

PD-ABN-242
95168

**BOTSWANA PRIVATE ENTERPRISE DEVELOPMENT
PROJECT**

PROJECT IMPLEMENTATION COMMITTEE

18

Review of On-Going and Proposed Activities

November 1995

A PROJECT FUNDED BY USAID

Botswana Private Enterprise Development Project (BPED)

Providing technical assistance to private enterprise in Botswana

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PROJECT IMPLEMENTATION COMMITTEE

18

REVIEW OF ON-GOING AND PROPOSED ACTIVITIES

FINANCIAL SECTOR DEVELOPMENT SUB-COMMITTEE

ON-GOING ACTIVITIES

Foreign Exchange Liberalization Study

Collective Investment Undertakings Study

Financial Services Centre Feasibility Study

Divestiture Consultant

Divestiture Strategy for BDC Properties

Investment Opportunities in Selected Villages

Regional Venture Capital Fund

Investment Promotion Materials - TIPA

PROPOSED ACTIVITIES

International Business Company Draft Legislation

PIC Activity Summary Sheet

Activity Title: Foreign Exchange Control Liberalization Study

Activity Description: Study to determine the benefit and costs of removing foreign exchange controls in Botswana and provide recommendations on whether or not controls should be phased out over an extended period of time and in what order.

Expected/Actual Impact: Implementation of a phased approach to exchange control liberalization will increase domestic and foreign investment and the availability of capital in the Botswana economy. Liberalization is critical for development of new engines of growth such as an international financial services center. Impact of liberalization will be seen in the increased investment, most likely after the full liberalization has occurred and once the banks and other relevant institutions have stabilized the procedures of implementing the reforms.

Implementation Plan: The Reference Group for the consultancy consisted of key individuals from the public and private sectors to ensure appropriate feedback and consultation regarding the type and pace of liberalization measures required. A phased implementation plan was also provided by the consultants.

Status: Study was completed in January 1994. In response to the study's recommendations, the Vice President and Minister of Finance and Development Planning announced during his 1994 Budget Speech that Botswana proposed to accede to International Monetary Fund (IMF) Article VIII status. Subsequently, the study and its recommendations were the subject of a detailed review by MFDP and the BOB, in consultation with the IMF and local financial institutions. On December 13, 1994, the Vice President announced a package of major exchange control reforms which will greatly enhance Botswana's economic competitiveness in the region and encourage the development of Botswana's financial services sector. The press release accompanying the announcement specifically credited BOCCIM and the Foreign Exchange Control Liberalization study with providing the impetus for these reforms.

Approximately 100 foreign exchange accounts had been opened by companies by the end of July 1995. Starting on August 14, 1995, commercial banks were permitted to open foreign currency accounts for individuals. The BoB also announced that it was broadening the range of currencies in which foreign exchange accounts could be denominated. The BoB established a monitoring system in May 1995 to ensure that the new exchange control measures are not used for money laundering or other illegal purposes. If abuse does not occur, and the new arrangements work well, it is the intention of the BoB and the Ministry of Finance and Development Planning to review the indicative limits and other procedures with a view to considering further relaxations of exchange control regulations.

Issues: Botswana's real interest rates are still low by international standards (although local business persons argue that they are still too high); further liberalization of exchange controls is likely to result in capital outflows. The interest rate issue, which is a topic of much current debate, needs to be addressed.

Recommendations: BOCCIM should continue to track progress towards implementation of the liberalizations already announced and should pursue the interest rate issue. BOCCIM should also continue to track host country contribution (time spent at meetings, resources used to monitor implementation, etc.).

Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.

<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Financial Sector Development
Coordinating Institution: BOCCIM
Budget Line Item: n/a

Activity Coordinator: P. Siwawa-Ndai
Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Collective Investment Undertakings Project

<p>Activity Description: Produce draft legislation and propose a regulatory framework for Collective Investment Undertakings in Botswana.</p>		
<p>Expected/Actual Impact: This legislation is a building block for creating an enabling environment for increased investment in Botswana in the financial services sector. The impact of the passage of this legislation will likely be increased use of Botswana as an administrative center for collective investment undertakings from around the world, but particularly from Europe.</p>		
<p>Implementation Plan: Draft legislation was produced and a regulatory framework proposed. Throughout the consultancy (and afterwards) there was a continuing 'consciousness-raising' effort in both public and private sectors (particularly with MFDP) to ensure that key stakeholders understand the concepts and benefits to Botswana. The reference group consisted of key public and private sector individuals, particularly those from financial institutions/investment companies already operating in Botswana.</p>		
<p>Status: BPED consultants drafted legislation and proposed a framework for the regulation of unit trusts and other collective investment undertakings (CIU) in Botswana. The final report was completed in December 1994, and BDC has continued to lobby the GoB and relevant private sector stakeholders to support the legislation. MFDP reviewed the report and responded to specific questions raised by the Vice President and Minister of Finance and Development Planning. The International Financial Services Center (IFSC) Feasibility Study reinforced the importance of the CIU legislation, and when BDC and the BPED consultants presented the final IFSC report to the Vice President on August 10, 1995, he stated that the CIU legislation will be presented to Parliament in November 1995. The Attorney General's Chambers is working on the draft act in preparation for the November Parliamentary session. BDC is working with MFDP in addressing issues and queries from the Attorney General's Chambers.</p>		
<p>Issues: The passage of this legislation is critical if Botswana is to become an IFSC.</p>		
<p>Recommendations: BDC should continue to estimate host country contribution to this activity (e.g. time spent in meetings with MFDP, time spent responding to queries from Attorney General's chambers, etc.).</p>		
<p>Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.</p>		
Host Country Contribution	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Financial Sector Development
Coordinating Institution: BDC
Budget Line Item: n/a

Activity Coordinator: K. Munamati
Phone: 351811

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: International Financial Services Center Feasibility Study

<p>Activity Description: Investigate the feasibility of establishing Botswana an offshore financial services center. Areas to be reviewed include tax, legal, marketing, facilities, human resources, insurance and possible products.</p>		
<p>Expected/Actual Impact: Financial services could be a new engine of growth, increasing investment and employment opportunities in the administrative and service sectors of the economy.</p>		
<p>Implementation Plan: MFDP and BDC jointly developed the terms of reference for a study to investigate the feasibility of developing Botswana as an International Financial Services Center (IFSC). Consultants conducted a comparative analysis of other financial services centers around the world and assessed how Botswana measures up to the criteria for establishing such centers. The reference group included key representatives from MFDP, parastatals and the private sector, particularly financial institutions. MFDP was substantially involved in all aspects of the study and technical presentations were made to MFDP as the study proceeded.</p>		
<p>Status: The team's initial visit in May was followed by research, comparative analysis and presentation of a draft of findings at the end of June. They presented their final report to the Vice President and Minister of Finance and Development Planning on August 10, 1995 and outlined a plan of action should the GoB decide to accept the recommendations of the study. The Vice President responded favorably and stated that the CIU legislation (drafted by BPED consultants) and anti-money laundering legislation would be presented to Parliament in November 1995. In addition, he stated that if International Business Companies (IBC) legislation could be drafted in time, it would go to Parliament in April 1996. These pieces of legislation were identified by the IFSC consultants as critical to lay the groundwork for Botswana to become an IFSC. BDC drafted the terms of reference for a consultancy to develop IBC legislation, and the BPED Financial Sector Development Subcommittee has recommended approval of this proposed consultancy.</p> <p>BDC has written to MFDP proposing the formation of a task force to implement the recommendations of the report. BDC has also identified three potential consultants who could facilitate implementation of the recommendations. BDC hopes to have a consultant on board by January 1996.</p>		
<p>Issues: Timing is very critical. The GoB needs to appoint the task force and recruit a consultant to lead the task force in mobilizing the necessary enabling legislation as soon as possible.</p>		
<p>Recommendations: The PIC should approve the proposed consultancy to draft IBC legislation and the consultancy should begin as soon as possible to ensure that the legislation will be ready for presentation to Parliament in April. BPED should continue to follow up on the recommendations of the IFSC team. BDC will continue to engage in dialogue with MFDP with respect to the task force and the IFSC consultant. BDC should continue to track host country contribution to the activity (e.g. staff time spent in meetings with MFDP, salary of consultant if/when hired, etc.).</p>		
<p>Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.</p>		
<p>Host Country Contribution</p> <p>Salaries:</p> <p>Travel/Transportation:</p> <p>Office Space:</p> <p>Other:</p> <p>TOTAL:</p>	<p><u>Expected</u></p>	<p><u>Actual</u></p>

Technical Subcommittee: Financial Sector Development
Coordinating Institution: BDC
Budget Line Item: n/a

Activity Coordinator: K. Munamati
Phone: 351811

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: BDC Divestiture Consultant

<p>Activity Description: BDC employed the services of a Divestiture Consultant to assist with the implementation of its five year divestiture program. The consultant also assisted in other areas in which the Corporate Finance and Divestment Division is working, such as financial services development.</p>		
<p>Expected/Actual Impact: Enhanced capacity of BDC to develop a strategy for divestment and to implement it in a transparent fashion and in a way that maximizes BDC's return on investment. In addition, BDC will be able to follow through on its efforts to increase citizen investment in BDC-nurtured enterprises. Impact will be seen in the success of its divestiture program in the above areas. Finally, the consultant's direct counterpart will have increased capacity to manage the Corporate Finance and Divestment Division.</p>		
<p>Implementation Plan: The consultant provided intermittent advisory assistance to the Corporate Finance and Divestment Division and worked directly with the Division Manager. In addition to advising the Corporate Finance and Divestment Division Manager and staff on all facets of the divestment process, the consultant developed an implementation plan and divestiture guidelines.</p>		
<p>Status: The implementation plan and divestiture guidelines were formally accepted by BDC management and are being implemented. Relationships between the Corporate Finance and Divestment Division and other divisions has improved as a result of these guidelines. BDC has fully divested of 8 companies, five through the share market, three through private treaty sales. Negotiations or discussions are underway to divest a further sixteen companies. BDC is ahead of schedule in implementing its divestiture strategy and the value of divested holdings to date is approximately P83 million (approximately \$29.4 million),</p>		
<p>Issues: BDC is currently assessing the need for a follow-on consultancy.</p>		
<p>Recommendations: BPED should continue to monitor implementation of the divestiture strategy.</p>		
<p>Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.</p>		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Financial Sector Development

Activity Coordinator: K. Munamati

Coordinating Institution: BDC

Phone: 351811

Budget Line Item: n/a

Reviewed/Approved by PIC: _____

Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Divestiture Strategy for BDC Properties Portfolio

<p>Activity Description: Review and evaluate the portfolio of BDC Property Development and Management Division to offer recommendations for a divestiture strategy.</p>		
<p>Expected/Actual Impact: Develop a structure of disinvestment that strengthens BDC's ability to manage its portfolio and improve its investment and development capability. Implementation of the strategy can be measured through increased return on investments after divestiture of money-losing investments. This will take at least five years.</p>		
<p>Implementation Plan: A team of consultants evaluated the properties portfolio as well the environment in which divestitures might take place. Recommendations were made on sequencing/type of sale, etc. Reference Group was comprised of Corporate Finance and Divestiture Division, Property Development and Management Division and higher levels of BDC management.</p>		
<p>Status: Consultancy was completed in August 1995. BDC Department Heads are currently reviewing the report.</p>		
<p>Issues: Deloitte & Touche has not received an invoice from the consultants despite several requests.</p>		
<p>Recommendations: BPED should monitor results of consultancy - specifically, the extent to which (if at all) BDC accepts and subsequently implements the recommendations.</p>		
<p>Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.</p>		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Financial Sector Development
Coordinating Institution: BDC
Budget Line Item: n/a

Activity Coordinator: B.M. Disele
Phone: 351811

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Investment Opportunities in Selected Villages

Activity Description: Consultancy to identify Investment Opportunities in Tsabong and Kasane. This is a pilot project.		
Expected/Actual Impact: Employment creation. If successful, the study could help to boost the economies of the villages. The projects identified will be put on the agenda of Local Business Councils. If successful, similar consultancies will be conducted in other villages.		
Implementation Plan: BOCCIM-trained citizen consultants were engaged to undertake the work. Consultants were required to write up project profiles, giving the magnitude of investment for each project, machinery required and projected product demand.		
Status: Final reports were submitted in August 1995, but financial information was missing. No audit of skills was done. On December 8 there will be a meeting in Maun to discuss village investment opportunities and required training packages - NDB, Tswelelo, and First National Bank are among the organizations that will send representatives to the meeting.		
Issues: Reports provided a "shopping list" of investment opportunities, but "project profiles" are scanty and very qualitative.		
Recommendations: Follow-on consultancies will have to be reviewed by the PIC as new proposals. The EMPRETEC project, if approved, could identify particular entrepreneurs and work with them to explore some of the recommended investment opportunities.		
Project Costs NOTE: This activity was previously approved under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Financial Sector Development
Coordinating Institution: BOCCIM
Budget Line Item: n/a

Activity Coordinator: Mr. Dewah
Phone: 353459

Reviewed/Approved by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Regional Venture Capital Fund

<p>Activity Description: Perform a market survey for the purpose of determining the potential demand in Southern Africa for a regional venture capital fund.</p>		
<p>Expected/Actual Impact: To define the demand for regional venture capital and provide proposals for what would be the best structure for the fund to take. A venture capital fund would be a vehicle for increased investment in Botswana by larger investors as well as a vehicle through which smaller entrepreneurs could receive financial assistance. Increased access to credit would generate employment. Impact would be measured through investment directly attributable to the fund as well as employment attributable to the fund. No impact likely for a year or two after establishment of the fund.</p>		
<p>Implementation Plan: A team of consultant would require approximately three person months to survey on a regional level the demand for a venture capital fund as well as the liquidity available for such a fund. Consultants would work very closely with the Corporate Finance and Divestment Division as well as the Projects Division.</p>		
<p>Status: Was approved previously by the PIC but BDC decided that it did not have the staff resources to take on the study prior to September 30, 1995. Activity has been postponed until early 1996.</p> <p>A related BDC-funded study on the demand for a domestic venture capital fund concluded that there was not sufficient domestic demand for a purely private sector-driven fund. BDC is exploring with CDC the possibility of setting up an investment (not venture capital) fund with a development finance institution.</p>		
<p>Issues: Given the new structure and implementation modalities for BPED, a new proposal will have to be submitted to the PIC. To be eligible for BPED funding, the activity must satisfy the criteria established in the amended Project Grant Agreement and the amended BOCCIM Cooperative Agreement (see October 13, 1995 memo on the Framework for BPED Project Implementation, October 1, 1995 - September 30, 1996).</p>		
<p>Recommendations: Defer further consideration of this activity until such time that BDC submits a new proposal to the PIC.</p>		
<p>Project Costs NOTE: This activity was previously approved under the Deloitte & Touche contract but was not implemented (see above) - currently no project funds are budgeted for this activity. -</p>		
Host Country Contribution	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Financial Sector Development
Coordinating Institution: BDC
Budget Line Item: n/a

Activity Coordinator: B.M. Disele
Phone: 351811

Reviewed/Approved by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: TIPA Investment Promotion Materials

Activity Description: Update investment promotion materials for TIPA, including main brochure, shorter leaflet, and design and layout of other specifically stated materials. Production to be done by TIPA.		
Expected/Actual Impact: To assist TIPA in promotion of Botswana as an attractive investment locality.		
Implementation Plan: A marketing/public relations firm was identified through a tendering process to design and complete layout of promotional materials. Reference Group included representatives from TIPA, consultant and BPED.		
Status: Materials ready for printing.		
Issues: Production costs likely to be in the range of P400,000, rather than the initial estimate of P120,000.		
Recommendations: TIPA should be sure to document the production costs as a host country contribution. USAID needs three copies of the final product (2 for CDIE in USAID/W and one for official files here).		
Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.		
Host Country Contribution	Expected	Actual
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Financial Sector Development
Coordinating Institution: TIPA
Budget Line Item: n/a

Activity Coordinator: D. Tshoko
Phone: 351790

Reviewed/Approved by PIC: _____

Mr. M. Mbaakanyi, PIC Chairman

PROPOSED ACTIVITY

INTERNATIONAL BUSINESS COMPANY DRAFT LEGISLATION

PIC Activity Summary Sheet

Activity Title: International Business Companies Legislation

Activity Description: To draft legislation together with the requisite regulatory framework for the creation in Botswana of International Business Companies and Registered Agents. This activity follows up on the recommendations of the International Financial Services Center (IFSC) feasibility study.

Expected/Actual Impact: This legislation is a critical building block in creating an enabling environment for increased investment in the financial services sector. The impact of the passage of this legislation will likely be increased use of Botswana as an administrative center by international business companies from around the world, but particularly from Europe.

Implementation Plan: Under the guidance of a reference group comprised of representatives of the Attorney General's Chambers, MFDP, MCI, the Bank of Botswana, BOCCIM, selected private sector representatives and BDC, the consultants will review existing company, tax and exchange control legislation as well as other relevant reports and regulations. They will then draft legislation, regulations and rules for the creation in Botswana of International Business Companies and Registered Agents. Throughout the consultancy, there will be a continuing "consciousness-raising" effort in both the public and private sectors (particularly with MFDP) to educate stakeholders on concepts and benefits to Botswana. The estimated level of effort is two person-months.

Status: Potential consultants have been identified - BDC wishes to use the same consultants who conducted the IFSC study due to their intimate knowledge of the financial sector, and because this activity is a direct follow-on to the IFSC study.

Issues: Timing is very critical. The proposed act is a pre-requisite for the successful launch of the IFSC in 1996. The Vice President, when officially presented with the results of the IFSC study, indicated that if the International Business Companies legislation can be drafted in time, it could go to Parliament early in 1996.

Recommendation: The subcommittee feels that this is a critical activity which will contribute significantly to improving the enabling environment for private sector development. Activity should commence as soon as possible since timing is critical.

<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:	\$60,000	
Hotel and M&IE:	\$ 1,000	
Travel and Transportation:	\$ 8,000	
Other Costs:		
TOTAL:	\$69,000	

<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:	P35,000	
Travel/Transportation:	P 400	
Office Space:	P 480	
Other (Entertainment):	P 1,200	
TOTAL:	P37,080	

Technical Subcommittee: Financial Sector Development
Coordinating Institution: BDC
Budget Line Item: Policy Development, Dialogue and Implementation

Activity Coordinator: K. Munamati
Phone: 351811

Approved by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman



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Development Project (BPED)
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ATTENTION: Dr. S. BRAILSFORD

Ref: F23IBC-C/KHM95

26 October 1995

Dear Dr Brailsford

REQUEST FOR FUNDING FOR CONSULTANTS TO DRAFT INTERNATIONAL BUSINESS COMPANIES LEGISLATION.

Following approval by the Financial Sector Development and the Investment Promotion sub-committee of the proposed funding for the consultancy to draft International Business Companies (IBCs) Legislation, Rules and Regulations for consideration by PIC 18, we write to enclose a copy of the Terms of Reference for the study and provide a summary of the progress made since completion of the consultancy on "Botswana Becoming an International Financial Services Centre (IFSC)".

1. OVERVIEW

As part of the Government of Botswana's continued effort to diversify the economy from single commodity export and to find alternative engines of growth, BDC was asked to carry out a feasibility study on the potential of Botswana becoming an International Financial Services Centre. BDC commissioned a study in May, 1995 with funding from BPED.

The consultants' findings confirmed Botswana's potential to become an International Financial Services Centre. The consultants recommended the need to draw up the following legislations, rules and regulations;

- 1.1 The International Business Companies and Registered Agents Legislation, for which funds are being sourced.*
- 1.2 The Anti-Money Laundering Legislation.*

In addition the consultants provided a proposed plan of operation to be followed which includes among other things;

The need to set up a task force to champion the implementation process.

DIRECTORS:

**O.K. MATAMBO (CHAIRMAN) T.C. MOREMI (VICE-CHAIRMAN) M.O. MOLEFANE (MANAGING)
B. GAOLATHE J.C. GODDARD* D. INGER C.M. LEKAUKAU E.N. MANNATHOKO
L.M. MPOTOKWANE M. MWACHOFI** O.O. PITSO P.L. STEENKAMP *UK **KENYA**

- *The need to draft and pass the necessary legislations with utmost speed and to launch the jurisdiction early in the new year.*
- *The need to identify a lead consultant to help develop and promote the jurisdiction.*

2. **PROGRESS**

2.1 **COLLECTIVE INVESTMENT UNDERTAKINGS (CIU)**

The draft legislation on the project has been lodged with the Attorney General Chambers and it is expected to be passed at the November parliament sitting.

BDC has written to the Ministry of Finance and Development Planning to propose that a task force committee be set up to coordinate the implementation of the recommendations of the report.

2.2 **INTERNATIONAL BUSINESS COMPANIES (IBCs)**

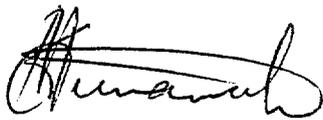
Two consultants have been identified from the previous team on the IFSC study to do the draft once funding is sourced.

2.3 **ANTI- MONEY LAUNDERING LEGISLATION**

A committee comprised of Ministry of Finance and Development Planning officials and the Central Bank officials are working on the legislation.

It is expected that all the necessary legislations will be completed by beginning of the new year to allow the launching of the jurisdiction sometime early 1996.

Yours sincerely



K. H. Munamati

MANAGER

CORPORATE FINANCE & DIVESTMENT DIVISION

LEGISLATIVE FRAMEWORK RELATING TO THE INCORPORATION, REGISTRATION, POWERS, DUTIES AND ADMINISTRATION OF INTERNATIONAL BUSINESS COMPANIES (EXEMPT COMPANIES) AND REGISTERED AGENTS

TERMS OF REFERENCE

1. OVERVIEW

To fulfil the recommendations of the Consultancy Report on "Botswana becoming an International Financial Services Centre", Botswana Development Corporation Limited (BDC) seeks to appoint a team of consultants to undertake a project to draft legislation together with the requisite regulations and rules for creation in Botswana of International Business Companies and Registered Agents.

The successful consulting team will be expected to review existing company, tax and exchange control legislations and the existent and proposed regulatory regime and to consult the report on "Botswana Becoming an International Financial Services Centre" as well as any other relevant reports and regulations.

The team will work under the guidance of a reference group comprising, representatives of the Attorney General's Chambers, Ministry of Finance and Development Planning (MFDP), Ministry of Commerce and Industry (MCI), Bank of Botswana (BOB), Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), selected private sector representatives and Botswana Development Corporation Limited (BDC). The team will be required to make an oral presentation after submission of the draft legislation, regulations and rules. The final report is expected within two (2) weeks of the oral submission, incorporating the comments of the reference group. The estimated level of effort required is two (2) person months.

It is anticipated that a fixed price contract will be awarded to the successful team of consultants. Each consulting team will be required to give a written submission in response to the following selection criteria;

1. A brief history of experience in similar projects in other countries, with a synopsis of projects performed, the personnel involved, recommendations made, and the outcome subsequent to completion of the project(s).
2. A brief description of the approach to this project which would be adopted by the tenderer. This should include an indication of what local expertise such as bankers, insurance and investment experts, attorneys, accountants, auditors and tax authorities would be required to accomplish the project objectives and what specific kinds of data may be necessary or useful.
3. A full curriculum vitae for each member of the team proposed by the tenderer and their role in the project.
4. Strong English language speaking and writing ability and skills.

Five copies of the following separate submissions would be required:

1. A business proposal itemising professional fees, person days, expenses, total price, and relevant terms. Please note that United States Agency for International Development (USAID) travel per-diem regulations would apply.
2. A technical proposal which provides full data upon:
 - * The proposed approach to meeting the Terms of Reference.
 - * The timetable for the above.
 - * The curriculum vitae of the team members and their experience relevant to this project.
3. The foregoing to be submitted to:

The International Business Companies
And Registered Agents Legislation Project Manager
Botswana Development Corporation Limited
Corporate Finance and Divestment Division
Moedi, Plot 50380
Gaborone International Showgrounds
Off Machel Drive
Private Bag 160
GABORONE
Botswana

Telephone: (267) 351811
Facsimile: (267) 373539

2. **OUTLINE OF THE DEVELOPMENT OF THE CONCEPT OF INTERNATIONAL BUSINESS COMPANIES AND OF REGISTERED AGENTS**

The consultancy on "Botswana Becoming an International Financial Services Centre" appointed by BDC in April 1995 at the request of the Ministry of Finance and Development Planning confirmed Botswana's potential as an International Financial Services Centre subject to enactment of appropriate legislative and regulatory frame work. The consultancy identified an immediate need to draw up and pass International Business Companies (Exempt Companies) and Registered Agents Legislation and Rules.

2.1 **INTERNATIONAL BUSINESS COMPANIES (IBCs) AND REGISTERED AGENTS**

The principle of limited liability through corporate structures is recognised in Botswana and is an essential component of most of the corporate forms which one finds in jurisdictions which are comparable to that which is being contemplated for Botswana.

The international tax planning and asset management activities which depend on International Financial Services require the availability of a clear and easy-to-use corporate law. A number of the jurisdictions which have successfully developed as International Financial Services Centres have, within the last ten years, introduced new company law statutes which incorporate modern principles, often alongside the domestic corporate law.

Some of the more common uses of IBCs (also known as Exempt Companies) are as offshore insurance and reinsurance companies, offshore investment companies, investment holding companies and mutual funds, international trading, leasing or servicing companies, and companies generating international royalties and commissions.

It is essential that the corporate law which provides for the establishment of Exempt Companies should be sufficiently flexible to accommodate the manner in which such exempt companies are managed in the context of an International Financial Services Centre.

Some of the characteristics that the company law must provide for in order to be attractive as an Exempt Company jurisdiction are the following:

It must:

- 2.1.1 have the possibility to issue bearer shares;
- 2.1.2 be able to have par value shares or no par value shares;
- 2.1.3 be able to have single shareholder;
- 2.1.4 have flexible redemption/purchase procedures for its own shares;
- 2.1.5 be able to have corporate directors;
- 2.1.6 be able to have a single director;
- 2.1.7 preferably not require local directors;
- 2.1.8 be able to provide for optional endings to the corporate name (Limited, Inc, S.A., etc);
- 2.1.9 be free from any *ultra vires* principles;
- 2.1.10 not have any publication requirements for financial statements.

The IBC legislation should make it a requirement that each IBC should appoint a local Registered Agent in Botswana. This function should, furthermore be restricted to business entities which are licensed for that purpose. The Registered Agents would be required to ensure that the corporate documents filed with the registry comply with the statutory requirements and will effectively provide the first tier of regulatory supervision.

The International Business Companies Act should prescribe the licensing conditions for registered agents and the services to be offered by the registered agents.

2.2 NATURE OF THE EXEMPTIONS REQUIRED

In order to achieve the minimum required level of exemption it will be necessary for the Exempt Company legislation itself to include the following provisions:

- 2.2.1 A confirmation that the source based tax regime will be applied to foreign source income of IBCs;
- 2.2.2 A provision which would suspend the withholding tax section in the income tax act in respect of IBCs and which would allow the payment by these companies of dividends and other distributions without them being subject to withholding tax;
- 2.2.3 A provision which would suspend the exchange control rules and laws in respect of all transactions conducted by IBCs outside Botswana or in Botswana with specified service providers. This latter exemption may be necessary to ensure that local contracts may be entered into without complications arising as a result of the exchange control provisions.

In this regard it may be necessary to recommend amendments to existing Income Tax, Exchange Control and other relevant legislation in order that the Exempt Companies Legislation and the existent company legislation are reconciled.

2.3 THE REGISTRAR OF INTERNATIONAL BUSINESS COMPANIES

The law enabling the establishment of International Business Companies would necessarily provide for the creation of a separate registration function which would be conducted under the auspices of the state. Similarly, domestic companies which are incorporated under the present law in Botswana are registered with the Registrar of Companies which is within the Ministry of Commerce and Industry.

3. OBJECTIVES OF THE INTERNATIONAL BUSINESS COMPANIES (IBC's) AND REGISTERED AGENTS PROJECT

- 3.1 The objectives of the project are to draft legislation, regulations and rules which will provide:

- 3.1.1 A Legal framework for the establishment of International Business Companies and Registered Agents in Botswana.
- 3.1.2 Establishment of a registry authority which would satisfy demand for IBC's and Registered Agents as well as assisting Botswana's marketing of these products worldwide.
- 3.1.3 Definitions and classifications of the different classes of IBC's and Registered Agents.
- 3.1.4 Duties, functions and powers of the regulatory authorities.
- 3.1.5 Balance between confidentiality and protection of the good reputation of Botswana as a country.
- 3.1.6 Qualifications of operators, administrators, officers and auditors of the companies and reporting requirements, issuance and transfer of shares, revoking licences, suspensions and liquidations.

4. SCOPE OF WORK

A consultant will be sought who will carry out the following activities;

- 4.1 Fact finding - Initial stage.
 - 4.1.1 Undertake a review of existing Company, Income Tax, Exchange Control and other relevant legislations, supervisory regimes and the IFSC report, together with the relevant aspects of application and process of Exempt Company registration, and the residence and work permits necessary for key personnel.
- 4.2 Consult with the relevant government officials, the private sector and any other relevant groups or individuals.
- 4.3 Summation of fact finding draft legislation in second stage.
 - 4.3.1 Present in written form the draft legislation, regulations and rules derived from 4.1 and 4.2 above.
 - 4.3.2 Upon review and incorporation of the reference group's comments and recommendations into the preliminary proposals, proceed immediately to the final stage of the project.
- 4.4 Draft the final report - Final Stage to include:
 - 4.4.1 The final proposed legislation, regulations and rules in respect of IBC's and Registered Agents.

- 4.4.2 Recommendations on the functions, structure and operational style of the supervisory authorities.
- 4.4.3 Proposals in respect of linkages with, and consequential amendments to any regulatory and legislative requirements in Botswana including but not limited to taxation and exchange control issues and the present Companies Act.
- 4.4.4 After consultation with the reference group and oral presentation of the final draft, final copies of the report will be prepared and submitted to BDC which will convey these to the MFDP for consideration and possible implementation.

Steph

Amr

INTERNATIONAL BUSINESS COMPANIES DRAFT LEGISLATION BUDGET

1. *Estimated level of effort required 2 person months:*

1.1. *Cost of study estimated:*

<i>Professional Services</i>	<i>US\$ 60 000</i>	
<i>Airfare</i>	<i>US\$ 8 000</i>	
<i>Per-diem</i>	<i><u>US\$ 900</u></i>	
<i>Total B-PED Costs</i>		<i><u>US\$ 69 000</u></i>

1.2. *Host Country Contribution:*

<i>Professional Time</i>	<i>P35 000</i>	
<i>Office space 60 square metres</i>	<i>P 480</i>	
<i>Car & running expenses</i>	<i>P 400</i>	
<i>Entertainment</i>	<i><u>P 1 200</u></i>	
<i>Total contribution</i>		<i><u>P37 080</u></i>

**MANAGEMENT & ENTREPRENEURIAL DEVELOPMENT
SUB-COMMITTEE**

ON-GOING ACTIVITIES

Membership Directory

Directory of Business Resources

Marketing of Small Business Insurance

Formation of Business Councils

Quality Assessment of Training Providers

Employee Exchange - BDC

Revitalization of Business Division

Flea Market

MIS Consultant - BOCCIM

Short Term Technical Assistance to BOCCIM Training Department

Marthodi Assessment

Small Enterprise Strategies

PROPOSED ACTIVITIES

BOCCIM Recruitment and Selection Service

PIC Activity Summary Sheet

Activity Title: BOCCIM Membership Directory

Activity Description: Develop a BOCCIM Membership Directory which includes information about products/services offered by BOCCIM members.		
Expected/Actual Impact: The directory will be distributed to members and sold to the public. As a result, BOCCIM members should experience increased demand for their services, and BOCCIM will realize income from the sale of the directory and from advertising sales.		
Implementation Plan: To produce, market, sell, and track the distribution of a membership directory that list of members with specific services/products in accordance with the Organizational Strategy Review. Advertising in directory will assist to cover costs.		
Status: The final proof is being reviewed by the PRO. The directory should be ready for distribution by the end of October 1995.		
Issues: What is the strategy for marketing the directory?		
Recommendations: Retain on BPED roster to monitor financial viability.		
<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel and Transportation:		
Other Costs:		
TOTAL:		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
 Coordinating Institution: BOCCIM
 Budget Line Item:

Activity Coordinator: M. Kaboamodimo
 Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Directory of Business Resources

Update: October 30, 1995

Activity Description: This activity involves compiling a list of businesses and other organizations which furnish services to the business community.		
Expected/Actual Impact: The directory will be a useful reference for businesses, improve membership services, and generate income for BOCCIM.		
Implementation Plan: Will identify existing resumes as well as solicit additional information directly from businesses for a directory which covers BOCCIM members, as well as non-members. Advertisements in directory will pay for cost. Need marketing plan.		
Status: This activity has been postponed to 1996.		
Issues: What is the projected income to be generated from the directory? Viability is still a serious consideration at this point in time, particularly as BOCCIM attempts to focus on income generating services to its members. Data from Membership Services Directory to be used for this directory as well.		
Recommendations: Retain on BPED roster to reassess viability.		
<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel and Transportation:		
Other Costs:		
TOTAL:		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development

Activity Coordinator: M.

Kaboeamodimo

Coordinating Institution: BOCCIM

Phone: 353459

Budget Line Item:

Reviewed by PIC: _____
Mr. M. Mbaakanyi, PIC Chairman

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PIC Activity Summary Sheet

Activity Title: Small Business Insurance

Update: October 30, 1995

Activity Description: Develop and implement a marketing plan for the BOCCIM Small Business Insurance Scheme.		
Expected/Actual Impact: The response from the membership was not as much as expected. Only 40 companies have responded. However, companies that were not previously members of BOCCIM have joined specifically to take advantage of the Insurance Plan.		
Implementation Plan: BOCCIM will work with a marketing company and the insurance company to develop a marketing plan.		
Status: There was no August mailing. It was recommend by the Subcommittee to advertise the insurance scheme in the BDC Newsletter to attract more applicants.		
Issues: Most companies want the only the Workers Compensation portion of the insurance package. The current plan requires that the companies must take all three options in the package.		
Recommendations: To renegotiate with the Insurance company to come up with a single coverage discount option to BOCCIM members. There are still concerns about the viability of this activity and whether it can become an income generating membership service. Retain on BPED roster to monitor sustainability.		
<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel and Transportation:		
Other Costs:		
TOTAL:		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
Coordinating Institution: BOCCIM
Budget Line Item: Institutional Strengthening

Activity Coordinator: D. Molobe
Phone: 353459

Reviewed by PIC:

 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Development of Regional Business Councils

<p>Activity Description: BOCCIM considers the development of sustainable Regional Business Councils to be a priority for support to the private sector across the country.</p>		
<p>Expected/Actual Impact: The motivation for this formation is to develop strong constituencies with close ties to their membership having the ability to provide an effective mandating and communication process.</p>		
<p>Implementation Plan: BOCCIM aims to develop 13 functioning councils, with a minimum of BOCCIM Outreach Staff.</p>		
<p>Status: The Swedish International Development Agency (SIDA) has approved a project to assist BOCCIM to establish Business councils throughout the country. The project was scheduled to run from September 1, 1995 to the end of 1999. However, the start-up date has been delayed pending the signing of the Project Agreement. The project is estimated to cost P2,292,316 of which 46% will be BOCCIM's contribution. The 54% SIDA contribution will cover the following: Salaries for three Field Officers, rent for 10 Business Council Offices, office equipment and supplies, meeting expenses and hotels, vehicle cost purchasing, vehicle running expenses, and seminars for the Business Councils.</p>		
<p>Issues: The Kasane, Kanye and Tsbong Business Councils are running effectively. There is a concern that the effective councils are being run by expatriates. There is a question whether these councils will be able to run effectively once the expatriates have left.</p>		
<p>Recommendations: Monitor the effectiveness of the Business Councils.</p>		
<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel and Transportation:		
Other Costs:		
TOTAL:		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
Coordinating Institution: BOCCIM
Budget Line Item:

Activity Coordinator: I. Gabegwe
Phone: 353-459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Quality Assessment of Training Providers

<p>Activity Description: BOCCIM training courses are designed to improve the efficiency, effectiveness and profitability of the businesses who sponsor the participants to the training courses. BOCCIM Training Department is not clear as to whether this key output is being achieved, and for this reason proposes to carry out an assessment of the impact of the training on the sponsoring businesses.</p>		
<p>Expected/Actual Impact: Information from assessment will improve BOCCIM's ability to direct training at appropriate areas, to reorient presentation if necessary or include components in training course to improve effectiveness of trainee after course has been completed. Impact would be monitored through a specific monitoring system by BOCCIM or another impact study after changes have been implemented.</p>		
<p>Implementation Plan: Consultant conducted a random survey of companies - participants and management --to determine effectiveness of training and impact of training on performance of the company. Quantitative and qualitative aspects were considered. Reference Group should be comprised of the Training Review Committee at BOCCIM.</p>		
<p>Status: The evaluation survey has been completed. 95% of the sample reported that they have gained knowledge. 80% reported that the course material was applicable to the workplace. 88% reported that the training courses were beneficial to the organization, and increased its effectiveness. The survey did not evaluate whether or not the training courses increased the profitability of the businesses that sponsored the training.</p>		
<p>Issues: How will BOCCIM use the quantitative analysis to turn the Training Department's future course offering into an income producing asset? How does BOCCIM plan to use this information to compete in the market?</p>		
<p>Recommendations: Retain on BPED roster to monitor the use of the report to increase sustainability in the Training Department.</p>		
<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		-
Travel and Transportation:		
Other Costs:		
TOTAL:		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
Coordinating Institution: BOCCIM
Budget Line Item:

Activity Coordinator: O. C. Masire
Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: BDC Employee Exchange Program

Update: October 30, 1995

<p>Activity Description: This activity involves developing an exchange program between BDC and other development finance corporations in the SADC region.</p>		
<p>Expected/Actual Impact: Impact of this program is skills transfer/information exchange between similar institutions, resulting in improved performance of all development/finance institutions in the region. Impact would be measured through performance of individuals participating in the program and measurement their contribution to the visiting institution. Administrative and logistical framework needs to be established to monitor performance/benefit.</p>		
<p>Implementation Plan: BDC has assisted in generating interest in a regional exchange program through dialogue and scheduling of additional conferences to iron out the administrative details. Donors/funders must still be sourced.</p>		
<p>Status: The first meeting of the Steering Committee was held on September 28, 1995. Malawi and Namibia did not attend. The delegates from Swaziland were given the responsibility of public relations and fund raising for the exchange program. A membership fee of \$500.00 USD per institution was proposed. The next meeting is to be held in Lesotho.</p>		
<p>Issues: There has been no BPED funding for this activity, although BPED fully supports this activity. There needs to be a concerted effort to source long term funding to support this activity.</p>		
<p>Recommendations: Request funding from IFC or UNIDO.</p>		
<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel and Transportation:		
Other Costs:		
TOTAL:		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
Coordinating Institution: BDC
Budget Line Item:

Activity Coordinator: S. Meti/P. Mokou
Phone: 351811

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Revitalization of the Small Business Division

Update: October 30, 1995

<p>Activity Description: The objective of this activity is to develop an active group of small business members who are working on projects which benefit the small business sector.</p>		
<p>Expected/Actual Impact: Activities should generate income to support business outreach services. A focus on small business needs will also show that BOCCIM can be responsive to small businesses.</p>		
<p>Implementation Plan: The work plan is to place priority on projects which are most beneficial to small business development.</p>		
<p>Status: Operating cost for the committee are covered. The Small Business Division Executive Committee meetings have been held monthly. The Small Business Week is scheduled to be held the Week of October 30, 1995. The Small Business wants to organize themselves and become associate members of BOCCIM.</p>		
<p>Issues: How will the separation of the Small Business Division from BOCCIM effect BOCCIM's membership income base? How has BOCCIM supported Small Business since the departure of the BPED Business Management Advisor?</p>		
<p>Recommendations: Retain on BPED roster to monitor effect on BOCCIM's sustainability.</p>		
<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel and Transportation:		
Other Costs:		
TOTAL:		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		-
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
Coordinating Institution: BOCCIM
Budget Line Item:

Activity Coordinator: I. Gabegwe
Phone: 353459

Reviewed by PIC:

 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: BOCCIM Flea Market

Activity Description: The Borakanelo Flea Market at the BBS Mall was formally opened on October 30, 1994 by the Minister of Commerce and Industry to provide small-scale entrepreneurs with an outlet for their products. The concept was originated by a Peace Corps Volunteer who assisted BOCCIM in setting up the market, with support from the BPED Business Management Advisor.

Expected/Actual Impact: The market is expected to provide an opportunity for small-scale citizen businesses and vendors with an outlet to sell their products, in an environment that is free from licensing requirements. In addition, the market generates income for BOCCIM to support its small business activities. Impact indicators include: i) increase in profits; ii) increase in average number of citizen entrepreneurs who rent space; and iii) create much needed jobs for women, school leavers, others.

Implementation Plan: To source the services of an experienced Flea Market Expert to implement a successful strategy to attract more customers, more vendors, and more profits. The expert should come from a neighbouring country where Flea Markets are big business opportunities for small scale entrepreneurs.

Status: There are problems with lack of participation on the part of both buyers and sellers. This could be due to the increase in fees from P25 to P 40. Subsequently, the fees were lowered to P15 for BOCCIM and P20 for non-members.

Issues: What is the cause of the current lack of participation from the public and vendors? What corrective measures can be taken to address the problems, increase sales, and attract more customers?

Recommendations: A consultant is required to advise BOCCIM on successful ways of making the Flea Market an income generating activity. Operations of successful Flea Markets in South Africa, such as Bruma Lake, and Rosebank should be studied. A thorough review of the products sold at the market must be undertaken. The feasibility of moving the market to a location that allows the market to operate on Saturday must also be reviewed. After an investigation of the problems with the Borakanelo Market, a trip to a well established Flea Market to observe its operations and benefit from the expertise of its organizers and operators would be advisable.

<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel and Transportation:		
Other Costs:		
TOTAL:		

<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
 Coordinating Institution: BOCCIM
 Budget Line Item:

Activity Coordinator: I. Gabegwe
 Phone:353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: BOCCIM MIS Consultant

Update: October 31, 1995

Activity Description: The consultant will analyze the database management needs of the Membership, Training, B-Map and Outreach departments to develop and implement systems that will meet the identified requirements. The consultant will also train staff in the use of the systems.

Expected/Actual Impact: Improved monitoring and reporting systems as basis for informing members re: benefits of membership. BOCCIM needs to determine how they are going to monitor the impact of this activity.

Implementation Plan: Consultant to work part-time through the end of July and to develop workplans for each department. In addition consultant will perform needs assessment, inventory of hardware and software and develop reallocation plan. Chalwe will be the supervisor.

Status: Mid-term progress report and final progress report, needs assessment, inventory and reallocation plan submitted at the end of July. Consultant available for follow-up if necessary.
No update was submitted to the Sub-Committee for review.

Issues: Need to estimate host country contribution. Some of the systems will need to be revised based on organizational changes as a result of the strategy study.

Recommendations: Delete from D&T roster. BOCCIM to follow up on recommendations.

Contact Mr. Chalwe for an update.

<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		-
Travel and Transportation:		
Other Costs:		
TOTAL:		

<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
Coordinating Institution: BOCCIM
Budget Line Item:

Activity Coordinator: M.P. Chalwe
Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Short Term Technical Assistance to BOCCIM Training Department

Activity Description: The BOCCIM Training Department requires a short-term technical assistance to: 1) develop and present five in-house training courses and ii) develop Small Business Guides (Financial Management, Business Record Keeping, Budgeting, Business Planning, and Cash Flow Forecasting) which will be used by consultants to teach courses for small business owners. The Small Business Guides will also be sold in Botswana and regionally to generate revenue for BOCCIM.

Expected/Actual Impact: This consultancy will enable BOCCIM to explore two options for generating training revenues once BPED funding ceases. The impact of the consultancy will be measured by: i) the extent to which the 5 BOCCIM courses and the Small Business Guides courses continue to be presented in 1996 without BPED funding or support; ii) profits generated from the five BOCCIM courses and Business Guides courses in 1995 and 1996; iii) the effectiveness of the courses; and iv) revenues generated through the sales of the Small Business Guides.

Implementation Plan: The consultant will assist the Training Officer to develop course materials for five new training courses scheduled to be held in 1995. He will also rehearse presentation techniques with the Training Officer and jointly present each new course with her. Each course will require 2 days of preparation time, 2 practice days, 2 travel days and 2 course presentation days from the consultant, for a total of 40 days. The consultant will also assist the Training Officer to draft the five Small Business Guides. Each guide will require approximately 4 days of assistance. These guides will then be edited and published under a previously approved consultancy, and consultants will be contracted to teach the corresponding courses.

A total of 480 hours is authorized under this consultancy between March 7 and September 30, 1995.

Status: Two courses have been completed and two more planned. Response to courses has been good and they have been well-received. No progress has been made on the small business guides.

Issues: Can this activity be continued under the Cooperative Agreement?

Recommendations: Under the In-house Training Course and Seminar Section 3.2.3 of the Cooperative Agreement states that, "With support from the former Training Advisor, BOCCIM has been developing an internal training delivery capability to generate income for the Training Department. Prior to September 30, 1995, the Training Advisor and the Training Officer will design and pilot five training courses which are targeted at citizen entrepreneurs. Funds for this activity have already been approved under the foreign exchange budget managed by the prime contractor, and no additional funding will be provided for course development under this Cooperative Agreement."

Project Costs	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel/Transportation:		
Other Costs:		
TOTAL:		

Host Country Contribution	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
Coordinating Institution: BOCCIM
Budget Line Item:

Activity Coordinator: O. C. Masire
Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Marothodi Assessment

Update: October 31, 1995

<p>Activity Description: Engage a BNPC consultant to review market opportunities and internal operations of Marothodi. To give a full report with recommendations on findings.</p>		
<p>Expected/Actual Impact: This study will focus managements' concentration on key problem areas and is likely to increase turnover and profitability to give it a competitive edge. This would result in saving and maintaining thirty jobs, all citizen women with junior secondary and lower education.</p>		
<p>Implementation Plan: A two man consultant team to review Marothodi's operations for a day and give full report to Marothodi. Management assisted by BDC to follow on recommendations and implement hand in hand with own knowledge of Marothodi's business environment and capabilities. No Reference Group required.</p>		
<p>Status: Consultant has gone to Francistown to Marothodi for the day to collect data with the BDC Officer responsible for that company.</p>		
<p>Issues: No updated activity sheets were submitted to the Sub-Committee for review? What were the Consultant's recommendations? What is the final impact on the Marothodi's business environment and capabilities?</p>		
<p>Recommendations: Get copies of the consultant's final report.</p>		
<u>Project Costs</u>	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel and Transportation:		
Other Costs:		
TOTAL:		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
Coordinating Institution: BDC
Budget Line Item:

Activity Coordinator: D. Kgosietsile
Phone: 351811

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Strategies for Promoting Small Scale Enterprise

<p>Activity Description: The BOCCIM Field Officer (South) requires a training course in Strategies for Promoting Small Scale Enterprise. The Office also needs to be attached to Small Business Development Organisations.</p>		
<p>Expected/Actual Impact: The course is expected to help the Officer acquire knowledge in areas of Small Enterprise Development such as; strategies for supporting SSE Development, designing SSE activities, small business financing, and leveraging SSE development. The course is expected to enhance the Officer's effectiveness in working with small businesses in Botswana and in the development of Local Business Councils. The attachment with various small enterprise development organisations, on the other hand, is expected to expose the Officer to (income-generating) activities of these organisations which can be adapted by the BOCCIM Small Business Division and Business Councils. Mr. Gabegwe's participation in the training exposed him to many issues facing small business around the world. The course enriched his knowledge and understanding of small business issues. He will use this new found expertise to improve existing services for SSE development.</p>		
<p>Implementation Plan: Mr. Gabegwe plans to assist the Small Business Division in lobbying for government support in programs such as the proposed Loan Guarantee Scheme.</p>		
<p>Status: On September 8, 1995 Mr. Gabegwe went to Washington, DC to attend a two week seminar on "Strategies for Promoting Small-Scale Enterprise". The seminar was organized by Intrados Management Group. Some of the most important topics were: Small Business Finance, SSE Development and the US Experience, Utilizing Small Business in Government Procurement. Some of the issues raised concerned constraints to the growth of small enterprises, policy and regulatory framework established for promotion of SSE and public and private institutions involved in this promotion. (see attached trip report)</p>		
<p>Issues: Final trip receipts and invoices not yet submitted.</p>		
<p>Recommendations: To improve BOCCIM's resource efficiency, a library to store all business related information and publications should be established. This would save time that is spent on individual clients by staff. In addition, a help desk should be established to represent all BOCCIM departments by providing answers to in-coming calls relating to industrial relations, government policy, finance, inflation, and taxes. The idea of a help desk has been suggested by members of the Small Business Executive Committee. Requested all invoices.</p>		
Project Costs	<u>Expected</u>	<u>Actual</u>
Professional Fees:		
Hotel and M&IE:		
Travel and Transportation:		
Other Costs:		
TOTAL:		
Host Country Contribution	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: M&E Development
Coordinating Institution: BOCCIM
Budget Line Item:

Activity Coordinator: O .C. Masire
Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

REPORT ON STRATEGIES FOR PROMOTING SMALL ENTERPRISES SEMINAR

By Isang Gabegwe, BOCCIM Member Services Officer (South) - 16th October, 1995

On the 8th September, 1995, I went to Washington, D.C., USA, to attend a seminar on "Strategies For Promoting Small-scale Enterprises". The two-week program was organised and run by Intrados Management Group, and covered a wide range of issues relating to small enterprise development. Some of the most important aspects/topics of the seminar, which will form the basis of this write-up are; Small Business Finance, SSE Development and US Experience, Utilizing Small Businesses in Government Procurement, Country Presentations and Site Visit to Small Business Development Centre at George Mason University.

The seminar gave me the opportunity to share experiences and learn new ideas through an interaction with a mix of twenty other participants who represented countries from around the world. One part of this learning process came through daily discussions that we had in relation to various seminar topics. The other part came through presentations which each participant was required to make, describing the dynamic changes in the promotion of small and micro enterprises sector in their countries. The presentations enabled us to become aware of issues that were of concern to each country represented. Some of the issues raised were; policies and regulatory framework established for promotion of small-scale enterprise, public and private institutions involved in this promotion, and constraints to the growth of small-enterprises.

The other interesting component of the seminar was a **site visit to a Small Business Development Centre (SBDC)** at the University of George Mason in the city of Fairfax, Virginia. This particular centre provides an important facility for development of small businesses in the US. It offers a host of services to multitudes of small start-up and expanding businesses in the District of Colombia, Virginia and neighbouring states. As a way of reducing staff time on individual clients and thereby enhancing efficiency, the centre runs a vigorous short-term training program for small businesses and has a library which provides free information. The centre also provides free counselling through volunteer consultants, networking of big businesses with smaller businesses, and undertakes special consultancy projects.

These programmes were interesting to me because although they were similar to ours in most respects, they were more refined and resource efficient. The idea of a library in particular, can be adopted here at BOCCIM because it could help save time that is spent on individual clients by staff. The library could also provide a facility for storage of all business related information, including publications, that may be of interest to staff. The other idea that could be adopted is one of a help-desk which supplies callers with information relating to industrial relations, government policy, finance, etc. The help-desk would represent all BOCCIM departments in providing answers to in-coming calls in respect of matters concerning the departments as well as calls regarding general economic issues such as inflation and taxes. The idea of a help-desk has been suggested by some members of the Small Business Division Executive Committee before.

Utilizing Small Business in Government Procurement is another seminar topic that attracted a lot of attention from participants. The seminar revealed that in most countries, public institutions utilize small businesses for procurement. This is generally perceived to be a positive approach towards the development of small businesses, most of which can not sustain themselves, especially in situations where they have to compete for the same market with larger businesses. In Botswana, government purchases a portion her requirements from small businesses who are involved in selected manufacturing projects such as sewing and bread making. There is little or no government support for small businesses which are in the other sectors such as trade and services. The government is however working on a program that will set aside some public jobs for citizen companies. It is still unclear how beneficial the program will be to small business.

Small Business Finance

It was also revealed from the seminar that getting finance was one of the most serious problems facing small businesses around the world. This is because small businesses borrowers are generally known to be bad payers. Financial institutions also feel that small loans are not viable because of the high cost of administering them. Institutions normally counter this risk by adopting stringent loan requirements such as larger collateral, shorter repayment periods and higher interest rates. In countries like Swaziland and India, governments have established loan guarantee schemes for small loan seekers who can not raise their own collateral. In Botswana, BOCCIM has for some time been lobbying government to set up a loan guarantee scheme for small businesses.

At the end of the seminar, participants concurred in concluding that development of SSE's around the world was a mammoth task which in most cases can not be accomplished without government or donor support. It was resolved that although small business associations were the key to SSE development, such associations would not operate efficiently and effectively without outside support. The US's Small Business Association is in particular, successful because it enjoys the support of the hierarchy of the US government and has its share of the national budget. In India, small businesses are flourishing because of direct government assistance.

All these seminar topics and the many ideas and experiences that I learned have greatly enriched my understanding of small business issues. I hope to use this invaluable knowledge in developing new services (e.g. library) as well as in improving existing services for small businesses. Furthermore, I hope to assist the Small Business Division in lobbying for government support in a number of specific areas (e.g. loan guarantee scheme).

PROPOSED ACTIVITY

BOCCIM RECRUITMENT AND SELECTION SERVICE

PROPOSED ACTIVITY

Activity Title: Recruitment and Selection Service

<p>Activity Description: Establishment of a Recruitment and Selection Service for BOCCIM including the marketing plan, budget, operating systems and procedures, staff induction, and reporting procedure. Short term technical assistance is necessary over a period of two months to ensure that the Service is fully viable, operational, and successfully up and running so that there will be a hand over of the Service to the BOCCIM Counterpart at the conclusion of the two month period.</p>		
<p>Expected Impact: The recent BOCCIM Organization Strategy Review recommended that this activity would enhance the self sufficiency of BOCCIM through making a positive contribution to BOCCIM's bottom line. The proposed activity is an allied service to the current income generation activities of the BOCCIM Training Department and so there is a further beneficial impact through synergy which would benefit the growth of the current portfolio of human resource development services for members.</p>		
<p>Implementation Plan: To source the services of a consultant to set-up a fully operational Recruitment and Selection Service. Level of effort expected to be 2 months starting January 1996. The consultant will work closely with the BOCCIM Training Manager - to ensure continuous transfer of skills so that successful and effective hand over will occur.</p>		
<p>Status: Terms of Reference Submitted to PIC 18 for approval.</p>		
<p>Issues: The feasibility of the Recruitment Selection Service as a continuous income generating activity for BOCCIM.</p>		
<p>Recommendations: To approve development of the Recruitment Selection Service in accordance with the Organizational Strategy Review.</p>		
<p>Project Costs</p> <p>Professional Fees: Hotel and M&IE: Travel and Transportation: Other Costs: TOTAL:</p>	<p><u>Expected</u></p>	<p><u>Actual</u></p>
<p>Host Country Contribution</p> <p>Salaries: Travel/Transportation: Office Space: Other: TOTAL:</p>	<p><u>Expected</u></p>	<p><u>Actual</u></p>

Technical Subcommittee: M&E Development
Coordinating Institution: BOCCIM
Budget Line Item:

Activity Coordinator: O. C. Masire
Phone: 353459

Approved/Not Approved by PIC: _____
Mr. M. Mbaakanyi, PIC Chairman

ESTABLISHMENT OF A BOCCIM RECRUITMENT AND SELECTION SERVICE

TERMS OF REFERENCE

BACKGROUND

To increase BOCCIM's revenue base and fulfil the recommendations of the final operating plan of the Organization Strategy Review, BOCCIM seeks to appoint a consultant to organize a Recruitment and Selection Service for the membership and other clients. This recommended human resource service would enhance the sustainability of BOCCIM and make a positive contribution to BOCCIM's bottom line, as well as improving membership services and value for money.

This service is expected to achieve a total projected income of P19,500. The goal is to place at least three senior managers (3 x P2000), five middle managers (5 x P1500), and ten secretaries (10 x P500) and 20 registrations (20 x P50) by June 1996. The placement numbers will increase every year, as the Recruitment Department progresses. Twenty candidates are projected to be placed in the first year.

BOCCIM bid and was selected to undertake the exercise of counselling and giving career guidance to 200 voluntary Standard Chartered Bank retrenchees. The contract commenced on October 1, 1995. To date, BOCCIM has counselled and placed 40 retrenchees. The first payment from the bank has already been received. BOCCIM will make some money from this exercise.

The Recruitment Service activity will replace the time formerly used to process scholarship applications, as BOCCIM will no longer fund scholarships. The Training Department spent 16 hours a week handling scholarship applications. In addition, the BOCCIM Training Department has also reduced contracted programs from 50 courses per annum to 10 courses per annum. This available time can now be devoted to the Recruitment Service.

The proposed Recruitment and Selection Service would enhance the self sufficiency of BOCCIM and benefit the growth of the current portfolio of human resources services offered to members.

PROCESS

This is a task oriented contract. The consultant will be expected to establish the infrastructure required to establish internal control procedures, manage, and run an on-going profitable Recruitment Selection Service, establish and advertise a recruitment data base with processing fees attached to the system, set-up criteria for matching candidates with perspective employers, set-up an aptitude screening methods to assist employer to detect expertise as well as character and skill weaknesses, design a skills assessment program, specially design a data capture form to assist in evaluation of each candidate, develop a computerized job bank, develop a system to monitor placement success in all sectors.

LEVEL OF EFFORT

On or about January 15, 1996, consulting support would commence to set up the envisioned service. The estimated level of effort required is 40 days. The technical assistance will take 35 days, including 5 days for training and induction of BOCCIM staff on the operations of the service.

REQUIREMENTS

Consultants will be required to give a written submission in response to the following criteria:

1. A brief history of successful experience in establishing human resource recruitment projects in Botswana, or another African country, with a synopsis of the projects performed, the type of personnel placed, the recommendations implemented, and the outcome after the completion of the placement service.
2. A brief description of the approach to this project adopted by the consultant. This should include a indication of what local expertise would be required to accomplish the project objectives and what kinds of data may be necessary of useful.
3. A full curriculum vitae for the sole consultant or each member of the team proposed by the tender and their role in the project.
4. Strong English language speaking and writing skills.

Five copies of the following separate submissions will be required:

1. A business proposal itemizing professional fees, person days, expenses, total contract price, and relevant terms. Please note that United States Agency for International Development (USAID) travel per-diem regulations will apply.
2. A technical proposal which provides full data upon;
 - * The proposed approach to meeting the Terms of Reference.
 - * The timetable for the above
 - * The curriculum vitae of the team members and their experience relevant to this project.

3. The foregoing to be submitted to:

The Recruitment and Selection Service
BOCCIM
P.O. Box 432
3rd Floor
Debswana House
The Mall
Gaborone, Botswana
Telephone - (267) 353459
Facsimile - (267) 373142

SCOPE OF WORK

A consultant will be sought to carry out the following activities:

1. Conduct a feasibility analysis, assessing the demand for a Recruitment Service, determining infrastructure and operational costs; expected revenues, market share, and competitor analyses.
2. Establish a Recruitment and Selection Service for BOCCIM, including the marketing plan, budget, operating systems and procedure, Staff induction and reporting procedures, through short term technical assistance over a period of forty days to ensure that the system is viable, operational and successfully up and running. The consultant must be able to hand over the service to BOCCIM at the conclusion of two months.
3. Design and implement a functional, operational recruitment selection service. Test the proposed procedures and work out problems with the system.
4. Write, produce and deliver a procedure manual by the end of the forty day consultancy.
5. Develop a time frame for processing all employer request and the matching of candidates, to ensure a gradual and phased participation in the service.
6. Develop or identify an aptitude and profile identification process.
7. Develop processes and data capture and evaluation methods appropriate to the employment situation in Botswana, using available data resources such as the Industry Survey.
8. Set-up a payment process that insures on time payment by employers for the service, reducing the occurrence of outstanding debts.
9. Analyze government labour statistical projections for jobs in the Botswana Market, also utilizing the employment unit of the Ministry of Finance, Development and Planning, the Economic Research Unit (ERU), and Industry Survey.
10. Develop a CV format for technical and professional candidates; for top, middle and lower management as applicable; and secretaries.

BUDGET FOR RECRUITMENT SELECTION SERVICE

I. Estimated Level of Effort

II. Cost of Consultancy

Professional Fees ¹	P 912.60 per day for 40 days= Total Wages P36,504.00
Fringe @ 25%	P 9,126.00
Total Direct Labor	<u>P45,630.00</u>
Overhead @ 85%	P38,785.50
Total Professional Fees (Director Labor+Overhead)	<u>P84,415.50</u>
<u>Other Direct Expenses</u>	
Report Production Cost (fixed price)	P 2,160.00
Communication/Courier	P 945.00
G & A @ 10%	P 3,650.40
Total other Direct Expenses	<u>P 6,755.40</u>
Professional Fees + Other Direct Expenses	P91,170.90
G & A @ 10% of Professional Fees + Other Direct Expenses	P 9,170.10
Total Costs	<u>P100,287.10</u>
Fixed @ 5.5% of Total Costs	P 5,028.75
Total Costs + Fixed Fee	<u>P105,315.75</u>
Total BPED Cost	P105,315.75

III. Host Country Contribution - 40 days

Training Manager and Secretary Salaries	P13,600.00
Office Space	P10,000.00
Medical Aid (BOCCIM Training Staff)	P 2,080.00
Pension (BOCCIM Training Staff)	P 1,360.00
Transportation ²	P 600.00
Gas	P 300.00
Total Contribution	<u>P27,860.00</u>

¹ Professional fees base on USAID maximum allowable rate 338.00
USD @ P2.7

² Transportation Cost based on 800 Kilometres @ .75 thebe per Km.

POLICY DEVELOPMENT SUB-COMMITTEE

ON-GOING ACTIVITIES

President's Forum

SACU Study

Industrial Survey

Economic Research Unit

On-Site dBase Support

Review of Citizen Contractors Scheme

BOCCIM Policy Committee

Local Preferences/Set Aside Scheme

White Paper of Industrial Development

PIC Activity Summary Sheet

Activity Title: President's Forum

Update: November 1, 1995

Activity Description: President of BOCCIM to convene regular fora featuring prominent guest speakers to address major issues facing Botswana. The fora are designed to attract both public sector and private sector attendance.

Expected/Actual Impact: Increased awareness of policy/business issues affecting private sector in Botswana/region amongst policymakers, business managers, and other relevant individuals/companies involved in private sector development in Botswana. Impact may be monitored through PF's contribution to publicizing the key policy/business issues.

Implementation Plan: PF will be a fund-raising activity, similar to PW's Network Lunch. BOCCIM President/PRO will line up speakers/dates for the next year. The activity will take place once a quarter.

Status: First forum under revised format took place on September 27 and featured the new Police Commissioner on the topic "The Botswana Police in the wake of sophisticated crime, including armed robberies, and the apparent police inability to cope". Previously this activity was free to the attendees. BOCCIM charged P40 per person for lunch and the forum drew a large audience. For the first time, attendee's were charged P40.00 to attend forum. 70 people attended. After the deduction of expenses, (venue cost P30.00 per person, 2 ads totalling P540.00, excluding staff organizing time) the event netted a profit of approximately P160.00. BOCCIM is looking to increase fee to P50-60 to increase profit margin.

The general reaction to the forum was that the Police Commissioner did not offer any innovative ideas or strategies for dealing with crime, but he did indicate that he would organize a brainstorming session with private sector representatives. The next forum is tentatively scheduled for the week of November 19. One topic under consideration is the issue of the new foreign exchange control regime, the increase or decrease of interest rates, and how these issues might benefit the ordinary Mswana.

Issues: Previously approved budget was under Deloitte & Touche contract. If further funding is required, a new proposal and budget should be presented to the PIC. Even if no BPED funds are currently being expended on this activity, BOCCIM should track host country contribution (including staff time spent organizing the activity, venue costs, cost of advertising, etc.) since BPED funds were used to get this activity started.

Recommendations: Since the activity is intended as an income-generating activity, committee should track success in generating income for BOCCIM as well as success in promoting dialogue on critical policy issues. Next forum should be publicized earlier. BOCCIM should follow up on Police Commissioner's offer to organize a brainstorming session with the private sector.

Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.

<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Advertising:		
Venue:		
Other:		
TOTAL:		

Technical Subcommittee: Policy Development
Coordinating Institution: BOCCIM
Budget Line Item: n/a

Activity Coordinator: P. Siwawa-Ndai
Phone: 353459

Reviewed by PIC: _____
Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: SACU Study

Activity Description: Review other trade agreements to identify options used to promote industrial development in small or developing members of trading blocks. Develop a series of recommendations to the Botswana private sector to advocate to the GoB during the current SACU renegotiations.

Expected/Actual Impact: It is hoped that the incorporation of private sector recommendations into the current SACU negotiating position will improve Botswana's trade position with SACU countries, particularly with South Africa. Dialogue with the GoB, in particular with the PS of MCI, should show to what extent this incorporation is taking place. As SACU negotiations will probably take years to complete, the eventual impact of the recommendations will not be seen for some time, but should be measurable within a year of implementation. The President of BOCCIM presented private sector views on the renegotiations to President Mandela at a breakfast meeting with Botswana business leaders. Mandela promised to raise the issues with the relevant Ministries in South Africa.

Implementation Plan: Manchester Trade compared the provisions of SACU to those in other trade agreements, giving special attention to reviewing how small, resource-rich countries have fared within other economic integration agreements with larger developed and developing countries. Based on this review, and after consulting with key GoB officials and representatives of the private sector, the consulting team developed specific recommendations on the types of provisions for which BOCCIM should be advocating during the SACU renegotiations and suggested negotiating tactics. The BOCCIM recommendations were presented to members of the negotiating team at a special meeting at MFDP on February 20, 1995, and copies of the report were delivered to MFDP and MCI. On the following day, the team leader presented a seminar on GATT and the WTO for MCI.

Status: In February 1995, the PS of MCI wrote to BOCCIM to confirm that the GoB would keep the BOCCIM Secretariat informed about the progress of the negotiations. Although no meeting has taken place between MCI and BOCCIM, MCI gave BOCCIM a confidential SACU briefing document whose salient points are summarized on the next page. In addition, the BOCCIM President, Mr. Neo Moroka, presented the private sector's views on the renegotiations directly to President Mandela at a breakfast meeting on September 7, 1995. Mr. Mandela, who was given a copy of Moroka's speech, promised to refer Maroka's comments to the relevant Ministries in South Africa for action.

(continued on next page)

Issues: The GoB does not seem too keen on getting a technical advisor to assist the negotiating team in the continuing negotiations, as recommended by BOCCIM. Botswana is the only country without such a technical advisor.

Recommendations: BOCCIM needs to arrange a meeting with MCI so that BOCCIM can resubmit its recommendation that the GoB hire a trade expert to assist the negotiating team during the negotiations, especially on technical matters.

Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.

<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Policy Development
Coordinating Institution: BOCCIM
Budget Line Item: n/a

Activity Coordinator: P. Siwawa-Ndai
Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

Status (continued):

Summary of MCI SACU Briefing:

- i. agreement has been reached on:
 - a) the establishment of a SACU Council of Ministers, a SACU Commission and a SACU Secretariat
 - b) need to harmonise incentives schemes
 - c) need for countries to exchange information on industrial and economic development
 - d) effective competition policy to be formulated
 - e) ordinary customs duties to be lowered and simplified
 - f) anti-dumping and countervailing duties to conform to provisions of the World Trade Organisation (WTO)
 - g) safeguard duties to conform to WTO provisions
 - h) provision of rebate of duty under Schedule 3 of SACUA be retained (Article 311 was unilaterally withdrawn in September of last year), improve controls/administration and all members to have equal say in formulation of rebate provisions
 - i) agriculture policy -- principle of food security accepted
 - j) free trade within SACU -- principle of free trade accepted, but deviations from the principle acceptable if for developmental reasons
 - k) low or reduced tariffs for agriculture products accepted
 - l) no-intra SACU direct export subsidies
 - m) new SACUA to legislate effective anti-dumping measures against extra-SACU trade
 - n) rebate facilities to be phased out within 6 years but may be used in the meantime where applied tariffs for identified strategic commodities are high
 - o) establishing a standing Technical Committee for Agriculture
 - p) cooperation on technical measures
 - q) harmonisation of bilateral trade agreements
- ii. **NO** agreement has been reached on the following:
 - a) decision making process
 - b) financing of the secretariat
 - c) dispute resolution settlement mechanism
 - d) location of the secretariat
 - e) revenue sharing formula, the effective rate of protection, polarisation effects and anti-export bias
 - f) infant industry development - to review the current industry protection clause and conduct further research

PIC Activity Summary Sheet

Activity Title: BOCCIM Industry Survey

<p>Activity Description: Conduct a detailed survey of costs and employment for a representative sample of the Botswana private sector. Data to be used by the BOCCIM ERU as a basis for micro analysis of the economy.</p>		
<p>Expected/Actual Impact: Regular surveys will provide the basis for an analysis of trends and expectations for the purposes of planning and, possibly, policy formulation. The survey will also provide the BOCCIM Policy Unit with a report which can generate income for the unit. Impact will be seen in the demand for survey information and the extent to which it influences decisions made by private sector companies, the GOB, parastatals, and the HLCC.</p>		
<p>Implementation Plan: Over the three-month period of August through October 1994, the BOCCIM Policy Unit conducted an industry survey to provide a more comprehensive picture of the structure and dynamics of the Botswana industrial sector than is available from official GoB statistics. Quarterly surveys of expectations will also be conducted.</p>		
<p>Status: The 1994 BOCCIM Industry Survey Report was published in August 1995. Of the 50 copies printed, 24 copies have been sold and 11 complimentary copies were provided to BOCCIM staff, USAID and Deloitte and Touche. The report was printed at a cost of P27 per copy, for a total production cost of P1,350. The 24 copies sold have grossed P1,440. The Policy Unit presented a seminar on August 11, 1995, to disseminate the results of the survey. The Policy Analyst also presented the results to the GoB and is scheduled to make a presentation at a Society for International Development Seminar in the very near future.</p>		
<p>Another quarterly survey was fielded in April, and the deadline for returning questionnaires was May 8, 1995. To date, 111 completed questionnaires have been returned to BOCCIM. Data analysis is underway and should be completed in December 1995. A questionnaire to gather data for the fourth quarter will be fielded this week.</p>		
<p>Issues: This line item requires funding to cover stationary and telephone bills incurred when following up on unreturned questionnaires or missing information (no project funding was requested). Absence of Policy Unit Assistant places the burden of processing the survey fully on the Policy Analyst. Conducting and processing surveys is time-consuming - BOCCIM needs to assess capacity to do so on a continuing basis. Timeliness in releasing survey results is important to ensure that reported "expectations" are not overtaken by actual events.</p>		
<p>BOCCIM should track host country contribution (including value of staff time, production costs, etc.) since BPED funds were used to get this activity started.</p>		
<p>Recommendations: Need to identify additional outlets for the sale of the report.</p>		
<p>Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.</p>		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Policy Development
Coordinating Institution: BOCCIM
Budget Line Item: n/a

Activity Coordinator: P. Siwawa-Ndai
Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

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PIC Activity Summary Sheet

Activity Title: Economic Research Unit

<p>Activity Description: Develop macroeconomic, microeconomic and regional databases, as well as a series of key indicators, to allow BOCCIM to conduct high quality economic research and analysis.</p>		
<p>Expected/Actual Impact: Strengthened capacity to analyze policy issues. Policy reforms resulting from the development and dissemination of policy positions.</p>		
<p>Implementation Plan: A consultant was in-country from May through mid-December to develop a database system for the Economics Research Unit, consisting of i) a macroeconomic database; ii) a microeconomic database based on data from the Central Statistics Office; iii) a BOCCIM microeconomic database (BOCCIM Industry Survey); and iv) a regional database. He also developed a system of economic indicators for the Botswana economy. In early 1995, he trained Policy Unit staff to use the database system, SAS and the economic indicators.</p>		
<p>Status: The Policy Analyst and Policy Advisor analyzed the BOCCIM microeconomic database to produce the BOCCIM Industry Survey report. Final documentation for the overall system and diskettes with clean data were delivered to BOCCIM in August 1995 (about six months late). Policy Analyst has reviewed these deliverables and finds them satisfactory. Economics students at the University of Botswana will use the databases to write their dissertations. BOCCIM will utilize the results to develop a policy paper and will also receive due recognition for allowing the students to use the databases.</p>		
<p>Issues: SAS licence was due for renewal on September 15, 1995, but was not renewed since BOCCIM cannot afford to pay annual licence fees. The consultant is shipping an alternative econometric package, E-VIEWS, which does not require an annual licence. University students have not yet started working with the databases since their advisor has just returned from leave.</p>		
<p>Recommendations: BOCCIM needs to develop a clear strategy for maintaining, updating the databases.</p>		
<p>Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.</p>		
Host Country Contribution	Expected	Actual
Salaries:		-
Travel/Transportation:		
Office Space:		
Other (Entertainment):		
TOTAL:		

Technical Subcommittee: Policy Development
Coordinating Institution: BOCCIM
Budget Line Item: n/a

Activity Coordinator: P. Siwawa-Ndai
Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: MCI On-Site dBase Support

<p>Activity Description: MCI engaged an on-site consultant to provide data base support and training. The consultant assisted the staff to design and maintain company information databases that will support day to day monitoring and analytical work within the Ministry.</p>		
<p>Expected/Actual Impact: Increase the capacity of DIA and TIPA to collect/process/monitor the data they require for policy enhancement and formulation. Impact may be seen in the ability of staff to cope with the management information systems and to utilize these systems in their day-to-day work. Information from these systems will eventually be used in the policy formulation process.</p>		
<p>Implementation Plan: The consultant provided regular assistance to DIA and TIPA in the development and maintenance of specific management information systems as outlined in a workplan developed by these departments. The consultant's immediate supervisor was Mrs. T. Ndzinge. Consultancy was completed at the end of August 1995.</p>		
<p>Status: During the last quarter, the consultant worked mainly with officers in the Industrial Licensing Section. Modifications to the main licensing database system were completed and data for approximately 90% of active companies was entered. A condensed company database system was developed giving summary details on over 1500 companies. An FAP monitoring system was been developed. Details on all medium and large scale FAP grants were entered along with disbursements through 1994. The consultant developed an Investor Tracking database at TIPA.</p>		
<p>Issues: The Industrial Licensing data still needs some cleaning. The new FAP system is in place, but as a result of recently announced changes to FAP, there is a greater need for monitoring, which may necessitate some modifications to the FAP database system. TIPA staff are not conversant with the Investor Tracking system and require training. A Motor Vehicle Industry monitoring system is required to comply with an agreement with South Africa to monitor both South African and Botswana companies in the industry on behalf of SACU. Once the new Set Aside scheme has been designed, DIA will need a system for registering and monitoring Set Aside companies. MCI therefore presented terms of reference for the continuation of on-site dBase support - however, under the revised BPED framework, general institutional strengthening at MCI is no longer eligible for BPED funding. The BPED Project Grant Agreement (PROAG), as amended on August 9, 1995, explicitly states that the on-site dBase support to MCI would be completed prior to September 30, 1995 (see page 4 of PROAG). The PROAG also states that if MCI requires assistance in the <i>analysis and implementation of specific private sector policy reforms</i> after September 30, the necessary consultancies may be procured through BOCCIM. The BOCCIM Cooperative Agreement reinforces this by stating that "BPED will fund a limited number of consultancies in support of MCI or BDC policy initiatives which are critical to private sector development. In order to qualify for funding under the project, these consultancies should contribute significantly to the policy dialogue process".</p>		
<p>Recommendations: Any new proposal for on-site dBase support must be strongly justified in terms of its contribution to the analysis and implementation of specific private sector policy reforms and/or to the policy dialogue process. The proposal must be accompanied by an Activity Summary Sheet as well as a revised terms of reference and budget.</p>		
<p>Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity. If a new proposal is submitted and approved, the activity will be treated as a new (albeit follow-on) activity.</p>		
<p>Host Country Contribution</p> <p>Salaries:</p> <p>Travel/Transportation:</p> <p>Office Space:</p> <p>Other:</p> <p>TOTAL:</p>	<p><u>Expected</u></p>	<p><u>Actual</u></p>

Technical Subcommittee: Policy Development
Coordinating Institution: MCI
Budget Line Item: n/a

Activity Coordinator: T. Ndzinge
Phone: 351790

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: Review of Citizen Contractors Scheme

<p>Activity Description: Determine the effectiveness of the scheme with a view to improving the participation/performance of citizen building and construction contractors.</p>		
<p>Expected/Actual Impact: The impact of the review will be its contribution toward making revisions in the current scheme in order to enhance the scheme's performance and the participation of citizen contractors in the construction industry.</p>		
<p>Implementation Plan: The consultant undertook a comprehensive survey of relevant private/parastatal and public institutions to determine the use, effectiveness, successes and challenges of the current citizen contractor scheme. The survey data was analyzed and recommendations made for a revision of the scheme. The reference group consisted of BHC, DABS, Roads, and other appropriate institutions.</p>		
<p>Status: The consultants submitted the final report in September 1995. MCI set up a task force to review the report. A group of citizen contractors went to the President's Office to complain that they were not getting enough support from MCI - this resulted in some delays in the preparation of the response paper, which is expected to be ready by October 20.</p>		
<p>Issues: Citizen contractors requested a revolving fund which would be used to help bail them out of financial difficulties. The MCI task force feels that this is not feasible, but higher level officials have given the citizen contractors some hope. Problems not unique to citizen contractors, but affect manufacturers as well. Funding must be identified as it is not in the NDP. BHC has fragmented some of its tenders to citizen contractors. Problems have arisen due to the educational level of the Citizen contractors, as they do not understand the terms and conditions of the set aside scheme. MCI was disappointed that the consultants did not come up with any new or innovative ideas, but acknowledged that within the context of the scheme there may not be much leeway for new ideas. MCI should track host country contribution (including staff time spent overseeing the consultancy and reviewing the report).</p>		
<p>Recommendations: Follow up on MCI response to report and whether NDP 8 incorporates any of the recommendations.</p>		
<p>Project Costs NOTE: This activity was previously funded under the Deloitte & Touche contract - currently no project funds are budgeted for this activity.</p>		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Policy Development
Coordinating Institution: MCI
Budget Line Item: n/a

Activity Coordinator: T. Ndzinge
Phone: 351790

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: BOCCIM Policy Committee

Activity Description: The BOCCIM Policy Committee (BPC), formerly known as the BOCCIM Policy Task Force, was set up early last year as part of a wider effort geared towards strengthening BOCCIM's capacity to identify and analyze critical policy issues that affect the private sector and to develop policy positions.

Expected/Actual Impact: Dialogue and refined agendas will promote credibility of private sector as it takes policy positions and provide the GoB with better information on which to act. Impact will also be measured by policy reforms related to items on policy agenda.

Implementation Plan: The BPC has twelve members, of whom four are drawn from the BOCCIM Executive Council, four from the Secretariat and four from the private sector at large. The BPC is chaired by the Policy Analyst/Chief Economist, meets on a quarterly basis, and has drawn up a policy agenda for the year.

Status: The BPC met on April 20, 1995, to refine the HLCC agenda. The BPC as constituted then disbanded in line with one of its bye-laws that requires it to be reconstituted after the BOCCIM Annual General Meeting (AGM), which was held in June 1995. The new committee convened its first meeting on August 8 to follow up on recommendations coming out of the July 1995 HLCC meeting. The BPC met again on October 10, 1995, and reviewed progress on the following action items from the previous meeting:

Utilities: The BOCCIM Secretariat had been asked to initiate meetings with individuals from the private sector who sit on boards of utility parastatals with a view to briefing them on the BOCCIM positions on issues being handled by their respective corporations. The ultimate aim is to encourage the private sector to influence decisions along BOCCIM thinking on those issues. This has not yet been done.

SACU: See SACU Activity Summary Sheet.

BOCCIM/BoB Meeting on Interest Rates: The meeting was held on September 27, 1995. A good presentation was made by Mr. C. Leith, Senior Policy Advisor at the BoB. This was followed by a lively discussion. Leith's conclusion was that interest rates were still too low and if they were to go anywhere, they would have to rise. This was the BoB's initial position, but after some discussion they indicated that rates were headed downwards following the abatement of inflation in recent months.

(continued on next page)

Issues: Host country contribution (e.g. time spent by members of BPC attending meetings) should be tracked.

Recommendations: Continue to monitor impact/influence on GoB policies.

Project Costs NOTE: Currently no project funds are directly budgeted for this activity. However, the activity has in the past been supported by the BPED-funded Policy Advisor and will continue to be so supported once the new Policy Advisor is on board.

<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Policy Development
Coordinating Institution: BOCCIM
Budget Line Item: n/a

Activity Coordinator: P. Siwawa-Ndai
Phone: 353459

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman

Status (continued):

Participation by BOCCIM in NDP 8 Preparation: BOCCIM has been invited by MCI to prepare a paper on key policy issues to be passed on to GoB for possible inclusion in NDP 8. A draft issues paper has been prepared and distributed to BPC members for comments. Upon the recommendation of the BPC, BOCCIM is also writing to the PS in MFDP seeking permission to sit in all meetings deliberating on NDP 8.

Privatization/Contracting Out: BOCCIM is concerned that while GoB has long accepted in principle the idea of privatization/contracting out, it appears that there is no real movement in privatizing or contracting out certain functions. Where there has been action at all, it appears there is no coherent strategy being followed. In order to assist the GoB to move forward on this issue, the Policy Unit plans to submit a proposal, for BPED funding, seeking the contracted assistance of a consultant to develop a privatization and contracting out strategy and action plan to be recommended to the GoB.

PIC Activity Summary Sheet

Activity Title: Local Preference/Set Aside Scheme

Activity Description: One of the recommendations from the review of the Local Preference Scheme was that the GoB should establish a Set Aside program for Government procurement from small and citizen owned suppliers of goods and services. A Set Aside program will be designed to replace the current local preference scheme.

Expected/Actual Impact: The implementation of a Set Aside program will increase the procurement of products manufactured by small-scale and citizen manufacturers in Botswana and thereby improve the quality of Botswana goods and promote employment and competition in the Botswana manufacturing sector.

Implementation Plan: The MCI Policy Advisor assisted MCI in conceptualizing a Set Aside program, utilizing the US program as a guide. MCI will design the program in-house and develop implementation guidelines. A Reference Group consisting of the Central Tender Board, local authorities, and other procuring agencies, as well as private and public sector entities, will provide feedback throughout the design process to ensure that the framework is appropriate for Botswana.

Status: A draft discussion paper on the Procurement Set Aside Programme was completed in August 1995 which is circulating within MCI. The Directors of various MCI departments are expected to meet next week to discuss the paper.

Issues: MCI is finding it difficult to develop a detailed proposal, since the concept is foreign and difficult to adapt to the local context. MCI obtained information about set aside programs in South Africa and Zimbabwe, as recommended by the Minister of Commerce and Industry at the HLCC meeting. Staffing and systems required to monitor a set aside program are not in place - only 94 companies participated in the local preference scheme, but a set aside program will involve a much larger number of companies. Company-level database systems need to be developed further to provide information which will support the implementation of a set aside program. Quality standards still need to be established for products produced in Botswana. There are many implementation issues which still need to be resolved. MCI is looking at how to fragment tenders, and how to create a regulatory infra-structure to monitor the program. These are plans to take these issues to the HLCC.

Host country contribution (e.g. staff time attending meetings, drafting discussion paper, etc.) should be estimated and documented.

Recommendations: MCI should involve the private sector in the review of the discussion paper. Mrs. Ndzingo will write a brief for the PS of MCI recommending this.

Project Costs NOTE: This activity is an MCI in-house activity which received some support from the previous BPED-funded Policy Advisor to MCI - currently no project funds are budgeted for this activity.

<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		
TOTAL:		

Technical Subcommittee: Policy Development
Coordinating Institution: MCI
Budget Line Item: n/a

Activity Coordinator: T. Ndzingo
Phone: 351790

Reviewed by PIC: _____
Mr. M. Mbaakanyi, PIC Chairman

PIC Activity Summary Sheet

Activity Title: White Paper on Industrial Development

<p>Activity Description: A new Industrial Development Policy is to be written by the Ministry of Commerce and Industry. This was promoted by the World Bank in a paper on Industrial Opportunities in Botswana.</p>		
<p>Expected/Actual Impact: Passage of the Industrial Development Policy by Parliament and its subsequent implementation will provide a significantly improved environment for private sector growth in the Botswana economy as it will include deregulation and incentive schemes to promote investment and enterprise growth.</p>		
<p>Implementation Plan: The former BPED-funded Policy Advisor provided support to this initiative during the earlier stages. The results from a host of studies that are on-going or recently completed in a variety of policy areas were incorporated into a draft report by a UNIDO consultant in July 1995. MCI anticipates that a revised and final draft of the Industrial Development Policy White Paper will be presented to Parliament in December 1995.</p>		
<p>Status: The UNIDO consultant has returned for four weeks to get comments on the draft paper and incorporate them into the final document.</p>		
<p>Issues: The draft author is concerned that draft is written from an economist point of view. A political analysis is will be necessary to insure the acceptance, formation, and implementation of the new industrialization policy. Host country contribution (e.g. staff time attending meetings or drafting/reviewing paper, office space for consultant, etc.) should be estimated and documented.</p>		
<p>Recommendations: BOCCIM should provide comments during the review process.</p>		
<p>Project Costs NOTE: This activity is an MCI in-house activity which received some support from the previous BPED-funded Policy Advisor to MCI - currently no project funds are budgeted for this activity.</p>		
<u>Host Country Contribution</u>	<u>Expected</u>	<u>Actual</u>
Salaries:		
Travel/Transportation:		
Office Space:		
Other:		-
TOTAL:		

Technical Subcommittee: Policy Development
Coordinating Institution: MCI
Budget Line Item: n/a

Activity Coordinator: T. Ndzingo
Phone: 351790

Reviewed by PIC: _____
 Mr. M. Mbaakanyi, PIC Chairman