro-economic policy; Taxation & Duties (BURS); Duty Credit Certificate Scheme & Manufacturers Customs Duty Relief (BURS)	Secondary	C
	MIST	Infrastructure Science & Technology Development	Technology improvement	Secondary	I
	MLG	Development of Local government	Tenders/Local market access; Business licensing	Secondary	C
	MLH	Lands and housing	Land policy & regulation; Land allocation	Secondary	C
	MLHA	Labour & Home Affairs	Recruitment & retention of expatriate skills; Enforcement of labour laws; Apprenticeship & industrial training; Gender unit; Occupational health & safety; Government procurement	Secondary	C
	MMEWR	Minerals, Energy & Water Resources	Energy; Water	Secondary	C
	MOA	Agricultural policy, promotion and programmes	Agricultural policy; Extension services; Department of Veterinary Services; Livestock Management & Infrastructure Development programme (LIMID); Department of Agri-Business promotion; Export, movement, import permits	Secondary to Primary	C

Category	Institution	Purpose/mandate	Linkages	Cluster (Primary, Secondary, Supplementary)	Modes of supply (Critical, Important, Supportive, CIS)
	MOESD	Education & skills development	HRDC – policy; TEC – policy & regulation; BQA – registration/accreditation	Supplementary	I
	MTI	Trade & industry policy, promotion & programmes	Private Sector Development Strategy & Programme; Strategy for Development of Textile & Clothing Sector; Trade Policy, Strategy, Negotiations & Implementation; Economic diversification drive; Industrial Upgrading & Modernisation Programme (UIMP); Business licensing; Industrial Development Policy; NTP development & implementation	Primary	C
	BITC	Investment & Trade	Special Economic Zones; Investment support; International trade information & facilitation	Primary	C
	BMC	Central purchasing, slaughter & international selling of beef	Local cattle market; Beef exports	Primary	C
	Botswana Agricultural Marketing Board (BAMB)	Procurement and selling of locally grown cereals	Local agricultural market	Primary	C
	NSO	National Vision & Strategy	National focus through appropriate strategies/policies	Supplementary	C
	Public Procurement & Asset Disposal Board (PPADB)	Government procurement regulation	Local market access/public tenders	Primary	C

Category	Institution	Purpose/mandate	Linkages	Cluster (Primary, Secondary, Supplementary)	Modes of supply (Critical, Important, Supportive, CIS)
Business membership organisations	BEMA	Membership support	Business advocacy; Export training & trade information; Manufacturing support; Local market access	Primary	C
	BFFA	Membership support	Export/import logistics	Secondary	C
	BB	Apex membership support organisation	High level advocacy; Business organisations capacity development Trade policy & cross-border trade issues	Primary	C
	BOTRA	Membership support	Transport logistics	Supplementary	C
Financial institutions with SMME products	Botswana Export Credit Insurance (BECI)	Export funding	Export credit	Secondary	C
	CEDA	Business services & financial support	Credit provision & guarantee; Market access; Technical assistance; Young Farmers Fund	Secondary to Primary	C
	FNBB	SMME credit line	Credit	Secondary	C
	NDB	Funding	Business development funds	Secondary	C
Training and research institutes	SCBB	SMME credit line	Credit	Secondary	C
	Agricultural Hub, MOA	Transformation of agriculture	Commercialise and diversify agricultural sector (as part of Vision 2016)	Primary	C
	BCA	Education, training and research in agriculture	Education & training; R&D; Linkages with University of Botswana for additional R&D	Secondary to Primary	C

Category	Institution	Purpose/mandate	Linkages	Cluster (Primary, Secondary, Supplementary)	Modes of supply (Critical, Important, Supportive, CIS)
	BIDPA	Policy analysis	Policy development	Supplementary	C
	BIH	Develop and operate Botswana's first Science & Technology Park	R&D	Supplementary	C
	BNPC		Productivity	Secondary	C
	BOBS		Standards	Secondary	C
	BOTEC	Research and technology organisation	R&D	Supplementary	S
	BQA		Trainer & training accreditation	Supplementary	I
	LEA	Technical assistance & training	Technical assistance & training; Leather strategy; Leather Park; Value chain analyses		
	NFTRC	Research & Development (R&D)	Food research, food safety and demonstration	Secondary	C
External Institutions	ITC (A joint United Nations & WTO programme implementing body)	Assists product and service sectors by linking enterprises to market opportunities, strengthening value chains and supporting the business environment to improve sector performance	Food research, food safety and demonstration	Secondary	C
	USAID Trade Hub		Trade facilitation, agricultural value chains and support to Textiles & Apparels within SADC.	Secondary	C
	SACU				
	SADC				
	WTO				
	EU				

Annex 1b. Institutions, policies, acts, strategies and committees							
Ministry/ organisation	Sub-organisation	Role in trade	Committees	Policy	Acts of Parliament	Strategy/plan/ programme	
Ministry of Trade & Industry		Trade development; Trade negotiations/ agreements; Industry sector specific strategies; Economic Diversification Drive; Business licensing;	NCTPN	National Trade Policy	Trade Act 2003 Trade Regulations 2008		
			National Doing Business				
				Industrial Development Policy 2014			Economic Diversification Drive Strategy 2011 -2016
					Industrial Property Act 2010		
					Intellectual Property Act (?)		
						Cooperative Development Strategy 2012	
				Citizen Empowerment Policy 2012			
				Botswana Investment & Trade Centre (BITC)	Export development; Market access; Export readiness; Special Economic Zones; Investment support; International trade information & facilitation		

Ministry/ organisation	Sub-organisation	Role in trade	Committees	Policy	Acts of Parliament	Strategy/plan/ programme
				Special Economic Zones Policy 2010	Bill in Parliament	
						Investment Strategy 2010
	Botswana Bureaux of Standards (BoBS)	Standards, Quality, Metrology; (certification)			National Quality Act 2015 (?)	
	National Trade Commission				Control of Goods, prices and other Charges Act 1973	
	National Competition Authority	Regulate competition		National Competition Policy 2005		
Ministry of Finance & Development Planning		National inputs (including on trade) to SADC regional integration programmes	SADC National Committee			
		Macro-economic policy/National Plans				
	Botswana Unified Revenue Service (BURS) Customs	Trade facilitation; Taxation & Duties; Manufacturers Customs Duty Relief			Draft Customs Act (2015)	
	Public Procurement & Asset Disposal Board (PPADB)	Local market access/ public tenders/ government procurement			Public Procurement & Asset Disposal Act 2001 (Regulation 2006)	

Ministry/ organisation	Sub-organisation	Role in trade	Committees	Policy	Acts of Parliament	Strategy/plan/ programme
Ministry of Agriculture		Import/export regulations; SPS measures; Import/export permits for agriculture & agricultural products Import/export regulations of agriculture products TBT/SPS Agricultural policy; Department of Agri-Business promotion; Permits for movement of animals nationally		Agricultural Development Policy (?)		
National Strategy Office		National Vision & Strategy National focus through appropriate strategies/policies				
Non-government						
Business Botswana (Former BOCCIM)		Support to business including advocacy, business representation and training with regards to international & domestic trade				Private Sector Development Strategy 2009-2013; Private Sector Development Programme
Botswana Exporters & Manufacturers Association		Support to business with regard to policies, regulations, export readiness & information				

Annex 2. Persons consulted		
Institution	Name	Position
Attorney General's Chambers	Mr. B. S. Tiroyakgosi	Deputy Secretary, International & Commercial Services
Bank of Botswana	Ms. G. M. Motsumi	
BECI	Mr. Cowell Habana	
BEMA	Ms. Sthembile Tawengwa	Executive Director
BIDPA	Dr. M. Sengwaketse	Executive Director
BITC	Mr. Reginald Selelo	Executive Director – Business Facilitation
BITC	Mr. Moemedi Mokgosi	Director – Research and Competitiveness
BITC	Mr. Obert Mpho Yuyi	Director – Export Development
BITC	Dr. Tiroyaone Sirang	Manager – Market Intelligence
BOBS	Ms. Keolebogile Segomelo	
BOCCIM	Mr. D. Molobe	
Botswana Communications Regulatory Authority	Mr. M. Mokgware	Chief Executive Officer
Botswana Diamond Hub	Ms. S. Matlolela	
Botswana Trade Commission	Ms. C. Tema	
Business Botswana	Ms. Maria Machailo-Ellis	Chief Executive Officer
Business Botswana	Mr. Gobusamang Keebine	Vice President/ Chair of the Cross-border Subcommittee of the NDBC/ Member of HLCC
Companies and Intellectual Property Authority	Mrs. Keitseng Nkah Monyatsi	
Companies and Intellectual Property Authority	Mr. Washington Phale	
Competition Authority	Ms. Bonyana Ndubiwa	
DCD	Mr. Bonafice O Tshoko	Deputy Director for Co-Operative Development
Department of Industrial Affairs	Ms. Oaitse Ramorula	
Department of Trade and Consumer Affairs	Ms. Mositi Tatlhelelo	
LEA	Mr. Mpho Kelosiwang	Policy and Regulatory Framework Manager
Ministry of Agriculture	Mr. Onkgopotse Ezra Ramogapi	
Ministry of Environment, Wildlife & Tourism	Mr. Felix Monggae	Deputy PS – Natural Resources
Ministry of Environment, Wildlife & Tourism	Ms. Kelebaone G. Maselesele	Director of Tourism

Institution	Name	Position
Ministry of Finance and Development Planning	Mr. Stanely Makosha	Director Human Resource Planning and Enterprise Development Policy
Ministry of Finance and Development Planning	Dr. Taufila Nyamadzabo	Secretary For Economic & Financial Policy/ Chair, SADC National Committee
Ministry of Health	Mr. Botsang John	
Ministry of Labour and Home Affairs	Mr. Otsogile Mokibelo	Principal Industrial Relations Officer I
Ministry of Mineral Energy and Water Resources	Ms. Khumo Mogaetsho	Director Mineral Affairs
MTI	Ms. O. B. Ward	Deputy Permanent Secretary
MTI	Dr. Joel Sentsho	Trade Policy Advisor
MTI	Mr. Mpaphi Tsholofelo	
MTI – Department of International Trade	Ms. S. G. Moncho	Director
MTI – Department of International Trade	Ms. L. Kgotele	Deputy Director
MTI – Multilateral and Trade Policy Division	Ms. K. M. Lekaukau	
MTI – Multilateral and Trade Policy Division	Ms. M. Tshekega	
MTI – Multilateral and Trade Policy Division	Mr. Phaniel Aaron	Trade Officer
MTI – Regional Trade and Intellectual Property Division	Mr. N. Makepe	
Non-Bank Financial Institutions Regulatory Authority	Mr. One Ditau	
University of Botswana – Department of Economics	Ms. Kahaka	

Annex 3. List of import surges												
6 digits HS code	Product label	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	No. of surges (2005-14)
'710231	Diamonds non-industrial unworked or simply sawn, cleaved or bruted	√	√	√	√	√	√	√	√	√		9
'271600	Electrical energy	√		√	√	√	√	√	√			7
'240110	Cigarettes containing tobacco			√	√	√		√	√	√		6
'710239	Diamonds non-industrial nes excluding mounted or set diamonds						√	√	√	√	√	5
'271011	Light petroleum oils and preparations		√			√	√	√	√			5
'843149	Parts of cranes, work-trucks, shovels and other preparations			√	√			√	√	√		5
'870410	Dump trucks designed for off-highway use			√				√	√	√		5
'170199	Refined cane or beet sugar, solid, without flavouring or colouring matter					√	√	√	√			
'260400	Nickel ores and concentrates	√				√				√		4
'999999	Commodities not elsewhere specified					√	√	√	√			4
'854420	Co-axial cable and other co-axial electric conductors			√	√		√	√				4
'847490	Pts of sorting/screening/mixing/crushing/grinding/washing/agglomerating machines, etc.			√	√		√					3
'100190	Wheat nes and meslin	√								√	√	3
'100590	Maize (corn) nes				√							3
'440710	Lumber, coniferous (softwood) 6 mm and thicker								√			2

6 digits HS code	Product label	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	No. of suges (2005-14)
'880220	Aircraft nes of an unladen weight not exceeding 2,000 kg					√			√			2
'842952	Shovels and excavators with a 360 revolving superstructures							√	√			2
'151219	Sunflowered/safflower oil&their fractions refining but not chemically modified			√								2
'300390	Medicaments nes, formulated, in bulk					√	√					2
'850239	Electric generating sets						√	√				2
'710229	Diamonds industrial nes excluding mounted or set diamonds		√	√								2
'847330	Parts and accessories of automatic data processing machines and units thereof			√		√						2
'870431	Gas powered trucks with a GVW not exceeding 5 tonnes					√					√	2
'870323	Automobiles w reciprocating pist on engine displacing>1,500cc to 3,000cc					√			√			2
'401120	Pneumatic tires new of rubber for buses or lorries			√		√						2
'271000	Petroleum oils and oils obtained from bituminous minerals, o/than crude, etc.			√		√						2
'870324	Automobiles with reciprocating piston engine displacing>3,000cc			√		√						2
'852520	Transmission apparatus, for radioteleph incorporatg reception apparatus	√						√				2
'870322	Automobiles w reciprocating piston engine displacg>1,000cc to 1,500cc			√		√						2
'870422	Diesel powered trucks with a GVW exc 5 tonnes but not exactly twenty tones					√						2

6 digits HS code	Product label	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	No. of suges (2005-14)
'870210	Diesel powered buses with a seating capacity of > nine persons							√				1
'040120	Milk not concentrated and unsweetened exceeding 1% not exceeding 6% fat	√										1
'100199	Wheat and meslin /excluding seed for sowing and durum wheat										√	1
'100630	Rice, semi-milled or wholly milled, whether or not polished or glazed				√							1
'271119	Petroleum gases and other gaseous hydrocarbons nes, liquefied					√						1
'340220	Surface-active prep, washing and cleaning prep put up for retail sale			√								1
'842951	Front end shovel loaders			√								1
'842959	Self-propelled excavating machinery nes				√							1
'853710	Boards, panels, including numerical control panels, for a voltage <=1000 V							√				1
'847410	Sorting/screening/separating or washing machines for stone/ores or other minerals, etc.							√				1
'240310	Smoking tobacco, whether or not containing tobacco substitutes in any proportion						√					1
'710210	Diamonds unsorted whether or not worked										√	1
'848180	Taps, cocks, valves and similar appliances, nes							√				1
'100700	Grain sorghum								√			1

6 digits HS code	Product label	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	No. of surges (2005-14)
'401110	Pneumatic tire new of rubber f motor car including station wagons and racing cars				√							1
'300490	Medicaments nes, in dosage							√				1
'340120	Soap nes								√			1
'401199	Pneumatic tires new of rubber nes			√								1
'840290	Parts of steam or vapour generating boilers nes							√				1
'847130	Portable digital computers <10 kg								√			1
'901890	Instruments and appliances used in medical or veterinary sciences, nes						√					1
'230990	Animal feed preparations nes				√							1
'271012	Light petroleum oils and preparations										√	1
'31'23'	Ammonium nitrate, whether or not in aqueous sol in pack weighing >10 kg									√		1
'847160	Computer input/outputs, with/without storage			√								1
'88'23'	Aircraft nes of an unladen weight>2,000 kg but not exceeding 15,000 kg					√						1
'721499	Bars and rods, iron/steel, forged etc., nes				√							1
'860719	Axles and wheels and parts											1
'852510	Transmission apparatus for radio-teleph radio-broadcasting or television					√						1
Total amount of surges		8	4	24	26	18	14	19	15	8	6	142

